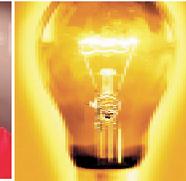


Report:

Economic Impact of Oklahoma State University on Stillwater, OK



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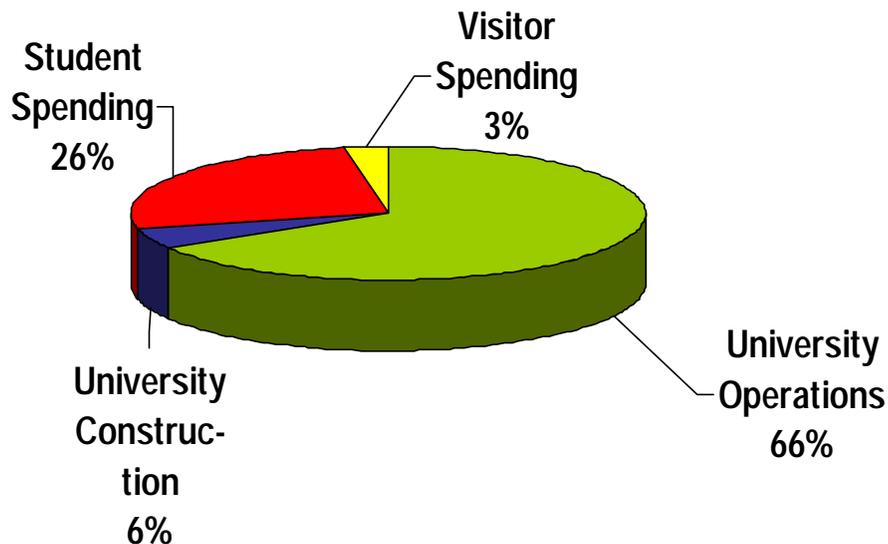
The Stillwater Foundation

April, 2006

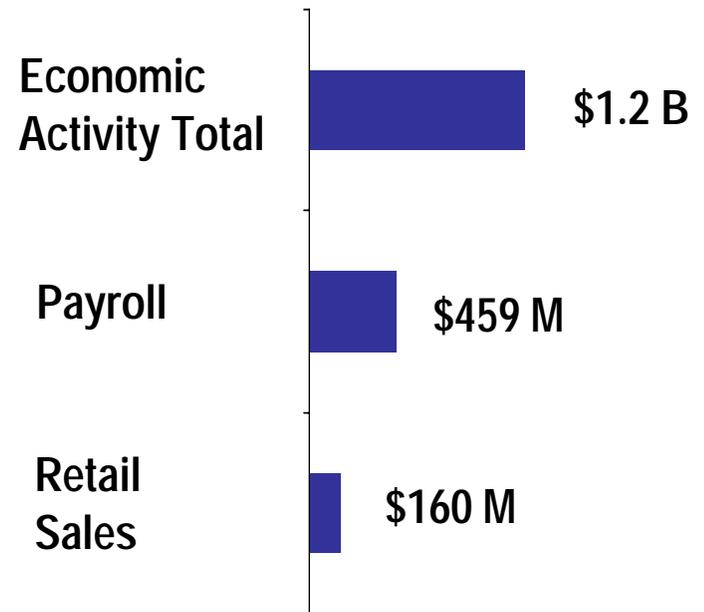
Summary of Economic Impact

Oklahoma State University in Stillwater, OK delivers a substantial economic impact on the community, producing **\$1.2 billion** in total economic output:

14,100 Jobs



Annual Financial Impact



Study Purpose

Oklahoma State University in Stillwater, OK is the flagship campus of the 116 year-old OSU system. The institution is one of two primary research universities in Oklahoma. Today, the Stillwater campus educates over 21,000 students each year.

This [Economic Impact Study](#) seeks to identify the full economic benefits that accrue to the City of Stillwater and the Stillwater MSA (Payne County), not including the numerous OSU facilities located throughout the state.



