

The University of Virginia logo is positioned at the top left. The background features a large, light-colored watermark of the Rotunda building, showing its dome and columns, with a pattern of stars on the right side.

UNIVERSITY *of* VIRGINIA

# **THE ECONOMIC IMPACT OF THE UNIVERSITY OF VIRGINIA**

**HOW A MAJOR RESEARCH  
UNIVERSITY AFFECTS THE LOCAL  
AND STATE ECONOMIES**

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## **Expanded Scope of this Study**

- ▶ Previous studies have focused exclusively on the impact of U.Va. on the local economy.**
- ▶ This study provides a new analysis of local impacts and expands the scope of the analysis to include the likely impact of a major research university such as U.Va. on the economy of the entire state.**

# Major Conclusions

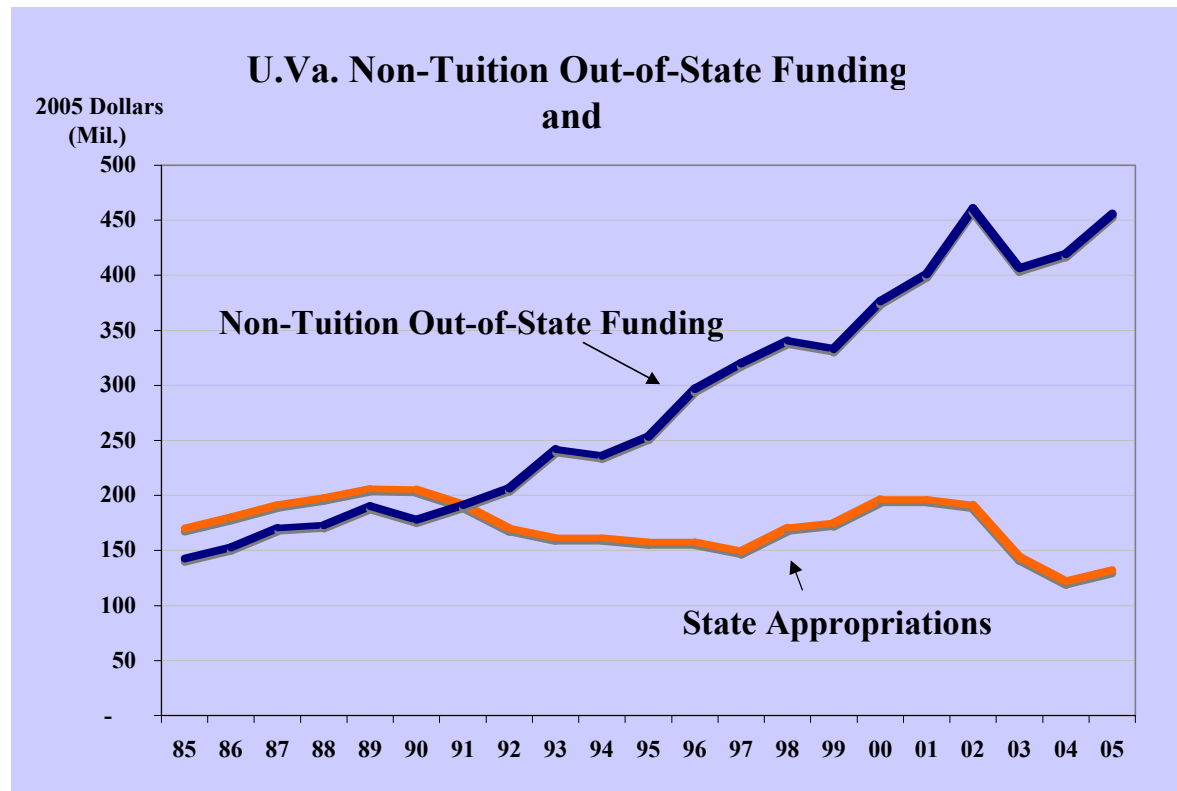
- ▶ **In 2005, U.Va. generated \$1.1 billion in increased economic activity in the Charlottesville MSA.**
  - **One fifth of area non-farm payroll**
  - **Large contributions to government and community services**
  
