



Courtesy of The College of St. Scholastica. Photo by Jack Rendulich

Education's **BIG** Economic Impact

It Boosts Jobs, Community Infrastructure, Construction and More

By Tom Wilkowske

Education expands horizons. It nurtures the spirit and changes lives.

And it amounts to a mountain of economic activity, especially in Duluth, where two four-year colleges and a host of post-secondary institutions combine with a robust public and private K-12 system to turn out thousands of graduates each year.

Education provides good jobs for teachers, support staff and administrators, and it educates students so they can become more creative, effective employees and entrepreneurs. But it's more than that.

Educational institutions hire scholars who, besides teaching, fight disease, discover more efficient mining techniques and lift our souls with artistic expression. But it's more than that.

Nearly every step of the educational process – from buying books to constructing buildings to cutting tuition checks – has a financial angle.

It all takes money.

The Duluth school district spent \$124 million last year. The College of St. Scholastica spent \$56 million and the University of Minnesota Duluth spent \$142.3 million.



The reception area of UMD's renovated Malosky Stadium facilities.

Courtesy of Klaus Anderson Construction

FOLLOW THE DOLLARS

And, it turns out, where the money comes from matters in the way it affects the local economy. Money that arrives from outside the area – from students who live out of town or out of state – multiplies more than money that's already here.

Tony Barrett, an economist at the College of St. Scholastica, cites an oft-used factor to figure the impact. "Usually the regional economic multiplier for a new dollar coming in is 2.5," he said. In other words, if a tourist or student from Chicago spends \$100 in Duluth, it will ripple through the economy to the tune of \$250. Apply that to St. Scholastica's \$56 million budget, times the proportion of out-of-town students who attend St. Scholastica (83 percent) and you get – a big impact.



Courtesy of Kraus-Anderson Construction
Kraus-Anderson Construction is wrapping up a \$6 million renovation at UMD's Malosky Stadium. The company also finished a \$9 million expansion for UMD sports and health programs.



Courtesy of Kraus-Anderson Construction

Although it has a greater proportion of local students, UMD, at 11,500 students, has three times the enrollment of St. Scholastica and has a proportional economic impact. John King, interim vice chancellor, offered some numbers from 2007 to illustrate the point. UMD has about 1,700 employees, making it one of the region's biggest employers. Faculty, staff and students paid \$42.5 million in property, income and sales taxes. UMD students, visitors and employees spent an estimated \$127 million that year.

Add to that \$100 million in construction projects at UMD over the past six years, which has been a boon to local architects, contractors and tradespeople alike.

Mike Dosan, senior project manager at Kraus-Anderson's Duluth office, says the Twin Cities-based contractor is just wrapping up a \$6 million renovation at UMD's Malosky Stadium. A few years ago it finished a \$9 million expansion for sports and health programs at UMD. In fact, education construction is K-A's market niche.

"We know how to build schools," Dosan said of the company, which had \$1.4 billion in contracts last year and historically lands more than 60 percent of school building business in Minnesota. Its Duluth office employs more than 20 and has 35 employees in the field. It generally does carpentry and demolition work on its projects and hires out engineering and skilled trades.

A single statistic can't sum it all up, but overall "It's a pretty big number," King said.

IT'S NOT ALL ABOUT MONEY

Of course, it's not all about the money. Some benefits of educational institutions are harder to quantify.

"We also like to talk about the intellectual, cultural and social impact of UMD," King said. From its theater programs and Weber Music Hall to its athletics and teacher training programs, "they all have important economic and social impact," he

said. Those can be attractive to people already living here. And, as a growing number of baby boomers are set to retire, they can be attractive to empty nesters considering where to live out their golden years. "You hear one consistent thread, and that's that people are moving to college towns," he said.

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- John King, University of Minnesota Duluth

The growth of summer senior housing programs on college campuses is a harbinger of things to come. And anecdotal evidence backs it up.

It's no surprise that Barrett and his wife, both college professors, enjoy being around young people. They'll look for a college town when they're ready to retire. "The sports, culture, theater, concerts and all the services that cater to college students – the coffee houses and restaurants – are all things that we're going to enjoy," he said.

EDUCATION as an Export

If education is an industry, what exactly is it making? It might seem logical to think of colleges as importing students. But what they're really doing, according to College of St. Scholastica economist Tony Barrett, is exporting their service – education – to customers who come here to spend their money.

Export economies benefit because the money they bring in from outside the system has a greater impact than money that's already within it and circulating locally. Another upside: their potential markets aren't limited by local conditions.

Looking at education as an export service (and graduates as the product) can be beneficial, and offer some comfort to officials who fret about the trend of college students leaving the area to pursue careers.

Keeping college graduates in town can have benefits. "But don't underestimate the value of bringing students here, then exporting them," said Bob Hartl, chair of the management department at the College of St. Scholastica. "Think of them as academic products that can export this area's good reputation to the rest of the world and spread the good word about your local product," he said. **D**

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NEIGHBORHOOD BUSINESS and Provides a Worker Pool

Students can shop anywhere with the click of a mouse, but sometimes they want to go somewhere close by. Retailers and services near Duluth's two four-year colleges are glad they do and happy to help meet their needs.

As customers, college students present unique needs and opportunities. They can have difficulty managing money, but as relatively new consumers, some of their buying loyalties are up for grabs.

Wells Fargo makes a concerted effort through the year to attract and retain students as customers, according to Stephanie Cummings, manager of the national bank's Northeastern Minnesota district, which has a branch near the Kenwood Shopping Center.

One of Wells Fargo's advantages is its structure: It has lots of branches in the Midwest, where UMD and St. Scholastica draw enrollment from. That makes it convenient for students and families alike, said Cummings. "Say they're from Eau Claire. We have a bank in Eau Claire, too. That can make it easy to transfer money," she said.

