

Economic Impacts of University of Indianapolis on the Marion County Economy

By Kevin T. McNamara*

University of Indianapolis is located in Marion County, Indiana. University of Indianapolis had an enrollment of 3,060 undergraduate students and 707 graduate students during the 1993-1994 academic year. While University of Indianapolis's research and teaching activities provide services to people throughout Indiana, the University has specific benefits or impacts on Marion County. These benefits/impacts range from cultural, to educational, to social, to recreational. The University also has economic benefits for the community. These benefits result from the University spending money to employ faculty/staff, and from the University purchasing supplies and services in the local economy to support its educational programs.

One method of measuring the local economic benefits associated with the University of Indianapolis is to use economic impact multipliers to estimate the total economic impacts associated with the university's operations. A multiplier is a number that represents the total level of activity that results from an initial activity in an economy. Multipliers can measure economic impact through business activity (output), income (salary and wages) and employment (jobs). Multipliers for all three measures are used below to estimate the University of Indianapolis' impact on the Marion County economy. An input-output model of Marion County was constructed using IMPLAN (an input-output model developed by the U.S. Forest Service) to obtain output, income and employment

*Associate Professor, Department of Agricultural Economics, Purdue University, West Lafayette, Indiana. Support for this impact analysis was provided by the Indiana Conference on Higher Education and Purdue University. The estimate represents the local economic impact associated with University of Indianapolis' academic program.

multipliers that can be used to estimate the impacts University of Indianapolis has on the Marion County economy.¹

University of Indianapolis stimulates three types of economic activity in the Marion County economy: direct, indirect, and induced impacts.

- Direct impacts are the purchases, payments, and employment made by the University as it spends money in the local economy.
- Indirect impacts are activities in the local economy that result from local firms selling goods and/or services to the University.
- Induced impacts are activities in the local economy that result from household spending of income earned from either the University or their suppliers.

University of Indianapolis spent \$28,766,013 to support its academic, research and teaching programs during the 1993-1994 academic year (Table 1). This is University of Indianapolis' direct expenditure impact on the local economy. This spending resulted an additional \$26,516,510 of expenditure or sales in the Marion economy-the indirect and induced impacts (Table 2). University of Indianapolis' total expenditure or sale impact on the Marion County economy (the combination of direct, indirect and induced impacts) was an estimated \$55,282,524 (Table 3).

University of Indianapolis' 1993-1994 payroll was \$11,103,009 (Table 1). This is the institution's direct income impact. The indirect and induced income impact (income paid by businesses supplying University of Indianapolis or meeting household spending needs University of Indianapolis/supplier employees) was an estimated \$14,137,461 (Table 2). The total income impact of University of Indianapolis on the Marion County was \$25,240,470 (Table 3).



¹The input/output multipliers used in this analysis are called Type III multipliers. Type III multipliers estimate the total direct, indirect, and induced impacts associated with an activity on a specific economy.

University of Indianapolis' activities generated jobs in the Marion economy. University of Indianapolis employed 337 people² during the 1993-1994 academic year (Table 1). Indirect and induced employment associated with University of Indianapolis is 218 (Table 2). The total employment impact of University of Indianapolis on the Marion County economy is 555 (Table 3).

University of Indianapolis impacts the Marion community beyond the economic impacts associated with operation of their academic program. Additional economic benefits result from auxiliary enterprises such as student housing/food services, from student spending in the local economy, and from visitor spending associated with athletic events, cultural events, and campus visits. The University also impacts the economy and community in ways not easily measured by sales, income or employment. Examples include providing educational, cultural and recreational activities; and, employing faculty and staff that make critical contributions to the community through volunteer activities.

²Full-time equivalents, excluding auxiliary services employees.

Table 1. Direct Expenditure, Wage, and Employment Impacts of University of Indianapolis on Marion County Economy, 1994-1995 Academic Year

Expenditures ¹	\$28,766,013
Payroll ¹	\$11,103,009
Employment ²	337

¹ Expenditures and wages for research, teaching and related activities. Institution's auxiliary enterprises are not included.

² Total faculty and staff employment data for 1993-1994 represent 298 full-time, 11 half-time, 76 adjunct, and 28 part-time (less than half-time) faculty and staff positions. Adjunct and part-time jobs were converted to full-time equivalents at a ratio of 3 to 1.

Table 2. Indirect and Induced Expenditure, Income, and Employment Impacts of University of Indianapolis on Marion County Economy, 1994-1995 Academic Year

	Indirect and Induced
Expenditure ¹	\$26,516,510
Payroll	\$14,137,461
Employment	218

¹ Type III multipliers were obtained from an input-output model constructed for the Marion County economy with IMPLAN: output multiplier = 1.9218; the total income multiplier = 2.2733; employment multiplier = 1.6471.

Table 3. Total Expenditure, Income, and Employment Impacts of University of Indianapolis on Marion County Economy, 1993-1994 Academic Year

	Expenditure	Income	Employment
Direct Impacts	\$28,766,013	\$11,103,009	337
Indirect and Induced Impacts	\$26,516,510	\$14,137,461	218
Total Impact	\$55,282,524	\$25,240,470	555

Glossary of Economic Terms

Direct Impacts:

Purchases, payments, and employment made by a university/college as it spends money in the economy.

Indirect Impacts:

Activities in the economy that result from input suppliers.

Input Suppliers:

Firms that sell goods and/or services to the university/college.

Output:

Business expenditures.

Income:

Salary and wages.

Employment:

Number of jobs.

Multiplier:

A number that represents the total level of activity that results from an initial activity in the economy.

Induced Impacts:

Activities in the local economy that result from household spending of income earned from either the university or the input suppliers.