

MINUTES OF THE REGULAR MEETING

of the

BOARD OF REGENTS OF THE UNIVERSITY OF WISCONSIN SYSTEM

Madison, Wisconsin

Held in room 1820 Van Hise Hall  
Thursday, September 12, 2002  
11:00 a.m.

- President Gottschalk presiding -

PRESENT: Regents Axtell, Boyle, Brandes, Burmaster, DeSimone, Gottschalk, Gracz,  
Jones, Klauser, Krutsch, Marcovich, Mohs, Olivieri and Randall

ABSENT: Regents Barry, Schneiders and Smith

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**THE ECONOMIC IMPACT OF THE UW SYSTEM**

In opening remarks, Regent President Gottschalk referred to the UW's prominent role in promoting Wisconsin's economy. The UW's economic stimulus package, he noted, will prepare 1,280 additional students for 21<sup>st</sup> century jobs and start new programs to help local businesses. In addition, the work of faculty and staff has resulted in new discoveries and spin-off businesses in communities around the state. Many faculty and staff also help small business through educational programs, employee training and student internship placements.

The UW also contributes to the Wisconsin economy by being one of the state's largest employers, he pointed out, observing that the full economic impact of the university is very real and very large.

President Lyall indicated that, given this year's focus on engaging Wisconsin, it is helpful to begin by presenting an updated study on the UW's economic impact. She introduced David J. Ward, former UW Senior Vice President for Academic Affairs and President of NorthStar Economics, the company that did the new study.

Noting that the findings presented at this meeting are preliminary, Dr. Ward introduced Emeritus UW-Madison Professor William Strang, author of a 1997 study on the UW's economic impact and consultant on this study; Dennis Winters, Vice President and Director of Research for NorthStar Economics; and Karyn Kriz, Research Associate for NorthStar. He expressed appreciation to the UW universities for their extraordinary help in providing 2001-02 data on a short timeline.

The scope of the study, he explained, was the entire UW System, including the UW Hospitals and Clinics because of its affiliation with the UW System at the time of the earlier study. The economic impact was calculated for the entire system, not for the separate institutions.

The study included the following economic measures:

- 1) Total economic contribution (economic impact)
- 2) Jobs created as a result of UW economic activity
- 3) State tax revenue generated by UW economic activity
- 4) Return on investment to students and the state

The standard way to view data, he continued, is in terms of spending flows, including institutional spending, faculty and staff spending, student spending and visitor spending. Calculations were based on the most current available data, updated in some cases to 2001-02. Only in-state spending was counted. Multipliers were purchased from the Minnesota IMPLAN Group.

Turning to findings, Dr. Ward reported the following:

- 1) UW institutional direct spending in Wisconsin totals more than \$870 million.
- 2) Faculty and staff direct spending is more than \$1 billion.
- 3) Student direct spending is more than \$1.3 billion.
- 4) Visitor direct spending is more than \$726 million.

Multipliers were used to calculate the economic impact of this spending, as follows:

- 1) The economic impact of institutional direct spending is \$2.1 billion.
- 2) The economic impact of faculty and staff direct spending is \$2.5 billion.
- 3) The economic impact of student direct spending is \$3 billion.
- 4) The economic impact of visitor direct spending is \$1.7 billion.

Aggregating these amounts, the total economic contribution by the UW to the Wisconsin economy is almost \$9.5 billion – 5.5% of the gross state product of \$170 billion.

This economic activity creates more than 150,000 jobs for the Wisconsin economy – 5.5% of total state employment.

With regard to tax revenues, the UW's economic activity annually raises \$408 million in sales and income tax – which is more than 40% of the funding the UW receives from the state.

Concerning return on investment in a bachelor of science degree, the study showed that the degree returns to the state and localities an average of almost 9% in terms of revenues generated by the higher income that the college graduate will earn. The return to the graduate is nearly 30%. Graduates get a payback on their investment in less than 3 years and earn almost \$1 million more than a high school graduate and twice that amount for a doctoral or professional degree.

In conclusion, Dr. Ward identified several factors not included in the study that would add substantially to the \$9.5 billion economic impact. These include:

- 1) Enhanced quality of life
- 2) Tax revenues from graduates
- 3) University economic development contributions
- 4) University-related entities, such as foundations
- 5) Research and development expertise of UW faculty and staff.

