

**Economic Impact of UAA**  
**By Scott Goldsmith, ISER (786-7720)**  
**February 13, 2007 (Revised March 2, 2012)**

We are in the middle of the U med district, the center of the know ledge economy in Anchorage, and one of the most consistently and rapidly growing centers of employment in the state.

The UMed district is home to 4 of the top 25 private employers in the state.

The largest private employer in the state is headquartered just across the street. Providence health care has a workforce of 4,000, an increase of 10 percent from 2004 the majority of whom are right here in the Umed district. Just by way of comparison, Fedex, another one of our growing employers, has a workforce of about 1,100.

But there are two other large private employers here, both of which have grown by leaps and bounds.

The 14th largest private employer today is the Southcentral foundation. A few short years ago in 1997, it was ranked 94<sup>th</sup>.

And in 10<sup>th</sup> place is ANTHC, which was ranked 15<sup>th</sup> in 2004.

Where does UAA fit in here. With employment of about 2,800, it is the largest public employer in the district. This is a respectable number, although it is only one among many large public employers in the city, including the federal and state governments, and the city and Anchorage school district.

The other university in the area is Alaska Pacific University, a private university that serves approximately 500 students and employs 140 staff and faculty members.

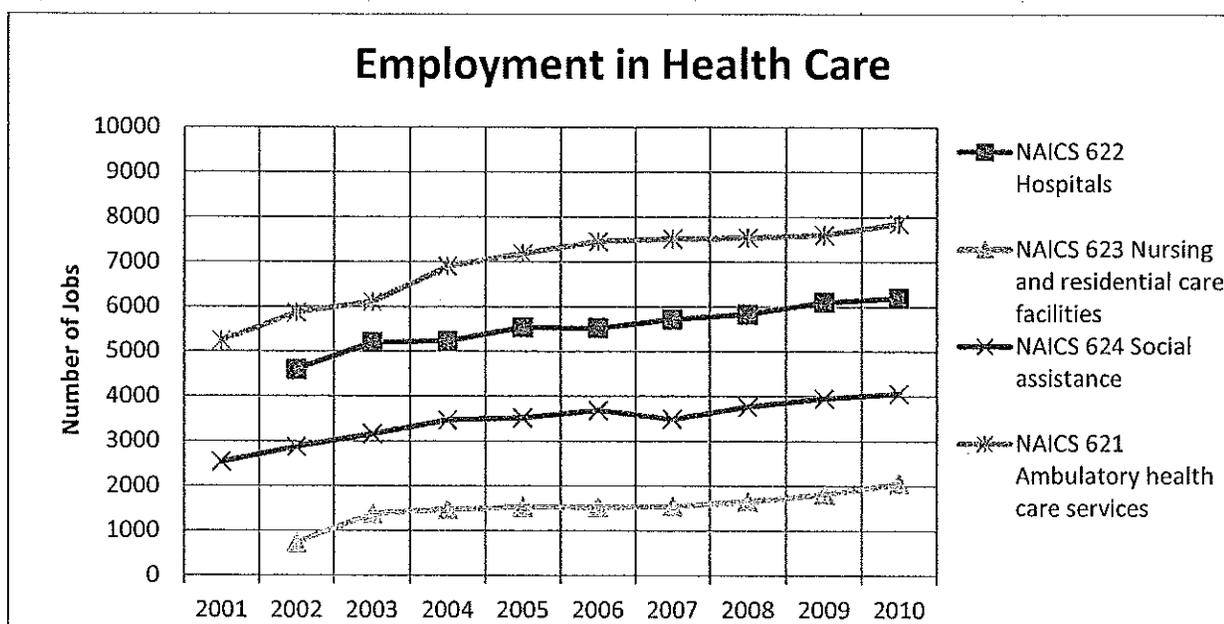
If we add in the other employers in this district-public and private-besides these 4 including, but not limited to, Alaska Pacific University, Alaska Psychiatric Institute, McLaughlin Youth Center, the Alaska Native Medical Center and others, we quickly get in excess of 8,000 and growing. (Rep. Sharon Cissna defines the boundaries of the UMed district to run from Debarr to Tudor and Lake Otis to Boniface. Within that perimeter she estimates total employment of 16,000, of which 12,500 is health care.)