The University Today: 2005-2006

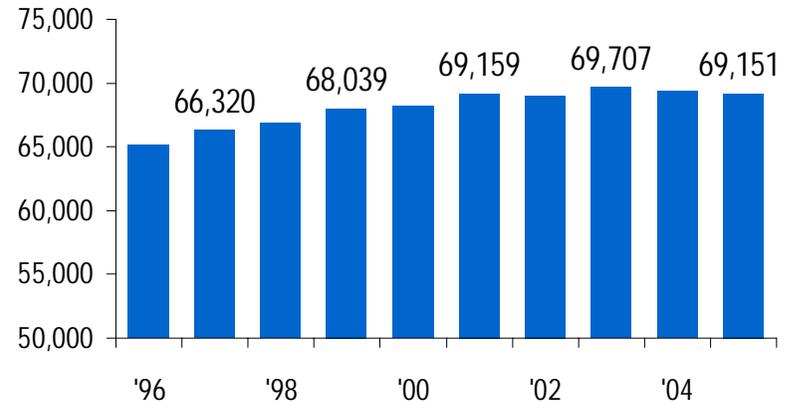
Enrollment	21,400
FT Employees	4,700
PT/Student	5,400

Community Profile

In the past 10 years, the population of Payne county has grown from 65,000 to nearly 69,000.

The City of Stillwater has over 40,000 residents and enjoys a young, well educated population. 55% of residents are between the ages of 15 and 34, compared to 28% for the U.S. 48% of adults living in Stillwater have a Bachelor's degree or higher, compared to 26% nationwide.

Payne County Population



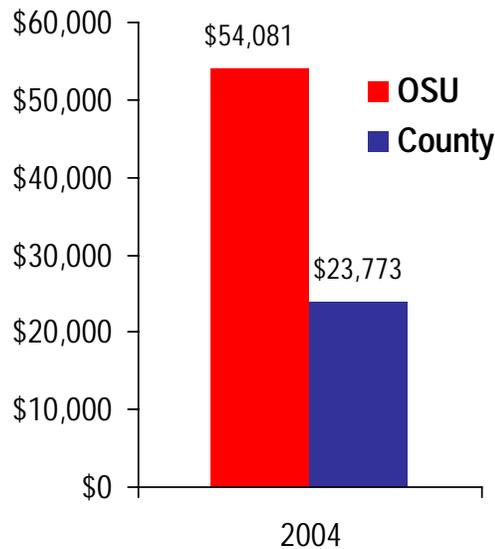
Stillwater Today (2005):

Population	42,000
Median Age	24
Avg. Wage	\$24,000
Unemployment Rate	3.9%
% Adults with Bachelor's+	48%

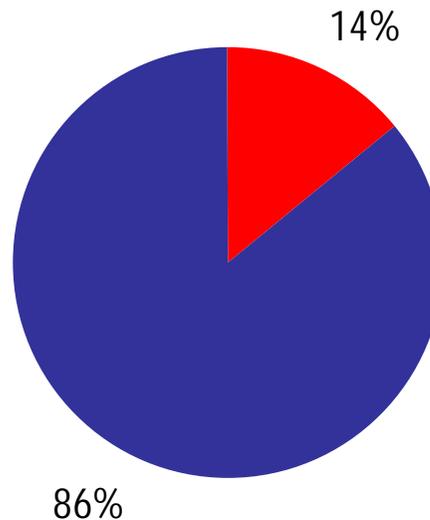
Share of County Payroll

Direct OSU employees represent 14% of Stillwater MSA jobs but 33% of payroll.

Avg Wage



Percent of Employment



At over \$54,000 per job, the University's average wage is 100% higher than the county average wage

Multiplier effects deliver a much higher impact on the county economy due to spending by students, employees, and visitors.

Study Focus

Economic impact studies by their design seek to determine the portion of the economy that is attributable to an employer and the multiplier effects from spending circulating throughout the economy. By measuring the full impact of a primary employer such as a state university or a manufacturing plant, we can determine how the economy would be diminished if the employer did not exist. This study estimates the impact of Oklahoma State University's operations in the Stillwater MSA, defined as Payne County, with a majority of the impact occurring in the city limits of Stillwater.

A particular focus of this study is to measure the tax revenues that accrue to government authorities as a result of economic activity relating to the University. While the University is a non-profit and holds special tax status in the state and city, many taxable activities still occur by the University's workforce and "customers": its students and visitors.