Wells Fargo makes monthly marketing appeals on campus, including at orientation events. It runs extended hours so students can take care of business after class. It offers speakers to present information to students on managing credit. And it sponsors a business financial markets class aimed at top business

students. Those selected take part in a training and job exposure program with Wells Fargo.

MAILING AND COPYING

Jay Bombardieri, who co-owns Duluth's two UPS Stores, including one in Kenwood Shopping Center, says colleges help his business in several ways.

He has hired students as employees, including some who are tech-savvy and have graphic design skills which are offered to customers. Those same students, and some faculty members, are using the stores for copying projects.

And shipping is huge as well, he says: "When they come back into town, we get stuff they left behind at home. When they sell their textbooks online, on eBay or Amazon.com, at the end of the semester, we get that business. And it's big at the end of the school year, when they ship stuff they couldn't fit in their vehicle back home."

GROCERIES

Steve Schadewald, manager at Mount Royal Fine Foods, says the college impact is "broad-based. It used to be that when students left for the summer, we'd have a big drop-off. Now we have retirees living in campus housing for part of the summer." His biggest obstacle: getting freshmen to find the store, which is behind the Mount Royal Center building not clearly visible from Woodland Avenue.

Schadewald says today's college students seem to have bigger food budgets and better dining habits than he and his college chums did. Instead of spending money on mac and cheese, peanut butter and fermented malt beverages, "They're buying organic foods," he said. Perks like fresh sushi, a Caribou Coffee shop, WiFi and a Red Box Video service help pull in customers.

He also is grateful for the steady supply of qualified employees. "We always have a good stack of applications handy," he said. "They train up nice and quick."

SPORTING GOODS

College students don't just sit around eating and drinking, according to Darrell Spencer, owner of Play It Again Sports in the Kenwood Shopping Center.

"College students are my main source of employees," said Spencer. As customers, they account for about 10 percent of his business, which primarily attracts families outfitting their kids for soccer, hockey and youth sports. But it's an important 10 percent, he said. "It doesn't sound big, but it's a lot."

Spencer offers an attractive discount to students in the fall. He said he attracts some to buy inline or ice skates, "and then it's pretty hard for them to open their wallet later in the year." He also sponsors rec sports clubs and outfits the St. Scholastica hockey team with gear.

PERSONAL CARE

Gary Towne, who runs seven Vision Pro optical stores in the Northland, said his shop in the Kenwood Shopping Center fills an obvious student need. "For out-of-town kids, it's within walking distance or a bike ride away from campus for their contacts, eye exams, prescriptions, things like that," he said. "We're just an easy access point for them."

Because of the technical training required, Towne doesn't hire as many students as straight retail stores do. He reaches student customers by advertising in campus phone directories and campus coupon books. **D**

It's something futurists and planners call "vibrancy." Art galleries, a healthy music scene and recreational activities – whether club-hopping or climbing cliffs at Ely's Peak – are the product of youthful energy in Duluth. And they're also magnets to a creative class of people that can help energize a town's economy.

THREE-WAY BOOST

Higher education boosts the economy in three ways, according to Drew Digby, a regional labor market analyst with the state Department of Employment and Economic Development.

The first way is the effect of innovation and research and development performed by scholars and scientists. (Remember, the taconite mining process was perfected by a University of Minnesota scientist.)

The second way is as an employer – make that "a really good employer," Digby said. According to an informal study Digby did of employment trends from 2000 to 2006, the number of higher education jobs in northeastern Minnesota increased by 11.1 percent and salaries paid to those employees grew by 35 percent. Looking at all industries in the region, the number of jobs grew by only 1.3 percent and salaries grew by only 17.2 percent. "Education jobs are well-paying jobs for the region," he said.

The third way is by bringing higher education consumers (students) to the local economy from outside the area. "We get a net boost of money," he said. Digby looked at enrollment trends at area colleges in 2006. He looked at the number of local high school graduates that left the area for college. "Our net import of college students was slightly over 2,500," he said. "They're bringing a lot of dollars into the region."

As important as manufacturing is, it's also important to look at the knowledge industries, including education, health care and professional and technical services, Digby said. One example: UMD's new civil engineering program, which is building on Duluth's growing base of architects and engineers.

And it's not all about the four-year colleges, says Pat Henderson, director of the Arrowhead Regional Development Commission. Don't get her wrong. She's a Golden Gopher herself (master's degree) and values advanced scholarship. But she said the Minnesota State Colleges and Universities (MnSCU) system also plays a key role in responding quickly to changes in the local economy.

The upswing in mining and related energy projects on the Iron Range provides a good case study. MnSCU schools, including Lake Superior College and the Range schools, are retraining existing workers with new skills. "They're also training young graduates who now don't have to leave the area to find jobs," she said. "They are doing great work focusing on the immediate needs in the area."

Henderson sees an increased need for technical training, starting at the high school level and working through the higher education system. "One of the big demands is for welders right now," she said.

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- Tony Barrett, The College of St. Scholastica

Digby says northern Minnesota colleges also need to look ahead to a not-so-distant future when the growth in the number of high school graduates is leveling off. "The growth is flattening and who they are is going to change dramatically," he said. "There will be more minority students and schools will need to be attractive to a more diverse student body. If I were going to invest money as a college administrator now, I'd invest it in making sure all kinds of students feel welcome at my campus." **D**

Tom Wilkowske is a freelance writer who lives and works in Duluth.

Below: Higher education has an enormous—and beneficial—financial impact on the Duluth area. Last year alone, The College of St. Scholastica spent \$56 million.



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