

2014

# ECONOMIC IMPACT STUDY

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## Impacts of Salem State University

For more than 160 years, Salem State University has been a vital part of the economic, intellectual and cultural vibrancy of Salem, the North Shore and all of Massachusetts. This economic impact study aims to quantify the significance of the activities of the university and the many contributions of Salem State's students, alumni, faculty, and staff.



## Executive Summary

During fiscal year (FY) 2014 Salem State University generated an economic impact of over \$827 million in Massachusetts.

The economic impact on the City of Salem in FY2014 was more than \$100 million while the regional impact on Essex County reached over \$443 million. Further impacts on the economy and the local, regional and statewide communities are explored throughout this study.

## Summary of Findings

Table 1. Salem State University Overall Economic Impact

	Salem	Essex County	Massachusetts	Total
Salaries and Benefits	\$24,975,573	\$62,586,026	\$93,547,007	\$99,606,278
Purchased Goods and Services	\$3,878,985	\$7,053,072	\$22,860,312	\$43,380,029
Student Spending	\$22,648,848	\$139,444,655	\$233,226,309	
Total Direct Spending	\$51,503,406	\$209,083,754	\$349,633,628	
Indirect spending	\$48,104,176	\$234,328,119	\$477,762,629	
Total Economic Impact*	\$99,607,582	\$443,411,872	\$827,396,256	

\*Total economic impact is calculated using RIM II model and multipliers provided by the U.S. Department of Commerce's Bureau of Economic Analysis (see Appendix 1)

## About This Report

### What's included?

Spending associated with state operations at Salem State campuses and administrative offices, as well as off-campus spending by students, faculty and staff using ClipperCards and Procards.<sup>1</sup> This analysis relies on standardized and centrally reported financial data from the university's financial services department, and employs RIMSII economic multipliers from the Bureau of Economic Analysis.

### What's not included?

Spending by alumni and retirees who reside in the areas assessed, although these two groups continue to positively impact the economics locally, regionally and statewide.

<sup>1</sup> ClipperCards are pre-paid debit accounts that can be used for purchases of products and services on- and off-campus wherever the ClipperCard is accepted. Procards are Salem State procurement and payment processes for consumable commodities of low dollar value such as food service, books, plaques, subscriptions, and office supplies off campus. At the discretion of the division vice president, the cards are also open for all travel expenses—airplane tickets, parking expenses, business, and group travel.

# Impacts of Salem State University

This report explores the economic, social and infrastructural impacts of Salem State University on its community, region and state areas. It considers many of the associated enterprises, centers and outreach activities included in three entities: Salem State University, Salem State College Assistance Corporation and Salem State College Foundation, Inc. and the broader implications that affect the economy and quality of life in these regions.

Beyond a traditional economic impact modeling approach, the key question posed throughout this study seeks to determine the benefits to the local and regional communities as a result of Salem State University, as opposed to the situation if it were absent.

## Data Development and Methodology

Three types of economic estimates were produced for this study. The first is an estimate of the total economic impact of the approximately \$233 million in student spending made during FY14. The second estimate shows the average economic contributions to jobs, earnings and tax revenue generated by \$433 million in university spending. The third estimate is derived from faculty, staff and student salaries paid during FY2014.

While fully modeling the production process of a university is clearly outside the scope of this work, some discussion of the output of universities is necessary. Colleges and universities are best viewed as multi-product firms, producing a variety of services including:

- Education
- Food, accommodations and amusements
- Athletics
- Research
- Investment management

The second part of the analysis combined local expenditures and spending multipliers derived from RIMS II, an econometric input/output model developed by the U.S. Department of Commerce, Bureau of Economic Analysis and regionalized for the state of Utah. Input/output models trace the flow of goods and services through a geographic region, estimating the resultant changes in economic activity that occur as these expenditures work their way through the economy. These statistical models are designed to capture the effects of spending changes in one part of the economy on all other parts of the economy.

With the exception of tax revenues, the total impacts include direct, indirect and induced economic effects. RIMS II can be used to estimate the university's economic contribution to employment, earnings, regional, and gross state product in the Massachusetts economy. These contributions are the net changes in economic activity that occur when dollars are spent locally.

## Students

Salem State University students have a large impact on the local economy as well as regionally. The university's financial aids office estimates an approximate budget of \$22,752 will be spent by a student living off-campus over a nine-month term.

With 1,116 students living off-campus in Salem and a further 5,755 in Essex County, millions of dollars are sent into the North Shore economy annually. Further money flows into the Massachusetts economy from the additional 5,737 students residing outside Essex County. Direct and indirect dollars generated are calculated in Table 2 and have taken into consideration the number of students living with parent(s), but does not include spending by the 1,984 students who lived in residence in FY2014.

Direct student spending locally to the City of Salem was more than \$22 million in FY2014 with the region benefitting from further direct spending in Essex County of approximately \$139 million.

