



MONTCLAIR STATE
UNIVERSITY

**Economic
Impact Report
2006-2007**

An Investment in
New Jersey's Future



MONTCLAIR
STATE
UNIVERSITY

President's Message



Montclair State University takes great pride in the caliber and commitment of its students and the quality of the education it provides to them. Montclair State's many thousands of graduates have gone on to lead purposeful and productive lives and have contributed to society in innumerable ways.

While the University exists for this educational purpose, it is also, itself, a positive contributor to the economy and quality of life of the state and the region. Montclair State employs thousands of workers, makes voluminous purchases from local vendors, and attracts tens of millions of dollars in out-of-state funding.

Over recent years, the University has experienced significant growth in enrollments, expansion of academic programs, and the addition of new and renovated facilities. In short, we are running a bigger and better university than we were just a few short years ago, and these advances have enabled us to contribute even more to New Jersey.

As Montclair State begins its second century, we are determined to ensure that the University continues to be an outstanding educational resource and engine of growth for New Jersey and the nation.

A handwritten signature in black ink that reads "Susan A. Cole". The signature is written in a cursive, flowing style.

Dr. Susan A. Cole



Economic Impact Report

Returning the State's Investment

As it approaches its Centennial, Montclair State University can take pride in its rich history of bold educational innovation and vital service to the state. Although the University's core mission lies in higher education, it is also an integral part of the New Jersey economy and a steady driver of its growth. In fact, its impact extends well beyond its students and employees to create income and employment for thousands of people throughout the state, many of whom have no direct connection to the University. Returning the state's investment many times over, this tangible economic benefit makes Montclair State an exceptional investment for New Jersey.

2006 Highlights

- **The economic activity traceable to Montclair State (\$338.2 million) was almost four and a half times larger than its state appropriation (\$77.3 million) in 2006.***
- **Montclair State accounts for a large and growing number of jobs.** Including both jobs at the University and jobs that result from its in-state expenditures, about 7,332 New Jersey jobs were attributable to Montclair State in 2006, an increase of 6% over 2004.
- **Montclair State provides more jobs for New Jerseyans than most large companies.** If the University had been a public corporation in January 2003, it would have ranked 39th in terms of New Jersey-based employees, ahead of such prominent companies as J.P. Morgan Chase, A&P, Aventis Pharmaceuticals, and GM.
- **Montclair State supports New Jersey vendors,** making almost 82% of its purchases from in-state vendors.
- **Montclair State serves as a major source of funds available for investment,** about \$115 million.

- **Montclair State brings significant amounts of money into New Jersey**, about \$23 million from out-of-state sources in 2006.
- **Montclair State has rapidly increased seats available to New Jersey students**, boosting graduate enrollments by 12% and undergraduate enrollments by more than 21% since fall 2000.
- **The skills Montclair State provides its students stay in New Jersey**. About ninety percent of students who earned degrees between 1990 and 2006 work in New Jersey.
- **Montclair State achieved all these positive outcomes as New Jersey's support for the University's operations declined from 55.2% of its operating budget in 1995 to 32.9% in 2006.**

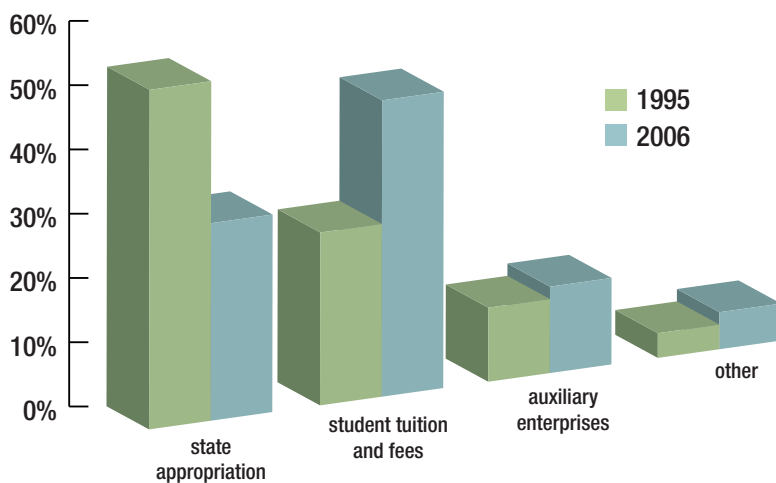
*Unless otherwise noted, all references are to *fiscal* years.

