

University of Oregon Economic Impact, 2019-2020 Update

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Introduction

The University of Oregon plays a powerful economic role in the state. As part of the tradable goods and services sector, the UO adds over a billion dollars to the state's economic output. This is a conservative estimate based on methodology followed in traditional economic impact reports. College education, however, has benefits that extend beyond these impacts. This report updates estimates of the UO's direct economic impacts.

Traditional Economic Impact

Universities regularly publish estimates of economic impacts to illustrate one category of community benefits. These reports tend to follow a well-known methodology: Estimate spending associated with university activity and apply "multipliers" to those estimates to determine the total impact. The underlying theory is that spending has an expanding or multiplying impact over time because a dollar spent by the university or associated entity becomes a dollar of income to the recipient which in turn becomes another dollar spent. The patterns of spending that emerge from any activity thus support the creation of an economic ecosystem that exceeds the size of the initial spending.

I detailed the economic methodology in previous research.¹ One aspect of that research bears repeating: Traditional reports tend to overestimate impacts because they fail to identify new spending in a region as opposed to existing spending. A transfer of spending power from one sector in Oregon to another will shape the contours of the Oregon economy but does not by itself create net new economy activity. In contrast, the transfer of spending power to Oregon from other parts of the nation or world does create net new economic activity. It is the latter that should be properly considered economic impact.

Restricting the definition of economic impact to that associated with new spending from out of the state comports with the concept that that University of Oregon is properly defined as part of the traded goods and services sector of the economy. It leverages in-state resources to create new economic benefits by selling educational and research services to entities outside of Oregon.

Because traditional economic impact reports do not attempt to differentiate between the sources of an institution's spending they are not directly comparable to my estimates of the UO's economic impact. To resolve this issue, I present two measures of impact. The first is what I call the "economic footprint" that reflects the amount of the economy that might be shaped by the University of Oregon. This metric is comparable to traditional economic impact reports. The second measure is the "economic impact" that identifies new spending in Oregon triggered by University of Oregon activities.

In practice, impact is derived by prorating university and student spending by the percentage attributed to out-of-state demand. Using the concept that the educational services are the primary objective of higher education, I prorate University spending by 72%, the percentage of tuition revenue from non-residents, to obtain measures of the economic impact. Estimates of student spending, however, are prorated by the percentage of non-residents students, or 49%. The estimate of visitor spending attempts to capture out-of-state visitors so it does not need to be adjusted to differentiate between footprint and impact. Similarly, because donors and borrowing support a large portion of new buildings on campus, construction activity is also assumed to entirely represent new spending in the economy.

Table 1 (see appendix for tables) reports the University of Oregon Expenditures as reported in the 2020 Annual Financial Report.² Charges for "Change in Components of Net Pension & OPEB Liabilities" (not

¹ The Economic Impact of the University of Oregon: A Comprehensive Revision,
<https://olis.leg.state.or.us/liz/2015R1/Downloads/CommitteeMeetingDocument/54803>

² https://pages.uoregon.edu/baoforms/bao_drupal_6/sites/ba.uoregon.edu/files/fy2020UOafs.pdf

included in table) and depreciation are excluded as they do not represent spending available to the state. Excluding these categories, the University spending was \$865 million in FY2019-20. Table 2 reports payroll expenses for University of Oregon employees. Payroll expenses include employee wages and salaries plus healthcare benefits less employee payments for Medicare and Social Security. Also excluded are retirement costs as they are not available for current spending. The sum total of payroll costs relevant for this report was \$469 million in FY2019-2020. Finally, table 3 reports the number employed by the UO.

Using the information contained in tables 1 to 3, I estimate that the economic footprint of University is \$1.7 billion overall, \$693 million of household earnings, and 17,866 jobs³. Prorating by the amount of out-of-state tuition as described above, the economic impact of University spending or, in other words, new economic activity, is \$1.2 billion in output, \$499 million of household earnings, and 12,869 jobs. Results are reported in table 4.

Table 5 reports estimates of student spending by category of student. Estimated living expenses can be found at the University of Oregon Office of Financial Aid.⁴ Total student spending was \$270 million in FY2019-20. After accounting for margins on food and retail goods, this spending supported an economic footprint of \$347 million, household earnings of \$85 million, and 3,450 jobs. Prorated spending by the percentage of out-of-state students provides an economic impact estimate of \$167 million, \$41 million of household earnings, and 1,657 jobs. Results are reported in table 6.

