

**The Economic Impact of
Flagler College
On Metro Jacksonville**

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TABLE OF CONTENTS

Executive Summary	3
Introduction	5
Flagler College Spending Impact	5
College Direct Spending	6
Employee Direct Spending	6
Student Direct Spending	7
Visitor Direct Spending	7
Multiplier Effect	8
Job Impact	9
Flagler College Knowledge Impact	9
Flagler Alumni Impact	10
Social Benefit Impact	11
Community Service Impact	12
Flagler College Impact on St. Augustine Government	13
Flagler College Impact on St. Johns County Government	18
Conclusion	21
Appendix 1 - Methods Used to Calculate the Spending Impact	22
Appendix 2 - Cash Flow Model	23
Appendix 3 – Biographical Sketch	25
References	26

EXECUTIVE SUMMARY

This report examines the Flagler College Spending, Knowledge and Local Government Impacts on Metro Jacksonville (Baker, Clay, Duval Nassau, and St. Johns Counties) for the year of 2010-2011*.

FLAGLER COLLEGE IMPACT ON METRO JACKSONVILLE

In 2011 Flagler College contributed \$218 million to Metro Jacksonville.

- **Spending Impact** - \$179 million from Flagler, its employees, students, and visitors in 2011.
- **Knowledge Impact** - Alumni contributed \$24 million in increased earnings and \$12 million in Social Benefits. There were \$188,000 in Community Service benefits.
- **Local Government Impact** - The City of St. Augustine treasury received a \$343,214 net benefit due to the presence of Flagler College. The St. Johns County received a \$2.7 million net benefit.

FLAGLER COLLEGE SPENDING IMPACT

Spending Impacts are simply the effects of the outlays of the College, its employees, students, and visitors. Flagler College's Spending Impact is large because most of its revenues are derived from students who reside outside of Metro Jacksonville.

- **Flagler College Spending** - \$66 million
- **Employee Spending** - \$31 million
- **Student Spending** - \$41 million
- **Visitor Spending** - \$41 million
- **Jobs** - 1,943 jobs - 412 positions at Flagler College and 1,531 new jobs

FLAGLER COLLEGE KNOWLEDGE IMPACT

Knowledge Impacts are the life-long benefits to Metro Jacksonville. They come from the increased earnings of Flagler alumni. They come from savings due to better lifestyle choices of Flagler alumni. They come also from the Cultural and Community Service Benefits because of the presence of the Flagler College community.

- **Alumni Increased Earnings** - \$24 million
- **Alumni Social Benefits** - \$12.2 million
- **Community Service** - \$188,482

FLAGLER COLLEGE LOCAL GOVERNMENT IMPACT

Flagler College contributed 4.5% of the St. Augustine City revenues and 3% of expenditures - a 1.5% net benefit to the City of St. Augustine.

Flagler College contributed 1.8% of the St. Johns County revenues and 1.1% of expenditures - a 0.7% net benefit to the County.

*Totals in this report refer to the Academic Year 2010-2011 which ran from July 1, 2010 to June 30, 2011. The totals for St. Johns County refer to the Fiscal Year 2010 which ran from July 1, 2009 to June 30, 2010. This was the latest year for which County data was available.

Flagler Impact on Metro Jacksonville

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EXHIBIT 1
FLAGLER SPENDING IMPACT

DIRECT SPENDING BY FLAGLER IN METRO JACKSONVILLE		
College Spending	\$28,699,251	
Employee Spending	\$13,517,457	
Student Spending	\$17,681,318	
Visitor Spending	\$18,056,750	
	\$77,954,775	
SECONDARY SPENDING IN METRO JACKSONVILLE		
Secondary Spending by Flagler	\$37,056,473	
Secondary Spending by Employees, Students and Visitors	\$63,598,733	
	\$100,655,206	\$178,609,981

FLAGLER KNOWLEDGE IMPACT

INCREASED EARNINGS OF ALUMNI		
	\$23,969,297	
SOCIAL BENEFIT IMPACT		
Reduced Absenteeism	\$1,385,180	
Reduced Alcoholism	\$443,942	
Reduced Crime Victim Cost	\$533,040	
Reduced Incarceration	\$1,626,815	
Reduced Smoking	\$690,135	
Reduced Unemployment	\$4,174,400	
Reduced Welfare Expenditures	\$3,309,148	
Total Flagler Social Benefit Impact	\$12,162,660	
COMMUNITY SERVICE IN METRO JACKSONVILLE	\$188,482	\$36,320,439

FLAGLER LOCAL GOVERNMENT IMPACT

ST. AUGUSTINE CITY GOVERNMENT		
Total Benefit to St. Augustine City Government	\$1,034,145	
Total Cost to St. Augustine City Government	-\$690,931	
Net Benefit to St. Augustine City Government	\$343,214	
ST. JOHNS COUNTY GOVERNMENT		
Total Benefit to St. Johns County Government	\$4,342,752	
Total Cost to St. Johns County Government	-\$1,638,493	
Net Benefit to St. Johns County Government	\$2,704,259	\$3,047,473
TOTAL METRO JACKSONVILLE ECONOMIC IMPACT		\$217,977,894

INTRODUCTION

This report seeks to determine the importance of Flagler College to Metro Jacksonville. It represents a careful examination of the evidence available from detailed research conducted according to the best practices in the industry. Exhibit 1 summarizes the numbers described in the report. Another summary of the Flagler impact is shown below, followed by analysis of the College's impact.

In 2011 the College contributed **\$218** million in additional spending to Metro Jacksonville:

- \$78.0 million in Direct Spending
- \$100.7 million in Secondary Business Spending
- \$24.0 million in Increased Alumni Earnings
- \$12.2 million in Social Benefits
- \$188,000 in Community Service Benefits
- \$3.0 million in Net Benefits to local government budgets

The College provided employment opportunities for 1,943 people:

- 412 Full- and Part-Time Jobs at Flagler College
- 1,531 other New Jobs in the wider region

These statistics were determined by tracing the dollars spent, the people employed, the assets added, the taxes affected, and the sales generated in Metro Jacksonville.