- ▶ **U.Va. serves as an “engine of growth” for the state**
  - **Brings a large flow of dollars into the state**
  - **Boosts investment, innovation, and entrepreneurship**
  - **Adds to quality of life and equality of opportunity**
  - **Enhances the workforce and bolsters the state’s reputation**

# **Statewide Impacts of the University**

- ▶ **The rationale for public support of higher education**
- ▶ **The flow of dollars into the state**
- ▶ **The outputs of the “knowledge factory”**
  - **Education**
  - **Research**
  - **Research and education as joint products**
- ▶ **The University’s future as an engine of growth**

# Flow of dollars into the state

- ▶ **FY05 State appropriation to U.Va. operations: \$132 million**
- ▶ **Out-of-state grants, fellowships, and giving: \$456 million**
- ▶ **Tuition payments of out-of-state students: \$166 million**
- ▶ **The total of \$622 million resulted in a \$4.71 of inflow for each dollar of appropriations**



# Outputs of the Knowledge Factory: Education

## ▶ Private benefits

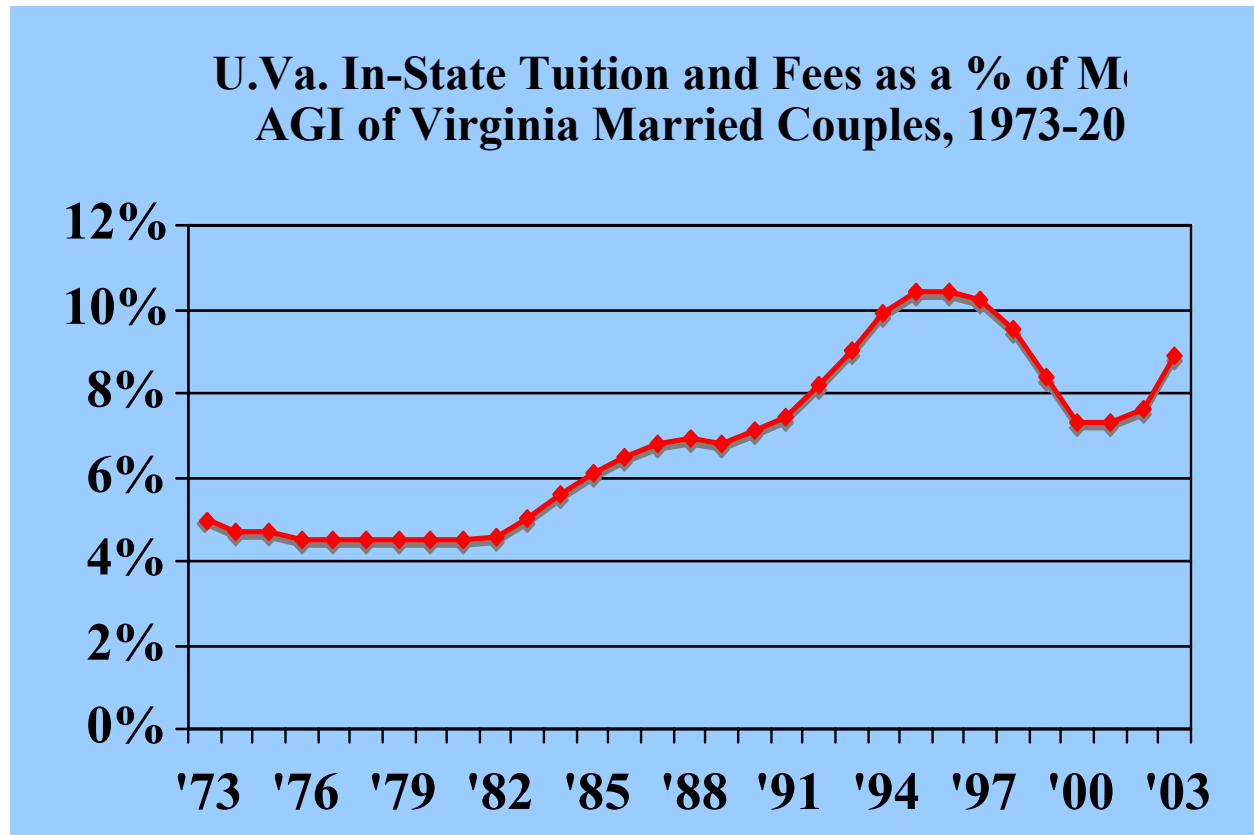
- **Increased wages: 10% - 12% rate of return**
- **Non-wage gains: Almost as large as wage gain**
- **Job benefits & flexibility, healthier children, stable marriages, etc.**

