

Approved: 3-21-11
Date

MINUTES OF THE EDUCATION BUDGET COMMITTEE

The meeting was called to order by Chairwoman Lana Gordon at 3:30 pm on March 16, 2011, in Room 159-S of the Capitol.

All members were present except:

Rep. Landwehr – excused

Rep. O'Brien - excused

Committee staff present:

Bernadine Lloyd, Committee Assistant

Conferees appearing before the Committee:

Dr. Ernie Goss, Economist, Goss & Associates

Others attending:

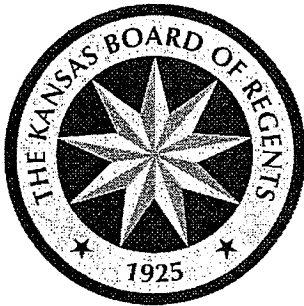
See attached list.

Dr. Goss, Economist, submitted and presented testimony on The Impact of the Kansas Board of Regents System To the State's Economy. This report included tables showing the Number of Counties Losing Population by Decade, Unemployment Rates by Education Level, January 2001 and 2011, Median Pay and Growth by Education Level, 1994, 2000, 2009, and Estimated Value of Brain Gain from KBOR System, 2009. Also included was an Executive Summary on General Impacts, Impact on the Overall Economy for 2010, Impact on the State and Local Tax Collections for 2010, Impact on the State's Labor Force, Impact on Related Industries (Spillovers), Impact on State and Local Long-Term Economic Growth with a table summarizing the monetary impacts of the KBOR System. (Attachment 1)

A question and answer session followed the presentation.

This was the last meeting of the 2011 Session.

The meeting adjourned 4 pm.



The Impact of the Kansas Board of Regents System To the State's Economy

A Study Produced By:



March 2011

House Education Budget Committee

Date: March 16, 2011

Attachment #: 1

Executive Summary

In the subsequent pages of this study, the impacts of the Kansas Board of Regents System (hereafter KBOR System) are identified and estimated.¹ For 2010, it is estimated that the KBOR System produced approximately \$7.3 billion in overall impacts, \$3.4 billion in wages and salary impacts, 95,327 in additional jobs, and \$485 million in state and local tax collections. **In terms of the rate of return, each one dollar in state tax support resulted in \$11.94 in Kansas economic activity.** It is found that the payback period, or years to recover taxpayer support, was less than five years for most occupations of graduates. Furthermore, it was concluded that counties with KBOR System institutions experienced higher rates of growth in technology firms, lower rates of net out-migration, and higher rates of job growth, all of which contribute to the state's economic progress.

General Impacts

- The 32 institutions of the KBOR System have provided economic stability for the state over the past decade.²
- January 2011 Bureau of Labor Statistics data show unemployment rates of 16.5 percent for workers without a high school diploma, 10.7 percent for workers with a high school diploma, 8.5 percent for workers with an associate's degree, and 4.5 percent for those with a bachelor's degree.³
 - ◊ For the period 1994 to 2009, workers with a bachelor's degree or higher enjoyed wage growth of 92.6 percent compared to 50.0 percent for workers with an associate's degree, to 50.3

¹Impacts are expressed in 2011 dollars throughout the study.

² In 2011 the KBOR System was composed of: seven public universities, six technical colleges, and nineteen community colleges. In this study, Kansas State University College of Veterinary Medicine, the University of Kansas Medical School, and Kansas State University Extension Service are included with the rest of the respective institutions.

³ <http://www.bls.gov/news.release/pdf/empsit.pdf>

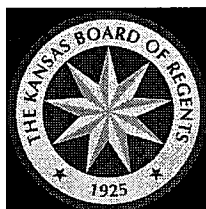
percent for workers with a high school diploma and to 52.6 percent for those without a high school diploma.