Flagler College is an export industry because outside people purchase a Metro Jacksonville product: 93.5% of College revenue comes from outside the region, thus generating new money to stimulate Metro Jacksonville economy. This report counts the impact of this new money as well as the impact of alumni who reside in Metro Jacksonville.

FLAGLER COLLEGE SPENDING IMPACT

The Flagler College Spending Impact is the result of direct and secondary spending. Direct spending comes from the College, its employees, students and visitors. Secondary spending is by businesses and governments, the beneficiaries of the initial direct spending.

The Economic Impact of an organization on a region is derived from its ability to attract outside money to a region or to prevent funds from leaving it. The Economic Impact of a College comes from its ability to attract students from other parts of the country and to retain local students who would otherwise have attended college elsewhere.

“Outside money” received by a region from out-of-area sources determines the impact of a College on the local economy. For instance, tuition revenue that Flagler College receives from Tampa is different from revenue received from Orange Park. The Tampa family earned its income from outside Metro Jacksonville. When their tuition is paid to the College it is an outside injection into the economy of Metro Jacksonville. Tuition revenue from the Orange Park family comes from within Metro

Jacksonville and remains within it. Therefore local tuition revenue is not used to determine Flagler's Spending Impact, as it is "inside money" and typically would remain in the region whether Flagler College was present or not.

The share of revenues from tuition, contributions, grants, and auxiliary activities that came from outside of Metro Jacksonville in 2011 was 93.5%. These percentages were multiplied by College vendor spending and payroll in the Region to determine the Flagler Direct Spending Impact.

Flagler College made a considerable impact on the Metro Jacksonville business community in 2011. The direct spending by the College, its employees, students, and visitors was \$78 million. This money was spent and re-spent several times in the community. Some of it was paid to local merchants or was received as income by local residents. The amount of the turnover was \$100.7 million in 2011. This is also known as the multiplier effect: That is how an infusion of revenue then echoes through an economy to stimulate additional revenue.

Of the \$78 million spent directly in Metro Jacksonville by the College community, Flagler College itself spent 37% of that amount, or \$28.7 million, with area businesses. College employees contributed 17% of this flow, or \$13.5 million. The College's students who came from outside Metro Jacksonville accounted for \$17.7 million, or 23%, of the total spending on food, clothing, and other goods. Visitors to the campus and College events represented \$18.1 million or 23%. Exhibit 2 below shows these figures.

EXHIBIT 2
DIRECT SPENDING BY FLAGLER COLLEGE
IN METRO JACKSONVILLE

College Spending	\$28,699,251
Employee Spending	\$13,517,457
Student Spending	\$17,681,318
Visitor Spending	\$18,056,750
Total Direct Spending	\$77,954,775

COLLEGE DIRECT SPENDING

Flagler College spent \$30,694,386 in Metro Jacksonville during 2011. The share of that spending derived from income from outside Metro Jacksonville is 93.5%. When the total vendor spending is multiplied by 93.5% the result is \$28,699,251. This is the amount that can be attributed to out-of-area students who attended Flagler. Not included in this total are salaries to employees, loans and grants to students, and purchases of goods and services from organizations outside the region. If salaries to employees were included, then the total amount of College spending in Metro Jacksonville would be even more significant.

EMPLOYEE DIRECT SPENDING

In 2011 the payroll for Flagler employees living in Metro Jacksonville was \$14,457,173. The share of payroll derived from income originating outside Metro Jacksonville is 93.5%. When the payroll is

multiplied by 93.5% the result is \$13,517,457. This is the payroll which was earned from out-of-area students and spent in Metro Jacksonville.

STUDENT DIRECT SPENDING

There were 2,708 students at Flagler College during the last year. 93.5% of them came from outside Metro Jacksonville. These out-of-area students spent \$17,681,318 in the area on apartments, automobiles, food, entertainment and the like.

Revenue from these students who come from outside of Metro Jacksonville is injected into the local economy each time students go to a restaurant, purchase gasoline or other commodities at local businesses. Students from outside Metro Jacksonville stimulate the regional economy. In short, this means that the Flagler impact on Metro Jacksonville comes from non-Metro Jacksonville students.

VISITOR DIRECT SPENDING

Visitors who came to Saint Augustine because of Flagler College brought more than \$18 million in new money to Greater Jacksonville in 2011. These visitors can be divided into Legacy visitors and Flagler-focused visitors.

Legacy visitors come for Saint Augustine's particular characteristics. The Ponce de Leon Hotel is a part of the Saint Augustine experience and contributes to the value of Saint Augustine as a destination. Flagler-focused visitors come specifically to visit Flagler College for such purposes as conferences, basketball games and visiting their children.

Hedonic demand theory is a method economists use to estimate demand or prices. "It aims to determine the relationship between the attributes of a good and its price." "In the case of housing, the characteristics may be structural, such as number of bedrooms, size of plot, presence or absence of a garage, or environmental, for instance air quality, the presence of views, noise level, crime rate, the proximity to shops or schools."¹

Similarly the satisfaction of a vacation is related to weather, natural beauty, recreation, restaurant and hotel quality, transportation, culture and history among other things. Thus the Saint Augustine experience can include beaches and nature, history, culture, luxury and romance, attractions and golf.

Legacy Visitors

The total number of visitors to St. Johns County in 2011 was 3,200,000. They spent a total of \$634 million. Many of these tourists came because of the presence of Flagler College. Glenn Hastings, the Executive Director of the St. Johns County Tourist Development Council says that the Ponce de Leon Hotel "is a visual that most people associate with Saint Augustine. When you come off the Bridge of Lions it stirs up some excitement. You see the tower from the Cathedral, the tower from the old bank building and the tower of the Hotel." He goes on to say that "we use that image in our presentations."