In summary, he emphasized that the UW's economic impact of \$9.5 billion and growing is a key economic engine for Wisconsin.

In discussion following the presentation, Regent Axtell referred to a finding in Professor Strang's study that \$1 invested in the UW returned \$10 to the state's economy. He asked if that ratio had changed. Dr. Ward replied that the ratio indicated by this study is similar and that this figure could be included in the final report.

Regent Axtell noted that university foundations around the state, although not included in this study, add considerably to the UW's economic impact. He asked if economic benefit could be broken down by region, campus or legislative district, to which Dr. Ward replied in the affirmative.

Regent Marcovich asked if similar studies had been done for any other state agencies, and Dr. Ward replied that he was not aware of any.

Observing that the state receives a great return on its investment, Regent Klauser pointed out that not included in the study's numbers are the huge benefits to the state of all the educated alumni who live and work in Wisconsin, as well as the UW's great contributions over the years to state businesses and agriculture.

Dr. Ward added that his company is doing a more detailed economic impact study for UW-Madison that would include some of that type of data. He agreed with Regent Klauser that \$9.5 billion is a substantial but modest number.

President Lyall added that the October Economic Summit will include a panel consisting of Rolf Wegenke, President of the Wisconsin Association of Independent Colleges and Universities, Richard Carpenter, President of the Wisconsin Technical College System, and herself. The topic will be post-secondary education as a major industry cluster in the state and a major generator of jobs, incomes, and tax revenues. The visitor spending numbers in the study, she added, indicate that the university also is a substantial export industry.

Regent Krutsch noted the scenic beauty of Wisconsin and its excellent public schools as important components of the high quality of life that helps to attract an educated workforce. She asked about means of creating high-paying jobs and other ways of enhancing brain-gain for Wisconsin.

In reply, Dr. Ward referred to important initiatives taken by UW institutions to bring businesses into the state. It was his belief that three factors are needed simultaneously to make an economy vibrant: More college graduates, more venture capital and more technology-related entrepreneurship, in addition to the high quality of life that is enhanced by the university. These factors, he noted, have stoked the economies of Minnesota and Colorado in recent years.

In response to a question by Regent Krutsch about what made those states able to move ahead, Dr. Ward commented that Minnesota, for example, historically has had a financially attuned culture, while Wisconsin's economy has not focused in that direction.

Regent Boyle asked how the study could be used to fashion a simple and easily understood message about the value of the university.

Dr. Ward indicated that the primary message would be that the UW plays an essential role in creating high-paying jobs for Wisconsin. This is key to lowering the tax burden for everyone.

Chancellor Wells suggested refining the message to the local level to bring home to people the concrete benefits of having the university in the community.

Regent DeSimone inquired about prospects for improving the climate for venture capital. Dr. Ward replied that some campuses have started projects related to angel investors and other means of attracting venture capital. Some universities, such as Marquette, are starting angel investing groups among their alumni. He noted that Wisconsin currently ranks 29<sup>th</sup> in venture capital, compared with Minnesota, which ranks 15<sup>th</sup> and Illinois, which ranks 11<sup>th</sup>. Regent DeSimone observed that the UW's outstanding research should be helpful in attracting venture capital. Dr. Ward agreed, noting that there currently are six angel networks in the state, whereas there were none six years ago.

Given the Board's responsibility for strategic planning, Regent Krutsch asked if it would be helpful for the Board to consider how to make the greatest economic impact when making enrollment and other decisions.

In reply, Dr. Ward suggested that the Board attempt to increase overall enrollments, to the extent this could be done without adversely affecting educational quality, rather than targeting enrollments to particular campuses. In addition, he recommended encouraging and recognizing aggressive economic development by UW institutions.

Regent DeSimone asked how results of the study would be disseminated to elected officials and the public. Dr. Ward indicated that a clear message needs to be developed and disseminated through brochures and other means, at the system level and by the UW campuses.

Noting that this will be a central part of the Engage Wisconsin effort throughout the year, President Lyall added that she and others will use the information in presentations around the state.

After conclusion of the discussion, the meeting was adjourned at 12:00 noon, upon motion by Regent Axtell, seconded by Regent Jones.

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Judith A. Temby, Secretary