Table 7 reports the economic impact of visitor spending based on estimates of out-of-state visitors for athletic events, visit by out-of-state parents, and visits by potential students and their families. Visitor spending was \$28 million and supported an economic impact of \$51 million in output, \$15 million in household earnings, and 459 jobs.

Table 8 reports the economic impact of construction spending. Building activity was brisk in 2019-2020 with major projects on campus such as the new Knight Center and Haywood Field renovation. Direct construction expenditures were \$268 million⁵ which supported a total of \$535 million of output, \$196 million of household earnings, and 4,190 jobs. Note that the construction figure can be volatile from year to year but it regularly in the \$100 million to \$200 million range. The frequency and relative consistency of building activity provides regular support for the state's construction industry.

Table 9 reports the total economic footprint and impact attributable to the University of Oregon. The economic footprint, or activity shaped by the University of Oregon in FY2019-20 was \$2.6 billion of output, \$989 million of household earnings, and 25,917 jobs. The economic impact was \$2 billion of output, \$750 million of households earnings, and 19,127 jobs. The total valued-added to the Oregon economy attributable to the University of Oregon was \$1.2 billion which compares to state gross domestic product (the sum of value added) of \$254 billion in 2019. The Eugene-Springfield region, in which much of the University activity occurs, has a GDP of \$18 billion, which means that almost \$1 out of every \$15 of local GDP is attributable to the UO.

³ Estimates of earnings and jobs derive from two different approaches, one based on spending and the other based on payrolls and jobs. I report the range of the two estimates and the average.

⁴ https://financialaid.uoregon.edu/cost_of_attendance_1920

⁵ Estimate of construction spending from the 2020 Annual Financial Report under the category Capital Assets, Depreciable/Amortizable: Buildings: Additions.

Table 1. University Expenditures

Instruction	\$299,000,000
Auxiliary Programs	\$196,000,000
Research	\$82,000,000
Institutional Support	\$80,000,000
Academic Support	\$72,000,000
Public Service	\$55,000,000
Student Aid	\$44,000,000
Other Operating Expenses	\$98,000,000
<u>Subtotal</u>	<u>\$926,000,000</u>
(less) Depreciation	(\$70,000,000)
<u>Total</u>	<u>\$856,000,000</u>

Table 2: University Payroll Expenses

Payroll	\$412,748,946.00
Benefits (HC)	\$84,505,430.00
(less) Medicare	(\$5,883,442.03)
(less) Social Security	(\$21,901,442.41)
<u>Total</u>	<u>\$469,469,491.56</u>

Table 3: Employee Headcount

Administrators	<u>28</u>
Faculty	2,094
Classified Employees	1,579
Officers of Administration	1,555
Librarians	48
GTFs	1,499
Students	3,200
Temporary Employees	293
<u>Total Employees</u>	<u>10,296</u>

Table 4: Economic Footprint and Impact of University of Oregon Direct Spending

	Expenditures	Economic Footprint			
		Output	Earnings	Value-Added	Jobs
UO Direct Expenditures	\$856,000,000	\$1,686,405,600	\$692,528,202	\$1,003,146,400	17,866
			(\$596m-\$789m)		(15,698-20,034)
	Expenditures	Economic Impact			
		Output	Earnings	Value-Added	Jobs
UO Direct Expenditures	\$616,587,025	\$1,214,738,098	\$498,836,336	\$722,578,335	12,869
			(\$429m-\$569m)		(11,308-14,431)

Table 5: Student Spending

Student Categories			
Total Headcount			22,615
Students living in dorms			4,126
Students in family housing & UO apartments			450
Students living at home			501
Students living off campus			17,538
	(per student)	(total)	
On Campus Student Spending			
Books & Supplies	\$1,178	\$5,390,528	
Miscellaneous	\$2,466	\$11,284,416	
		\$16,674,944	
Off Campus Student Spending			
Housing	\$7,389	\$132,913,332.00	
Food	\$2,925	\$52,614,900.00	
Utilities	\$0	\$0.00	
Books & Supplies	\$1,178	\$21,189,864.00	
Miscellaneous	\$2,466	\$44,358,408.00	
		\$251,076,504	
At-Home Student Spending			
Books & Supplies	\$1,178	\$590,178	
Miscellaneous	\$2,466	\$1,235,466	
		\$1,825,644	
Total Student Spending		\$269,577,092.00	