The visual impact would be diminished if the former Ponce de Leon Hotel were not there. This would significantly diminish the attractiveness of Saint Augustine and would reduce the number of people visiting the city. Glenn Hastings estimates that the number of annual visitors could drop by as much as

4-5% without the Hotel's presence. Under that scenario, between 128,000 and 160,000 fewer tourists would have come to St. Johns County last year.

Taking the midpoint of Mr. Hastings' estimate yields a figure of 144,000 fewer tourists in St. Johns County. Assuming that 50% of these tourists would choose locations outside of Greater Jacksonville would mean that the region would have 72,000 fewer tourists.

Surveys by the Visitors Bureau show that the average visitor spent \$198 in 2011. Multiplying the spending per visitor by 72,000 fewer tourists results in a figure of \$14,256,000. This is the contribution of legacy visitors in 2011. It is what the existence of the Ponce de Leon Hotel brings to the area.

Flagler-Focused Visitors

In addition there are parents of Flagler College students, and people who come to the College for basketball games and conferences. These people spent an additional \$3.8 million last year. Exhibit 4 describes the visitors who come because of Flagler College. Thus the total contribution by visitors to Flagler College last year was \$18.1 million.

EXHIBIT 3 **SPENDING BY VISITORS TO FLAGLER COLLEGE**

Category	Number of Visitors	X	Average Expenditure	=	Total Expenditures
Admissions Visits	2,000		\$200		\$400,000
Alumni Events	475		\$150		\$71,250
Athletic Games	1,050		\$165		\$173,250
Conferences	4,200		\$85		\$357,000
Cultural Events	775		\$70		\$54,250
Graduation	2,900		\$150		\$435,000
Legacy	72,000		\$198		\$14,256,000
Parental Visits	21,000		\$110		\$2,310,000
TOTAL	104,400				\$18,056,750

* Exact numbers for attendance by out-of-area visitors are not available in most cases. Estimates have been used.

THE MULTIPLIER EFFECT

The total direct impact of the Flagler College community in Metro Jacksonville was \$77,954,775 in 2011. This amount went to area businesses, including utilities, plumbers, restaurants, property owners, hotels, and other services. Many of these enterprises depend on the College for a significant share of their revenue. In turn, the delivery driver to the dining hall buys some of his gas locally. The hotel that hosts a parent from Atlanta gets its cleaning supplies from local markets. Of course, both the food purveyor and the hotel pay their employees from money spent by the Flagler community. All of this accounts for \$100,655,206 re-spent in the area in 2011.

The impact of this re-spending is known as the multiplier effect. Economic factors that take place outside the local economy – for example Flagler spending in the Tampa area – are called leakages and

reduce the multiplier and overall impacts. They are excluded when estimating regional economic impacts. While the direct effects of private colleges and universities can be measured by a straightforward methodology, secondary effects of institutional spending must be estimated using regional multipliers. (Goss, 2005)

Multipliers can vary widely by industry and area. Multipliers are higher for regions with a diverse mix of industries. Industries that make extensive use of goods and services from within Florida have higher statewide multipliers. Industries that buy most of their material from outside the state tend to have lower multipliers. The same is true in the case of multipliers for counties or other sub-state areas. Multipliers tend to be higher for industries located in large urban areas, because most of the spending by the industry stays within the area. Smaller, rural areas generally have lower multipliers, because industries must use firms outside the area for supplies and services. Multipliers for the entire state are larger than sub-state multipliers, because the initial gains (or losses) in an industry are magnified over a larger geographic area. (California Labor and Workforce Development Agency, 2002)

The multipliers used in this report were derived from the United States Department of Commerce Regional Input-Output Modeling System (RIMS II). Exhibit 4 shows that for every \$1.00 of Flagler College Community spending there was an additional \$1.29 spent in Metro Jacksonville. Thus the multiplier for Flagler spending in Metro Jacksonville is 2.29.

EXHIBIT 4
FLAGLER DIRECT AND SECONDARY SPENDING
IMPACT ON METRO JACKSONVILLE

	Direct Impact - Initial Spending	Secondary Impact	Total Impact
Regional Multiplier	1.00	1.29	2.29
College Spending	\$28,699,251	\$37,056,473	\$65,755,724
Employee Spending	\$13,517,457	\$17,453,740	\$30,971,197
Student Spending	\$17,681,318	\$22,830,117	\$40,511,435
Visitor Spending	\$18,056,750	\$23,314,876	\$41,371,626
Total Spending Impact	\$77,954,776	\$100,655,207	\$178,609,983

JOB IMPACT

There were a total of 412 full-and part-time Flagler College employees in 2011 that lived in Metro Jacksonville. Most of the income of these workers after taxes went into the local economy. There were also jobs for students on campus. Additionally, there were 1,531 people who owed their jobs to the presence of Flagler College. Overall, the College contributed 1,943 jobs to Metro Jacksonville.

THE FLAGLER COLLEGE KNOWLEDGE IMPACT

Flagler College makes a significant Knowledge Impact by increasing the human capital of its graduates. "Human capital refers to the stock of competences, knowledge and personality attributes embodied in the ability to perform labor so as to produce economic value. It is the attributes gained by a worker through education and experience." (Sullivan & Sheffrin, 2003) In the context of this report,

Knowledge Impact refers to the contribution of Flagler College toward higher incomes and the social benefits of positive lifestyle choices.