- ◊ In 2009 compared to the high school dropout, workers with a bachelor's degree earned almost \$50,000 more while workers with an associate's degree earned a \$22,000 premium.
- Thus, by elevating the education level of the Kansas population, the KBOR System is boosting income and lowering joblessness in the state.
- Between 2000 and 2008, U.S. population growth was roughly three percentage points higher than that of Kansas.
 - ◊ Since 1970, 41 Kansas counties have lost population for each of the four decades.
 - » Only four counties with KBOR System institutions lost population for all four decades.
 - » Thirty-seven counties without KBOR System institutions lost population for all four decades.
 - » None of the counties with KBOR System universities lost population for all four decades.
- Between 2000 and 2008, Kansas lost more than 5,000 residents per 100,000 in population to other states via migration. During the same period of time, Kansas gained more than 1,200 residents per 100,000 in population from international in-migration.⁴
 - ◊ In terms of median domestic migration for each 100,000 in population, counties with KBOR universities lost 1,754 residents, counties with KBOR community and technical colleges lost 5,322 residents, while counties with no KBOR institution lost a much larger 7,565 residents.

⁴ International migrants are non-U.S. citizens that lived outside the U.S. the previous year.

The Impact of the Kansas Board of Regents System To the State's Economy

Ernie Goss, Ph.D. and Makayla Telfer, M.B.A., Goss & Associates



Study Commissioned by KBOR, Winter 2011

Table 1.9: Number of Kansas Counties Losing Population by Decade

	Decade			
	1970s	70s and 80s	70s, 80s and 90s	70s, 80s, 90s and 2000s
All Kansas counties	51	49	41	41
Counties with KBOR university	1	0	0	0
Counties with KBOR CC or technical college	4	4	4	4
All KBOR counties	5	4	4	4
All non-KBOR counties	46	45	37	37

Source: Author calculation based on U.S. Census data

Table 1.3: Unemployment Rates by Education Level, January 2001 and 2011		
	January 2001	January 2011
Bachelor's degree & +	1.7%	4.5%
Associate's degree	3.2%	8.5%
High school diploma	4.4%	10.7%
High school dropout	8.2%	16.5%
Source: U.S. Bureau of Labor Statistics		

Table 1.2: Median Pay and Growth by Education Level, 1994, 2000, 2009						
	Median yearly pay			Wage growth		
	1994	2000	2009	1994-2000	2000-09	1994-2009
Bachelor's degree & +	\$35,613	\$43,689	\$68,603	22.7%	57.0%	92.6%
Associate's degree	\$27,681	\$30,774	\$41,529	11.2%	34.9%	50.0%
High school diploma	\$21,836	\$24,267	\$32,812	11.1%	35.2%	50.3%
High school dropout	\$12,799	\$17,337	\$19,535	35.5%	12.7%	52.6%
Source: U.S. Census Bureau						