Economic Impact Measures

An economic impact analysis measures the effects of an employer on regional job creation, tax revenue, and commercial activity. Spending by the employer and its workers will ripple throughout the economy, creating additional jobs in the retail, construction, services, and government sectors.

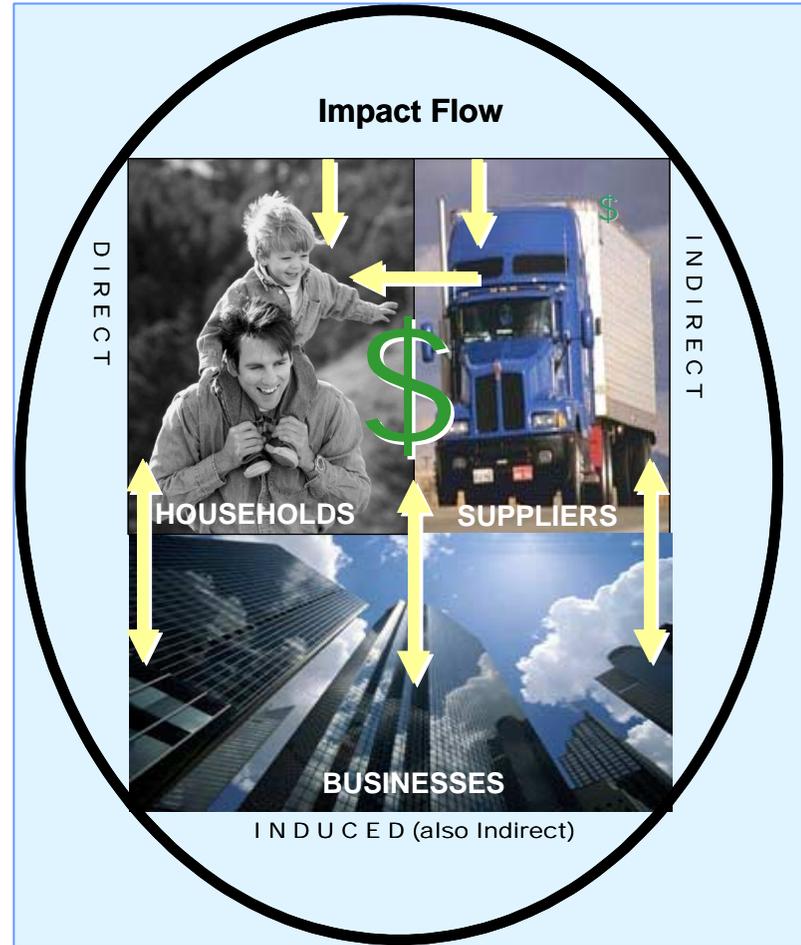
For the purposes of this report, these effects are measured as direct and indirect effects:

Direct vs. Indirect Impacts

Direct - attributable directly to operations, such as payroll, tax payments, and local purchases by the university. Direct impacts include spending by the university's employees.

Indirect/Induced – attributable to the additional demand for local goods and services by suppliers and their employees.

Total impact includes all direct, indirect, and induced impacts.



Types of University Impacts

Several impacts can be measured:

1. Operations of the University and spending by its employees
2. Construction of new facilities
3. Student spending in the local economy on retail and services
4. Visitor spending due to academic or sporting events

This study measures each of these distinct impacts and aggregates their effects to arrive at a final impact for the University.

AngelouEconomics uses standard economic impact multipliers from the RIMS-II based modeling software used by the federal government (Implan).

1. Operations Impact

The University's ongoing operations support thousands of workers and purchases in the local economy.

OSU employs over 10,000 workers, approximately 5,000 full time and 5,000 temporary or part time. The employment figure of 6,980 below is the full time equivalent employment total .