According to Stokes and Coomes (1998), “Knowledge Impacts result from the transmission of ideas to the community.” Machlup (1980) makes a distinction between “subjective new knowledge” and “objective” or “socially new knowledge.” Subjective knowledge is produced by the passing of knowledge from faculty to students. It is new to the students but not new to society. College students receive knowledge and greater technical ability. This increase in their human capital translates into higher earnings for themselves, with multiplied benefits for the community. It also results in greater productivity for the labor force.

The transfer of subjective knowledge accounts for most of the Knowledge Impacts of universities. These effects are long-term. There also are short-term knowledge effects. Individuals gain knowledge that enables them to increase their earnings quite rapidly. Universities drop and add programs in response to market conditions. These one-time changes in enrollments in particular programs have short-term labor effects. (Stokes & Coomes, 1998)

“Objective” or socially new knowledge creation is the *raison d’être* of the research university. “Advances in such areas as medical technology, pharmaceuticals, agronomy and computer science are made in College laboratories. New mathematical understanding is applied to the social and natural sciences and leads to advances in knowledge. Some breakthroughs are spun off immediately to industry and have resulted in “local economic benefits to such areas as Boston’s Route 128 corridor and the Bay Area’s Silicon Valley. While production of objective knowledge is difficult to quantify, the number of patents issued and the level of capital investment have been used as indicators.” (Stokes & Coomes, 1998)

FLAGLER COLLEGE ALUMNI IMPACT

There were 3,472 known Flagler College alumni alive today in Metro Jacksonville. Of this total, 3,045 of the alumni were employed in the labor force. These alumni have an impact on Metro Jacksonville, through outstanding work in serving society. Through determination and dedication, alumni influence is felt in the arts, business, education, government, health care, science, and many other areas.

The total value of their increased earnings impact is \$47.94 million. Fifty percent of this Alumni Impact, or \$23.97 million, in Metro Jacksonville is included in this report. This assigned some of the responsibility for social benefits to the College and left some credit to other factors such as family background and personal characteristics.

The principal economic value of a College degree lies in the difference between the average earnings of a College graduate compared to those of a high school graduate. College graduates can expect to earn approximately \$570,000 more over their lifetimes than those who leave College before graduating. (Day & Newberger, 2002)

To determine the value of a bachelor’s degree from Flagler College, the number of known alumni by gender, graduation year, and degree was multiplied by the average annual earnings for each category. (U.S. Census Bureau, Housing and Household Economic Statistics Division, 2009) The average annual income for high school graduates was then subtracted. This total figure was multiplied by 50%. This is

because some of the responsibility for increased alumni earnings goes to Flagler College and some is credited to other factors. The inherited and developed traits of the individual that gave him or her the desire to succeed are not the responsibility of any one institution. It also is true that these people could have earned degrees from another institution, and this could have contributed to their earning potential.

EXHIBIT 5
FLAGLER COLLEGE WORKING ALUMNI
IN METRO JACKSONVILLE*

Highest Degree Held	Alumni Total	Increased Earnings Value to Individuals
Masters	234	\$9,684
Bachelors	2,811	\$16,249
Total	3,045	

* Alumni numbers include all living alumni with addresses who are working.

SOCIAL BENEFIT IMPACT

Education pays - not just in better incomes but also in better lifestyles. Better living pays benefits to society. College graduates tend to possess greater self-esteem; live longer, healthier lives; assume greater civic responsibility; enjoy more aesthetic interests; attend more athletic events; exercise better moral judgment; and nurture children more effectively than do those without university educations. (Baum & Payea, 2005; Behrman & Stacey, 1997; Watts, 2001)

Absenteeism, alcoholism, crime, incarceration, unemployment, and welfare place heavy costs on governments and businesses. Rates for these behaviors decline as education levels increase. Because of the lower rates of these behaviors college graduates incur lower costs to society.

The total value of these reduced social costs is \$24.32 million. Fifty percent of this Social Benefit Impact of Flagler College alumni, or \$12.16 million, in Metro Jacksonville is included in this report. This assigned some of the responsibility for social benefits to the College and left some credit to other factors such as family background and personal characteristics.

Flagler College, therefore, has a Social Benefit Impact on Metro Jacksonville because of the choices made by its alumni who live there. Exhibit 6 shows the value of these reduced social costs.

EXHIBIT 6
FLAGLER COLLEGE SOCIAL BENEFIT IMPACT
IN METRO JACKSONVILLE

Reduced Absenteeism	\$1,385,180
Reduced Alcoholism	\$443,942
Reduced Crime Victim Cost	\$533,040
Reduced Incarceration	\$1,626,815
Reduced Smoking	\$690,135
Reduced Unemployment	\$4,174,400
Reduced Welfare Expenditures	\$3,309,148
Total Flagler College Social Benefit Impact	\$12,162,660

COMMUNITY SERVICE IMPACT

Service is an important aspect of a Flagler education, and the Metro Jacksonville community is a wonderful extended classroom for students and employees. Whether they're getting involved with local agencies purely to volunteer their time and talents or interested in supplementing their classroom education by serving others, Flagler students are actively making a difference in the local community and around the world.

The Flagler College community contributed \$188,482 in community service activities in 2011: \$101,764 by Flagler students and \$86,718 by Flagler employees. Flagler College students participated in 7,428 hours of community service in Metro Jacksonville. (Exhibit 7)