Sources of Revenue

University revenue in 2006 was \$235 million. Montclair State is a public university, but while the state budget increased 54.8% between 2000 and 2007, New Jersey's appropriation for its nine state colleges and universities rose only 1.2%, and although the state debt rose 117.8% during that period, not one dollar of that \$17.8 billion in new state debt went to those schools. To put that in perspective, between 2005 and 2007, New Jersey's appropriations for higher education rose 5.0% versus a U.S. average of 14.4% — the state ranked 46th in the nation — and between 2006 and 2007, New Jersey's appropriations actually *dropped* by 2.7%, sending its one-year ranking to 50th in the nation. The state appropriation of \$77.3 million to the University in 2006 amounted to less than 0.3% of the state budget, and state appropriations provided only 32.9% of the University's operating budget, down sharply from 55.2% in 1995.

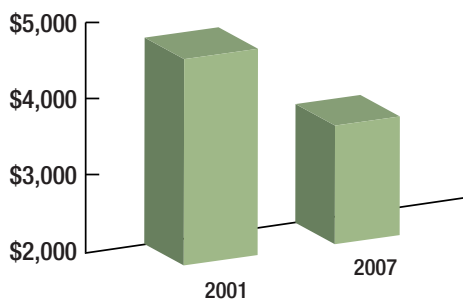
While the state budget increased 54.8% between 2000 and 2007, New Jersey's appropriation for its nine state colleges and universities rose only 1.2%.

Sources of Revenue, 1995 versus 2006



As a result of declining state support for higher education and Montclair State's conscious decision to address growing demand by New Jersey's high school graduates for places in the state's public universities, the University's per-student state allocation plummeted by a quarter — from \$4,795 to \$3,608 — between 2001 and 2007. (To put those numbers in context, New Jersey's average per-student support for K-12 education is nearly \$13,000.) Among New Jersey's dozen senior public institutions, Montclair State ranks dead last in its per-student state allocation. As a result, the University has become more dependent on other revenue sources. Student tuition and fees in particular rose from 28% of revenue in 1995 to 48.5% in 2006.

Montclair State's Declining Per-Student State Allocation



The University has redoubled its efforts to attract private money. The Montclair State University Foundation has received about \$72 million in gifts and pledges from more than 30,000 donors over the last 20 years, and the Foundation is now in the midst of an ambitious \$50 million "Campaign for the Second Century." The University is also aggressively seeking grants and contracts to supplement its budget. It succeeded in attracting almost \$31 million of such money from 2000 to 2006, of which more than half came from non-state sources.

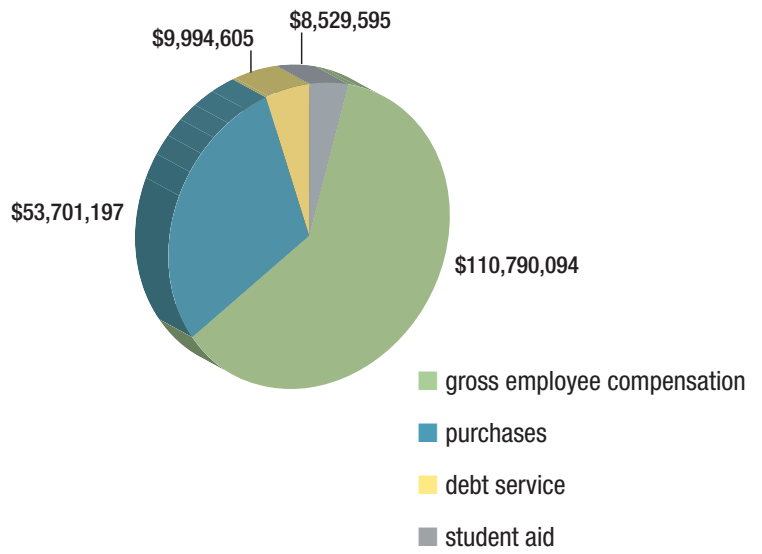
Montclair State brought almost \$23 million into New Jersey from out-of-state sources in 2006. The primary source of these funds was charges to out-of-state students, which amounted to \$11.2 million. Federal student assistance accounted for another \$9 million.