Now, I am the first to admit that predicting the future is tough. A classic case is the price of oil. Will it go up or down tomorrow. How many would bet on it going up? How many would bet on it going down.

But some things are easy, and I don't mean death and taxes. One of the most easy to predict is that both the major industries in this district-education and health care-will be among the fastest growing in the next decades. The reason it is easy to make that prediction- Demographics.

First look at health care. For at least the last 2 years running nearly half the new jobs in Anchorage have been in the health care field. Neal Fread, an economist at Alaska's Department of Labor predicts a majority of new jobs created in Alaska in 2012 will come from the health care sector.

A majority of the jobs in health care are in ambulatory services which include physicians and nurses and hospitals.



The UMed district holds more than 50% of health care facilities and services in Anchorage. This includes all three of the hospitals in Anchorage, Providence, Alaska Regional, and the Alaska Native Medical Center.

Due to the amount of health care services in the area, health care employment in the UMed area is growing quickly. Between 2001 and early 2011, employment increased by 45% in health care services.

Part of the reason is that the senior population in Alaska has been growing at a faster rate than

virtually every other state for the last 20 years. The population is aging and seniors are choosing to stay in Alaska when they retire. There are many reasons for this, and it is worth studying, because the senior population can be a boost to the economy for many reasons, including the fact that they are big consumers of health care.

But the last 20 years is just a prelude to what may be about to happen. The leading edge of the baby boom generation, those folks born 1946-1964, are about to hit retirement age-60--starting a year from now. What is important about them is the simple fact that there are so many of us. For decades marketing executives have followed the aging of this population and drooled as we all, as a group, bought homes, had children and started buying diapers, put money into college savings funds, and otherwise boosted sales of age appropriate purchases as we have moved through the various stages of life.

One of the interesting things about Alaska is that we have more than our fair share of baby boomers than the rest of the nation. In a few short years they will put the growth rate of Alaska's senior population, already fast, into overdrive. That will have consequences across the economy, but will be felt directly in this part of town in the hospitals, clinics, and other offices supplying health care services.

Turning to education what we see starting to hit the campus are, you guessed it, the children of the baby boomers. And because there are so many baby boomers, they have had a lot of children. And for that reason, the demographers have given them a name too. They are known as the echo generation, or sometimes simply as generation y.

The echo generation is more spread out in age than the boomers, but they are heavily concentrated in the primary and secondary school aged population. As such many of them are soon to be heading off to college, and I believe that even without capturing a larger share of college bound seniors, UAA is going to be growing much faster in the next 10 years than in the last 10, simply because of the arrival of the echo generation on our doorstep. Of course we expect to continue increasing the UAA capture rate, that is the share of the college bound population choosing UAA, and if successful, that will only add to the growth.

Then of course there are those baby boomers, many of whom will not be content to simply retire. They will want to continue to exercise their brains, one of the best ways I have found to try to stay young. This phenomenon of "brain gain" represents another source of University growth.

So although it will always be a challenge to predict the growth of the economy of the state and Anchorage, the simple demographics of the baby boomers and their children guarantees strong growth in health care and higher education in the state, and much of it will be concentrated right here in the UMed district. And how we deal with the issues of the supposed "brain drain" of our children, and the potential "brain gain" from our elders will largely determine how fast or slow that growth occurs.

Now let us turn briefly to higher education as an economic enterprise. Of course the primary

benefit of the University is the education it provides not only to the students, but to the entire community in a multitude of ways.

But in the process of generating these benefits, it provides an economic boost to the community. Just like Boston, or Austin, or Princeton are all college towns where higher education forms an important, and sometimes the most important, part of the economic base, so in the Umed district, we have a small nascent college town that is contributing to the economic health of the community.

This contribution comes from 2 main sources of spending, as well as some minor ones.