EXHIBIT 7 **VALUE OF FLAGLER STUDENT COMMUNITY SERVICE TO METRO JACKSONVILLE**

Flagler Program	Annual Hours of Student Community Service	Value per Hour	Total Value of Student Community Service
Active Minds	48	\$13.70	\$658
Archaeology Club	30	\$13.70	\$411
Association of Fundraising Professionals	894	\$13.70	\$12,248
Best Buddies	200	\$13.70	\$2,740
Campus Crusade for Christ	634	\$13.70	\$8,686
Club Unity	50	\$13.70	\$685
Deaf Awareness Club	168	\$13.70	\$2,302
Education Student Training & Practice Teaching	1,241	\$13.70	\$17,002
Flagler College Service Club	508	\$13.70	\$6,960
Home Team	104	\$13.70	\$1,425
Human Rights Advocates	725	\$13.70	\$9,933
Ink Slingers	204	\$13.70	\$2,795
Phi Alpha Omega	770	\$13.70	\$10,549
Rotaract	842	\$13.70	\$11,535
Sexual Assault & Violence Education Union	216	\$13.70	\$2,959
Social Sciences Club	108	\$13.70	\$1,480
Spanish Cultural Club	272	\$13.70	\$3,726
Sports Management Club	414	\$13.70	\$5,672
Total	7,428		\$101,764

Valuation of Flagler College Community Service

The labor replacement method was used to place a value on Flagler College community service activities. The replacement value is based on the wages and benefits that would be paid a person to do the same services that the volunteer performs. Average wage levels for community and social service occupations were used as a proxy for the value of the community services of the Flagler College community. Twenty five percent was added to these values to account for benefits. (U.S. Department of Labor, 2010)

Wage values for two types of community service work were determined as follows.

- 1) Flagler College undergraduate students - Students have little professional experience and are not yet college graduates. The wage value of the 10th percentile of community and social service workers - \$10.96 was assigned to them. With benefits this becomes \$13.70.
- 2) Flagler College employees - The standard hourly value of \$25 per hour for law school interns was used. With benefits this becomes \$31.25.

LOCAL GOVERNMENT IMPACT

The Flagler College community was responsible for \$1,034,145 in revenue to the St. Augustine City treasury in Fiscal Year 2011. This was 4.5% of City revenues. The community was also responsible for \$690,931 or 3% of expenditures of the City. Therefore the College community provided a net benefit of 1.5% or \$343,150 to the City of St. Augustine. Exhibit 8 summarizes the benefits and costs of Flagler College to the City government in FY 2011.

EXHIBIT 8

ESTIMATED COSTS AND BENEFITS OF FLAGLER COLLEGE TO ST. AUGUSTINE CITY GOVERNMENT IN FY 2011

City Government	Description	Benefit or Cost
Revenue Sharing Payments	State of Florida	\$77,074
Public Safety	Fire	-\$149,971
Public Safety	Police	-\$54,815
Culture and Recreation	Employee Tuition Discount	\$11,095
Tax	Property Tax Employees	\$268,147
Tax	Property Tax Students	\$285,608
Tax	Property Tax Exemption	-\$464,366
Tax	Property Tax Non Exempt Properties	\$65,815
Tax	Local Option Sales	\$97,021
Tax	Utility	\$27,009
Tax	Franchise	\$129,599
Tax	Insurance Premium	\$16,653
Tax	Local Option Gas	\$36,005
Tax	Communication Service	\$17,137
Tax	Other Taxes	\$2,982
Transportation	Streets	-\$25,863
CITY GOVERNMENT TOTAL		\$343,150

State Revenue Sharing – St. Augustine received \$547,815 from the State of Florida based on the size of its population as counted in the 2010 Census. \$77,074 of these funds was due to the presence of Flagler College residence hall students, off-campus students and employees who lived in the City.

Public Safety – Flagler reimbursed the City for police officers who are stationed on the College campus. After this and other revenue to the City are included, the City spent \$200,702 to provide emergency services to employees and students who live in St. Augustine.

Culture and Recreation – Department employees take courses at the college toward a degree in Public Administration and pay a reduced tuition rate. The total for this discount in 2011 was \$11,095. This represents a saving to the department.

Property Taxes – The City government would have received \$464,366 in property taxes if the campus were not exempt from taxes. However, more than this foregone revenue is made up by \$619,570 in property taxes paid by Flagler for nonexempt properties and by employees and students. Therefore the College community makes a \$155,204 net payment in property taxes to the City of St. Augustine.

Other Taxes – St. Augustine received \$5,596,759 in FY 2011 in business licenses, hotel rooms, restaurant food, sales, utilities, and other taxes. The Flagler community contribution was \$326,406

Streets – The City spent \$25,863 to maintain the streets fronting land belonging to the College.

STATE REVENUE SHARING PAYMENTS

The City of St. Augustine received \$547,815 from the State of Florida based on the size of its population as counted in 2010 Census. \$77,074 of these funds was due to the presence of Flagler College residence hall students, off-campus students and employees who lived in St. Augustine. The Flagler community constituted 6.5% of the City population.

PUBLIC SAFETY

Fire and police expenses accounted for \$8,218,190 of St. Augustine City spending. The cost of serving the Flagler community was \$200,702. Expenditures by the St. Augustine Fire Department were \$149,971. Total St. Augustine Police Department spending on the Flagler community was \$50,731.

Exhibit 9 below summarizes public spending expenditures and revenues for five types of Flagler College involvement with St. Augustine fire and police departments; the College campus, tuition discounts for public safety employees who take classes from the College, protection of Flagler employees and students who live and work in the City, and visitors to the campus.

EXHIBIT 9 **ST. AUGUSTINE PUBLIC SAFETY EXPENSES ATTRIBUTABLE TO FLAGLER COLLEGE POPULATION**

Service	Flagler College Campus	City Employee Tuition Discount	Employees and Students	Visitors to Flagler College	Total
Fire	\$15,174	-\$16,643	\$151,440	\$20,315	\$149,971
Police	-\$168,325	-\$11,095	\$176,857	\$53,294	\$50,731
Total	-\$153,151	-\$27,738	\$328,297	\$73,609	\$200,702

Negative numbers are for payments or discounts received by the City Fire and Police Departments.

