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# The UMass/Boston Friday Report

Volume 2, Number 13  
February 5, 1993

News and information about and for the  
University Community from the Chancellor's Office

## Economic Impact Study Says State's Investment In UMass/Boston Is "Lucrative and Risk Free"

According to a new economic impact study, the state government can expect to receive \$1.57 in additional income and sales taxes for every \$1 invested in UMass/Boston's educational programs. This is equivalent to an annual return of 8.9 percent -- significantly more, the study says, than the state could earn in long-term U.S. Treasury Bonds, corporate bonds or even the typical mutual fund. Results of the economic impact study were announced last Wednesday during a meeting of the University of Massachusetts' Board of Trustees held on our campus. The study was conducted by **Barry Bluestone**, the Frank L. Boyden Professor of Political Economy and a senior fellow at the McCormack Institute.

In his 40-page report, Bluestone says that besides helping provide for a highly trained labor force, UMass/Boston boosts the local economy through an increase in state tax revenue that comes directly from the added earnings of University alumni, close to 90% of whom live and work in Massachusetts. Also, Bluestone notes, the University's success in garnering out-of-state grant, tuition, fee and financial aid dollars -- over \$25 million worth in fiscal year 1992 -- helped to generate approximately \$2.7 million annually in state tax revenue. Bluestone's study of UMass/Boston's contribution to the Commonwealth makes the following points:

- The future incomes of students who entered UMass/Boston in 1991 will yield \$53.6 million in tax revenue for the Commonwealth, a sizable payoff on the \$34.1 million the state is spending to help educate these students.
- If UMass/Boston didn't exist, and thus the state's contribution to the University was zero, the savings to the Commonwealth would be trivial. The estimated loss of tax revenue of those students who would not be able to afford private college would be virtually equal to the size of the state's subsidy to UMass/Boston -- \$30.6 million (tax revenue) compared to \$34.1 million (state subsidy). This net savings of \$3.5 million is a minuscule fraction of the state's \$15 billion annual budget. And the \$3.5 million in savings becomes even less when the \$2.7 million in tax revenues that UMass/Boston generates from out-of-state dollars is subtracted.
- Nearly one in twelve residents of Greater Boston educated beyond high school has attended UMass/Boston.
- Some 57% of the students who entered the University in 1991 would not have attended college at all if UMass/Boston did not exist. Because this group had not attained a college or graduate education, its lifetime earnings would be reduced by \$269 million.

The Bluestone study calls UMass/Boston "a prudent and profitable

investment" even if viewed strictly from the perspective of the state government budget. "Indeed," the study continues, "it is difficult to think of a private sector investment that is as lucrative and risk-free as this one." And it adds: "The three major economic contributions that UMass/Boston makes to the citizens of the Commonwealth -- the provision of an educated labor force for the private and public sector, a large increment in state tax revenues from the additional earnings of in-state resident alumni, and a boost to the state income and revenue from the University as an 'export base' all suggest that Massachusetts' urban public university is a magnificent jewel."

Bluestone was asked to make the economic impact study by Chancellor **Sherry H. Penney**. "From the very beginning," he says, "I was assured by the Chancellor that my research would be free from any influence by the University administration and all others associated directly with UMass/Boston. This assurance has been assiduously observed." For its analysis, the study focuses on 2,093 undergraduates and 479 graduate students who entered UMass/Boston in the fall of 1991. It projects how much they will earn and spend during the 40 years they are expected to work (ages 25 to 65). An adjustment known as a "present discounted value" (PDV) is used to establish the value in today's terms of a dollar earned by the students at some future time.

Using the PDV adjustment, the study concludes that the total additional income received by these students during their years in the workforce will amount to \$471,331,537. Before discounting, projected additional total earnings for the fall 1991 entering class comes to \$1,052,330,916. Data used in the analysis was gleaned from extensive administrative records at UMass/Boston, as well as from the U.S. Census Bureau. Using conservative assumptions about future wage growth and "multiplier effects," and including the full state cost of UMass/Boston, the Bluestone methodology relies on projections of expected future income for high school graduates, college students and those who receive graduate training at the University. Comparing the discounted stream of projected additional income and sales tax payments by UMass/Boston students with the per-student state subsidy provides estimates of the net benefit to state government coffers. According to Bluestone, this unique methodology permits for the first time a reasonable estimate of a public university's impact on the state's economy, as well as on the state government.

**Campus Notes** -- Commonwealth Professor **Ernest Lynton** will lead a conference titled "Rethinking Scholarship and Research" at 2:30 p.m., Wednesday, February 10, in Wheatley Hall's Troy Colloquium Seminar Room. The New England Resource Center for Higher Education and the Graduate College of Education are the colloquium's hosts. For information, call 287-7740. • The Joiner Center provided documentary film footage of the Vietnam War to ABC television's "20/20" program for a story that was broadcast on December 12th about the reunion of a Vietnamese family. • The Boston Foundation has awarded \$75,000 to Family, Friends and Community, an anti-violence and substance abuse prevention program that is co-directed by **William L. Dandridge**, acting dean of the Graduate College of Education. • "Unconditional Love," a contemporary gospel ensemble organized recently by University music lecturer **Greg McPherson**, performed at the traditional Christmas tree lighting ceremony on Boston Common. Sales of "Spread Love Around," a popular single composed by ensemble members, are benefitting the National Alliance to End Homelessness, an organization based in Washington D.C.