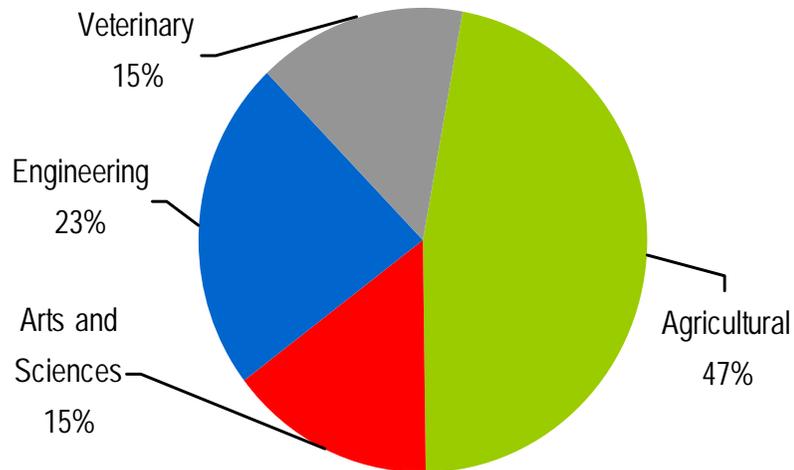
<u>Economic Impact Each Year</u>	<u>Direct Impact</u>	<u>Total Impact</u>
Jobs (FTEs)	6,980	9,400
Payroll	\$295 M	\$415 M
Economic activity	\$590 M	\$1 B

1. Operations Impact

Cont'd

The University FY 2006 budget of \$590 million includes a diverse group of spending categories that were evaluated separately, as possible, to determine the most accurate impact. Spending on research, for example, has a larger economic impact than many other academic functions. Research spending rose to \$133 million in the 2006 budget.

OSU Research Funding
Breakdown, 2005



2. Construction Impact

Ongoing construction by the University also generates new jobs and spending in the economy. The University historically spent about \$34 million each year on construction (5-year average), providing a large economic impact.

<u>Economic Impact Each Year</u>	<u>Direct Impact</u>	<u>Total Impact</u>
Jobs*	512	734
Payroll	\$14 M	\$19 M
Economic activity	\$34 M	\$50 M

**Job figures for some industries, including construction and retail are not considered as FTE job numbers*

2. Construction Impact *Cont'd*

This number will increase significantly over the next 5 years, with average spending nearly tripling to \$97 million annually. Construction projects include the expansion of classroom facilities, new research space, additional student housing, and new parking structures.

<u>Economic Impact Each Year</u>	<u>Direct Impact</u>	<u>Total Impact</u>
Jobs	1,500	2,100
Payroll	\$40 M	\$55 M
Economic activity	\$97 M	\$142 M

2. Construction Impact *Cont'd*

All the construction projects will produce an economic benefit to Stillwater, but new and expanded research facilities and campus beautification projects will produce invaluable long term impacts. Notable projects include;

	<u>Sq Ft</u>	<u>Budget</u>
Science & Technology Research Building	100,000	\$70 M
Spears School of Business Expansion	110,000	\$52 M
School of Architecture Expansion	80,000	\$16 M
Animal Diagnostic Lab Expansion	23,000	\$13 M
National Sensor Testing Center	n/a	\$15 M
Irrigation & Campus Beautification	n/a	\$25 M

2. Construction Impact *Cont'd*

Development of the Athletic Village is a separate, further investment in Stillwater, and will provide similar, sizable benefits. In addition, the investment in neighborhood infrastructure is a community wide benefit. Construction is expected to take place over the next 6-7 years.

<u>Economic Impact Each Year</u>	<u>Direct Impact</u>	<u>Total Impact</u>
Jobs	850	1,200
Payroll	\$24 M	\$33 M
Economic activity	\$57 M	\$83 M

2. Construction Impact *Cont'd*

The Athletic Village includes a variety of projects, encompassing numerous athletic programs. New athletic facilities and improved infrastructure will help increase the school competitiveness, further adding to economic activity through increased attendance and media attention. Notable projects include;

	<u>Budget</u>
West End Zone Project – Includes Football Ops	\$115 M
Indoor Practice Facility	\$50 M
Infrastructure Improvements	\$35 M
Soccer/ Track Facility	\$30 M
Baseball Stadium	\$30 M
Tennis Facility	\$15 M

3. Student Spending

Based on data from the Bureau of Labor Statistics, AngelouEconomics estimated student spending per year in services and products to support their well-being.