Flagler College Campus – Fire Department expenses in Fiscal Year 2011 were \$3,113,386. In 2011 there were 52 responses by the Fire Department to the Flagler campus out of a total of 3,162. This was 1.6% of all responses in 2011. Based on this percentage rate, the cost of serving the College campus was \$51,201. (Exhibit 10) Flagler College also paid \$36,027 in Fire Assessment Fees to the City. After this amount is subtracted, the net cost to the City Fire Department in 2011 was \$15,174. (Exhibit 9)

EXHIBIT 10
SHARE OF ST. AUGUSTINE FIRE EXPENSES
ATTRIBUTABLE TO THE FLAGLER COLLEGE CAMPUS

St. Augustine Fire Department Spending	X	St. Augustine Fire & Rescue Responses to Flagler Campus	/	St. Augustine Fire & Rescue Total Responses	=	Cost of Fire Responses to Flagler
\$3,113,386		52		3,162		\$51,201

Source: City of St. Augustine Fire Department

Flagler College made a payment of \$168,325 to the St. Augustine Police Department in 2011 for the officers stationed on its campus.

City Employee Tuition Discount – Many St. Augustine Fire and Police Department officers take courses at the college toward a degree in Public Administration. They pay a reduced tuition rate. The total for this discount in 2011 was \$27,738. This represents a saving to the public safety departments.

Employees and Students – It is estimated that 75% of City fire expenditures and 60% of City police spending was to protect year-round residents of St. Augustine. Flagler employees and off-campus students comprise 6.5% of the City year-round resident population.

The Fire Department incurred \$151,440 to protect Flagler employees and off-campus students.

The cost to the Police Department for the protection of College employees and off-campus students was \$198,645. After \$21,788 in student parking fines is subtracted the net cost to the Police Department is \$176,857.

Visitors to Flagler College – In 2011 there were about 3.2 million visitors to St. Augustine. This placed a burden on the City public safety officers that many other police and fire departments in the country do not have. It is estimated that 25% of City fire expenditures and 40% of City police spending was to protect visitors to St. Augustine.

The College attracted approximately 112,000 visitors to the City in 2011. This was about 2.8% of all visitors to St. Augustine. The Fire Department incurred \$20,315 to protect Flagler visitors, while the total for the Police Department was \$53,294.

CULTURE AND RECREATION

Culture and Recreation Department employees take courses at the college toward a degree in Public Administration and pay a reduced tuition rate. The total for this discount in 2011 was \$11,095. This represents a saving to the department.

PROPERTY TAX PAYMENTS

Property taxes brought in 39.5% of City revenue in Fiscal Year 2011: \$9,125,072. The Flagler community contributed \$619,570 in property taxes. College employees paid \$268,147. Flagler students paid \$285,608 in taxes as a part of their rent. The College paid \$65,815 in taxes for its nonexempt properties.

The City of St. Augustine did not receive \$464,366 in real estate taxes because of the tax-exempt status of the Flagler campus. Therefore there was a net contribution of \$155,204 in property tax revenues to the City of St. Augustine. Exhibit 11 shows how the Flagler community contributed to St. Augustine property taxes.

EXHIBIT 11 **THE FLAGLER IMPACT ON ST. AUGUSTINE** **CITY PROPERTY TAXES**

Flagler Community Group	Property Taxes Paid
Employees	\$268,147
Students	\$285,608
Flagler Property Tax Payments	\$68,228
Total Payments	\$621,983
Cost of Tax Exemption	-\$464,366
NET BENEFIT	\$157,617

Employee Property Tax

Flagler employees paid an estimated \$268,147 in property taxes to the City of St. Augustine in Fiscal Year 2011. St. Augustine adult residents, defined as age 23 and older, paid an average of \$1,033 in property taxes to the City. This does not include payments to other entities. This figure also reflects average payments by each adult resident rather than by household units. (Exhibit 12)

There were 155 Flagler College employees who lived in the City of St. Augustine. Flagler employees earned 167% of the average salary of adult City residents. The \$1,033 average property tax payment was multiplied by 155 employees and 1.67. This resulted in an amount of \$268,147 paid in property taxes by Flagler employees. (Exhibit 13)

EXHIBIT 12
AVERAGE PROPERTY TAX PAYMENTS TO ST. AUGUSTINE
BY ADULT RESIDENTS IN FY 2010

St. Augustine Property Tax Receipts in FY 11 (1)	/	Adult Resident Population (2)	=	Average St. Augustine Adult Resident Property Tax Payment
\$9,516,005		9,209		\$1,033

- 1) City of St. Augustine Comprehensive Annual Financial Report for the Year Ended June 30, 2011. Statement of Activities.
2) United States Bureau of the Census. 2010 Census.

EXHIBIT 13
PROPERTY TAX PAYMENTS TO ST. AUGUSTINE BY
COLLEGE EMPLOYEES IN FY 2010

Number of Employees Living in St. Augustine	X	Average St. Augustine Adult Resident Property Tax Payment	X	College Wage as Percent of City Average Wage (1)	=	Estimated Property Tax Payments by College Employees
155		\$1,033		167%		\$268,147

- 1) United States Bureau of the Census. 2010 Census.

Student Property Tax

Flagler College students who rent apartments in St. Augustine made \$285,608 in property tax payments to the City in Fiscal Year 2011. College students occupy 12.8% of rental units in the City. Revenue from rental property contributes to 31% of St. Augustine property tax revenues. Thus Flagler students contribute 3% of City property tax income. When 3% is multiplied by \$9,516,005 in tax revenue the result is \$285,608. Exhibit 14 shows this calculation.

EXHIBIT 14
ST. AUGUSTINE PROPERTY TAX REVENUE
FROM FLAGLER STUDENTS

Percent of Property Tax Revenue Derived from Flagler Students	/	2010 Real Estate Tax Revenue	=	City Property Tax Revenue from Flagler Students
3.0%		9,516,005		285,608

Estimates by Author

OTHER TAXES

The City of St. Augustine relied upon several other non-property taxes for \$5,596,759 in revenue in FY 2011. Flagler College contributed \$326,406 of this amount. Exhibit 15 shows the amount paid for each tax category by the College, employees, students and visitors. These amounts were calculated based upon the Flagler share of St. Augustine population, the share of total visitors drawn by Flagler, and rates of tax payment for each category.

