



# **The Economic & Fiscal Impact of Saint Joseph's College on the State of Maine**

**For: Saint Joseph's College of Maine  
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## II. What Does Economic & Fiscal Impact Mean?

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### *Introduction*

Saint Joseph's College of Maine is a private, non-profit, Catholic liberal arts college sponsored by the Conference for Mercy Higher Education, Inc. It was founded by the Sisters of Mercy in 1912, chartered by the Maine Legislature in 1915 and operated until 1956 on the grounds of the Sisters of Mercy Motherhouse in the Deering neighborhood of Portland. Since 1956, it has operated on a campus that now encompasses approximately 350 acres along the shores of Sebago Lake in Standish Maine, approximately thirty miles west of Portland.

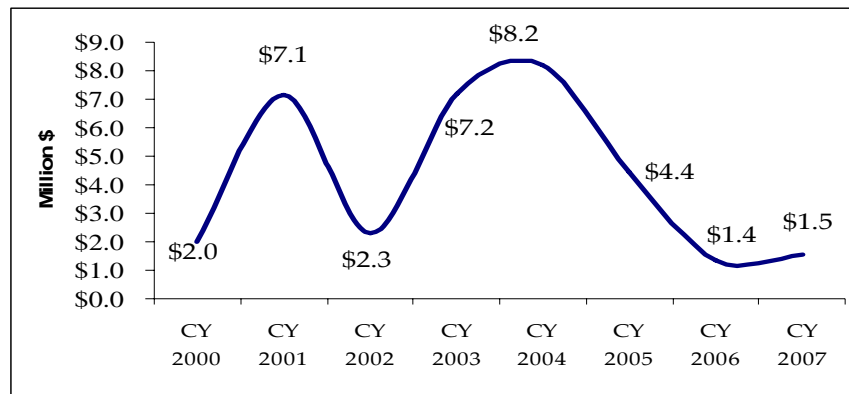
The college is organized in two major divisions. Its "traditional" Four-Year College division offers a range of baccalaureate degree programs and currently enrolls nearly 1,100 full-time equivalent students. Its Graduate and Professional Studies Division offers nationally prominent programs in distance education and currently enrolls approximately 3,600 students worldwide in associate's, bachelor's and master's degree programs. In addition, the college offers a wide range of summer institutes and training programs that attract students to the Lakes Region for periods ranging from one day to nearly three weeks.

The college has assets of approximately \$65 million—mostly in land and buildings—has an annual operating budget of approximately \$27 million, employs 608 people (full and part time) whose salaries and benefits total nearly \$16 million.<sup>2</sup> In addition, the college has, over the past five years, invested nearly \$35 million in new buildings, new vehicles and new academic and athletic equipment. As is evident in Figure 1 below, this capital investment has varied greatly from year to year, ranging from just over \$1 million in 2006 to a high of over \$8 million in 2004 during construction of the college's new academic building.

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<sup>2</sup> On a full-time equivalent basis (FTE), the college's total employment is 322.

**Figure 1: Capital Expenditures, Saint Joseph's College, 2000 to 2007**



Source: Data provided by officials of Saint Joseph's College.

Over the full eight-year period, the college's annual capital investment averaged just over \$4.3 million—about \$3.7 million for buildings, about \$50,000 for vehicles and about \$550,000 for equipment.

By any measure, Saint Joseph's College is a substantial economic enterprise. Its full-time equivalent employment of 322 is twice the size of the headquarters of Gorham Savings Bank in Gorham, roughly comparable to Energy East Corporation in New Gloucester and nearly half as large as such Portland area stalwarts as Wright Express, Idexx Labs and Fairchild Semiconductor.<sup>3</sup> Counting its annual operating and capital budget of approximately \$30 million as "sales," the college is among the larger businesses in the Greater Portland economy.

But its "sales" do not tell the college's full economic story. As both the money the college pays directly to its employees and its vendors and the money spent by its students, their families and visitors flow through the local, regional and state economies, its economic and fiscal impact grows ever larger. The direct impact of the college payroll becomes—indirectly—payroll for local grocery stores and local banks and doctor's offices and restaurants etc. The same holds for the money paid to college vendors and for the money spent by college students and their families and friends when they come to visit. In short, the **total impact** of the college includes both the **direct impact** of its own spending and the **indirect impacts** of the flow of its spending through the local, regional and state economies.

