THE ECONOMIC IMPACT OF THE

INDEPENDENT COLLEGES OF WASHINGTON

FY 2021-2022

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Executive Summary

Table 1
Economic Impact
ICW Member Institutions

	2021-2022	**2018-2019**
Direct Spending by Employees	$615,326,967	$645,372,841
Direct Spending by Students	$341,343,659	$316,469,411
Direct Spending by Visitors	$42,744,784	$45,332,354
University Purchases	$266,625,637	$236,232,473
Capital Spending	$65,921,876	$115,090,163
Direct Spending	$1,331,962,923	$1,358,497,241
Induced Spending	$834,584,837	$834,528,459
Total Economic Impact	$2,166,547,760	$2,193,025,700
Jobs Created	21,908	22,305

The total economic impact of the Independent Colleges of Washington (ICW) for fiscal year 2021-2022 was $2.17 billion, and 21,908 jobs were created. Please note that these economic impacts represent the annual impact of the ICW institutions on the economy of the state of Washington. Results for 2018-2019 include Walla Walla University. Walla Walla University is not included in the results for 2021-2022. The following tables present the economic impact for each member institution.

Discussion

This report presents an analysis of the economic impact of the member institutions of the Independent Colleges of Washington (ICW). ICW was founded in 1953 and represents accredited nonprofit independent colleges and universities in Washington. There are 9 member institutions in the ICW.

For almost 70 years, the Independent Colleges of Washington has promoted educational opportunity through policy engagement, student aid programs, and strategic partnerships. ICW is dedicated to helping students pursue their college aspirations in addition to helping Washington achieve its post-secondary educational attainment goals. ICW works to promote equity so that all students can choose their ideal education environment and thus graduate prepared to contribute their talents to the state, the nation, and the world.

In 2020, ICW member institutions awarded 20% of bachelor's and advanced degrees earned in Washington, and minority students represented 34% of total enrollment at ICW institutions. In addition, graduation rates for ICW institutions are substantially higher (82%) than the national average (76%).

In addition to improving the academic quality of higher education in Washington, ICW member institutions significantly and positively affect state and regional economies. Given their large student populations and many employees, independent colleges have significant positive and beneficial impacts on the economy of Washington.

The total economic impact of a university can be measured in terms of the direct and induced economic impact of a university's activity on the local economy. Direct spending is defined as the amount of money spent directly by the university, university employees, students, and visitors. The induced economic impact is the additional employment and expenditures of local industries that result because of direct spending. The induced spending represents the total of the multiplier effect that results when money is imported into a regional economy; due to this imported money (direct spending), local businesses must hire additional workers who then must purchase more goods and services in the area. These additional purchases of goods and services then induce even greater increases in employment and additional increases in the local purchases of goods and services. The sum of these rounds or cycles of spending equals induced spending. The total economic impact is the sum of the direct and induced spending.

According to the results presented in the Executive Summary, the direct economic impact of all ICW member institutions was $1.33 billion in 2021-2022. The shares of direct spending are as follows:

Employee Spending:	46.2%
Capital Spending:	4.95%
University Purchases:	20%
Student Spending:	25.6%
Visitor Spending:	3.2%

Hence, direct spending by the universities comprised 71.2% of the direct economic impact. 28.8%

of direct spending originated from outside sources (students or visitors). The induced and total economic impacts were $835 million and $2.17 billion, respectively. In addition, 21,908 jobs were created by ICW institutions. Please note that these economic impacts represent the annual impact of the ICW institutions on the economy of the state of Washington. Walla Walla University is not included in the results for 2021-2022.

The above results suggest that the member institutions of ICW have a very significant and very positive impact on both state and regional economies. In addition, it appears as if the COVID-19 pandemic had a limited effect on the economic impact of the ICW institutions on the state and regional economies. Given that independent colleges are an important and integral part of the state economy, public policies that affect the abilities of these universities to attract and retain quality students, faculty, and staff have significant impacts on the overall economic health of the state of Washington.

Methodology

To estimate the total economic impact of the ICW on the economy of Washington, the following equation was estimated:

$$\textit{Total Economic Impact} = \textit{Direct Spending} + \textit{Induced Spending}$$

Direct Spending

To estimate the direct spending of the university, the following methodology was used.

First, direct spending was defined as follows:

$$\textit{Direct Spending} = \textit{Employee Spending} + \textit{University Purchases} + \textit{University Capital Expenditures} + \textit{Student Spending} + \textit{Visitor Spending}$$

The direct spending categories were estimated as follows:

Employee Spending

Data on employee spending for the fiscal year 2021-2022 was obtained from the member institutions. It was assumed that all faculty and staff salaries and benefits are new to the region (direct impacts).

University Purchases

Data on university purchases for the fiscal year 2021-2022 was obtained from the member institutions.

University Capital Expenditures (Capital Spending)

Data on capital spending for 2021-2022 was obtained from the member institutions. Capital spending represents spending by the university on land, equipment, buildings, and other durable

goods.

Student Spending

Data on student enrollments for Fall 2021, broken down by graduate and undergraduate levels, was obtained from Integrated Postsecondary Education Data System (IPEDS) IPEDS. Data on the percentages of undergraduate students living on-campus and off-campus was obtained from member institutions. It is assumed that all graduate students live off-campus. Student per capita spending was obtained from an economic impact study prepared for the University of Maryland (*Impacts of the University of Maryland, College Park*, June 2008). According to the University of Maryland report, the average on-campus student spends $4,000 (which was adjusted to $5,438 to account for inflation), the average off-campus student spends $7,600 (adjusted to $10,332), and the average graduate student spends $16,300 (adjusted to $22,160).