EXHIBIT 15
FLAGLER COMMUNITY CONTRIBUTIONS TO ST. AUGUSTINE
NON-PROPERTY TAXES FY 2011

Tax	Total Tax Revenue	Flagler Contribution	Employee Contribution	Student Contribution	Visitor Contribution	Total Tax Contribution
Local Option Sales	\$898,289	\$27,507	\$4,077	\$54,552	\$10,885	\$97,021
Utility	\$1,042,588		\$5,143	\$21,866		\$27,009
Franchise	\$1,534,080	\$7,755	\$7,146	\$95,619	\$19,079	\$129,599
Insurance Premium	\$360,357		\$889	\$11,259	\$4,504	\$16,653
Local Option Gas	\$534,021		\$2,634	\$33,371		\$36,005
Communication Service	\$1,133,430		\$5,591	\$11,546		\$17,137
Other Taxes	\$93,994	\$2,982				\$2,982
Total	\$5,596,759	\$38,244	\$25,480	\$228,213	\$34,468	\$326,406

City of St. Augustine and estimates by author

STREETS

St. Augustine City streets spending for Fiscal Year 2010 was \$2,156,688 for almost 72 miles of streets. To calculate the allocation to Flagler College, the percent of total street frontage for the College was multiplied by the public works budget. This method yielded a total cost of \$25,863 to maintain City streets that front the Flagler campus. (Exhibit 16)

EXHIBIT 16
COST OF MAINTAINING FLAGLER STREET FRONTAGE

St. Augustine City Street Budget	X	Length of Flagler Street Frontage	/	Total Street Mileage in St. Augustine	=	Cost of Maintaining Frontage
\$2,156,688		0.86		71.86		\$25,863

Source: City of St. Augustine

FLAGLER COLLEGE IMPACT ON
ST. JOHNS COUNTY GOVERNMENT

Flagler College provided a net benefit to St. Johns County of approximately \$2,704,000. Fiscal Year 2010 numbers, which were most recently available, were used. The College community contributed \$4.3 million to County revenues. Providing services to the Flagler community cost the County \$1.6 million. In percentage terms this means that Flagler contributed 1.8% of County revenues and cost 0.7% of County spending. This resulted in a 1.1% net benefit for the County. Exhibit 17 summarizes the costs and benefits of Flagler to the County.

St. Johns County receives higher tax revenues because of the presence of so many Flagler community people who work and live there. Because of their relatively higher incomes these people are able to pay higher sales, real estate and other taxes. Additionally these College graduates have lower involvement with the criminal justice, public health and welfare systems, which reduce County expenditures.

To analyze Flagler benefits to St. Johns County we looked at the contribution levels of the Flagler community to local taxes and other revenues. To calculate costs we analyzed the rates at which Flagler community members use County services. County enterprises such as water, sewer and solid waste removal were not included in the calculations.

EXHIBIT 17
FLAGLER COLLEGE IMPACT ON
ST. JOHNS COUNTY GOVERNMENT
(in thousands of dollars)

	Total Revenue or Expenditures	Flagler Impact
Revenue		
Property Taxes	\$134,150	\$2,352
Sales Taxes	\$2,291	\$100
Motor Fuel Taxes	\$4,544	\$29
Other Taxes	\$529	\$10
Charges for Services	\$51,184	\$928
Intergovernmental Revenue	\$45,613	\$863
Interest Earnings	\$2,378	\$43
Miscellaneous Revenue	\$1,002	\$18
Total Revenue	\$241,690	\$4,343
Expenditures		
General Government	\$35,290	\$243
Police & Criminal Justice	\$73,570	\$366
Fire Control	\$31,176	\$144
Public Works & Transportation	\$41,618	\$470
Economic Environment	\$5,540	\$86
Human Services	\$14,131	\$31
Recreation and Culture	\$19,431	\$154
Interest on Long-Term Debt	\$9,682	\$67
Change in Fund Balance	\$11,253	\$77
Total Expenditures	\$241,690	\$1,638
Net Benefit to the St. Johns County Government		\$2,704

FLAGLER IMPACT ON COUNTY REVENUES

St. Johns County spent \$230.4 million in FY 2010. The County received revenues of \$241.6 million, enjoying a surplus of \$11.2 million. A total of \$4,343,000 in revenue during FY 2010 came from Flagler, its employees, students, alumni, and local firms that do business with the College.

Property taxes brought in \$134.2 million, which was the largest share of County revenue. The Flagler community made a net contribution of \$2.35 million to St. Johns County tax revenue.

Flagler employees contributed \$320,000 in real estate taxes. Local business firms, as a result of their business with the College, contributed \$229,000. College alumni were responsible for \$1,676,000 in additional real estate taxes and students paid \$128,000.

Other tax revenue sources including sales taxes, motor fuel taxes, and services taxes brought \$529,000 million to the County treasury. The Flagler College share of these revenues was \$10,000.

Charges for services, such as ambulance responses, traffic tickets, and building inspections, brought \$51.2 million to the County treasury. The Flagler community was responsible for \$928,000 of the total.

The Federal government and the State of Florida provided \$45.6 million in revenue to St. Johns County. These funds originally came from income tax and other revenues paid to Washington and Tallahassee. The Flagler community contributed \$863,000 to these sources.

Interest earnings were \$2.4 million. The Flagler community share was \$43,000. There was also \$1 million in revenue from other sources. The Flagler community was responsible for \$18,000 of this amount.