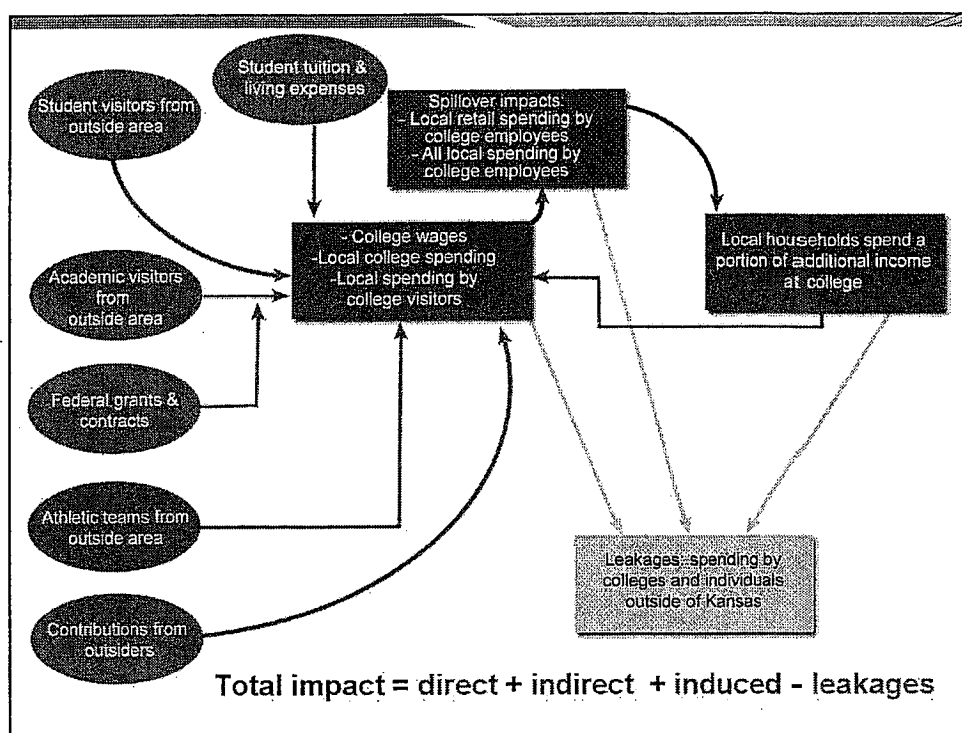
Table 2.5: Estimated Value of Brain Gain from KBOR System, 2009

	(1) # of Graduates 2009	(2) Added earnings capacity	(3) Total contribution (1) x (2)	(4) Percent remaining in KS	(5) Net brain gain (3) x (4)
KBOR universities	18,526	\$17,145	\$317,628,270	52%	\$165,166,700
KBOR community colleges	23,005	\$4,606	\$105,961,164	91.2%	\$96,636,581
KBOR technical colleges	7,431	\$4,606	\$34,225,456	99.7%	\$34,122,779
Total	48,962	n.a.	\$457,914,889	n.a.	\$295,926,061

Source: U.S. Census Bureau

Economic impacts

- ☐ Direct impacts—salaries of faculty members
- ☐ Indirect impacts—Real estate companies sales to faculty members
- ☐ Induced impacts—second round impacts as real estate employees spend
 - ☐ Use Implan Multipliers to measure indirect and induced.



Summary of Economic Impacts on Kansas for 2010 (all 2011 dollars)	
	2010
Total or overall impact	\$7,347,976,087
Wages, salaries & self-employment income	\$3,377,443,495
Number of equivalent year round jobs	95,327
State and local tax collections	\$485,035,983
Return for each \$1 of state higher education support	\$11.94
Return for each \$1 of state and local higher education support	\$3.24
Contribution to "brain gain" 2000-08 (not included above)	\$295,926,061
Value of volunteer hours (not included above)	\$206,115,800
Source: Goss & Associates and Implan Multiplier System	