The first is spending of UAA on annual operations and capital. In 2011 UAA's budget was approximately \$250 million, an increase of 24.9% from 2007. Where does this \$\$ come from? About \$127 million came from the state GF appropriation to the university. Nearly \$120 million comes from other sources. Tuition, federal dollars, and auxiliary services (meals, room and board, the book store, the health center, and so on) accounting for the bulk of that \$120 million.

What does the University buy? Well it buys education, and that is represented not only by university professors and administrators, but also by a broad range of support personnel running the gamut from a cooks to maintenance people. In total UAA employs about 2,200 according to the Alaska Department of Labor. And a large share of these jobs are the "high paying" jobs we like to see being created in this state.

But in addition to personnel, the University spends its money on buying goods and services, largely from businesses in the Anchorage economy. McDowell and Associates recently estimated that about \$30 million of UAA expenditures on goods and services were made within the Anchorage economy. In addition, about \$20 million of the expenditures on goods and services benefiting UAF were also made within the Anchorage economy. Taken together, Anchorage businesses enjoyed about the same level of sales to UA as did Fairbanks businesses.

The other major source of economic impact is student spending (If you have kids in college you understand what I mean when I say these students are consumer units, really no different from the tourists one sees downtown during the summer months). Students do not spend all their time studying and do not spend all their income on educational expenses. As marketing experts know well, these kids have a lot of discretionary income that they spend on clothes, entertainment, eating out, cars and other transportation, travel, sports equipment, and for those not living at home or in the dorms-occasionally rent and food.

We don't have good figures on the magnitude of these expenditures. We can easily come up with a variety of estimates, depending on who we count as a student, where we assume they are living, and what we assume they are spending their money on. McDowell estimated \$126 million for the entire University. I take a more conservative approach.

If we look just at the non-education expenditures of full time students, about 6500 (Those are all expenditures these students make that do not flow through a University account), and if we further assume about 1,000 live in the dorms and another 1,000 live in rental units (a pure guess), with the remainder living at home, we come up with roughly \$25 million. It could easily be much more, or somewhat less.

If we add university expenditures and student expenditures not directly related to education, throw in a bit for visitors and alumni spending, we get a total for spending in the Anchorage economy coming directly from the operation of the University fast approaching \$200 million. This is the amount that gets added to the local spending stream.

This infusion has a multiplier effect like other \$\$\$ that get spent locally. I have not yet had a chance to run the numbers, but the respending of this cash infusion creates sales, jobs, and personal income throughout the economy. Sales and jobs in real estate, health care, banking, grocery stores, eating and drinking establishments, health care are generated. Household income expands across the community.

Now this tells us what the community would lose if UAA closed its doors today and all its full time students had to transfer outside the state (or relocate to Fairbanks). (Of course parents would also feel a bigger bite on their incomes if they had to payout of state tuition and room and board.) We don't expect that to happen of course. In fact we expect just the opposite. We expect two things to happen. First we expect our Alaska student capture rate to increase (both Anchorage and non-Anchorage Alaskans). Second we expect the number of non-residents choosing UAA to increase.

And when student enrollment increases, the economic impact goes up. How much depends upon both the cost of educational services to that additional student, and the circumstances of that student, for example whether she is a resident or non-resident. The job of the University is to minimize the cost of providing quality education to this additional student, in order to maximize the benefit both to the state treasury and to the economy in terms of job and income growth.

Let me close with a short pitch for University research, mostly done at UAF, but an increasing activity here at UAA and obviously close to my heart. University Research is truly an economic enterprise, as I have asserted in a report prepared earlier this year, akin, on a smaller scale, with mining, tourism, and other industries that bring new money into the state and help the economy expand. A relatively modest investment of state funds in University research gets leveraged into a much larger amount of research funding that flows into the state from Outside sources. This revenue supports one of the cleanest, labor intensive, high wage, stable, year round industries. It is an industry with tremendous growth potential and with proper foresight we can easily capture our fair share of that growth, for the benefit of Alaskan and our economy.