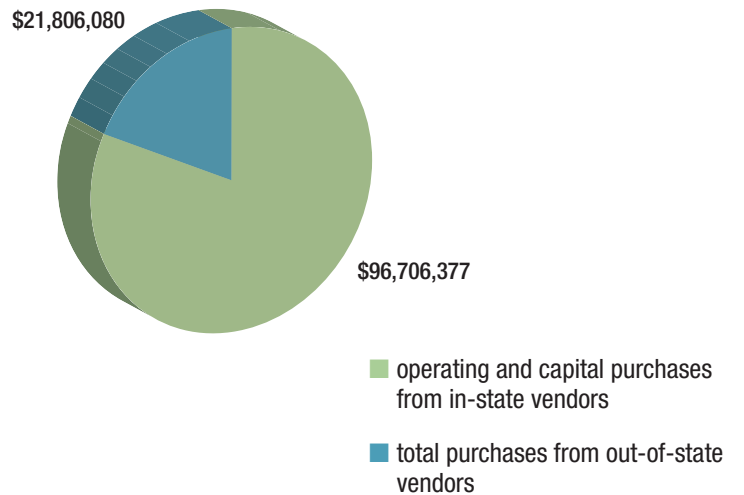
Expenditures

Montclair State spent \$183 million on operating expenditures and another \$64.8 million on capital expenditures in 2006. Gross employee compensation accounted for 60.5% of the operating budget, followed by purchases from vendors (29.3%), debt service (5.5%), and student aid (4.7%). Of the \$118.5 million of purchases from vendors for both operating and capital expenditures, almost 82% went to New Jersey vendors.

Expenditures, 2006



Supporting New Jersey Vendors, 2006



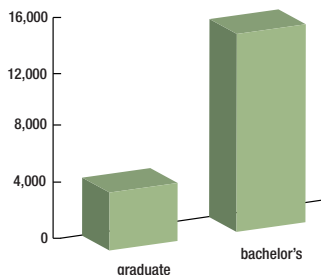
Major construction projects, including the beautiful Alexander Kasser Theater, provide construction jobs in the state.

Training a Work Force

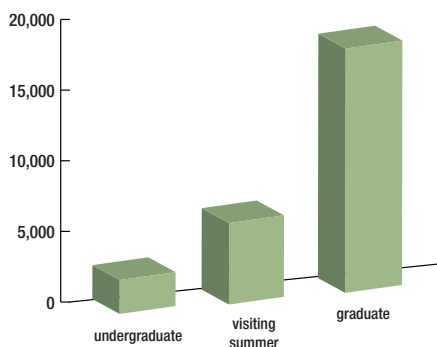
New Jersey cannot compete economically without a sophisticated work force, yet in 2006, it ranked a disappointing 45th among states in seats for students in public, four-year institutions of higher education on a per capita basis. New Jersey ranked 50th — dead last in the entire nation — in seats per 100 high school graduates. New Jersey is far and away the largest net exporter of students in the entire United States: more than 24,000 students, or about 57% of high school graduates who attend four-year colleges, leave the state. (All three of New Jersey's neighbors — New York, Pennsylvania, and Delaware — are net *importers* of college students.) Many of these expatriates never return to live or work in New Jersey, thereby denying the state the benefits of their intelligence, ambition, and energy. That prospect grows even more threatening given that over the next decade, New Jersey ranks among the top dozen states in the nation in its expected increase in high school graduates. This population spike will further restrict access to public higher education. Those students who are left out will be forced to attend college elsewhere or, worse, forgo college altogether. With its knowledge-driven economy, New Jersey has no choice but to increase capacity in its historically under-built system of higher education.

