

The Economic Impact of Champlain College



Prepared by:
Richard W. Heaps
January 8, 2007

Executive Summary

- In calendar year 2005 the College reported an average annual employment of 684 individuals. This consisted of approximately 219 full time and 252 part time employees, with the remainder being head residents and student employees.
- Through the economic multiplier process, the operation of Champlain College created an additional 213 jobs elsewhere in Chittenden County, an additional 125 jobs in the surrounding counties and an additional 26 jobs elsewhere in the state. The College, therefore, supported a total of 1,047 jobs in all of Vermont in 2005.
- The College paid \$13,566,500 in wages to these employees. In addition, we estimate the benefits package cost the College an additional \$4,600,000. Therefore the total compensation package offered to Champlain College employees in 2005 had a value of \$18.2 million.
- Through the economic multiplier process, Champlain College created an additional payroll of \$8.6 million elsewhere in Chittenden County, an additional payroll of \$3.7 million in the surrounding counties and an additional payroll of \$0.8 million elsewhere in the state. The College therefore supported a total payroll of \$26.6 million throughout all of Vermont in 2005.
- Champlain College impacts the local economy through its expenditures on employees (wages and benefits), day-to-day goods and services, capital construction projects, and through the spending of its students at area business. In FY05, these expenditures totaled approximately \$45.8 million.
- Through the multiplier process an additional expenditure of \$14.3 million was generated due to the presence of the College. Therefore, the total direct and indirect expenditure attributable to Champlain College in 2005 was \$60.1 million.
- Total employment at Champlain College will rise from 684 today to approximately 724 when the Master Plan is fully implemented. The College's payroll will rise from \$13.6 million to \$15.4 million. Benefit costs will rise from \$4.6 million to \$5.2 million. (Both figures in today's dollars.)

The Economic Impact of Champlain College

Table of Contents

I.	Purpose and Outline of this Report	1
II.	A Brief Description of the Champlain College	2
III.	Direct Employment and Wage Impact	3
IV.	The Quality of Jobs at Champlain College	5
V.	Direct Expenditure Impact of Champlain College	6
VI.	Total Economic Impact of Champlain College	10
VII.	Property Taxes Paid to the City of Burlington	12
VII.	Impact on Student's Future Earnings	13
VIII.	Alumni Impact on the State	15

I. Purpose and Outline of this Report

Champlain College, located in Burlington, Vermont, has been offering a higher education experience to Vermonters since 1878. Today the College one of the largest employers in the City and a major employer in the greater Chittenden County region. However, the impact of the College on the neighboring region goes beyond the number of jobs and payroll at the College itself. The wages and salaries paid by the College plus its spending on day-to-day activities and long term capital construction projects supports additional jobs and payrolls at many other area business.

The purpose of this report is to measure the economic impact of all the activities of Champlain College on the Chittenden County economy and the surrounding region. The full economic impact is measured by use of a state-of-the-art economy model of Vermont as prepared by Regional Dynamics, Inc. (ReDyn).

This report begins with a brief description of Champlain College. We then present a measure of the direct employment and payroll impact of the College today and after the proposed Master Plan is fully implemented. This is followed by a description of the quality of the jobs at Champlain College, measured in terms of wages and benefits. Next, we present a measure of the total direct expenditure impact of the College, adding in a measure of expenditures for day-to-day activities, capital construction, and student off-campus spending.

We then present our measures of the total economic impact of the College on wages, payrolls, and spending in Chittenden County, the neighboring counties, and the remainder of the state of Vermont as determined by use of the ReDyn model.

We conclude the report with a discussion of three issues: the amount of property taxes paid by the College to the City of Burlington, the impact of a Champlain College education on the future earnings of students, and the impact of College alumni living in Vermont today.

II. A Brief Description of the Champlain College

A. The College Today

Champlain College is a private, non-profit college located in Burlington, Vermont. Today it has a coeducational student body of approximately 2,000 traditional undergraduate students. Recent students came from 32 states and 17 countries. Approximately 80% of the full-time students come from out-of-state. Champlain offers undergraduate degrees in more than 35 courses of study including Accounting, Education, International Business, Public Relations, and Tourism Management. The College also offers two masters degree programs: Business Administration and Managing Innovation and Information Technology. In addition, the College has been a pioneer in distance education. The Center for Online and Continuing Education offers on-line degree programs for seven bachelor's and both master's degrees.

