

MAINE STATE LEGISLATURE

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ECONOMIC
IMPACT
ON
THE STATE
OF
MAINE

The connection between
the University of Maine System
and the State of Maine

September 2007



Economic Impact on the State of Maine

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Executive Summary

The University of Maine System is one of the state's most important catalysts for economic growth. In keeping with its mission, it acts as a major resource for the State, linking economic growth, the education of its people, and the application of research and scholarship.

It is impossible, however, to tell the entire story of economic impact. There are numerous intangible benefits derived from the presence of the University System that cannot be quantified. There are social benefits realized through the educational opportunities, business development and public services provided by Maine's public universities. Students who attend the universities are exposed to cutting-edge technology and research, which prepares them for the jobs of the 21st century. UMS contributes to Maine's welfare by cultivating a well-educated, knowledgeable and skilled workforce that benefits regional employers in both the public and private sectors.

In the process of fulfilling its mission to the state of Maine, the UMS has a positive impact on the economies of the state and the communities in which the universities reside through expenditures in payroll and purchase of goods and services. This report attempts to identify and measure this economic impact.

Highlights¹

- Maine's Public Universities have an annual economic impact of nearly \$1.5 billion on the State of Maine.
- The University System generates \$8.10 of economic activity in Maine for every one dollar of state appropriation.
- UMS provides more than \$375 million annually in income and benefits to more than 13,000 part- and full-time employees, a figure that includes nearly 5,000 student employees.
- Through economic activity, UMS stimulates an additional 7,711 jobs throughout the state and an additional \$241 million in income and benefits
- 3.3 percent of Maine's gross domestic product is stimulated by the activity of the University of Maine System.

¹ The work of Todd M. Gabe, Associate Professor of Resource Economics and Policy at the University of Maine, was helpful in generating this report.

UMS Expenditures

Activities by the University of Maine System resulted in \$770.0 million (Table 1) during the fiscal year that ended June 30, 2006, the most recent data available.

Total UMS expenditures include \$599.8 million in direct payments. Direct expenditures are costs associated with the day to day operation of the seven campuses, the System office and UMS entities such as the University College. The largest expense is payroll, but expenditures also include direct purchases of goods and services.

Direct costs are not the only way UMS contributes to the economy. Students and visitors generate approximately \$170.2 million on expenses such as transportation, food and recreation.

TABLE 1	
Total UMS Expenditures FY06	
AMOUNT	EXPENDITURES
\$167,969,000	Direct Purchases
375,003,000	Annual Payroll
56,802,000	Capital Improvement
\$599,774,000	SUBTOTAL
\$170,211,000	Student Spending (non-payroll) & Visitor Spending
\$769,985,000	TOTAL

UMS Revenue Sources

The largest source of revenue for the University of Maine System is Legislative appropriation. In FY06 the Maine Legislature allocated \$184.7 million to the UMS, representing 31% of the System's total revenue. Other sources of revenue include:

- \$181.9 million (30%) in student revenues – tuition and fees, less scholarships and waivers
- \$134.1 million (22.4%) for research and development from public and private sources
- \$31.4 million (5.2%) for educational sales and services and auxiliary enterprise – campus bookstores and other entities supported by user fees
- \$24.7 million (4.1%) from gifts, endowments and investment income
- \$43 million (7.2%) from other auxiliary enterprises and indirect cost recovery

Economic “Multiplier Effect”

Local purchases by the seven universities, ten centers, system-wide services, employees, students and visitors circulate through the Maine economy and causes additional spending from other sources. Every dollar spent creates an economic “multiplier effect” for the state.

This multiplier effect is an important factor to consider when studying the total economic impact of the UMS to the state. Every dollar spent represents a dollar of cash flow into the Maine economy that is used by businesses and organizations to pay employees and taxes and purchase more goods and services.

Using Impact Analysis for Planning (IMPLAN), an economic input-output model developed by the U.S. Department of Agriculture, the multiplier effect was estimated. Including multiplier effects of \$726.8 million (Table 2) UMS contributed nearly \$1.5 billion in total output to the Maine economy. That figure includes \$659.8 million in income to Maine workers and the support of 21,553 full- and part-time jobs in Maine.