The second largest university in New Jersey, Montclair State has been doing its part to address this grave problem. In academic years 2000 to 2006, it conferred 14,520 baccalaureate and 4,408 graduate degrees. The University has served comparable numbers of non-degree students: During those same years, non-degree undergraduate enrollments in the fall and spring totaled 2,287, visiting summer enrollments amounted to 5,769, and non-degree graduate programs enjoyed enrollments of 19,085. More to the point, Montclair State has been growing quickly: Between fall 2000 and fall 2006, it boosted undergraduate enrollments by more than 21% and graduate enrollments by more than 12%. Adopted in the fall of 2002, the University's Strategic Plan commits it to increasing the size of the student body to at least 18,000.

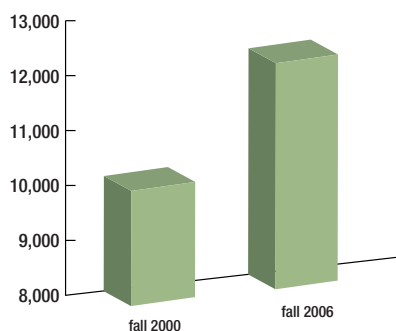
Degrees Conferred
AY2000-06



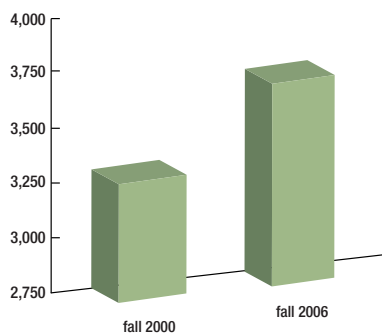
Non-Degree Enrollments
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Growth in Undergraduate Enrollments