Originally established in 1878 as Burlington Collegiate Institute in downtown Burlington, the College moved to its current location in Burlington's Hill Section in 1958 and was renamed Champlain College. Champlain's campus is now comprised of 40 buildings, a blend of Victorian era mansions and high-tech facilities nestled in Burlington's historic Hill Section. In each of the last three years, the College has opened a new building: the Main Street Suites and Conference Center in 2003; the Center for Global Business & Technology in 2004; and the Student Life Complex in the fall of 2005.

B. The College in 5 to 15 Years

In collaboration with faculty, staff, neighbors and the City of Burlington, Champlain College has developed a master plan to guide the College's physical growth over the next five to fifteen years. The College plans to maintain its enrollment of 2,000 on-campus students and intends to increase faculty and staff to invest in an excellent quality of educational and student life. The College also plans to increase its residential housing offerings to its students. Today, residential facilities exist for about 750 students. The plan is to increase to provide housing to 90% of enrollment by 2015. The College will expand academic buildings as needed.

III. Direct Employment and Wage Impact

A. Employment and Wages Impact Today

Champlain College is one of the major employers in the greater Burlington area. The Vermont Department of Labor ranked Champlain College's employment in the top 25 of all employers in the Burlington metropolitan statistical area.¹

We measure the employment of the College based on its unemployment insurance filings with the Vermont Department of Labor. In calendar year 2005 the College reported an average annual employment of 684 individuals to the state. This consisted of approximately 219 full time and 252 part time employees, with the remainder being head residents and student employees.

During 2005 the College paid \$13,566,500 in wages to these employees. In addition, the College offers its employees an excellent benefits package consisting of health, dental, and life insurance plus a retirement savings package. We estimate this benefits package cost the College \$4,600,000. Therefore the total compensation package offered to Champlain College employees in 2005 had a value of \$18.2 million.

CHAMPLAIN COLLEGE	
<u>Direct Employment Impact 2005</u>	
Employment	684
Wages and salaries	\$13,566,500
Benefits	\$4,600,000
Rounded total =	----- \$18,200,000

¹ Vermont Department of Labor, *Labor Market Bulletin*, 4th Quarter 2005. The Burlington MSA includes Chittenden County, most of Grand Isle County, and the Franklin County towns along Route 7 up to the Canadian border.

Just over three-fourths of Champlain College's non-student employees live in Chittenden County. The City of Burlington is the largest town of residence for the College's employees, with 124 employees choosing to reside there. The four neighboring towns of South Burlington, Colchester, Essex and Shelburne are the home towns of 158 employees. Finally, 115 of the College's employees live outside of Chittenden County.

B. Direct Employment and Wage Impact With Master Plan Implemented

The Master Plan calls for Champlain College to hold constant the full time enrollment at around 2,000 traditional undergraduate students, add academic buildings, and increase the on-campus housing for students. This will increase the number of employees of the College. Today, the target is to increase employees by 40 in 2016. We estimate that this will cause the College's payroll to rise from \$13.6 million to \$15.4 million. Benefit costs will increase from \$4.6 million to \$5.2 million. (Both figures in today's dollars.)

IV. The Quality of Jobs at Champlain College

The State of Vermont is concerned with not only the quantity of jobs available in the state but the quality of jobs as well. The State prefers to be the host to clean, non-polluting firms that offer high-paying jobs with a good benefits package. From the analysis of the wages and benefits of Champlain College, it is clear that the College is just the type of firm that Vermont would like to have in the state.

The typical salary of full-time and part-time employees of Champlain College is above the average for the state.² Average full-time faculty compensation is over \$60,000 per year. Eighty-seven percent of the College's non-faculty jobs are professional positions; salaries for these positions are well above Vermont professional salary averages. The College pays all regular full-time and part-time hourly employees more than the Vermont Livable Wage. In addition, the College offers full time employees a benefits package that consists of:

- health and dental insurance
- life and disability insurance
- a tax sheltered 403(b) retirement plan
- Social Security contributions and Medicare contributions (7.65% of salary)
- federal unemployment insurance
- state unemployment insurance
- workers' compensation
- vacation days, sick leave, and paid holidays
- Professional development opportunities
- plus other benefits

Part-time staff employees also are eligible to receive a pro-rated portion of retirement and vacation benefits based on the number of hours they work. In 2005, we estimate that the first seven benefits listed above cost Champlain College an amount equal to 34% of the total wage cost of the College. This implies the College spent \$4.6 million in benefits for its employees in 2005.