## ▶ Public benefits

- **Better pay means higher tax revenues**
- **Social gains: \$170,000 gain to society after costs (1997 dollars)**
- **Less crime, low demand on social services, contributions to community**
- **Better educated cities grow faster: human capital generates growth**
- **Location of R&D facilities depends on supply of educated workers**
- **Quality of life issue for enticing employees into the state**

# Equalizing Economic Opportunity

- ▶ **College tuition: periods of growth, periods of stability**



- ▶ **Students from disadvantaged families benefit the most**
- ▶ **Access U.Va. minimizes “investment risk” for low income families**

# Outputs of the Knowledge Factory: Research

## ▶ Local knowledge spillovers

- “Agglomeration externalities:” knowledge spills across firms
- The whole is greater than the sum of its parts

## ▶ Star faculty and knowledge industries

- Creation of new firms near the University
- Magnets for location of R&D facilities
- Enhanced rates of *local* innovation

## ▶ Research universities: comparative advantage in knowledge creation

# **U.Va. Research Initiatives**

**Support local economic development through:**

- ▶ Aggressive recruitment of star faculty**
- ▶ Support for entrepreneurship and knowledge transfer**
  - Research parks**
  - Patent Foundation**
  - Encouraging venture capital**
  - Mentoring entrepreneurs**