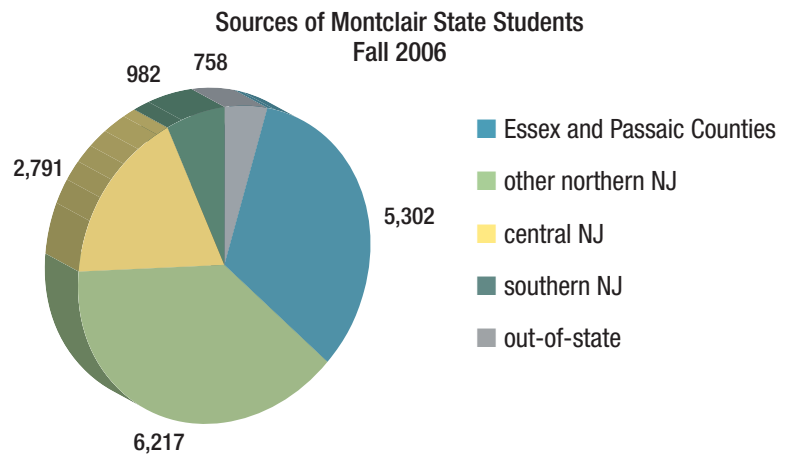
Growth in Graduate Enrollments



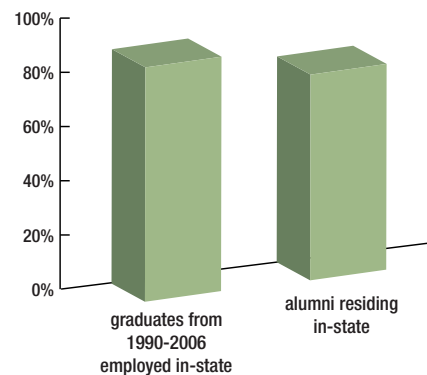


Montclair State is a true opportunity university. In the fall of 2006, 35.6% of full-time, first-time freshmen were minority students, and 32.9% of these freshmen estimated that their family income was below \$50,000. Only 38.7% of these students had a father and 38.6% a mother who had earned a college degree, so many students were the first member of their family to attend college. Montclair State draws students from an ever-widening geographic base. In the fall of 2006, although 33% of all degree and non-degree undergraduate and graduate students hailed from Essex and Passaic Counties, 39% came from the rest of northern New Jersey (Bergen, Hudson, Morris, and Sussex Counties), 17% from central New Jersey, and 6% from the south of the state. Every one of New Jersey's 21 counties was represented. The 5% of students who came from elsewhere were particularly diverse: 32 states and the District of Columbia and 99 foreign countries were represented, with the largest international contingents coming from Kenya (32), India (28), and the Republic of Korea (25).

Although it attracts growing numbers of out-of-state applicants, Montclair State's primary contribution is to the human capital of New Jersey, amply repaying the state for its investment in their education. Of students who earned degrees between 1990 and 2006 whose employers are known to the University, 90% work in New Jersey. Of the 84,272 living graduates whose whereabouts are known, almost 79% live in New Jersey. The skills of many of these graduates would have been lost to New Jersey if they had attended out-of-state universities.



Montclair State Graduates Remain in New Jersey





A Major New Jersey Employer

Montclair State University has a strong, direct impact on the state economy by means of the jobs it provides. In October 2006, the University employed 3,607 people. If the University had been a public corporation in January 2003, it would have ranked 39th in terms of New Jersey-based employees, just after IBM, and ahead of such prominent companies as J.P. Morgan Chase, A&P, Aventis Pharmaceuticals, and GM.

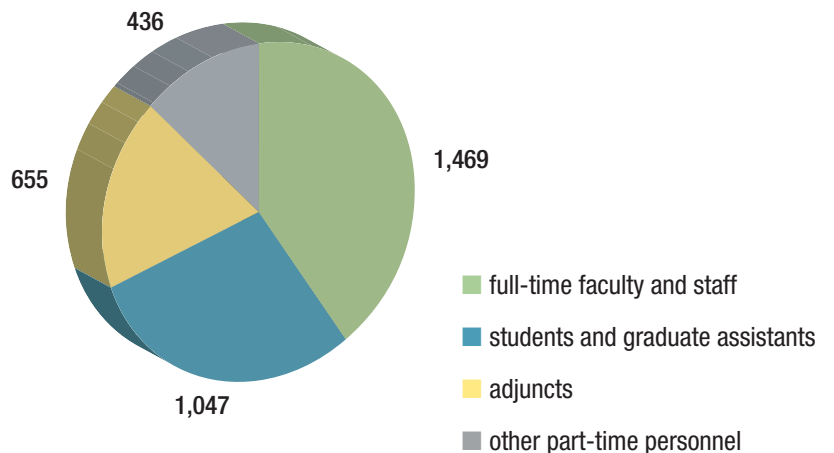
Top 100 Employers—Public Corporations

(as of December 31, 2002)

rank	company	NJ-based employees
37	The Chubb Corp.	3,743
38	IBM	3,700
	Montclair State	3,581
39	J.P. Morgan Chase	3,540
40	A&P	3,511
41	Aventis	3,500
42	Metropolitan Life	3,383
43	General Motors	3,369

About 92% of Montclair State's employees live in-state, paying New Jersey property, income, and sales taxes. And the University draws its employees from across New Jersey. Many employees live in Essex and Passaic Counties, but more than 52% live elsewhere in the state, including about 680 employees from central and southern New Jersey.