Finally, it is important to the health of the state's economy to maintain and grow its export sector as this brings money into the state. Most people think of exports in terms of manufactured goods shipped out of the state. But selling services to out-of-state residents is just as valuable an export. From this perspective, the "export" jobs at Champlain College are a vital component of the state's economy.

² Based on Vermont Department of Labor, *Labor Market Information*, Qtr 2, 2006.

V. Direct Expenditure Impact of Champlain College

The impact of Champlain College on the local and regional economy can be measured by the total expenditure of the College for labor, capital, and ordinary day-to-day activities. Earlier in this report we prepared estimates of the expenditure of the College for employees. In this section we calculate the expenditure for capital projects and day-to-day activities. In addition, we add in the expenditure of the College's students for goods and services not supplied by the College.

A. Direct Expenditure on Capital Projects

Champlain College has been routinely updating its facilities in recent years. In addition, the College has recently undertaken several significant construction projects. These include:

- **Power of Three** - This project involved the construction of three new buildings on campus including the Main Street Suites residence hall, the IDX Student Life Complex and the S.D. Ireland Global Business Center. The cost was \$32.5 million. Truex Cullins & Partners of Burlington, Vermont was the architect. Pizzagalli Construction of South Burlington was the general contractor. Extensive use was made of local firms and subcontractors.
- **Rowell Hall** - This project consisted of an extensive renovation of the existing building. The cost was \$1.7 million. Colin Lindberg of Burlington, Vermont was the architect. HP Cummings Construction Company of Woodsville, New Hampshire was the general contractor. Vermont contractors, vendors, and suppliers were used, supplemented by other New England firms.
- **Life Safety Initiative** - This project completed a life safety upgrade (carbon monoxide detectors, fire alarm systems, sprinkler protection, etc.) to all dormitories on campus. The cost was \$1.5 million. Champlain College Physical Plant acted as the general contractor. L.N. Consulting, Inc. of Burlington and Kirick Engineering Associations of Williston were the subcontractors.
- **Hill Hall** - This project was an extensive renovation of the existing building. The cost was \$900,000. Colin Lindberg of Burlington was the architect. Champlain College Physical Plant acted as the general contractor. Local contractors, vendors, and suppliers were used.

- **Levi Smith Site** - This project is in litigation. However, the project is planned to renovate an existing structure and add a new structure to increase the residence hall capacity of the College. The cost is estimated at \$5.0 million. Colin Lindberg of Burlington is the architect. DEW Construction Corporation of Williston is the general contractor. To date the subcontractors have been local firms.

Over the past four years, Champlain College has spent \$37,265,677 on construction projects in progress. The annual expenditure for these projects was:

Construction in Progress

FY02	\$3.1 million
FY03	\$10.7 million
FY04	\$17.2 million
FY05	\$6.2 million

Average = \$9.3 million per year

Champlain College makes every effort to use Vermont architects and general contractors in its construction projects, although they must be competitive with market prices. Our discussions with the general contractors revealed that they follow the same policy, using Vermont subcontractors whenever possible and competitively priced.

The Master Plan calls for the continued improvement and expansion of Champlain College facilities. Over the fifteen year horizon of the Plan, the College would undertake approximately \$90 million to \$100 million of capital construction (in today's dollars).

B. Direct Expenditure on Day-to-Day Activities

Champlain College purchases a wide variety of goods and services from Vermont and out-of-state businesses for the day-to-day operation of the College. These expenditures run from office equipment and supplies to accounting/auditing services to food supplies among many others. In FY05, Champlain College spent approximately \$14.4 million for these day-to-day operations.

C. Direct Expenditure by Students

Today Champlain College enrolls approximately 2,000 traditional undergraduate students. The tuition and fees and other direct college-related spending of these students support nearly 90% of the College's operations. However, student spending extends beyond that directly related to the College's operations. Students spend money at a variety of local businesses buying goods and services typical of people their age.

The College Board estimates that a full time student at a private four-year college will spend \$772 on transportation and \$1,277 on other non college related items (a total of \$2,049).³ In 2002 the 360 Youth/Harris Interactive College Explorer Study found that college students spent an average of \$287 a month on these items (a total of \$2,296 for an eight month school year).