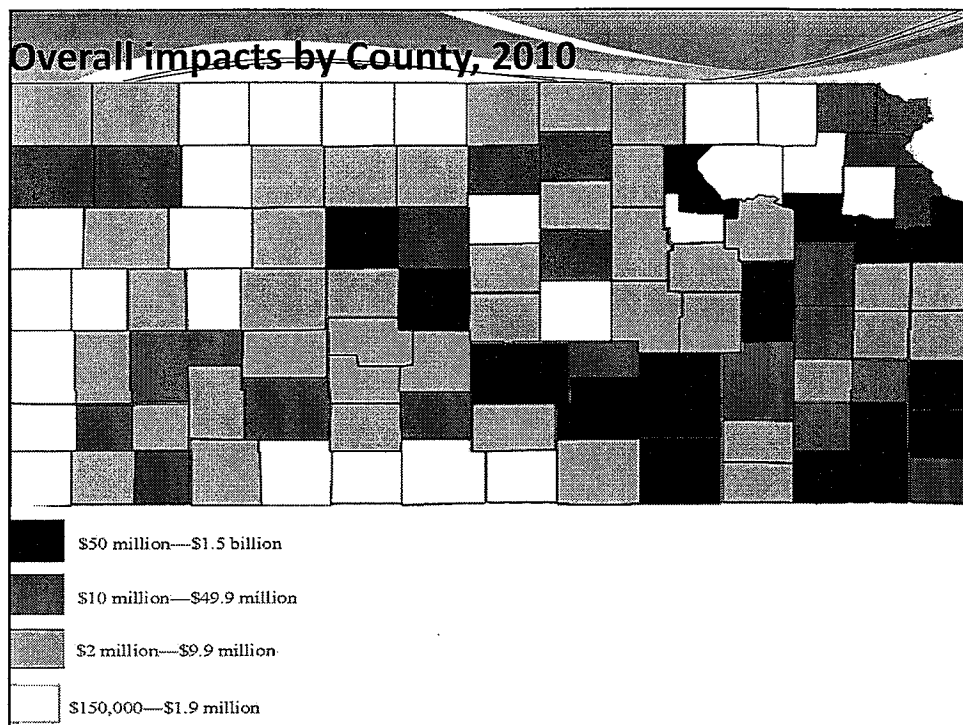


Table 3.2.1: Years to Pay Back Kansas Taxpayer Support , 2010

Bachelor's degree		
Occupation	Per graduate tax collections	Years for payback
Aerospace engineer	\$15,863	2.2
Accountant	\$9,877	3.5
Computer systems analyst	\$5,678	6.1
Associate's degree		
Occupation	Per graduate tax collections	Years for payback
Dental hygienist	\$8,631	1.6
Biological technician	\$6,936	2.0
Registered nurse	\$5,210	2.7
Source: Goss & Associates based on KBOR System data & Implan System		

- ◊ In terms of median international migration for each 100,000 in population, counties with KBOR universities gained 1,684 residents, counties with KBOR community and technical colleges added 454 residents, while counties with no KBOR institution added a much smaller 211 residents.

Impact on the Overall Economy for 2010⁵

- The KBOR System generated more than \$7.3 billion in sales or business volume for the state of Kansas; of the total, \$2.0 billion were spillover impacts.⁶
- For each \$1 of state taxpayer support, the KBOR System produced \$11.94 in economic returns.
- For each \$1 of state and local taxpayer support, the KBOR System generated \$3.24 in economic returns.

Impact on the State and Local Tax Collections for 2010

- It is estimated that the KBOR System accounted for more than \$485 million in state and local tax collections.
- Of total state and local taxes created, 26.8 percent were sales taxes, 27.6 percent were individual income taxes, 3.4 percent were corporate taxes, 30.5 percent were property taxes and the remaining 11.7 percent came from other, or miscellaneous taxes.
- Kansas taxpayers recover their financial support for university graduates in 3.5 years for accounting graduates, 2.6 years for

electrical engineers, 3.2 years for architects and 6.1 years for computer systems analysts.

- Kansas taxpayers recover their financial support for community and technical college graduates in 1.6 years for dental hygienists, 2.0 years for biological technicians, and 3.1 years for welders.

Impact on the State's Labor Force

- Both directly and indirectly, institutional spending supported an average of 95,327 jobs with a total payroll of approximately \$3.4 billion in 2010.
- Average salaries and wages for the direct and indirect jobs supported was approximately \$35,430.⁷

Impact on Related Industries (Spillovers)

- For 2010, 388 of Kansas' 394 industries experienced impacts from institutional spending. For example, for the state's real estate industry, KBOR System spending supported approximately 4,392 jobs, \$105 million in wages and salaries, and \$549 million in sales or business volume.

Impact on State and Local Long-Term Economic Growth

- The presence of the 32 institutions increases the attractiveness of the home community and encourages the startup and/or relocation of other businesses to the state.
- ◊ Between 2000 and 2008 per 100,000 population, counties with KBOR System universities added a median of 13.7 high tech companies, and counties with KBOR System community and technical colleges gained a median of 2.8 high tech firms.