<sup>3</sup> See Maine Department of Labor <http://198.182.162.220/analyzer/session/session.asp?CAT=EMP>.

The purpose of this report is to explain and quantify that total impact. This, in turn, requires answering three questions:

1. How much exactly is the college's direct economic impact?
2. How exactly are the indirect impacts of this spending measured? and
3. Over what areas are these impacts measured?

✓ *1. Impact of What? Elements of Saint Joseph's College Direct Economic Impact*

From the perspective of economic and fiscal impact, Saint Joseph's College of Maine is many things. It is a **business** selling a product. It is an **attraction** that draws its "customers" (students, their families and visitors) from all across Maine, New England and even farther away. It is a **source of labor** for local businesses. It is a **creator of human capital**, advancing knowledge and producing skilled graduates who raise the quality of the local labor force and become life-long contributors to their local communities. In all of these capacities, the college has a significant economic and fiscal impact.

As a **business**, the college hires employees, builds and maintains a physical plant and pays a wide range of vendors to provide the goods and services it requires to run its operation. All of these operational and investment activities have significant economic and fiscal impacts on the economies of the Sebago Lakes region, of Greater Portland and of Maine as a whole.

The college is also an **attraction**, a business that draws its "customers" to it. Saint Joseph's College attracts its students from all over Maine and many from outside Maine. Most of the "Four-Year College" students live in dorms on campus; some rent apartments and homes in the area. All spend some money in the local economy, thus adding to the purely "business" impact of the college. While its distance education students do not, by definition, have to come to Standish, many do come at some time during the course of their educational careers, thus further expanding the college's student spending impact.

In addition to drawing its student "customers," Saint Joseph's College also draws many of their family and friends to orientations, family days, graduations and athletic events. All of these visitors, like tourists anywhere, spend some money in the local economy, thus adding to the college's economic and fiscal impact. Also, the college itself offers services to its community. While such things as use of the library or athletic facilities and attendance at lectures or concerts do not add to the local consumer-spending stream, they do constitute value to those who attend and should therefore be counted as part of the college's economic impact. In a similar way, some students at the college, as part of their academic programs, participate in clinical training in which they provide,

in effect, “free labor” to their cooperating institutions. This labor—while also not part of the spending stream of local businesses—does represent an economic value that should be noted in determining the college’s overall impact. In addition, many students hold regular, paying jobs in the local economy, providing part of the labor force for local businesses and contributing to the local consumer spending stream.

Finally, and most importantly, **the college is a creator of human capital**. The graduates of Saint Joseph’s College live the rest of their lives with vastly greater knowledge and skill than they would have possessed had they not attended college. As a group, they are certain to earn higher incomes, enjoy longer, healthier and happier lives and contribute more to their communities than had they not graduated. The college certainly cannot claim that, but for Saint Joseph’s, its graduates would not have gone to college at all and thus that all their future earnings, wealth, happiness and community contributions are part of the college’s economic impact. That would be reaching too far. Many, perhaps most, would probably have been successful had they not attended Saint Joseph’s. Nonetheless, information about the location, professions and successes of its graduates does constitute an element of the college’s economic impact that must be noted however difficult it may be to quantify and link to the college.

To summarize, **the direct economic impact** of Saint Joseph’s College is the sum of:

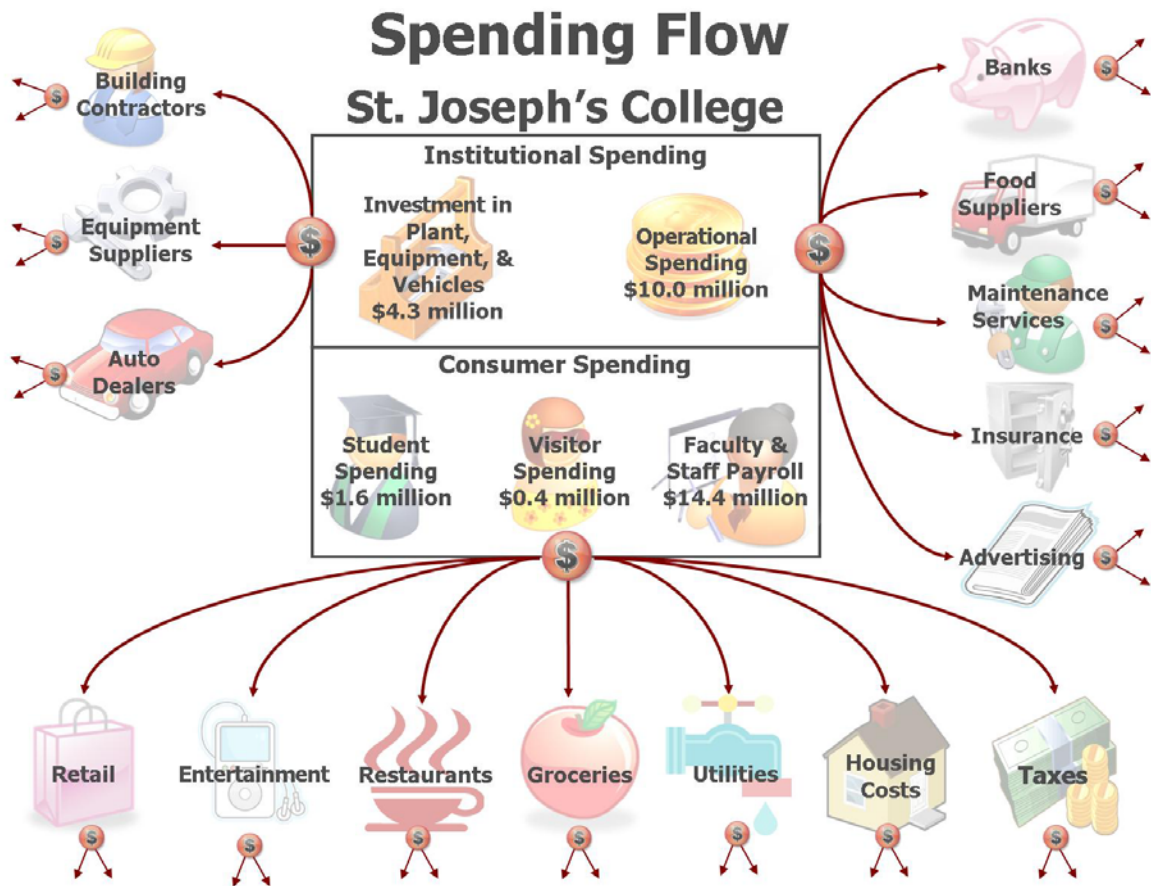
1. The total amount of money it spends in Maine each year *to run its operation*—spending on payroll, academic supplies, food, maintenance and repair etc.; in 2007, this amounted to approximately \$24 million<sup>4</sup>;
2. The total amount of money it spends each year *to expand its operation*—its investment spending on new buildings, vehicles and equipment. The average annual spending for the period 2000 to 2007 was approximately \$4.3 million;
3. The total amount of *money spent by its students* over and above the room, board and tuition payments that are included in the college’s overall budget plus the money spent in the area *by their families and friends* while visiting plus the spending *by visitors to the wide variety of summer programs* run by the college; Planning Decisions, Inc. estimates that this spending amounted to approximately \$2.0 million in 2007.

The **total economic impact** of the college is the **direct** spending noted above **plus** the sales, employment and income in the local economy supported by this direct spending. Figure 2 illustrates these concepts visually.

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<sup>4</sup> Money spent outside of Maine—for non-resident faculty, for instance—has no economic impact in Maine and must, therefore, be excluded from the impact analysis.

Figure 2: The Direct & Indirect Economic Impacts of Saint Joseph's College



The **direct impact** of the college amounts to **\$30.7 million**, the sum of the totals in the central box in Figure 1. The **total impact** of the college is the **direct impact plus the sum of the money received by the indirect recipients of the direct spending**. The size of the total impact depends on two factors—the number of economic connections between the college and its local economy and how wide an area is included in the local economy.

✓ **2. Indirect Impacts: How to Measure the Economic Connections of Saint Joseph's College.**

Total economic impact is defined as the total volume of sales (or the employment and earnings these sales support) earned by businesses within a specified geographic region that can be traced back to the direct spending of some initial business. In this case, the initial business is Saint Joseph's College, and the regions on which we will note its impact are the Sebago Lakes region within Cumberland County, the Greater Portland area of Maine (here defined as York and Cumberland counties) and the State of Maine.