Based on the College Board estimates, we calculate that Champlain College students will spend approximately \$3.9 million on goods and services at businesses in the greater Burlington area. This includes spending on food and beverages, technology related items, music and books, entertainment, automobile repair, etc.

³ *Annual Survey of Colleges*, The College Board, New York, NY.

D. Total Direct Expenditure of Champlain College and Its Students

Champlain College impacts the local economy through its expenditures on employees (wages and benefits), day-to-day goods and services, capital construction projects, and through the spending of its students at area business. The individual estimates of these direct expenditures has been discussed above. In FY05, they totaled approximately \$45.8 million.

CHAMPLAIN COLLEGE	
<u>Total Direct Expenditure Impact</u>	
Wages and benefits	\$18,200,000
Day-to-day operations	\$14,400,000
Capital construction *	\$9,300,000
Student spending	\$3,900,000
Total =	----- \$45,800,000

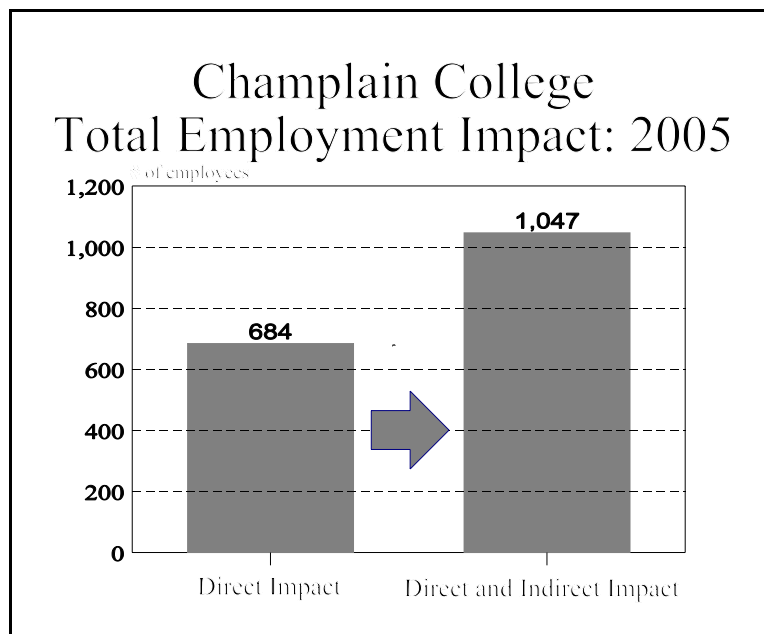
* Average of last five years

VI. Total Economic Impact of Champlain College

This operation of Champlain College supports additional employment and payrolls throughout Chittenden County and the state through the multiplier process. That process is where the spending of the College, the College's employees, and the College's students at area businesses creates jobs and payrolls there and elsewhere in the region and state.

We measure this multiplier effect by use of an dynamic input-output model developed by Regional Dynamics, Inc.(ReDyn). We used the ReDyn model to prepare an estimate of the total economic impact of the College in Chittenden County, the counties surrounding Chittenden and in the remainder of the state of Vermont.⁴

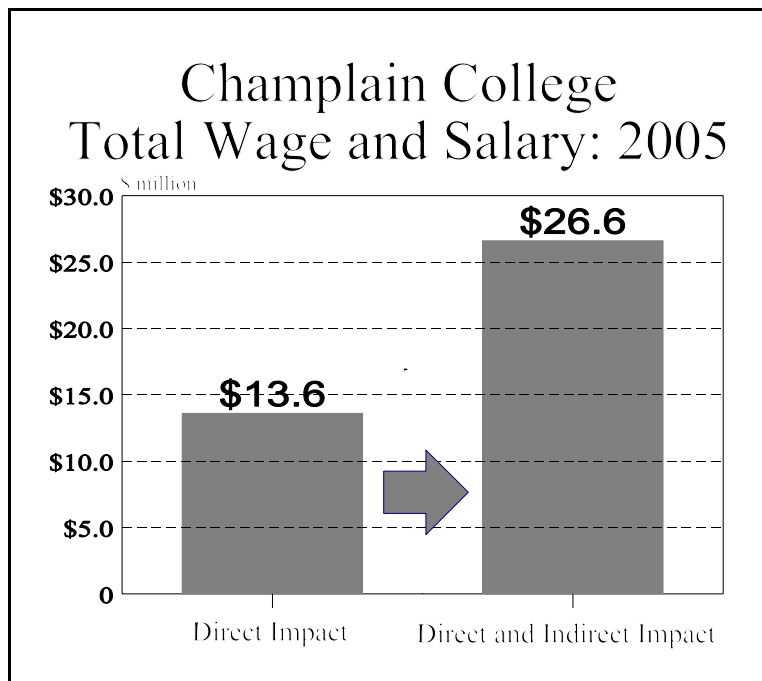
The direct employment of Champlain College in 2005 averaged 684. Based on the ReDyn model, we estimate that operation of Champlain College created an additional 213 jobs elsewhere in Chittenden County, an additional 125 jobs in the surrounding counties and an additional 26 jobs elsewhere in the state. Therefore, a total of 363 additional jobs were created by the College through the multiplier process. In sum, the College supports a total of 1,047 jobs in all of Vermont.