# **Institutional Incentives & Economic Growth**

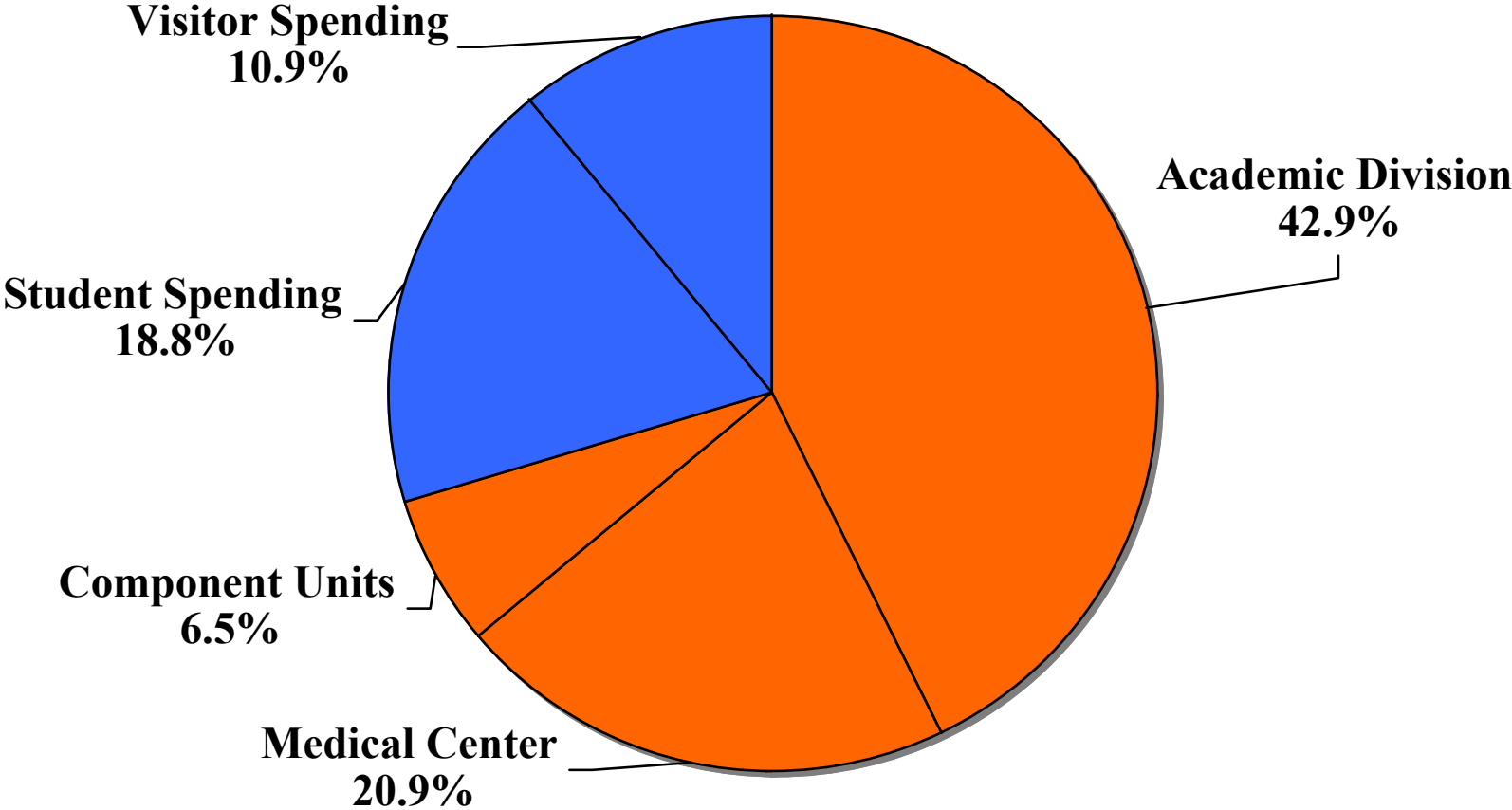
- ▶ **The University must balance education and research missions**
- ▶ **Competition among universities spurs innovation**
  - **Drives balance between education and research**
  - **Raises costs of recruitment and retention**
  - **Forces innovation, cost control, customer satisfaction efforts**
- ▶ **Management flexibility appears key to long-term success**

# **Local Impact of the University**

- ▶ **Impact on the Charlottesville Metropolitan Statistical Area (MSA)**
  - **Charlottesville and the Counties of Albemarle, Fluvanna, Greene, and Nelson**
- ▶ **Topics:**
  - Spending**
  - Employment**
  - Involvement in the community**
  - Local government finances**