Table 2. Student Spending

	Salem	Essex County	Massachusetts
Student Spending	\$22,648,848	\$139,444,655	\$233,226,309
<b>Total Economic Impact*</b>	\$45,524,185	\$295,622,668	\$562,075,406

*\*Economic impact is calculated using multipliers provided by the U.S. Department of Commerce's Bureau of Economic Analysis.*

*Note: These figures do not include money spent by students living in residence.*

*Note: Student cost of living in Salem, Mass. for consumables as a percentage of the U.S. National Norm is 115%. The "consumables" percentage assumes a minimum wage earner or student sharing an apartment and paying minimum taxes. Consumables include convenience food items combined with weighted pricing patterns found in grocery and drug stores. The impact of consumables varies by earnings level—college students' consumable expenses might consume 50% of their income while it may impact only 20% of a professional's earnings. In the latter case, the consumables rate is more affected by home ownership versus rent decisions, residence size, personal income taxes, and cost of services, transportation, and miscellaneous items.*

*<http://www.eri.com/index.cfm?fuseAction=CareerPlanning.StudentCOLReport&city=5168&redirect=Y>  
(Economic Research Institute 2012)*

Salem State students also have a considerable impact beyond direct and indirect spending in terms of the community service and unpaid internships they are involved in.

During the 2013-14 year, the following community service was recorded by faculty:

- Number of students engaged in academic service-learning 2,106
- Number of students engaged in forms of community service not including service learning students 608
- Number of students who engaged in community service 2,714
- Number of courses that integrate community service with academic content 260
- Total number of community service hours engaged by students 429,510

Salem State supported 80+ different local community service groups in FY14. Without the time and assistance of the university's students, many of these groups would have been unable to run programs and offer as many services. Salem State's faculty members have also been involved with community partners behind the scenes in the planning of programs, delivery of services and have even led non-profits through the process of obtaining 501(c)3 status.

Beyond Salem State's significant contributions to the community with the university's nursing practicum and education school student teaching, the students also completed a wide array of internships. During FY14, there were 446 students that completed internships. Over 80 faculty members are involved in securing internships for students from 29 different departments across the university.

## Internships

Summer 2013	Fall 2013	Spring 2014
110 students	67 students	269 students
21 departments	27 departments	23 different departments
42 faculty	55 faculty	62 faculty

## Employee Salaries and Benefits

As shown in Table 3 below, residents of Massachusetts received compensation in FY14 of more than \$93 million, while those in Essex County received \$62.5 million and the City of Salem saw just almost \$25 million specifically from salary and benefit wages. These figures do not include any supplemental income that may have been generated from faculty and staff for extraneous economic activities such as consulting, publishing or lecturing outside of Salem State University.

Table 3. Employee Salaries and Benefits

	Salem	Essex County	Massachusetts	Total
Salaries and Benefits	\$24,975,573	\$62,586,026	\$93,547,007	\$99,606,278
<b>Total Economic Impact *</b>	\$48,202,856	\$135,811,677	\$211,416,236	

*\*Economic impact is calculated using multipliers provided by the U.S. Department of Commerce's Bureau of Economic Analysis (see Appendix 1)*

In FY14 the number of employees supported by Salem State totaled 2,251 with a payroll in excess of \$99 million. Of this, 177 resided locally in Salem and 1,000 in Essex County.

## Purchased Goods and Services

The total economic impact of institutional purchases to the Commonwealth of Massachusetts was more than \$53 million, as seen in Table 4 below. The goods and services that were purchased ranged from construction contracts, to restaurants, instruments, office supplies, hotel accommodations, technical services, and many more. Purchases were made from more than 8,824 different vendors in FY14. In the City of Salem, many of the 568 vendors were local restaurants, hotels and other retail services creating an economic impact locally of over \$5.8 million.

Table 4. Purchased Goods and Services

	Salem	Essex County	Massachusetts	Total
Number of Vendors	568	1,634	5,664	8,824
Purchases	\$3,878,985	\$7,053,072	\$22,860,312	\$43,380,029
<b>Total Economic Impact*</b>	\$5,880,541	\$11,977,527	\$53,904,614	

\* *Economic Impact is calculated using multipliers provided by the U.S. Department of Commerce's Bureau of Economic Analysis (see Appendix 1)*

Salem State University invested significantly in campus facilities in FY14. Some of the major projects that were completed during that period include:

- Completion of Frederick E. Berry Library and Learning Commons (August 2013)
- Completion of the Harold E. and Marilyn J. Gassett Fitness and Recreation Center (August 2013)
- Opened Student Navigation Center—this one-stop-shop now houses the offices of admissions, student accounts, ClipperCard, financial aid, registrar, and transfer services (July 2014)
- Relocated public safety building (August 2014)
- Canal Street Parking—the former Weir property located on Canal Street was converted to surface parking with over 300 spaces. (September 2014)