⁴ The surrounding counties are Addison, Franklin, Grand Isle, Lamoille and Washington.

These additional jobs consist of 86 in construction, 52 in health care, another 52 in retail trade, 28 in accommodations and food services, 20 in professional services, 14 in manufacturing, and others spread throughout the economy.

The payroll of Champlain College in 2005 equaled \$13.6 million. Based on the ReDyn model, we estimate that operation of Champlain College created an additional payroll of \$8.6 million elsewhere in Chittenden County, an additional payroll of \$3.7 million in the surrounding counties and an additional payroll of \$0.8 million elsewhere in the state. Therefore, a total additional payroll of \$13.0 was created by the College through the multiplier process. In sum, College supports a total payroll of \$26.6 million throughout all of Vermont.



Finally, we estimated Champlain College's total expenditure in 2005 equaled \$45.8 million. Through the multiplier process an additional expenditure of \$14.3 million was generated due to the presence of the College. Therefore, the total direct and indirect expenditure attributable to Champlain College in 2005 was \$60.1 million.

VII. Property Taxes Paid to the City of Burlington

The City of Burlington provides a range of services to its residents and businesses financed through four basic funds: the General Fund, the Special Revenue Fund, the Enterprise Fund, and the Community and Economic Development Office Special Revenue Fund. The General Fund is the largest (about 60% of the total) and provides the range of city services that most people are directly familiar with: basic city administration, police, fire, and public works. The other funds provide specific services such as water, sewer, and airport operations. They are generally financed with user fees. Therefore, it is most frequently the case that it is through the General Fund services where the amount of revenues raised can diverge from the services received. In this section we focus on Burlington's General Fund.

The City of Burlington's General Fund raised \$46.7 million in FY06. The single largest source of revenues was from taxes, of which the largest tax source was the property tax. The municipal property tax brought in \$32.2 million that year (nearly 70% of the total), with the gross receipts tax raising \$1.8 million (about 4% of the total).⁵ The local option sales tax was not in place in FY06. (It will raise only \$0.8 million in FY07, less than 2% of the total).

Champlain College owns numerous properties in the City of Burlington. As of the 2006/2007 preliminary grand list, the College owned 33 properties that were subject to the City's property tax. The total listed value was \$19.8 million, equal to 0.60% of the City's total taxable listed value. The total property tax bill due by Champlain College to the City of Burlington for 2006/07 is \$344,902.

⁵ The gross receipts tax is a tax on the monthly revenues of bars, restaurants, lodging establishments, and other businesses.

VII. Impact on Student's Future Earnings

Champlain College is in the business of providing educational opportunities to young people. There are many benefits to receiving an advanced education, one of which is the financial return a student can expect from an Associate or Bachelor's Degree. We provide a measure of that financial return here.

A major determinant of a person's earnings is his or her level of education. In the last few decades as world's economy became more integrated, the earnings of higher skilled individuals in the U.S. rose more rapidly than the earnings of the unskilled, increasing the returns to an education. This trend is going to continue into the foreseeable future.

