The economic impact of

NDSU NORTH DAKOTA STATE UNIVERSITY

STUDENT FOCUSED • LAND GRANT • RESEARCH UNIVERSITY
The study addresses two primary areas of socioeconomic impact:
1) Return on investment for students and taxpayers, and;
2) Economic growth in the regional economy.
The investment analysis focuses on benefits and costs that accrue to students, taxpayers, and the public at large.

1. From the student perspective, the study examines the higher earnings of students relative to their costs (i.e., tuition, fees, and opportunity cost).

2. From the social perspective, the study analyzes a broad collection of external benefits that accrue to the public.

3. From the taxpayer perspective, the study measures the cost of funding the University against the returns generated by the University’s educational activities.
Students give up time and forgo earnings to attend the University. In return, students benefit from a lifetime of higher earnings relative to what they would have been earning had they not chosen to go to the University.
Costs comprise the total of tuition, fees, and earnings forgone. Benefits comprise the higher earnings of students as a result of their education.
The internal rate of return is the earning power of the money used over the life of the investment. The threshold value from the student perspective is 4% - any number greater than that indicates a positive investment.
Students who achieve a degree can expect a lifetime of higher earnings.
Higher earnings to students and increased business and property income expand the state’s tax base.

Students who attend the University are also statistically less likely to incur medical costs, commit crimes, or claim income assistance. This translates into savings to the public.
The taxpayer perspective weighs government funding of the University against benefits that result in actual monetary gain to state and local governments, whether in the form of added tax revenue or reduced government expenditures.
Costs comprise funding received by the University from state government.
Benefits include added tax revenue stemming from the higher earnings of students, plus avoided social costs to the government for health, crime, and income assistance.
A rate of return that exceeds the assumed 3% discount rate from the taxpayer perspective indicates a positive investment.
The economic growth analysis comprises four main components:

1. Impact of university operations spending, including the income effect of university payroll and purchases for supplies and services;
2. Income effect generated by the off-campus spending of students from outside the region;
3. Income effect generated by the off-campus spending of non-local visitors;
4. Productivity effects due to the higher earnings and increased output of past and present students who are still active in the regional workforce.
The impact of university operations spending is calculated by summing faculty and staff wages and salaries to determine the direct effect on regional income, and then applying multiplier impacts to determine the indirect effect as staff salaries and the University’s purchases for supplies and services are spent in the economy.

Unlike most multiplier analyses, however, the study adjusts the gross impacts of university spending to take into account local monies withdrawn from the economy to support the University. These monies could have been used for alternative purposes if the University did not exist, and are thus not credited to the existence of the University.
$201.2 million
NET CONTRIBUTION TO REGIONAL INCOME
Students from outside the region spend money that would not have otherwise entered the local economy. To maintain the conservative nature of the results, direct off-campus expenditures of non-local students are adjusted downward to account for leakage and then converted to income to determine the net impact on income growth.
Economic Growth

STUDENT SPENDING EFFECT

$25.1 million
NET CONTRIBUTION TO REGIONAL INCOME
As with the student spending effect, direct off-campus expenditures of non-local visitors are adjusted downward to account for leakage and then converted to income to determine the net impact on income growth.
Economic Growth

VISITOR SPENDING EFFECT

$2.9 million
NET CONTRIBUTION TO REGIONAL INCOME

NDSU NORTH DAKOTA STATE UNIVERSITY
Each year students study at the University and enter the local workforce, bringing with them skills they acquired while in attendance. Over time these skills build up and accumulate, steadily increasing the training level and experience of the workforce. This sparks a chain reaction in which the higher earnings of students generate additional rounds of consumer spending, while new skills and training translate to increased business output and higher property income, causing still more consumer purchases and local multiplier spending. The sum of these direct and indirect effects comprises the total impact of past and present student productivity on regional income.
Economic Growth
STUDENT PRODUCTIVITY EFFECT

$655.4 million
NET CONTRIBUTION TO REGIONAL INCOME
SO WHAT DOES ALL THIS MEAN?
The results of the study demonstrate that the University is a sound investment from multiple perspectives. It enriches the lives of students and increases their lifetime incomes. It benefits taxpayers by generating increased tax revenues from an enlarged economy and reducing the demand for taxpayer-supported social services. Finally, it contributes to the vitality of both the local and state economies.