

## **Executive Summary for the Economic Impact of the University of Delaware on Newark and the State of Delaware Fall 2003**

The purpose of this study was to determine the economic impact that student, faculty, staff, and University expenditures have on the local community of Newark and the state of Delaware. This study replicated the Economic Impact Study conducted in 1999, and thereby sought to examine trends of expenditures and economic impact of the University of Delaware since that time (Kelly, 2000)<sup>1</sup>. The Economic Impact Study was administered in October 2003 to a sample of approximately 2,600 undergraduate and graduate students and 1,900 faculty and staff members on the Newark campus. All study participants were randomly chosen to ensure a representative sample. The student response rate was approximately 24% while the faculty and staff response rate was approximately 40%. The study was also administered to approximately 330 local businesses in the Newark area. The business response rate was approximately 33%. A follow-up mailing was conducted in November.

The mean monthly student income from all sources after taxes was approximately \$1,380. This is approximately 35% more than the mean monthly student income found in the 1999 study. The total mean monthly expenditures spent in Delaware also increased since 1999 to approximately \$1,060. Student expenditures ranged in items from housing to entertainment to medical and dental. In reporting their monthly expenditures, students were asked to exclude spending on University tuition, housing, and meal plans. The estimated total annual expenditures in Delaware by the overall University student population were approximately \$194,350,950. This is an increase in overall annual student expenditures of approximately 36% since the 1999 study.

The total mean monthly faculty and staff household expenditures in Delaware were approximately \$2,730. This is an increase of approximately 17% from the total mean monthly faculty and staff expenditures reported in 1999. Faculty and staff expenditures ranged in items from housing to retail to education and tuition. The estimated total annual expenditures in Delaware by the faculty and staff population on the Newark campus were approximately \$119,191,780. This figure represents an increase of approximately 26% since 1999.

Local businesses report that they employ a number of current University students, as well as alumni. Many businesses also stated that University students, faculty and staff are frequent customers and loyal patrons. Because of this relationship, these businesses made many of their decisions regarding types of products based on the University clientele, as well as when to schedule sales and promotions. Other businesses valued University students as a recruiting pool of quality candidates for seasonal part-time positions as well as full-time positions after graduation. One business noted that it was grateful for its relationship with the University and for students fulfilling their internship requirement with them. Respondents indicated that the University and its community was an asset to their business, while a number of businesses stated that their success was based solely on the University. Several respondents noted how the University enhanced Newark through the “cultural enrichment it brings to the community.” Some respondents noted that the advantages of a university town made Newark a “nice community” that felt “more alive” during school sessions. Other respondents commented on the positive relationship they have cultivated with the University through their participation in University events and networking opportunities. Business respondents noted that they also thrive on the additional business generated by visitors drawn to Newark because of the University and its events.

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<sup>1</sup> Kelly, Heather A. (2000) *The Economic Impact of the University of Delaware on Newark and the State of Delaware*. Office of Institutional Research and Planning, University of Delaware, Newark, Delaware.

The University of Delaware is the 8<sup>th</sup> largest employer in the state of Delaware. During fall 2003, the University employed approximately 3,600 faculty and staff members on the Newark campus. The University compensated these employees approximately \$193,035,080.

The University makes numerous purchases through both Delaware and non-Delaware vendors. During the 2002-2003 fiscal year, the University purchased approximately \$94,893,400 worth of products and services through Delaware vendors. Purchasing in the state of Delaware accounts for 56% of the University’s overall purchasing. This in-state spending figure is approximately 32 million dollars more than that of fiscal year 1999, when purchases made in Delaware were only 41% of the overall University’s overall purchasing. The 2003 figure of University purchasing in the state of Delaware is a 51% increase from 1999.

The expenditures of students, faculty, staff, and the University account for a large part of the economic impact on the state of Delaware. These direct expenditures create a “multiplier” effect, where employees and businesses make subsequent (indirect) purchases after receiving paychecks and profits from the revenue of the initial (direct) purchases. The total economic impact of the University of Delaware was calculated by applying a multiplier of 1.8<sup>2</sup> to the direct expenditures. The estimated total economic impact of student, faculty, and staff direct expenditures and University purchasing is summarized in Table 1.

**Table 1. Annual Expenditures Spent in Delaware by the University of Delaware and Its Community**

	Estimated Spending in Delaware Per Year	Percent Change since 1999	Overall Economic Impact	Percent Change since 1999
Student Expenditures	194,350,948	35.9	349,831,706	28.8
Faculty and Staff Expenditures	119,191,776	26.1	214,545,197	19.5
University Purchases	94,893,449	51.0	170,808,208	43.1
<b>Total Economic Impact</b>	408,436,173	36.0	735,185,111	28.8

During 2003, the University and its community spent approximately \$410 million in Delaware. These estimated expenditures are more than 4 times the state operating appropriations level (\$100 million). The estimated total economic impact of the University of Delaware is approximately \$735 million, nearly a 29% increase compared to the results in the 1999 study.

The economic impact of the University of Delaware is also responsible for generating additional jobs for businesses that provide products and services to the University and its community. According to the Bureau of Economic Analysis, approximately 20 jobs are generated for each additional \$1 million of output<sup>2</sup>. The estimated spending from students, faculty, staff, and the University therefore support approximately 8,170 jobs in the state of Delaware.

<sup>2</sup> Regional Input-Output Modeling System (RIMS II). Regional Economic Analysis Division, Bureau of Economic Analysis, U.S. Department of Commerce, 2004.

In 2003, the University of Delaware continued to provide an increasing benefit to the economy of its surrounding community and the state of Delaware through the vast and far-reaching effects of both direct and indirect expenditures. Since the 1999 Economic Impact Study, students, faculty, staff, and University expenditures have increased within the local economy. Local businesses, on the receiving end of many of these purchases, continue to find the University and its community key to the success of their businesses. Comparing the current overall findings to those in 1999, this impact on the local and state economy generated a significantly greater return in 2003 – one that is more than 4 times the value of the state’s annual investment in the University of Delaware.

The University of Delaware’s mission focuses on education, research and service for the betterment of its students, as well as its surrounding communities and the state of Delaware. In addition to these benefits and its economic impact, the University of Delaware provides a range of benefits including, but not limited to, employment opportunities, cultural exhibits and events, and support for the area’s unique social and geographical environment.