The total economic impact of the college encompasses three components—the direct effects; the indirect effects; and the induced effects.

1. The **direct effects** are the sales, income and employment of the college itself.
2. The **indirect effects** are the sales made by businesses up and down the supply chain selling to the college. These are, for example, the sales made to food suppliers, local contractors, the electric company, software technicians and book suppliers among others.
3. The **induced effects** are the sales made by businesses selling to the employees of both the direct impact business and indirect impact businesses. These are, for instance, purchases made by employees at grocery stores, movie theaters, clothing stores etc.

Attempting to measure all these effects individually would be virtually impossible. The web of economic inter-connection is complex, and spending, like a ripple in a pond, moves quickly from the point of original impact. The only way to measure a business's total impact is to use an input-output model explicitly designed to capture those interconnections.

For the purposes of this study, Planning Decisions used the IMPLAN input-output model for Maine.<sup>5</sup> This model contains estimates of the pattern of purchases among 509 industrial sectors as well as estimates of what percentage of these purchases go to Maine-based businesses and what percentage go to out-of-state businesses. By tracing each dollar of sales from the college through the Maine economy, the model estimates its indirect and induced impacts and thus its total impact. In addition, the model estimates the state and local taxes paid as a result of all these direct, indirect and induced impacts and thus enables us to estimate the college's fiscal impact as well.<sup>6</sup>

### ✓ *3. Impact on What? The Geographic Range of Saint Joseph College's Economic Impact*

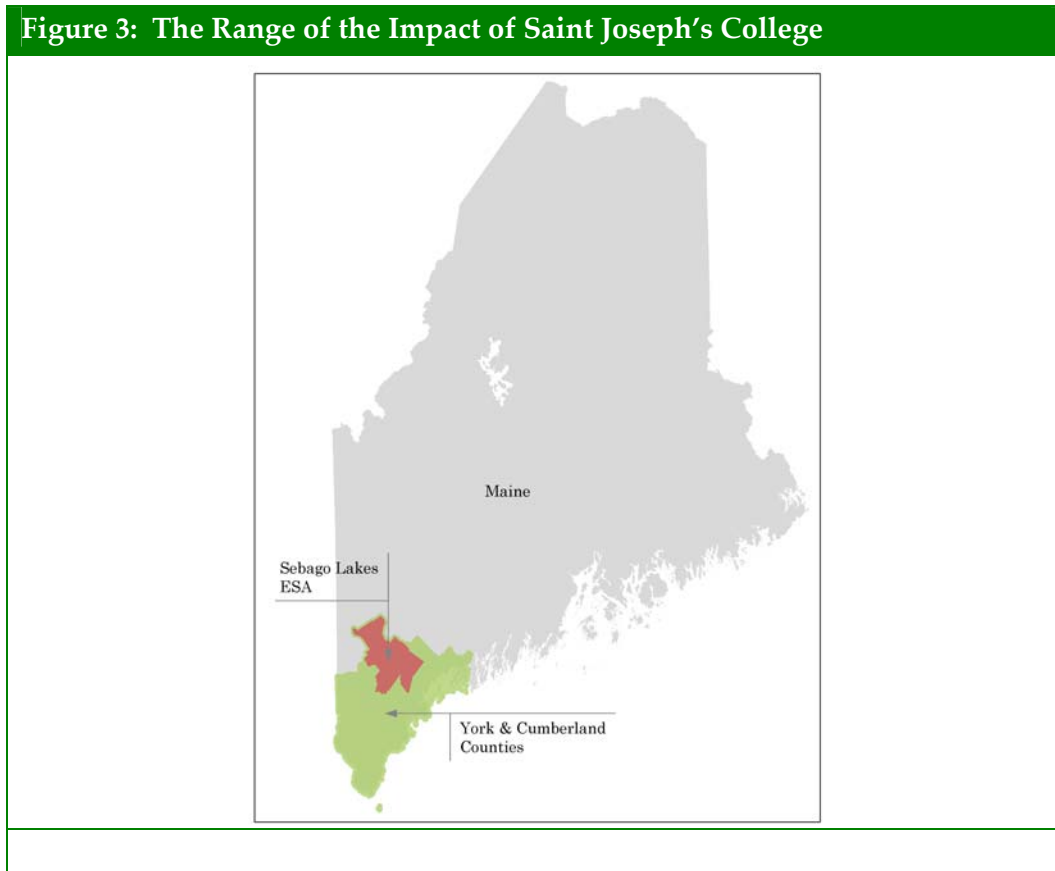
After answering the question, "Impact of what?" this report must address the question—"Impact on what?" For that task, we will consider three regions—the Lakes

