Impact on state Economy

This analysis shows that in FY 2012-13, payroll and operations spending of Davidson College (Davidson), together with the spending of its students, visitors, and alumni, created $148.5 MILLION in added state income to the North Carolina economy. The term “added state income” in this context refers to economic impacts and is equivalent to the commonly referred to measure of Gross State Product. The added state income, or additional Gross State Product, of $148.5 million created by Davidson is equivalent to creating 2,180 new jobs.

Davidson College (Davidson) creates value in many ways. The college improves education delivery throughout the state and helps students increase their employability and achieve their individual potential. By facilitating new research and drawing students and visitors to North Carolina, the college also generates new dollars and opportunities for the state. Davidson further benefits society as a whole in North Carolina through the added income and social savings generated by students who remain in the state. The benefits of education extend as far as the state and local government, in the form of increased tax revenues and reduced government expenditures.

The purpose of this analysis is to assess the impact of Davidson on the economy of North Carolina and the benefits generated by the college for students, North Carolina as a whole, and taxpayers. Results of the analysis reflect student and financial data for the 2012-13 Fiscal Year.
The components that make up the $148.5 million in economic impacts appear in the following sections. To generate these impacts, Davidson spent **$68 MILLION** on payroll and benefits for 840 full-time and part-time employees, and spent another **$40.7 MILLION** on goods and services to carry out its day-to-day operations and research activities. This initial round of spending – along with the college’s spending on construction and the spending of its students, visitors, and alumni – created more spending across other businesses throughout the state economy, resulting in the commonly referred to multiplier effects. For the sake of simplicity, only the combined initial and multiplier effects of each impact measure are presented in this fact sheet.

**Operations spending impact**

- Payroll to support Davidson’s day-to-day operations (less research activities) amounted to **$67.2 MILLION**.
- The net impact of the college’s operations spending in North Carolina during the analysis year was approximately **$88.9 MILLION** in added state income, which is equivalent to creating 1,098 jobs.

**Research spending impact**

- Research activities at Davidson impact the state economy by employing people and making purchases for equipment, supplies, and services. They also facilitate new knowledge creation in North Carolina through inventions, patent applications, and licenses. In FY 2012-13, Davidson spent **$815 THOUSAND** on payroll to support research activities.
- Davidson’s research spending generated **$1.6 MILLION** in added state income for the North Carolina economy, which is equivalent to creating 23 new jobs.

**Construction spending impact**

- Davidson commissioned contractors to build or renovate its facilities during the analysis year, generating a short-term infusion of income and jobs in the state economy.
- The net impact of Davidson’s construction spending in FY 2012-13 was **$6.9 MILLION** in added state income, equivalent to 187 new jobs.

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**NOTE ON THE METHODOLOGY**

Economic impact analyses use different types of impacts to estimate the results. Frequently used is the sales impact, which comprises the change in business sales revenue as a result of increased economic activity. However, sales revenue includes the intermediary costs of production and overstates actual impacts. A more accurate measure is the income impact, which assesses the change in Gross State Product, or GSP. Another way to state the income impact is job equivalents, a measure of the number of full- and part-time jobs that would be required to support the change in income. Both of these measures – job equivalents and income – are used to estimate the economic impact results presented in this report.

Also, the economic impact analysis in this report is conservative in that it directly takes into account the fact that in-state monies spent on Davidson could have been spent elsewhere in the state, and thus would have created some economic impacts regardless. The analysis accounts for such alternative uses of funds by (1) assuming that if in-state funds had not been directed to Davidson, they would have been returned to their original sources and generated economic impacts through household spending on goods and services, and (2) subtracting the estimated economic impacts generated by such alternative uses of funds from the estimated economic impacts of Davidson. Thus, the analysis reports only net impacts that are **above and beyond** what would have happened had the college’s in-state funding been returned to its original sources.
Student spending impact

- Around **78%** of students attending Davidson originated from outside the state. Some of these students relocated to North Carolina and spent money on groceries, transportation, rent, and so on at state businesses.

- The expenditures of students who relocated to the state during the analysis year added approximately **$5.5 million** in state income to the North Carolina economy, which is equivalent to creating **101** new jobs.

Visitor spending impact

- Out-of-state visitors attracted to North Carolina for activities at Davidson brought new dollars to the economy through their spending at hotels, restaurants, gas stations, and other state businesses.

- Visitor spending added approximately **$229,500** in state income for the North Carolina economy, which is equivalent to creating **6** new jobs.

Alumni impact

- Over the years, students have gained new skills, making them more productive workers, by studying at Davidson. Today, thousands of these former students are employed in North Carolina.

- The accumulated contribution of alumni currently employed in the North Carolina workforce amounted to **$45.4 million** in income added to the North Carolina economy, which is equivalent to creating **766** new jobs.

BENEFITS TO STUDENTS, SOCIETY, AND TAXPAYERS

Student perspective

- Students attending Davidson during FY 2012-13 paid a total of **$40.2 million** to cover the cost of tuition, fees, books, and supplies. They also forwent another **$34.3 million** in money that they would have earned had they been working instead of learning.
In return for the money students invest to earn their degrees, they will receive a present value of $167.4 million in increased earnings over their working lives.

This translates to a return of $2.20 in higher future income for every $1 that students invest in their education. The average annual return for students is 9.9%.

Societal perspective

North Carolina as a whole will receive a present value of $298.2 million in added state income over the course of the students’ working lives. Communities will also benefit from $30.1 million in present value social savings related to reduced crime, lower unemployment, and increased health and well-being across the state.

For every dollar that society spent on education at Davidson during the analysis year, North Carolina communities will receive a cumulative value of $2.30 in benefits, for as long as Davidson’s 2012-13 students remain active in the state workforce.

Taxpayer perspective

The net present value of the added tax revenue stemming from higher student incomes and increased business output will amount to $28.7 million in benefits to taxpayers.

Savings to the public sector will add another $5.3 million in benefits due to a reduced demand for government-funded services in North Carolina.

Conclusion

The results of this study demonstrate that Davidson creates value from many perspectives. The college benefits the state by increasing consumer spending and supplying a steady flow of workers in the labor force. It enriches the lives of students by increasing their employability and raising their lifetime incomes. It benefits North Carolina as a whole by creating a more prosperous economy and generating savings through the improved lifestyles of students. Finally, it benefits taxpayers by increasing tax receipts and reducing the demand for public services.