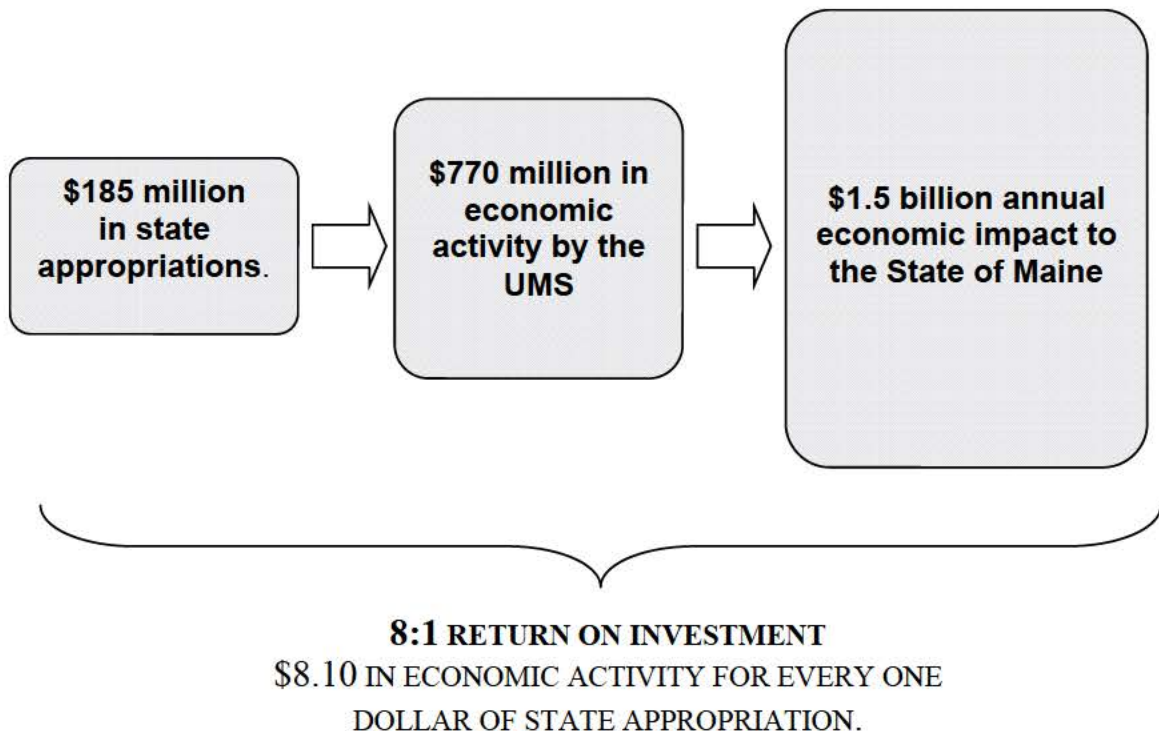
TABLE 2			
Total UMS Economic Impact FY06			
	Direct Impact	Multiplier Effect	Total Impact
Output:			
University Operations	\$599,774,000	\$658,218,000	\$1,257,992,000
Student & Visitor Spending	\$170,211,000	\$68,539,000	\$238,750,000
Total Output	\$769,985,000	\$726,757,000	\$1,496,742,000
Income:			
University Operations	\$375,003,000	\$218,522,000	\$593,525,000
Student & Visitor Spending	\$43,556,000	\$22,728,000	\$66,284,000
Total Income	\$418,559,000	\$241,250,000	\$659,809,000
Employment:			
University Operations	11,202	6,917	18,119
Student & Visitor Spending	2,640	794	3,434
Employment	13,842	7,711	21,553

Overall Impact

The University of Maine System, through its universities, students, visitors, and affiliated organizations, creates a total economic benefit to Maine of more than \$1.5 billion. That represents a return of \$8.10 for every one dollar in investment. Maine taxpayers realize a more than 800 percent return on their investment of \$184.7 million through state appropriation.

Our communities gain from the presence of Maine's public universities in a variety of other ways as well, including access to professional consulting services, computer and library services, tutoring, seminars, conferences, and workshops hosted throughout the System. UMS students, faculty, and staff also work to improve our well-being by donating thousands of hours each year to local, state, and national boards, organizations, and commissions. Their leadership goes a long way toward focusing attention on critical issues, channeling policies and resources to people in need.

Each of these contributions has a significant – yet immeasurable – economic impact on the state economy, which was not included in this analysis.



Individual University Economic Impacts

In addition to understanding the overall economic impact of the University of Maine System, it is important to recognize the impact that each of Maine's public universities has on the state's economy. Although the seven institutions vary in size and mission, all are united in a common role as the educational, cultural and economic centers of their respective regions.

The following summaries estimate the economic impact of each institution within the University of Maine System based on the application of a 'multiplier effect' in proportion to each university's share of UMS expenditures.

TABLE 5
Total UMS Expenditures by Campus FY06

	Direct Expenditures	Payroll	Capital Expenditures	Subtotal	Student & Visitor Spending	Total Expenditures
UM	\$86,965,788	\$177,650,116	\$28,912,062	\$293,527,966	\$56,686,881	\$350,214,847
UMA	\$9,762,721	\$20,572,307	\$3,463,385	\$33,798,413	\$20,724,004	\$54,522,417
UMF	\$10,364,355	\$23,362,476	\$3,989,346	\$37,716,178	\$16,813,595	\$54,529,773
UMFK	\$2,581,184	\$7,740,975	\$1,395,741	\$11,717,900	\$3,973,106	\$15,691,006
UMM	\$3,061,354	\$6,520,657	\$1,123,333	\$10,705,343	\$3,804,716	\$14,510,059
UMPI	\$4,713,436	\$10,838,405	\$2,295,844	\$17,847,685	\$7,289,408	\$25,137,093
USM	\$39,196,582	\$114,297,355	\$13,777,398	\$167,271,335	\$59,032,084	\$226,303,419
SWS	\$11,635,144	\$14,020,912	\$1,844,891	\$27,500,947	\$1,887,205	\$29,388,152
Total	\$167,968,796	\$375,003,204	\$56,802,000	\$599,774,000	\$170,211,000	\$769,985,000

TABLE 6
Total Estimated UMS Economic Impact by Campus FY06

	Total Expenditures	Multiplier Effects	Total Impact
UM	\$350,214,847	\$330,553,312	\$680,768,159
UMA	\$54,522,417	\$51,461,455	\$105,983,873
UMF	\$54,529,773	\$51,468,398	\$105,998,171
UMFK	\$15,691,006	\$14,810,092	\$30,501,098
UMM	\$14,510,059	\$13,695,445	\$28,205,504
UMPI	\$25,137,093	\$23,725,862	\$48,862,955
USM	\$226,303,419	\$213,598,439	\$439,901,858
SWS	\$29,388,152	\$27,738,262	\$57,126,414
Total	\$769,985,000	\$726,757,000	\$1,496,742,000