⁵ This study was completed using the Implan Input-Output methodology explained in Appendices A and B. The economic impact in future years will be higher or lower based on the inflation rates, the number of students, capital expansion, increases in external research and the level of state appropriations.

⁶ \$7.3 billion (total impact) minus almost \$5.3 billion (direct impact). Spillover impacts represent 'ripple' impacts in related businesses as higher education dollars are re-spent in the community. For example, vendors of the institutions will spend a portion of their earnings in the retail sector. This spending creates sales, earnings and jobs, termed spillover impacts, for business in the retail trade sector.

⁷ Includes both part-time and full-time jobs.

- ◊ The median county with no KBOR System institution experienced no change in the number of high tech firms.⁸
- Almost one-fifth of the students attending an institution in the KBOR System come from outside Kansas. However, there was a great deal of variation within the total with 28.9 percent of KBOR System university students, 8.8 percent of KBOR System community college students, and 0.3 percent of KBOR System technical college students originating from outside Kansas.
- On the other hand only ten percent of all Kansas residents came from outside the state.⁹

(sales) impact on the state economy is estimated to be more than \$7.3 billion and more than \$485.0 million in state and local taxes.

In the remainder of this study, impacts are estimated for a) the state, b) individual industries, c) each Kansas county, d) each Kansas Senate District, e) each Kansas House District, and f) each of the 32 institutions in the KBOR System. The results presented in this study are estimated for 2010. The economic impact in future years will be higher or lower based on the inflation rates, the number of students, capital expansion, changes in funded research, and the level of state and local appropriations.

The assumptions and methodologies used to produce these estimates are contained in Appendices A and B.

Table E.1 summarizes the monetary impacts of the KBOR System. By supporting an average of 95,327 jobs each year, the KBOR System's total monetary

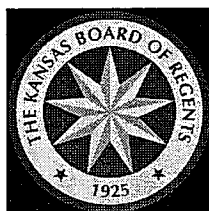
Table E-1. Estimated 2010 Economic Impacts of the KBOR System	
Sales (Business Volume)	\$7,347,976,087
Salary and wages	\$3,377,443,495
Proprietor income	\$315,582,940
Average year-round jobs	95,327
Total state & local taxes	\$485,035,983
Return for each \$1 of higher education spending (state only)	\$11.94
Return for each \$1 of higher education spending (state and local)	\$3.24
Contribution to brain gain (2000 - 08)	\$295,926,061
Value of volunteer hours (2010)	\$206,115,800
Source: Implan Multiplier System	

⁸ High tech NAICS codes and industries are defined as: 3254 Pharmaceutical and medicine; 334 Computer and electronic product; 3391 Medical equipment and supplies; 5413 Architectural, engineering, and related; 54143 Graphic design; 5415 Computer systems design and related; 5416 Management, scientific, and technical.

⁹ Defined by U.S. Census as residents that lived in a different state five years earlier.