Some purchases are made at the University by students that reside on-campus, including housing and food.

AngelouEconomics estimates that on-campus students spend \$4,300 each year in the local economy, while off-campus students spend \$10,200.

<u>Average Student Spend</u>	<u>Campus Residency</u>	
	<u>On</u>	<u>Off</u>
Groceries	\$100	\$1,000
Restaurants/Bars	\$1,190	\$1,190
Housing	n/a	\$4,000
Gasoline	\$500	\$500
Transportation	\$1,000	\$2,000
Healthcare	n/a	n/a
Entertainment	\$530	\$530
Apparel	\$400	\$400
Personal care	\$200	\$200
Misc	<u>\$375</u>	<u>\$375</u>
	\$4,300	\$10,200

3. Student Spending

Cont'd

Today, the University is home to 7,000 students that live on campus, with another 10,000 students living off campus. We estimate the remaining students are commuters or live outside the immediate area. These students contribute to additional spending in the economy in the form of restaurants/bars, retail goods, clothing, and personal services.

<u>Economic Impact Each Year</u>	<u>Direct Impact</u>	<u>Total Impact</u>
Jobs*	2,995	3,585
Payroll	\$68 M	\$80 M
Economic activity	\$134 M	\$176 M

**Job figures for some industries, including construction and retail are not considered as FTE job numbers*

4. Visitor Spending

The University benefits tremendously by visitor spending to the campus for academic, sports, and cultural events. In addition, students' families visit the campus. Sports attendance delivers by far the largest impact.

<u>Attendance</u>		<u>Total Spending</u>
Sports	610,000	\$32 M
Academic/Cultural	36,000	\$8 M
Student families	24,000	<u>\$6 M</u>
		\$47 M

Sports games deliver the highest number of out-of-town visitors, with a majority traveling from outside the area.

4. Visitor Spending

Cont'd

Estimating the impact of visitors on Stillwater is affected by the availability of hotel rooms, type of event, and likelihood that visitors will stay for multiple days. With approximately 700 hotel rooms in the city (and few in the county), many visitors for sports events are forced to stay in other cities or with friends.

AngelouEconomics has estimated the following visitor totals by event, considering:

- Estimated % from out of town
- Estimated % that stay overnight
- Estimated daily expenditures on hotels
- Estimated daily expenditures on retail and services

Total Economic Impact

Even given these restraints tourism and visitors produced a significant impact on the local economy. Visitors impact on the overall area is as follows;

<u>Economic Impact Each Year</u>	<u>Direct Impact</u>	<u>Total Impact</u>
Jobs*	1,000	1,256
Payroll	\$23 M	\$28 M
Economic activity	\$47 M	\$61 M

**Job figures for some industries, including construction and retail are not considered as FTE job numbers*

Sales Tax Revenue

The City of Stillwater levies a 3.5% sales tax, and Payne County an additional 0.75%, for a total local sales tax of 4.25%.

A large majority of spending by visitors and students will be inside the city limits, while university workers will spend a slightly higher percentage outside the city in Payne County and greater Oklahoma.

AngelouEconomics estimates that the University, its workers, students, and visitors spend \$161 million each year on restaurants, bars, hotels, and other taxable retail sales. Each spending group will deliver a different level of “capture” to the City of Stillwater, affecting the final impact.

AngelouEconomics estimates a total capture rate of 80% by the City of Stillwater. At this rate, \$129 million in taxable spending occurs in the City of Stillwater due to the University. **This translates to \$4.5 million per year in sales tax revenue to Stillwater, and \$1 million to Payne County**

Impact

The Multiplier effects from Oklahoma State University account for an even larger share of the local economy:

University's Share of Local Economy Due to Full Economic Impact



	<u>Share</u>	<u>Metric</u>
County Jobs	43%	14,100 jobs
County Payroll	59%	\$524 million in wages
Sales tax allocation	24%	\$5.5 million in local sales tax

Long Term Intangible Benefits of the Athletic Village

Local Benefits

- Generates a consistent positive economic impact in the immediate area
- Creates an opportunity to increase sports tourism in the community
- Provides a modern venue to host regional youth sporting events