Using the above data, the following equation was estimated in the present study:

$$\begin{aligned} \textit{Student Spending} = {} & \textit{(Off-campus Students) x (\$10,332)} + \\ & \textit{(On-campus Students) x (\$5,438)} + \\ & \textit{(Graduate Students) x (\$22,160)} \end{aligned}$$

The following table presents the data on student enrollments that were used in the present study:

Table 11
Student Enrollments

	Students	Percent of Undergraduates Living On-Campus	Undergraduate Students	Graduate Students
Gonzaga University	7,381	0.53	4,986	2,395
Heritage University	898	0	811	87
Pacific Lutheran University	2,706	0.483	2,373	333
Saint Martin's University	1,616	0.47	1,358	258
Seattle Pacific University	3,443	0.53	2,640	803
Seattle University	7,268	0.54	4,241	3,027
University of Puget Sound	2,173	0.64	1,866	307
Whitman College	1,559	0.6	1,559	0
Whitworth University	2,681	0.47	2,309	372

Visitor Spending

To estimate visitor spending, data on visitors was obtained from the ICW institutions. Visitor attendance was broken down by day visitors and overnight visitors. It was assumed that only 20% of day visitor spending is new to the region, but that 100% of the overnight visitor spending is new spending to the region. Data on the average amount spent by a university visitor was also obtained from the 2008 University of Maryland report. According to this report, the average amount spent by a day visitor is $75 (adjusted to $102), and the average amount spent by an overnight visitor is $441 (adjusted to $600). Using the above data, the following equation was estimated:

$$\textit{Visitor Spending} = (\textit{Day Visitors} \times 0.2) \times (\$102) + (\textit{Overnight Visitors}) \times (\$600)$$

The following table presents the data on visitors that were used in the present study:

Table 12
Visitor Data

	Day visitors	Overnight visitors
Gonzaga University	255,050	33,025
Heritage University	4,200	0
Pacific Lutheran College	70,000	3,800
Saint Martin's University	250,000	0
Seattle Pacific University	45,573	334
Seattle University	8,915	260
University of Puget Sound	14,771	440
Whitman College	22,000	7,000
Whitworth University	2,500	3,500

Induced Spending

Induced spending results because businesses must hire additional personnel and purchase additional supplies to accommodate increased demand and economic activity. These newly hired individuals possess additional income that they will spend at local businesses. These businesses will then have to hire additional personnel which will then increase the income and spending flow even further. This process is known as the multiplier effect in economics and is usually a substantial part of the total economic impact of an institution. To calculate induced spending, a multiplier factor must be used. Since every regional economy is different, a multiplier factor had to be designed specifically for each county in Washington. In the present study, RIMS II county-level multipliers were used. RIMS II multipliers are input-output multipliers that can be used to estimate the total economic impact that results from an initial change in economic activity. RIMS II multipliers were obtained from the U.S. Bureau of Economic Analysis, U.S. Department of Commerce. Induced economic spending and total economic impact were then estimated as follows:

Total Economic Impact = Direct Spending x Multiplier

and

Induced Spending = Total Economic Impact - Direct Spending.

Jobs Created

The total number of jobs that were created due to the existence of the universities can also be estimated using multipliers. The total number of both university and non-university jobs created was estimated using the following equation:

Jobs Created = Direct Spending (in millions of dollars) x Jobs Multiplier

The multipliers used to estimate the total number of jobs created are specific to the county in which the university is located. The following table presents the multipliers that were used in the present study.

Table 13 **RIMS II Multipliers**		
	Multiplier	Jobs Multiplier
Gonzaga University	1.7031	17.991
Heritage University	1.4139	16.7909
Pacific Lutheran College	1.6536	15.8758
Saint Martin's University	1.4624	14.5413
Seattle Pacific University	1.6421	15.754
Seattle University	1.6421	15.754
University of Puget Sound	1.6536	15.8758
Whitman College	1.3366	15.5615
Whitworth University	1.7031	17.991

Addendum

A potential additional source of economic impact may be the university's alumni living in the state. If alumni choose to live in Washington because they want to be close to their alma mater, then the income earned by those alumni may contribute significantly to the economy of a state.

To calculate this potential economic impact, data on the number of alumni residing in Washington was obtained from the member institutions. Per capita personal income for the state of Washington for the year 2021 was used as an estimate of the average income earned by ICW alumni; this value was $73,775. This data was obtained from the U.S. Census Bureau. It was also assumed that only 20% of alumni were living in Washington because of their alma mater's presence. Given the above assumptions, the economic impact of alumni was estimated as follows:

Economic Impact of Alumni = (Number of Alumni x 0.2) x Income

The following table presents data on the number of alumni that reside in Washington and the economic impact of alumni for each ICW institution.

Table 14
Economic Impact of Alumni

	Number of Alumni Living in Washington	Economic Impact
Gonzaga University	28,787	$424,752,185
Heritage University	7,725	$113,982,375
Pacific Lutheran College	27,188	$401,158,940
Saint Martin's University	17,860	$263,524,300
Seattle Pacific University	29,445	$434,460,975
Seattle University	56,571	$834,705,105
University of Puget Sound	19,319	$285,051,845
Whitman College	7,185	$106,014,675
Whitworth University	17,703	$261,107,765
ICW Total	211,783	$3,124,858,165

Please note that these economic impacts are not included in the total economic impacts reported earlier in this study.