Table 6: Economic Footprint and Impact of University of Oregon Student Spending

	Direct Expenditures	Economic Footprint			
		Output	Earnings	Value-Added	Jobs
Rent	\$132,913,332	\$208,740,388	\$41,787,952	\$138,602,023	1,799
Food	\$14,129,215	\$26,000,582	\$8,137,015	\$16,032,421	287
Books and Supplies	\$8,917,147	\$16,409,333	\$5,135,385	\$10,118,286	179
Miscellaneous	\$48,938,144	\$95,908,001	\$29,452,844	\$57,592,151	1,184
Total	\$204,897,838	\$347,058,304	\$84,513,195	\$222,344,881	3,450

	Direct Expenditures	Economic Impact			
		Output	Earnings	Value-Added	Jobs
Rent	\$63,838,364.46	\$100,258,151.38	\$20,070,781.79	\$66,570,646.46	864
Food	\$6,786,271.87	\$12,488,097.49	\$3,908,213.97	\$7,700,382.69	138
Books and Supplies	\$4,282,911.63	\$7,881,413.97	\$2,466,528.81	\$4,859,819.82	86
Miscellaneous	\$23,505,024.16	\$46,064,678.48	\$14,146,221.09	\$27,661,549.83	569
Total	\$98,412,572	\$166,692,341.32	\$40,591,745.64	\$160,157,674	1,657

Table 7: Economic Footprint and Impact of University of Oregon Visitor Spending

	Direct Expenditures	Output	Earnings	Value-Added	Jobs
Food Service	\$10,673,503	\$20,510,203	\$5,885,369	\$11,339,529	254
Accommodations	\$6,511,019	\$11,514,087	\$3,289,367	\$7,007,810	104
Retail Sales	\$2,060,124	\$3,791,040	\$1,186,425	\$2,337,622	42
Local Tran. & Gas	\$608,380	\$1,119,540	\$350,366	\$690,328	12
Arts, Ent. & Rec.	\$4,377,233	\$8,458,564	\$2,512,532	\$4,655,625	11
Food Stores	\$898,662	\$1,653,718	\$517,540	\$1,019,712	18
Total	\$27,641,946	\$50,930,279	\$14,562,855	\$28,951,982	459

Table 8: Economic Footprint and Impact of University of Oregon Visitor Spending

	Direct Expenditures	Output	Earnings	Value-added	Jobs
Construction	\$268,443,000	\$535,221,653	\$196,339,210	\$306,347,152	4,190

Table 9: Economic Footprint and Impact of the University of Oregon

	Economic Footprint				
	Direct Expenditures	Output	Earnings	Value-Added	Jobs
UO Spending	\$856,000,000	\$1,686,405,600	\$692,528,202	\$1,003,146,400	17,866
Student Spending	\$204,897,838	\$347,058,304	\$84,513,195	\$222,344,881	3,450
Visitor Spending	\$27,641,946	\$50,930,279	\$14,562,855	\$28,951,982	411
Construction Spending	\$268,443,000	\$535,221,653	\$196,339,210	\$306,347,152	4,190
Total	\$1,356,982,784	\$2,619,615,836	\$987,943,462	\$1,560,790,415	25,917

	Economic Impact				
	Direct Expenditures	Output	Earnings	Value-Added	Jobs
UO Spending	\$616,587,025	\$1,214,738,098	\$498,836,336	\$722,578,335	12,869
Student Spending	\$98,412,572	\$166,692,341	\$40,591,746	\$160,157,674	1,657
Visitor Spending	\$27,641,946	\$50,930,279	\$14,562,855	\$28,951,982	\$411
Construction Spending	\$268,443,000	\$535,221,653	\$196,339,210	\$306,347,152	4,190
Total	\$1,011,084,543	\$1,967,582,371	\$750,330,147	\$1,218,035,142	19,127