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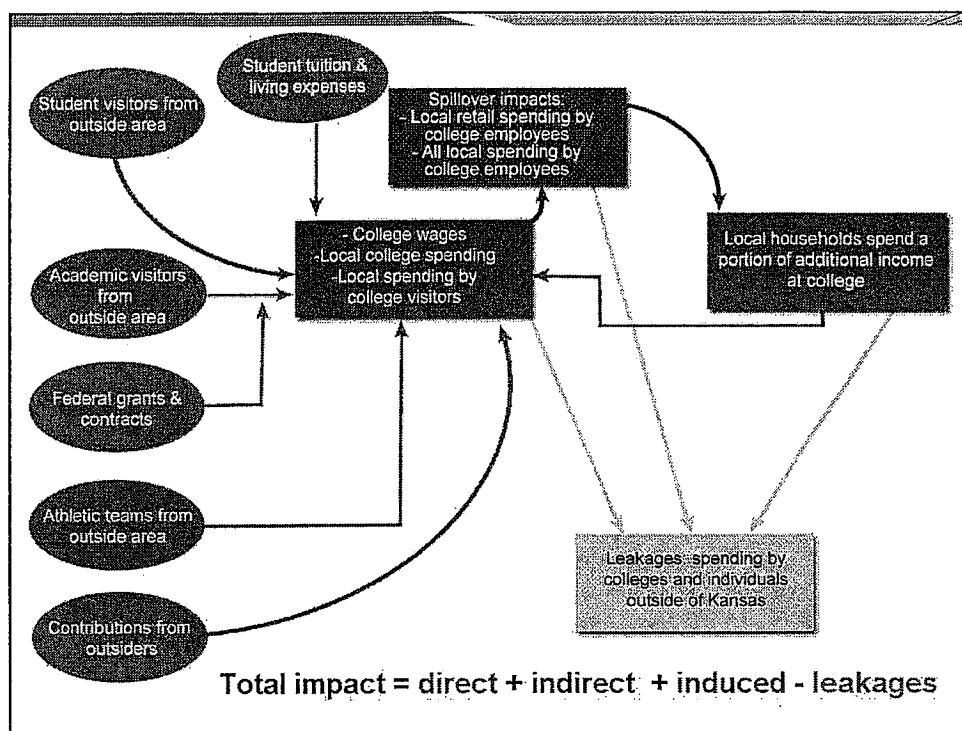
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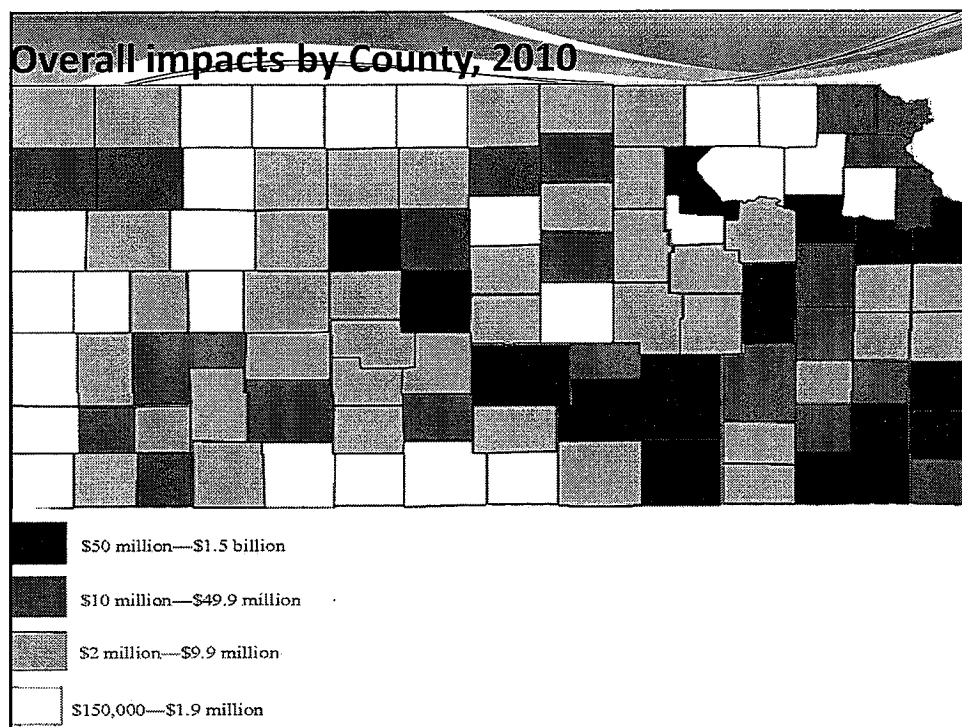


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