Jobs at Montclair State
Fall 2006



Stimulating New Jersey's Economy

To calculate their short-term economic impact, many universities have relied on the Ryan-New Jersey Model, a modified form of the classic Caffrey and Isaacs Model developed for the American Council on Education. These models estimate an institution's economic impact by means of the direct and indirect contributions it makes to cash flow in its host economy. Montclair State's direct, in-state expenditures (including capital expenditures) totaled \$97.1 million in 2006. University employees and students accounted for another \$42.4 million and \$29.6 million respectively, making for total direct expenditures within New Jersey of \$169.1 million.*



This figure actually underestimates the University's true impact. First, it does not attempt to include the effects of hosting visitors at athletic, artistic, and other events. From 2000 through 2006, athletic events at Montclair State enjoyed attendance of over 201,000 spectators. Even without counting more than 179,000 children who enjoyed shows on campus, theatrical performances alone drew almost 161,000 guests to the campus during the same period. Of that number, about 105,000 were paying. Attendance at the University's art gallery rose by 20% between 2000 and 2003 and another 10% from 2004 to 2005, when it attracted about 7,500 visitors. Despite being closed for renovations for half the year, the gallery attracted in excess of 5,000 visitors in 2006. Second, as Montclair State's Mission Statement declares, "The University will serve as a center for the creation of new knowledge and for the development of innovative applications of existing knowledge." Given Montclair State's growing collaboration with industries like pharmaceuticals, its experience sponsoring highly regarded conferences focusing on issues related to business, and the breadth of expertise represented by its faculty, the University is a major resource supporting the New Jersey business community.

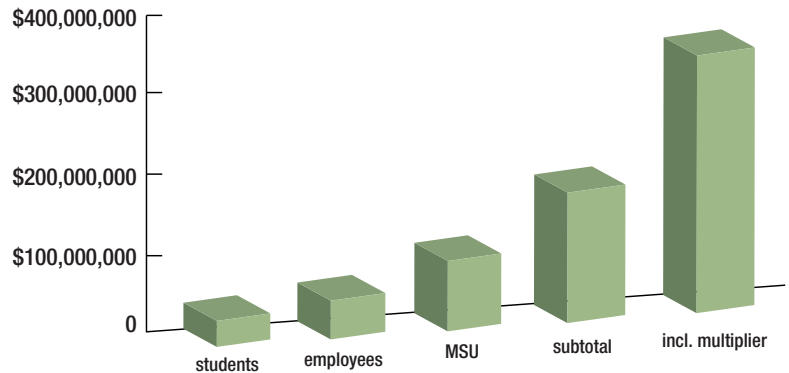


Finally, to measure short-term economic impact accurately, it is necessary to apply a multiplier to direct spending to capture the indirect, "ripple effect" of an institution's expenditures. The individuals and businesses whose incomes are directly affected by an institution's spending themselves spend or invest some of those dollars locally, creating additional income and employment for thousands of people, many of whom have no direct connection to the institution. Economic impact studies produced by other universities in the region conservatively estimate that every dollar spent generates another dollar's worth of in-state economic activity. If this multiplier of 2 is applied to estimate the combined effect of direct and indirect spending, Montclair State's total short-term economic impact on New Jersey in 2006 becomes \$338.2 million — almost four and a half times the state's \$77.3 million appropriation to the University.

* This report relies on data from the U.S. Census Bureau, the U.S. Department of Labor's Bureau of Labor Statistics, and the U.S. Department of Commerce's Bureau of Economic Analysis to derive conservative estimates of consumer spending.

University graduates are likely to spend more, save and invest more, and pay more in taxes than peers who lack university degrees, and at least 67,000 Montclair State alumni are spending, saving, and investing their money and paying taxes here in New Jersey.

