

FAQ's Regarding Economic Impact Assessment

What is economic impact?

Economic impact begins when an organization spends money. Economic impact studies measure the direct economic impact of an organization's spending, plus additional indirect spending in the economy as a result of direct spending. Economic impact has nothing to do with dollars collected by institutions, their profitability or even their sustainability, since all operating organizations have a positive economic impact when they spend money and attract spending from outside sources.

Direct economic impact measures the dollars that are generated within Nebraska due to the presence of NU. This includes not only spending on goods and services with a variety of vendors within the state, and the spending of its employees and visitors, but also the business volume generated by businesses within Nebraska that benefit from spending by NU. It is important to remember that not all dollars spent by NU stay in Nebraska. Dollars that "leak" out of the state in the form of purchases from out-of-state vendors are not included in the economic impact that NU has on the state of Nebraska.

The total economic impact includes the "multiplier" of spending from companies that do business with NU. Support businesses may include lodging establishments, restaurants, construction firms, vendors, temporary agencies, etc. Spending multipliers attempt to estimate the ripple effect in the state economy where the spending occurs. For example: Spending by NU with local vendors provides these vendors with additional dollars that they re-spend in the local economy, causing a "multiplier effect."

What is the multiplier effect?

Multipliers are a numeric way of describing the secondary impacts stemming from the operations of an organization. For example, an employment multiplier of 1.8 would suggest that for every 10 employees hired in the given industry, eight additional jobs would be created in other industries, such that 18 total jobs would be added to the given economic region. The multipliers used in this study range from 1.8 to 2.0.

The Multiplier Model is derived mathematically using the input-output model and Social Accounting formats. The Social Accounting System provides the framework for the predictive Multiplier Model used in economic impact studies. Purchases for final use drive the model. Industries that produce goods and services for consumer consumption must purchase products, raw materials and services from other companies to create their product. These vendors must also procure goods and services. This cycle continues until all the money is leaked from the region's economy. There are three types of effects measured with a multiplier: the direct, the

indirect and the induced effects. The direct effect is the known or predicted change in the local economy that is to be studied. The indirect effect is the business-to-business transactions required to satisfy the direct effect. Finally, the induced effect is derived from local spending on goods and services by people working to satisfy the direct and indirect effects.

- _Direct effects take place only in the industry immediately being studied.
- _Indirect effects concern inter-industry transactions: because NU is in business, it has a demand for locally produced materials needed to operate.
- _Induced effects measure the effects of the changes in household income: employees of NU and suppliers purchase from local retailers and restaurants.
- _Total Economic Impacts the total changes to the original economy as the result of the operations of NU. i.e., Direct effects + Indirect effects + Induced effects = Total Economic Impacts

What methodology was used in this study?

IMPLAN (IMPact analysis for PLANning) data and software. Using classic input-output analysis in combination with regional specific Social Accounting Matrices and Multiplier Models, IMPLAN provides a highly accurate and adaptable model for its users. The IMPLAN database contains county, state, zip code and federal economic statistics which are specialized by region, not estimated from national averages and can be used to measure the effect on a regional or local economy of a given change or event in the economy's activity.

What is employment impact?

Employment impact measures the direct employment (employees, staff, faculty, administration) plus additional employment created in the economy as a result of the operations of NU.

Indirect and Induced employment impact refers to other employees throughout the region that exist because of the University's economic impact. In other words, jobs related to the population – city services (police, fire, EMS, etc.), employees at local hotels and restaurants, clerks at local retail establishments, residents employed by vendors used by NU.

What is the difference between direct and indirect taxes?

Direct tax dollars include sales taxes and net corporate income taxes paid directly by the institution to the state, while indirect taxes include taxes paid to the state by vendors that do business with NU and individuals.

Is this a one-time impact or does the impact repeat each year?

The results presented in the University of Nebraska economic impact study are generated on an annual basis. The economic impact in future years can either be higher or lower based on number of employees, students, capital expansion, increases in external research and state appropriations. Most notably, as a direct consequence of a drastic reduction in its state

appropriation in Fiscal Year 2013-2014, the University has implemented initiatives, a voluntary early retirement program, which eliminated more than 350 positions. However, those actions have been balanced by NU's continuing assessment and introduction of measures to enhance the productivity of employees, within what might be described as growing its "lines of business." A key example can be found in NU's research accounting group which has not grown since 1995, even though the University's research expenditures now are more than three times what they were back then.

What are Tripp Umbach's qualifications to perform an Economic Impact Study for the University of Nebraska and the Regional Campuses?

Tripp Umbach is the national leader in providing economic impact analysis to leading healthcare organizations, universities and academic medical centers. We have completed more than 500 economic impact studies over the past 30 years for clients such as Penn State University, The Ohio State University, the University of Washington, The University of Iowa, The University of Alabama at Birmingham, the Cleveland Clinic, the University of Florida Hospital, the University of North Carolina Hospitals, the University of Nebraska Health System, the University of Nebraska Medical Center and The Ohio State University Medical Center.