# University Local Spending by Major Category, 2005

Total: \$1,124.5 Million

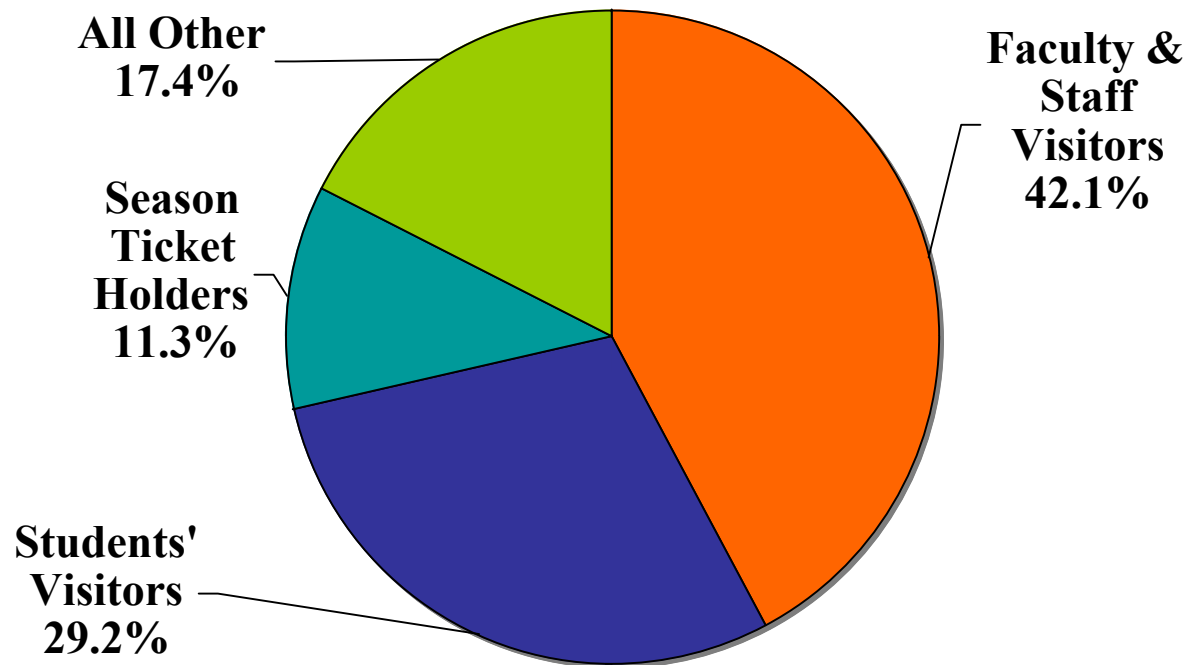


# University Related Visitor Spending

- ▶ Faculty and staff visitors, students' visitors, and athletic season ticket holders accounted for the lion's share of spending.

## University Visitor Spending, 2005

Total: \$122.1 Million

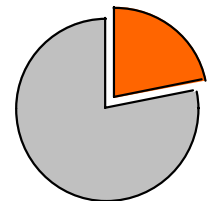
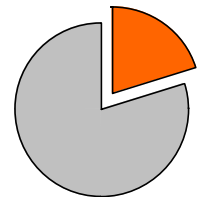


# University Employment

- ▶ **Measured on a place-of-work basis, includes full & part-time salaries and hourly**
- ▶ **U.Va. total employment, 2005**

<b>Academic Division:</b>	<b>13,552</b>
<b>Medical Center:</b>	<b><u>5,935</u></b>
<b>Total</b>	<b>19,487</b>

- ▶ **U.Va. is the largest local employer with 20.4% of total nonfarm payroll employment in the metropolitan area**
- ▶ **In calendar year 2004 U.Va. employees accounted for 22% of total earnings in the metropolitan area**



# Total Local Impact of the University in 2005

	<u>Mil. \$</u>
<b>Total local expenditures by the University, students, and visitors . . . . .</b>	<b>1,124.5</b>
<b>Less spending leakage . . . . .</b>	<b><u>366.1</u></b>
<b>Direct expenditures by U.Va., employees, students, and visitors . . . . .</b>	<b>758.4</b>
<b>Plus indirect local expenditures . . . . .</b>	<b>165.0</b>
<b>Plus induced local expenditures by payment     recipients . . . . .</b>	<b><u>173.2</u></b>
<b>Total local impact</b>	<b>1,096.6</b>

# **University Involvement in Community Services**

- ▶ Police**
- ▶ Fire**
- ▶ Emergency Communications**
- ▶ Rescue**
- ▶ Transit**
- ▶ Housing Inspection**
- ▶ Solid Waste Disposal**
- ▶ Charitable Activities**
- ▶ Medical Center Programs**

# **The University and Local Government Finances**

- ▶ **Tax-Exempt Real Property**
- ▶ **Taxable Real Property owned by the University of Virginia Foundation**
- ▶ **Service Charges paid by the University in lieu of property taxes**
- ▶ **University financial assistance for traffic control, fire protection, emergency communications, transit, housing inspection, and Ivy Landfill clean-up**
- ▶ **Real Estate Taxes Paid by University Faculty, Staff, and Students and Public Education Services Received**



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