## Further Impacts of Salem State University on the Economy

**Several factors are considered influential at this scale but are not included in previous figures:**

- Alumni that stay in Salem, Essex County and Massachusetts
- Faculty/staff that live in Salem, Essex County and Massachusetts
- Salem State student body
- Vendors
- Institutional linkages
- Purchases made in Essex County
- Programs and entities affiliated with Salem State that service the North Shore and Massachusetts. For example:
  - Enterprise Center
  - Small Business Development Center

- Programs that extend beyond degree-seeking students that are offered at Salem State University and draw participation from across the state
- Increase in "Quality of Life" events, such as:
  - Performing and Visual arts
  - Athletics
  - Speaker Series
  - Agganis Forum

The socio-cultural impacts of Salem State on the North Shore are extensive, although more difficult to quantify in economic terms as there is no one widely accepted method of ascribing dollar values to socio-cultural resources. Yet, there are many impacts that can be directly related in these areas, such as:

- Enriched society and stronger innovation and creative economy<sup>2</sup> educational access
  - Major providers of post secondary services in the regional and beyond
  - Contributions to a knowledge-based economy
- Graduates
  - Major provider of skilled workers in education, business, healthcare
- Arts and Humanities
- Public access to programming, plays, events, etc.
- Area Development
  - Professional development and continuing education programming
- Volunteerism
  - Community outreach
- Internships
- Provides an enhanced identity locally/regionally
- Shared facilities (O'Keefe Complex and fields)

<sup>2</sup>The economic impact of the innovation economy has been documented via Social Impact Assessment in 1997 by H. Becker

### Examples:

Center for Creative and Performing Arts

Audience numbers:

Dance 450

Music 1,880 (most concerts are free)

Theatre 3,000

Writer Series 700 (all events are free)

**Total 6,030**

**Ticket Sales \$14,821.00**

Rosenberg Glass Residency/open demonstrations (free admission) 350 attendees

# O'Keefe Complex Public Use\* 2014-2015

## Rink

### Ice rink

MIAA Games	6,000
High School Hockey Games (five area cities)	7,000
Youth Games, clinics	1,000
Youth Practice	2,000
Public Skate	1,200
Family Parties	600
Collegiate Game Attendance	5,000
Gassett Center Recreation Attendance	500
<b>Total Ice Rink Use</b>	<b>23,300</b>

### Indoor Field House (Rink w/out ice)

High School Tennis	200
Youth Baseball	250
Youth Softball	200
Youth Lacrosse	250
Youth Soccer	400
NSMC Cancer Walk	2,500
Student Concerts, etc.	1,200
Dance Studio/Multipurpose gym	1,000
Commencements	11,000
NSCC Commencement	4,000
Speaker Series	2,000
Health and Career Fairs (vendors, students and alumni)	1,200
Family Parties	800
College Sports	2,500
<b>Total Indoor Field House Public Use</b>	<b>26,300</b>

### Gassett Recreation Center

Student membership	4,000
Non-student membership	200
Guest visits	500
Court rentals	2,500
<b>Total Gassett Center Use</b>	<b>7,200</b>

## **Alumni Field\*\***

### **High School Game Attendance**

Boys' Lacrosse	400
Girls' Lacrosse	300
Field Hockey	400
Boys' and Girls' Soccer	600
Softball	300
<b>Total High School Game Attendance</b>	<b>2,000</b>

### **Central Campus Baseball Field**

Collegiate Sports	3,200
AAU practices and games	2,400
High School games	1,200
<b>Total Baseball Field Use</b>	<b>6,800</b>

### **College Game Attendance**

Mens Lacrosse	2,200
Womens Lacrosse	1,200
Field Hockey	1,000
Soccer Mens and Womens	4,200
Softball	1,200
<b>Total College Game Attendance</b>	<b>9,800</b>

### **Youth Use**

Boys' Lacrosse	300
Field Hockey	300
Boys and Girls' Soccer	800
Softball	600
<b>Total Youth Use</b>	<b>2,000</b>

### **Camps and Clinics**

Summer camps and various clinics	2,400
Conditioning Programs	300
"Kids Night Out" Program	200
<b>Total Camp Use</b>	<b>2,900</b>
<b>Total of Alumni Field Use</b>	<b>16,700</b>

### **Indoor Pool**

Gassett Center Programs	300
Swim Meets (participants and fans)	3,500
High School Team Practices and Meets	600
<b>Total Pool Use</b>	<b>4,400</b>

<b>Twohig Gym</b>	
Academics	500
Varsity Practices	250
Intercollegiate Varsity Games (participants and fans)	16,000
Boy's and Girl's club - games and fans	400
High School Tournament Contests	1,000
AAU tournaments	1,200
<b>Total Twohig Gym Use</b>	<b>19,350</b>
<b>Other Special Events in O'Keefe Complex</b>	<b>2,500</b>
<b>Overall Combined Grand Total Use</b>	<b>106,550</b>

Estimated class attendance per week is 3,000.

\*This estimate does not include Salem State student-only classes

\*\*Alumni Field participants and fans use O'Keefe locker room, bathroom and other facilities

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