

## Economic Impacts of Valparaiso University on the Lake and Porter Counties Economy

By Kevin T. McNamara\*

Valparaiso University is located in Lake and Porter counties, Indiana. Valparaiso had an enrollment of 3,491 students during the 1993-1994 academic year. While Valparaiso's research and teaching activities provide services to people throughout Indiana, the University has specific benefits or impacts on Lake and Porter counties. 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 Valparaiso University 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 Valparaiso University's impact on the Lake and Porter counties economy. An input-output model of Lake and Porter counties was constructed using IMPLAN (an input-output model developed by the U.S. Forest Service) to obtain output, income and employment multipliers

---

\*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 Valparaiso University's academic program.

that can be used to estimate the impacts Valparaiso University has on the Lake and Porter counties economy.<sup>1</sup>

Valparaiso University stimulates three types of economic activity in the Lake and Porter counties 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.

Valparaiso University spent \$41,225,672 to support its academic, research and teaching programs during the 1993-1994 academic year (Table 1). This is Valparaiso University's direct expenditure impact on the local economy. This spending resulted an additional \$50,748,802 of expenditure or sales in the Lake and Porter counties economy-the indirect and induced impacts (Table 2). Valparaiso's total expenditure or sale impact on the Lake and Porter counties economy (the combination of direct, indirect and induced impacts) was an estimated \$91,974,747 (Table 3).

Valparaiso University's 1993-1994 payroll was \$22,484,179 (Table 1). This is the institution's direct income impact. The indirect and induced income impact (income paid by businesses supplying Valparaiso or meeting household spending needs Valparaiso/supplier employees) was an estimated \$50,139,179 (Table 2). The total income impact of Valparaiso University on the Lake and Porter counties was \$72,623,898 (Table 3).



---

<sup>1</sup>The 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.

Valparaiso University's activities generated jobs in the Lake and Porter counties economy. Valparaiso employed 700 people<sup>2</sup> during the 1993-1994 academic year (Table 1). Indirect and induced employment associated with Valparaiso is 573 (Table 2). The total employment impact of Valparaiso on the Lake and Porter counties economy is 1,273 (Table 3).

Valparaiso University impacts the Lake and Porter counties 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.

---

<sup>2</sup>Full-time equivalents, excluding auxiliary services employees.

Table 1. Direct Expenditure, Wage, and Employment Impacts of Valparaiso University on Lake and Porter Counties Economy, 1994-1995 Academic Year

Expenditures <sup>1</sup>	\$41,225,672
Payroll <sup>1</sup>	\$22,484,179
Employment <sup>2</sup>	700

<sup>1</sup> Expenditures and wages for reseach, teaching and related activities. Institution's auxiliary enterprises are not included.

<sup>2</sup> Total faculty and staff employment data for 1993-1994 represent full-time and adjusted part-time jobs.

Table 2. Indirect and Induced Expenditure, Income, and Employment Impacts of Valparaiso University on Lake and Porter Counties Economy, 1994-1995 Academic Year

	Indirect and Induced
Expenditure <sup>1</sup>	\$50,748,802
Income	\$50,139,179
Employment	573

<sup>1</sup> Type III multipliers were obtained from an input-output model constructed for the Lake and Porter counties economy with IMPLAN: output multiplier = 1.6194; the total income multiplier = 1.6165; employment multiplier = 1.5687.

Table 3. Total Expenditure, Income, and Employment Impacts of Valparaiso University on Lake and Porter Counties Economy, 1993-1994 Academic Year

	Expenditure	Income	Employment
Direct Impacts	\$41,225,672	\$22,484,179	700
Indirect and Induced Impacts	\$50,748,802	\$50,139,179	573
Total Impact	\$91,974,474	\$72,623,898	1,273

## 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.