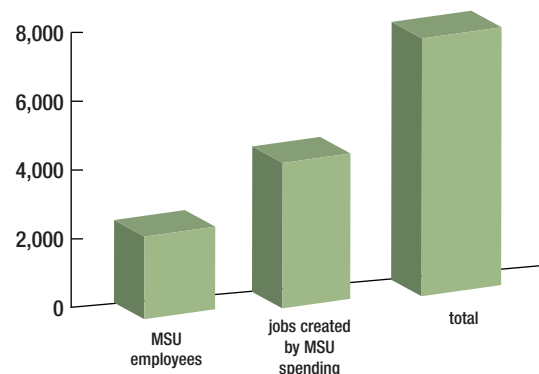
In-State Expenditures Attributable to Montclair State, 2006



Spending naturally translates into jobs. Applying a conservative coefficient to expenditures of \$169.1 million yields an estimate of 4,701 jobs attributable to direct spending by the University, its employees, and its students. Even without counting graduate assistants and student workers, when its own employees are included, a total of 7,332 New Jersey jobs could be attributed to Montclair State in 2006, and in just two short years, between 2004 and 2006, the University's contribution to New Jersey's labor market grew 6%. Montclair State not only drives job growth, but also heightens wages and salaries throughout the state. Because the University both stimulates demand for local businesses and directly competes with them for employees, average compensation in the area is higher than would be the case without it. As a result, Montclair State's presence benefits *all* workers in New Jersey.

The University also makes a sizeable contribution to New Jersey's credit base. At the end of 2006, Montclair State's cash balance in banks totaled \$22.2 million, and the market value of Montclair State University Foundation investments and other University investments amounted to \$30 million and \$33.5 million respectively. University and employee contributions to retirement systems added another \$9.7 million, and it is estimated that Montclair State employees who are New Jersey residents generated roughly \$19.9 million in savings and mortgage payments. All told, the University was thus a source of almost \$115.3 million in investment funds.

New Jersey Jobs Attributable to Montclair State, 2006





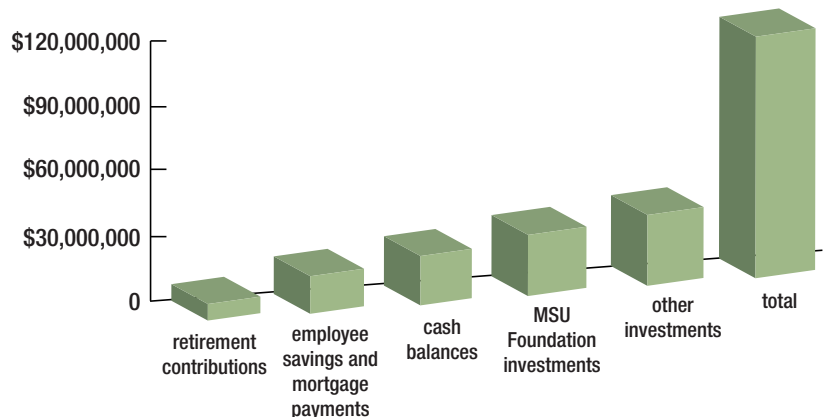
The Long-Term Economic Impact of Higher Education

All the facts and figures cited above speak only to Montclair State's short-term impact. The University's long-term impact is measured by its contribution to students' earnings. There is a powerful relationship between education and economic success. The U.S. Census Bureau projects that the work-life income of the average associate's degree earner will exceed the total income of the average high school graduate by about \$400,000, and that the average bachelor's degree earner can expect to make about \$500,000 more over his or her lifetime than someone with an associate's degree. University graduates are thus likely to spend more, save and invest more, and pay more in taxes than peers who lack university degrees, and at least 67,000 Montclair State alumni are spending, saving, and investing their money and paying taxes here in New Jersey.

Conclusion

Montclair State University is committed to serving the educational needs of New Jersey. The University has also had a significant impact on New Jersey by serving as an engine of economic growth for the entire state. And because Montclair State's impact has only grown over time, with enrollments and expenditures having risen for years, the University has continued to make a positive and stabilizing contribution to New Jersey's economy even as other sectors have experienced downturns. Although this contribution comes as a by-product of the University's core mission of teaching and scholarship, it represents a tangible economic impact that materially benefits the citizens of New Jersey and returns their investment many times over.