A joint project of the U.S. Bureau of Labor Statistics and the U.S. Census Bureau collects data on the earnings of individuals by education, age and sex.⁶ Based on these data and average worklife estimates by age, we estimate the following expected lifetime earnings for today's 18 year-olds based on their potential educational attainment.⁷

Expected Lifetime Earnings of an 18 Year-old			
Highest Educational Attainment	Total Earnings in 2006 dollars	Present Value of Total Earnings	Present Value of Earnings above High School Education
High School Graduate	\$1,404,000	\$970,000	xxx
Associate Degree	\$1,849,000	\$1,244,000	\$274,000
Bachelor's Degree	\$2,958,000	\$1,908,000	\$938,000

As the table shows, the lifetime earnings differential is quite large. An 18 year-old who continues his or her education through a four year program can anticipate earnings of nearly

⁶ Current Population Survey, March 2006 Supplement. PINC-04 tables.

⁷ James Ciecka, Thomas Donley, and Jerry Goldman, "A Markov Process Model of Work-Life Expectancies by Educational Attainment Based on Labor Force Activity in 1997-98," *Journal of Legal Economics*, Winter 2000-01.

\$3 million whereas the 18 year-old who chooses to enter the workforce and not return to school can expect to earn about half that amount. These are earnings measured in 2006 dollars.

These earnings are in the future and the cost of education would come due in the near term. To compare the two, we need to express the future earnings in present value terms.⁸ The lifetime earnings of an 18 year-old who subsequently received a Bachelor's Degree equals \$1,908,000 whereas the lifetime earnings for an 18 year-old who did not continue his or her education is just \$970,000. The difference of \$938,000 is one measure of the financial return to securing a Bachelor's Degree. The financial return to the investment in an education could be the best financial return a person will ever receive on an investment. Champlain College has been providing that educational opportunity at its Burlington campus to students since 1878.

⁸ We discounted by the current return of 4.74% to twenty year U.S. Treasury securities.

VIII. Alumni Impact on the State

In the previous section of the report, we examined the economic return to students who obtain a college education. But not all of the gain accrues to the student. Some of it spills over to the economy as a whole as better educated workforce has been shown to lead to higher economic growth. This is an especially critical issue for the State of Vermont today. The state's educated young adults are on net leaving the area, depriving the economy of their talents and energy.

Champlain College has educated young Vermonters and out-of-state students since 1878. Today, there are 15,309 living alumni of the College with known addresses.⁹ It is not surprising that 62% of them live in the State of Vermont. Twenty out of every thousand adult Vermonters are Champlain College alumni. The highest concentration of College alumni is in

CHAMPLAIN COLLEGE ALUMNI		
Current Residence		
<u>Region</u>	<u>Number</u>	<u>Percent</u>
Vermont	9,420	62%
Rest of New England	2,329	15%
Rest of U.S.	3,560	23%

Chittenden County, where 4,733 alumni currently reside. The six county northwestern region of Vermont is home to 7,692 alumni, 82% of the total.¹⁰ Clearly the region's economy receives a significant boost from the presence of these College alumni.

⁹ As of September 2006.

¹⁰ Addison, Chittenden, Franklin, Grand Isle, Lamoille and Washington Counties.

A sampling of prominent Champlain College alumni living in Vermont include (in alphabetical order):

- **George Bond** - Class of 1973 - Chief Financial Officer of Bond Auto Parts.
- **Allison Crowley DeMag** - Class of 1986 - Partner in Morris, DeMag & McCarty, Inc., a lobbying and media relations firm in Burlington, Vermont.
- **Joseph Finnegan** - Class of 1964 - President, Vermont Federal Credit Union in Burlington, Vermont.
- **John E. King** - Class of 1975 - President and CEO, Vermont Public Television.
- **Susan Willey Lamaster** - Class of 1988 - Vice President and Chief Financial Officer of Systems & Software, Inc. of Colchester, Vermont, a provider of integrated information management systems for utilities.
- **Alan Palmer** - Class of 1981 - President of Palmer Company, LTD of South Burlington, Vermont.
- **Brian Searles** - Class of 1968 - Director of the Burlington International Airport
- **Richard Schillhammer** - Class of 1934 - Retired owner of Queen City Printers in Burlington, Vermont.
- **Kyle Thompson** - Class of 1992 - Owner of SteezTeez, a clothing manufacturer and retailer in Burlington, Vermont.
- **Chris Varin** - Class of 1994 - Vice president of the Burlington office of Marsh & McLennan, a global professional services firm.
- **John F. Welch** - Class of 1967 - President & CPA of John Welch & Co. Of Colchester, Vermont.
- **David Winslow** - Class of 1997 - CEO, EpikOne, Inc., a professional services and consulting firm in Williston, Vermont.