

## *IV. Economic Footprint of America's Urban Campus*

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In the previous section, we discussed the total operations and spending of America's Urban Campus colleges and universities, their students, and visitors. In this section, we will discuss how college and university operations translate into a large economic footprint in the city of Chicago. While educating students, performing research, and engaging in countless other activities, America's Urban Campus institutions support a significant amount of output, jobs, and earnings in Chicago. We aggregate the output, jobs, and earnings associated with the following sources of economic activity to estimate the economic footprint of America's Urban Campus:

- University and college operations (payroll and non-payroll);
- Student spending; and
- Visitor spending.

### **DEFINITION OF ECONOMIC FOOTPRINT**

The economic footprint described in this section includes all output, employment, and earnings associated with America's Urban Campus college and university operations, student, and visitor spending. They contribute to Chicago's economy in two ways:

1. The *direct* effect of the colleges' and universities' economic activity includes spending, employment, and earnings that are directly attributable to their operations in the city, including hiring Chicago residents and paying Chicago companies for goods and services.
2. The *indirect* effect of the colleges' and universities' economic activity occurs as dollars recirculate throughout the Chicago economy. Suppliers to the universities are part of a supply chain and have vendors of their own who benefit indirectly from college and university spending. In addition, university employees use their wages to buy groceries from the local grocery store, and university contractors may use their revenues from the colleges and universities to buy new equipment or expand their office space. Even then, dollars continue to circulate as grocery store owners and equipment providers now have more money to purchase goods and services in the city.

We estimate the total spending, earnings, and jobs supported by America's Urban Campus in Chicago by adding together the direct and indirect effects. See "Appendix A. Methodology" on page A-1 for details of our estimation methods.

### *Difference Between Economic Footprint and Net Economic Impact*

In this report, we present the *economic footprint* of American Urban Campus colleges and universities in Chicago. In other studies, we estimate the *net economic impact* of institutions in a defined region.<sup>8</sup> A university's *economic footprint* is defined as the employment, earnings, and spending in a region that are

related to *all* economic activity by that university. A university's *net economic impact* is defined as the employment, earnings, and spending in a region *caused* by the university, and excludes all employment, earnings, and spending that would have occurred in a region even without the university's presence.

For example, in the absence of a given university, operations at other nearby universities in the city would expand to receive more students; the land that university occupies would instead contain houses, a park, or an office building; and many of the employees that work at that university would have a job elsewhere in the city. That university's net economic impact captures the extent to which the economic activity related to a university *exceeds* the economic activity that would have occurred in its absence.

In this report, we present economic footprint instead of net economic impact because the characteristics of a hypothetical Chicago economy in the absence of any universities and colleges are too unpredictable to properly analyze. We generally do not apply net economic impact analysis to an entire sector of a major city.

Since we estimate economic footprint instead of net economic impact, we cannot say with confidence whether the spending we attribute to the universities would have happened even in the universities' absence, as we can with a net economic impact estimate. We can, however, say that the economic footprint describes the scope of economic activity by the universities, their students, and visitors in Chicago, as well as the extent of employment and industry in the city tied to that economic activity.

## SOURCES OF ECONOMIC FOOTPRINT

To estimate the economic footprint of America's Urban Campus colleges and universities in Chicago, we include only spending and employment that occurs *in the city* (i.e. spending at Chicago businesses and employment for Chicago residents). We included all 22 member institutions in our economic footprint estimates for university and student spending. Due to a paucity of data, we did not include 10 of the 22 member institutions in visitor spending estimates.<sup>9</sup>

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8. See Alex Rosaen and Traci Taylor, "Empowering Michigan: Tenth Annual Economic Impact Report of Michigan's University Research Corridor," Anderson Economic Group, January 2017; and

Traci Taylor and Jonathan Waldron, "The Economic Impact of Central Michigan University," Anderson Economic Group, September 2017.

9. Visitors to Argosy University, Chicago State University, Columbia College Chicago, East-West University, National Louis University, Northeastern University, Roosevelt University, Rush University, Saint Xavier University, and the John Marshall Law School have not been included in our estimates on economic footprint for visitor spending.

Our estimates for spending in the city are presented below. Further details on specific categories of expenditures can be found in “Estimating Economic Footprint” on page A-3.

*University Payroll Spending*

In FY 2017, America's Urban Campus institutions employed over 68,000 faculty and staff, and spent nearly \$7.6 billion on payroll. We estimate that approximately 56% of the employees reside in Chicago, and they received \$4.2 billion in salary, wage, and fringe benefits.

*University Non-Payroll Spending*

In FY 2017, America's Urban Campus institutions spent nearly \$6 billion on non-payroll goods and services. We estimate that 23%, or \$1.4 billion, of that spending went to Chicago businesses. The proportion of spending that stays in Chicago is lower for non-payroll spending than for payroll spending because many colleges and universities source goods and services from outside of Chicago. Spending that occurs outside the city is not included in our economic footprint estimates.

*Student Spending*

As described in “Student Spending” on page 13, the students at America's Urban Campus colleges and universities spent over \$3.2 billion annually. We estimate that over \$2 billion of that was spent in Chicago.

*Visitor Spending*

As discussed in “Visitor Spending” on page 15, the 12 America's Urban Campus colleges and universities that reported visitor data hosted 841,119 visits in 2017. We estimate that these visitors spent nearly \$45 million in the city.

**TOTAL ECONOMIC  
FOOTPRINT IN  
CHICAGO**

We estimate that America's Urban Campus colleges and universities collectively supported \$7.6 billion in output for Chicago businesses in FY 2017. Table 5 on page 20 shows the sources of this economic footprint.

**TABLE 5. Total Output Supported by America's Urban Campus Institutions in Chicago, FY 2017 (millions)**

	<b>Direct</b>	<b>Indirect</b>	<b>Total</b>
Payroll Spending	\$1,184	\$1,837	\$3,021
Non-payroll Spending	\$1,352	\$511	\$1,862
Student Spending	\$2,064	\$630	\$2,694
Visitor Spending	<u>\$45</u>	<u>\$16</u>	<u>\$61</u>
<b>Total</b>	<b>\$4,644</b>	<b>\$2,994</b>	<b>\$7,638</b>

*Note: Estimates may not sum to total due to rounding.*

*Source: AEG analysis using base data from America's Urban Campus colleges and universities, College InSight, BLS Consumer Expenditure Survey 2017, and BEA RIMS II Multipliers*

In addition to supporting output, America's Urban Campus also supported jobs and earnings for Chicago residents as its member schools, employees, students, and visitors spend money on goods and services in the city. In FY 2017, we estimate the combined footprint to be 86,867 jobs and \$4.9 billion in earnings for Chicago residents. Table 6 below shows the direct and indirect effects America's Urban Campus institutions have on jobs and earnings in Chicago.

**TABLE 6. Total Earnings and Employment Supported by America's Urban Campus Institutions in Chicago, FY 2017**

	<b>Direct</b>	<b>Indirect</b>	<b>Total</b>
Jobs (head count)	38,146	48,721	86,867
Earnings (billions)	\$3.1	\$1.9	\$4.9

*Note: Estimates may not sum to total due to rounding*

*Source: AEG estimates and analysis, using base data from America's Urban Campus colleges and universities, Bureau of Economic Analysis*

For comparison, the AUC employment footprint of 86,867 exceeds employment in the entire construction and wholesale trade industries in the city combined.<sup>10</sup>

10. According to the 2016 American Community Survey, total employment in the construction industry in Chicago was 50,197 and total employment in the wholesale trade industry in Chicago was 33,502 in 2016.