

Executive Summary for the Economic Impact of the University of Delaware on Newark and the State of Delaware Fall 2007

The purpose of this study was to determine the economic impact that student, faculty, staff, and University expenditures have on the local community of Newark and the state of Delaware. This study replicated the Economic Impact Study conducted in 1999, and sought to examine trends of expenditures and the economic impact of the University of Delaware since that time. The Economic Impact Study was administered in November 2007 to a sample of 2,650 undergraduate and graduate students and 2,050 faculty and staff members on the Newark campus. All study participants were randomly chosen to ensure a representative sample. The student response rate was approximately 25% while the faculty and staff response rate was approximately 43%. Both students and faculty and staff members were given the option to complete a paper questionnaire or an identical web version of the survey. The study was also administered to approximately 300 local businesses in the Newark area. The business response rate was approximately 37%. A follow-up contact was made three weeks after the initial administration for all three groups.

The reported mean monthly student income from all sources after taxes was \$1,023. This figure is very close to that found in the 1999 study. The total mean monthly amount spent in Delaware by students increased slightly since 1999 to approximately \$810. Student expenditures ranged in items from housing to entertainment to medical and dental. In reporting their monthly expenditures, students were asked to exclude spending on University tuition, housing, and meal plans. The estimated total of annual expenditures in Delaware by the overall University student population was \$144,402,298. This represents a modest increase in annual student expenditures of approximately 1% compared with the 1999 study.

The total mean monthly faculty and staff household expenditures in Delaware were approximately \$3,140. This is an increase of approximately 35% from the total mean monthly faculty and staff expenditures reported in 1999. Faculty and staff expenditures ranged in items from housing to retail to education and tuition. The estimated total of annual expenditures in Delaware by the faculty and staff population on the Newark campus was \$141,917,609. This figure represents an increase of approximately 50% since 1999.

Local businesses report employing current University students, as well as University alumni. Many businesses also stated that University students, faculty and staff are frequent customers and loyal patrons. This relationship influenced their decisions to offer specific products and services, as well as how to market. Many marketing events are timed to coincide with University of Delaware special events, when respondents report they often experience a surge in business. Other businesses valued University students as a recruiting pool of quality candidates for seasonal part-time positions, as well as full-time positions after graduation. Respondents indicated that the University and its community is an asset to their business, and a number of businesses stated that their success is based solely on the University. Several noted that they appreciate that the University makes Newark “an interesting and diverse community.” One business respondent praised Newark’s “communal feeling” which is created by the University, as well as the “fresh, inventive ideas” of the University community. Business respondents noted that they also thrive on the additional business generated by visitors drawn to Newark because of the University and its events.

The University of Delaware is one of the largest employers in the state of Delaware. During fall 2007, the University employed approximately 3,760 faculty and staff members on the Newark campus. The University compensated these employees approximately \$227,723,165; a figure approximately 47% greater than that reported in the 1999 study.

The University makes numerous purchases through both Delaware and non-Delaware vendors. During the 2006-2007 fiscal year, the University purchased approximately \$124,042,608 worth of products and services through Delaware vendors. Purchasing in the state of Delaware constitutes 35% of the University’s overall purchasing. This in-state spending figure is over \$61 million greater than that of 1999, nearly doubling since the 1999 study.

The expenditures of students, faculty, staff and the University account for a large part of the economic impact on the state of Delaware. These direct expenditures create a “multiplier” effect, where employees and businesses make subsequent (indirect) purchases after receiving paychecks and profits from the revenue of the initial (direct) purchases. The total economic impact of the University of Delaware was calculated by applying a multiplier of 1.8¹ to the direct expenditures of students, as well as faculty and staff members. Purchases made by the University were multiplied by 1.9² to derive its actual economic impact. The estimated total economic impact of student, faculty, and staff direct expenditures and University purchasing is summarized in Table 1.

Table 1. Annual Amount Spent in Delaware by the University of Delaware and Its Community

	Estimated Spending in Delaware Per Year	Percent Change since 1999		Overall Economic Impact	Percent Change since 1999
Student Expenditures ¹	144,402,298	1.0		259,924,136	-4.3
Faculty and Staff Expenditures ¹	141,917,609	50.2		255,451,696	42.3
University Purchases ²	124,042,608	97.4		235,680,956	97.4
Total	410,362,515	36.6		751,056,788	31.6

Interestingly, the annual expenditures of faculty and staff were found to have increased substantially compared to students, as previously noted. This trend can be attributed to the inherent differences in the two populations. While students maintain a somewhat transient Delaware residency, a large majority of faculty and staff members live in Delaware on a more permanent basis. This fact helps to explain why student respondents report essentially no differences in their income level compared with students surveyed in the 1999 study. However, over the eight year period faculty and staff income levels have grown as the University raises employee compensation through cost of living

¹ Regional Input-Output Modeling System (RIMS II). Regional Economic Analysis Division, Bureau of Economic Analysis, U.S. Department of Commerce, 2007. The multiplier and number of jobs created used to calculate student/faculty and staff economic impact represents that given for the RIMS II “Other Services” industry.

² Regional Input-Output Modeling System (RIMS II). Regional Economic Analysis Division, Bureau of Economic Analysis, U.S. Department of Commerce, 2007. The multiplier and number of jobs created used to calculate overall University economic impact represents that given for the RIMS II “Educational services” industry.

and merit-based salary increases, as well as adjusting starting salaries to remain competitive in the labor market. Such increases would account for their higher expenditures.

During 2007, the University and its community spent approximately \$410 million in Delaware, which is a 37% increase in total expenditures since 1999. These estimated expenditures are more than 3.3 times the 2007 fiscal year state operating appropriations level (\$123 million). The estimated total economic impact of the University of Delaware is approximately \$751 million, nearly a 32% increase compared to the results in the 1999 study.

The economic impact of the University of Delaware is also responsible for generating additional jobs for businesses that provide products and services to the University and the local community. According to the Bureau of Economic Analysis, approximately 18 jobs are generated for each additional \$1 million spent by students, faculty and staff. Another 21 jobs are created by each additional \$1 million spent by the University. Therefore, the estimated expenditures made by students, faculty, staff, and the University support approximately 7,760 jobs in the state of Delaware.

In 2007, the University of Delaware continues to provide a tremendous benefit to the economy of the surrounding community and the state of Delaware through the vast and far-reaching effects of both direct and indirect expenditures. Since the 1999 Economic Impact Study, students, faculty, staff and University expenditures have increased within the local economy. Local businesses, on the receiving end of many of these purchases, continue to find the University and its community key to the success of their businesses. Comparing the current overall findings to those in 1999, this impact on the local and state economy generated a significantly greater return in 2007 – one that is more than 3 times the value of the state’s annual investment in the University of Delaware.

The University of Delaware’s mission focuses on education, research and service for the betterment of its students, as well as the surrounding communities and the state of Delaware. In addition to these benefits and its economic impact, the University of Delaware provides a range of benefits including, but not limited to, employment opportunities, cultural exhibits and events, and support for the area’s unique social and geographical environment.