University Benefits

- There is a positive correlation between University donations and successful athletic programs
- New facilities enhance University appeal for professors and students

Marketing Benefits

- Creates a sense of prestige for both the community and university

Ancillary Economic Impact

Economic Impact Analysis of “High-Tech” Companies in the Stillwater Area Which Nucleated Around OSU

- 35 companies
- 642 employees
- average annual salary of \$40,000 = \$25.7M annual payroll

Annual Impact

- Number of primary and induced jobs = 1,179
- Total personal income for both primary and induced jobs = \$35.7M
- Local tax revenues = \$742,000 annually
- State tax revenues = \$2.35M annually

Five-Year Impact (assuming no job growth and constant payroll over the period)

- Total personal income over period (both primary and induced jobs) = \$178.7M
- Local tax revenues = \$3.7M
- State tax revenues = \$11.8M

Impact on Future Growth Potential

The U.S. economy continues to transform from goods focused to services, from companies to individuals, with a new group of industries driving economic growth. Over the last quarter century, communities with a unique set of assets outgrew the U.S. economy by a wide measure. Areas such as Austin, Boulder, Colorado Springs, Madison, and San Jose were wildly successful by most economic development criteria.

These communities share common traits; a young, well educated populace, university presence, and research and development assets.

Stillwater rates well compared to these high growth communities, providing a significant opportunity for strong, sustainable future growth that would not exist without OSU.

Impact on Future Growth Potential

The Stillwater MSA, again Payne County, ranks well against other areas in Oklahoma for a wide variety of key demographic figures.

	<u>Payne County</u>	<u>Rank Among 77 OK Counties</u>
% Population 24-44	26%	11
% Population 15-34	43%	2
Median Age	27	20
Educational Attainment	34%	2
Median Household Income	\$29k	13
Population Growth '90-'05	14%	8

Impact on Future Growth Potential

Both the City of Stillwater and Payne County rank very well against Oklahoma and U.S. metrics:

	<u>City of Stillwater</u>	<u>Payne County</u>	<u>OK</u>	<u>U.S.</u>
% Population 24-44	24%	26%	28%	30%
% Population 15-34	55%	43%	28%	28%
Median Age	24	27	36	35
Educational Attainment	48%	34%	20%	24%
Median Household Income	\$26k	\$29k	\$34k	\$42k
Population Growth '90-'05	9%	14%	13%	19%

Summary

- Oklahoma State University in Stillwater contributes significantly to the local economy and local tax base
- The University accounts for close to 50% of the local economy
- Visitor, student, and employee spending delivers \$7 million to the city and county through sales tax collections
- The University positions the area for future growth in high impact industries by providing an educated workforce and through investment in research and development

Terminology & Methods

Jobs – All direct, indirect, and retail job figures are full-time equivalents.

Output – “Output,” or “Economic Activity” represents the gross product added to the economy. This figure is not the same as sales, which includes the cost of goods sold. Output is comparable to Gross Regional Product.

Retail spending – Direct effect includes the additional personal purchases by employees and households. Indirect retail comes from suppliers and general multiplier effect.

Tax rates – State & local sales – 8.75%, Local property – \$1.10 per \$100. Tax revenues should be considered best estimates given available information.

Multipliers – Multipliers were derived from the IMPLAN input-output model and customized by AngelouEconomics based on project specific data provided by OSU. Assumptions to the model are made using background research on Oklahoma or U.S. economic data.

Terminology & Methods

OSU Average Salary Calculation – The average salary for an OSU employee is calculated by dividing compensation by permanent employment, which is equal to approximately \$54,000.

FTE Calculation – FTE is calculated by adding permanent university employment to the full time equivalent of both temporary and student employment for a total of 6,980.

Full time equivalent for temporary and student employment is calculated as follows:

- Divide compensation by part time employment to obtain average annual salary
- Divide average annual salary by average hourly wage to obtain average yearly hours worked
- Divide average yearly hours worked by 2080 (full time hours) and then multiply by the number of part time staff. This equates to full time equivalent employment

Terminology & Methods

AngelouEconomics is an economic development and site selection consulting firm focusing on the needs of growing companies and the communities seeking to recruit them.

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