Montclair State as a Source of Investment Funds, 2006





Calculation Variables Used in 2006-2007 Economic Impact Study		
Variable	Estimate	Source
Estimate of non-housing expenditures for “complete income reporters” in the New York Metropolitan Statistical Area	0.75	2004-05 Consumer Expenditure Survey, Bureau of Labor Statistics, U.S. Dept. of Labor (Table 21)
Estimate of in-state expenditures for employees and students	0.75	2002 Economic Census, U.S. Census Bureau
Estimate of the percentage of state residents who rent	0.33	2005 American Community Survey, U.S. Census Bureau
Estimate of the state-wide median monthly rent	\$935	2005 American Community Survey, U.S. Census Bureau
Estimate of annual in-state spending on non-housing items by non-local, full-time employees	\$2,000	Based on economic impact studies conducted at CUNY and other regional universities
Estimate of average annual college-related expenditures by full-time students	\$2,094	MSU Financial Aid Office (as reported in 2005-06 Common Data Set)
Estimate of average annual college-related expenditures by part-time students	\$1,300	MSU Financial Aid Office
Coefficient for estimating jobs attributable to expenditures	0.0000278	2003 Bureau of Economic Analysis, U.S. Dept. of Commerce
Multiplier	2.0	Based on economic impact studies conducted at Rutgers and other regional universities

Appendix: A Note on Methodology

The methodology used to calculate short-term economic impact is commonly referred to as the Ryan/New Jersey model. It represents a modified form of the classic economic impact model developed by Caffrey and Isaacs for the American Council on Education.[†] A number of institutions have relied on the Ryan/New Jersey model over the past two decades, and it has undergone several modifications.^{††}

The major difference between the Caffrey and Isaacs and Ryan/New Jersey models is that the latter substitutes estimated values derived from available data for information collected from surveys of faculty, staff, and students. Many institutions found that they needed to make this substitution because survey response rates were often very low due to the sensitive nature of the information being requested.

The calculation variables substituted for survey data are: (1) an estimate of non-housing expenditures for an average middle-income family in New Jersey; (2) an estimate of in-state expenditures for employees and students; (3) an estimate of the percent of New Jersey residents who rent; (4) an estimate of the median rent in New Jersey; (5) an estimate of in-state spending on non-housing items by non-local, full-time employees; (6) an estimate of average annual college-related expenditures by full-time students; (7) an estimate of average annual college-related expenditures by part-time students; (8) the coefficient for estimating jobs attributable to University expenditures; and (9) the “multiplier.” The table to the left presents the calculation variables used in this study and their sources.

[†] John Caffrey and Herbert H. Isaacs, 1971, *Estimating the Impact of a College or University on the Local Economy*, Washington, D.C.: American Council on Education.

^{††} Research and Planning Committee, 1983, *Handbook for Conducting a Study of the Economic Impact of a Community College*, Lincroft, NJ: Council of County Colleges of New Jersey. G. Jeremiah Ryan, 1985, “A Shortcut to Estimating Economic Impact,” *Community/Junior College Quarterly* 9:197-214. College Outcomes Evaluation Program, 1989, *Procedures Manual for the Assessment of Community/Society Impact at New Jersey Institutions of Higher Education*, Trenton, NJ: New Jersey Department of Higher Education. College Outcomes Evaluation Program, 1990, *Handbook for Calculating Short-Term Economic Impact at New Jersey's Institutions of Higher Education*, Trenton, NJ: New Jersey Department of Higher Education. G. Jeremiah Ryan and Patricia Malgieri, 1992, *Economic Impact Studies in Community Colleges: The Short Cut Method, Second Edition*, Resource Paper No. 48, National Council for Resource Development.

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