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<sup>5</sup> IMPLAN (IMPact analysis for PLANing) is a computer input-output modeling program originally developed by the US Department of Agriculture Forest Service for resource management planning. It contains mathematical replications of the technological relationships and purchasing patterns that occur among sectors of the Maine economy. A sector is a grouping of businesses in an economy and is based on the North American Industry Classification System (NAICS). IMPLAN uses 509 sectors benchmarked to actual Maine employment in 2004.

<sup>6</sup> See Appendix One for an explanation of how Planning Decisions translated the college's reported spending into the IMPLAN model and used the model to estimate the college's total economic impact.

Region<sup>7</sup>, the Greater Portland region (Cumberland and York Counties) and Maine as a whole. Figure 3 illustrates these regions.



The financial magnitude of an economic impact depends on how wide a geographic area is included in the analysis. Any local or regional economy—a city, a county, a state, a nation—encompasses three types of transactions:

- transactions that take place within the defined area—the flow of money among local households, businesses and government agencies;
- transactions that bring money into a region—payments for goods or services exported outside the region and payments by visitors to the region; and
- transactions that “leak” money out of the region—payment for goods imported from outside and spending by locals visiting other areas.

The relationship between any initial transaction within a region—a direct effect—and its total effect in that region is called its multiplier. If a particular enterprise is deeply connected to many local businesses and consumers, its direct spending generates many

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<sup>7</sup> For the purposes of this report, the Lakes Region is the Sebago Lake Economic Summary Area (ESA) defined by the Maine State Planning Office as the towns of Standish, Frye Island, Windham, Gray, Raymond, Sebago, Casco, Naples, Bridgton and Harrison.

indirect and induced transactions, so it may have a multiplier of 2.0 or even 3.0. This means that \$1.00 of direct sales generates \$2.00 or even \$3.00 of total sales within a region. The smaller a region, the lower its multiplier because portions of the original direct dollar soon “leak” out of the region. An employee of Saint Joseph’s College may draw his/her paycheck in Standish, Maine, but it is impossible—short of conducting extensive direct survey research—to know where she/he spends that paycheck, to know which bank gets a mortgage payment, which grocery store gets how much of the food budget, etc., etc. In addition, with each round of spending, that payroll dollar’s impact moves farther and farther from Standish. The bank pays processing vendors in Portland. The grocery store pays wholesalers in Scarborough etc., etc.

In short, the smaller the impact area, the harder it is to measure indirect impacts and the smaller the total impact of any initial dollar of spending is likely to be. Conversely, the larger the impact area, the easier it is to estimate the indirect flows from an initial dollar of spending through published data, and the larger the total impact is likely to be. Thus for this report, we will estimate the Lakes Region impact from data from the college on vendor location and estimates of student spending and faculty and staff residence. For the Greater Portland region and Maine as a whole, we will utilize the IMPLAN Pro impact analysis model to determine the multipliers associated with college spending.

A second issue that arises about impact areas concerns cumulative impact versus offsetting impact. For example, a student who comes to Saint Joseph’s College from outside Maine, say Massachusetts, and spends money near the college clearly adds to total spending in both Maine and the Greater Portland region. However, the spending of a student who comes from Presque Isle (or any other region of Maine outside of Greater Portland) is different. He/she adds to spending in the Greater Portland region, but reduces total spending in Northern Maine. Thus, this spending will create direct and indirect impacts in the Greater Portland region and equivalently negative impacts in Northern Maine with the result that the net impact for Maine as a whole will be zero. In this case, the impacts are not cumulative. The only instance when this will not be true is in the case where the student from Presque Isle would have otherwise gone to school outside of Maine. In this case, the impact in Maine as a whole is positive because Saint Joseph’s College “saved” the spending from being “lost” to the state. We will attempt to measure this “saved” impact by examining the alternate choices of a representative group of Saint Joseph’s students.