

Taking Account...

Guide to university economic impact studies

Public universities have come under increasing pressure to promote the contributions that they make to their local economies. A long-standing method of doing this is through the use of an economic contribution study based on a regional input-output (I-O) model.

In a paper, Zoë O. Ambargis, Charles Ian Mead, and Stanislaw J. Rzeznik, economists with the Bureau of Economic Analysis (BEA), provide best practices and guidelines for researchers and analysts using regional I-O models, most of which rely on data from BEA's industry accounts. The goal of the paper is to suggest a transparent framework for generating and presenting contribution study results and to answer commonly asked questions about the results' soundness.

Four activities can be assessed with a regional I-O model:

- University operations, which include educational and student services. Services, such as student health clinics and recreational facilities, and auxiliary operations, such as university-operated book stores, residence halls, and cafeterias, are considered part of university operations. University operations do not include the operation of university hospitals that provide services to the general public.
- Capital investment, which includes new construction

and purchases of equipment and software. Because these expenses are not treated as part of operating expenses in an I-O model, their impact on the regional economy needs to be calculated separately.

- Student spending, which includes purchases made by students who have temporarily moved into the region to attend the university. Their spending includes spending for off-campus housing, groceries at local stores, and local entertainment. To avoid double-counting, student spending should not include tuition and on-campus housing, because this spending is included as part of university output.
- Visitor spending, which includes purchases made by people who visit the region to see students or attend regularly held university events.

The premise behind a regional I-O model is that an initial change in economic activity leads to additional changes in economic activity in other industries or sectors of an economy—for example, an increase in the provision of educational services leads to an increase in the production of electricity to power dormitories and classrooms. The increased production of power, in turn, leads to an increase in the production of coal and natural gas. Workers and business owners benefiting from these increases in eco-

nomics activity will also spend more, which results in additional economic activity.

While contribution studies are common, the results of university contribution studies are often difficult to assess because of a general lack of transparency, the authors note.

Often little information is included in the report on how the results are generated and the types of economic activities measured.

In cases where sufficient information is provided, the university contribution estimates are often unreasonably high because the model was not properly used. The most common misuses result in “double-counting” the impacts of employee or student spending.

In addition, regional I-O models are not well suited for measuring the contribution of some university-related activities, such as “downstream” activities related to research laboratories that locate in the area because of the university.

Also, regional I-O models aren't designed to measure the returns to society from the development of human capital.

The paper can be accessed through www.bea.gov.

New FAQ on health care act and personal income

BEA has added an FAQ item (available at www.bea.gov) about the Affordable Care Act and its effects on BEA's measure of personal income and outlays.