FLAGLER IMPACT ON ST. JOHNS COUNTY EXPENDITURES

St. Johns County had operating expenditures of \$230.4 million in FY 2010. This covered public safety, fire, streets, governmental operations, parks and other services. The cost of providing these services to the Flagler community was \$1.64 million.

The operation of County offices and other administrative operations cost \$35.3 million. Providing these governmental services to the Flagler community cost \$243,000.

Police and criminal justice services cost \$73.6 million. Providing security for the Flagler community cost the County \$366,000.

Fire, ambulance and emergency services accounted for \$31.2 million of County expenditures. These public safety functions for the Flagler community cost \$144,000.

Public works and transportation cost \$41.6 million to maintain. The cost of providing roadways for the Flagler community was \$470,000.

Flagler College and its community bore \$86,000 of the \$5.5 million cost of improving the Economic Environment.

Human services cost \$14.1 million. The cost of supporting the Flagler community was \$31,000.

Recreation and Culture services were responsible for \$19.4 million of County expenditures. The cost of providing these services to the Flagler community was \$154,000.

Interest and debt service charges took \$9.7 million from the County treasury. The Flagler share was \$67,000.

St. Johns County ended FY 2010 with a savings of \$11.2 million. The surplus of revenues will permit greater freedom in future years. Thus the Flagler contribution to future spending will be \$77,000.

CONCLUSION

The significant Economic Impact of Flagler College on Metro Jacksonville can be felt in a number of ways. The College produces alumni who earn more than individuals who did not complete a degree in higher education. These alumni adopt better lifestyles and thus save the community on expenses such as healthcare. The College provides employment opportunities, not only through jobs on campus but also through jobs generated by business the College and its members conduct locally.

The College and those associated with it pumped \$218 million into the Metro Jacksonville economy in 2011. It is clear that in addition to the College's profound contributions to the cultural life of the community it is making sizable economic contributions as well.

APPENDIX 1

METHODS USED TO CALCULATE THE SPENDING IMPACT

The analysis of the Spending Impact of Flagler College on Metro Jacksonville was conducted in the tradition of the method developed for the American Council on Education (ACE) by Caffrey and Isaacs (1971) to determine the impact of higher education. The ACE method is still the primary method employed in economic impact studies. (Siegfried, Sanderson, & McHenry, 2007) To determine Flagler College's economic impact, its Spending and Knowledge Impacts were examined in depth. Methods used in the analysis of the Spending Impact are described below:

Spending Impact - The Flagler College Spending Impact is the result of direct and secondary spending. Direct spending comes from the College, its employees, students, and visitors. Secondary spending is by businesses and governments, the beneficiaries of the initial direct spending.

Direct and Secondary Spending Impacts - The Direct Spending Impact is the initial impact on the local economy due to spending by the College, its employees, and students. The Secondary Spending Impact comes from spending by businesses and governments from the funds that they received from Flagler College, its employees, students, and visitors. The Flagler College Spending Impact is the sum of the direct and secondary spending.

Total Spending Impact - The Total Spending Impact = Direct Spending Impact + Secondary Spending Impact.

Multiplier - The ratio of Total Spending Impact to Direct Spending Impact (Multiplier = Total Spending Impact/Direct Spending Impact). An institution's Total Spending Impact is derived from some multiple of its direct expenditures. To determine Flagler College's Total Spending Impact a multiplier of 2.29 was used. This multiplier was calculated specifically for the higher education industry in Metro Jacksonville by the U.S. Department of Commerce Regional Input-Output Modeling System (RIMS II). A multiplier of 2.29 means that for every \$1.00 of direct spending an additional \$1.29 is generated in secondary spending.

Out of Region Students - The Economic Impact of an organization on a region is derived from its ability to attract outside money to a region or to prevent funds from leaving it. The Economic Impact of a College comes from its ability to attract students from other parts of the country and to retain local students who would otherwise have attended college elsewhere.

The "outside money" received by a region from these out-of-region students determines the impact of a College on the economy. For instance, tuition revenue that Flagler College receives from Tampa is different from revenue received from Orange Park. The Tampa family earned its income from outside Metro Jacksonville. When their tuition is paid to the College it is an outside injection into the economy of Metro Jacksonville. Tuition revenue from the Orange Park family comes from within Metro Jacksonville and remains within it. Therefore local tuition revenue is not used to determine Flagler's Spending Impact, as it is "inside money" and typically would remain in the region whether Flagler College was present or not.

The share of tuition revenue that came from outside of Metro Jacksonville in 2011 was 93.5%. This percentage was multiplied by College vendor spending and payroll in Metro Jacksonville to determine the Flagler Direct Spending Impact for the region.

Student Personal Spending - Student living expenses for food, entertainment, transportation, clothing and other items, which are above payments to Flagler College for tuition, residence halls, and meal plans are counted as student personal spending. Only personal spending by Flagler students originating from outside Metro Jacksonville was counted when determining the Flagler Economic Impact.

METHODS USED TO CALCULATE THE KNOWLEDGE IMPACT

Spending and Knowledge Impacts differ in their relative influence over time. The local Spending Impact of a College is noticeable immediately, whereas Knowledge Impacts continue to influence the community throughout the entire lives of alumni and, therefore, have long-term effects. A high level of educational attainment (“knowledge”) allows the College graduate to benefit directly (in the form of higher earnings) and also yields significant social returns, such as the individual’s interactions with co-workers (to better a company or organization) and the increased tendency of these graduates to make positive lifestyle choices. (Stokes & Coomes, 1998)

The extent of the Spending and Knowledge Impact of a College is related to the source of its students, and the size of the region in which it is located. Institutions that receive most of their students from outside of their regions, such as Flagler, have large Spending Impacts. Typically Universities in small regions, such as Flagler, have small Knowledge Impacts because most of their graduates leave the area.

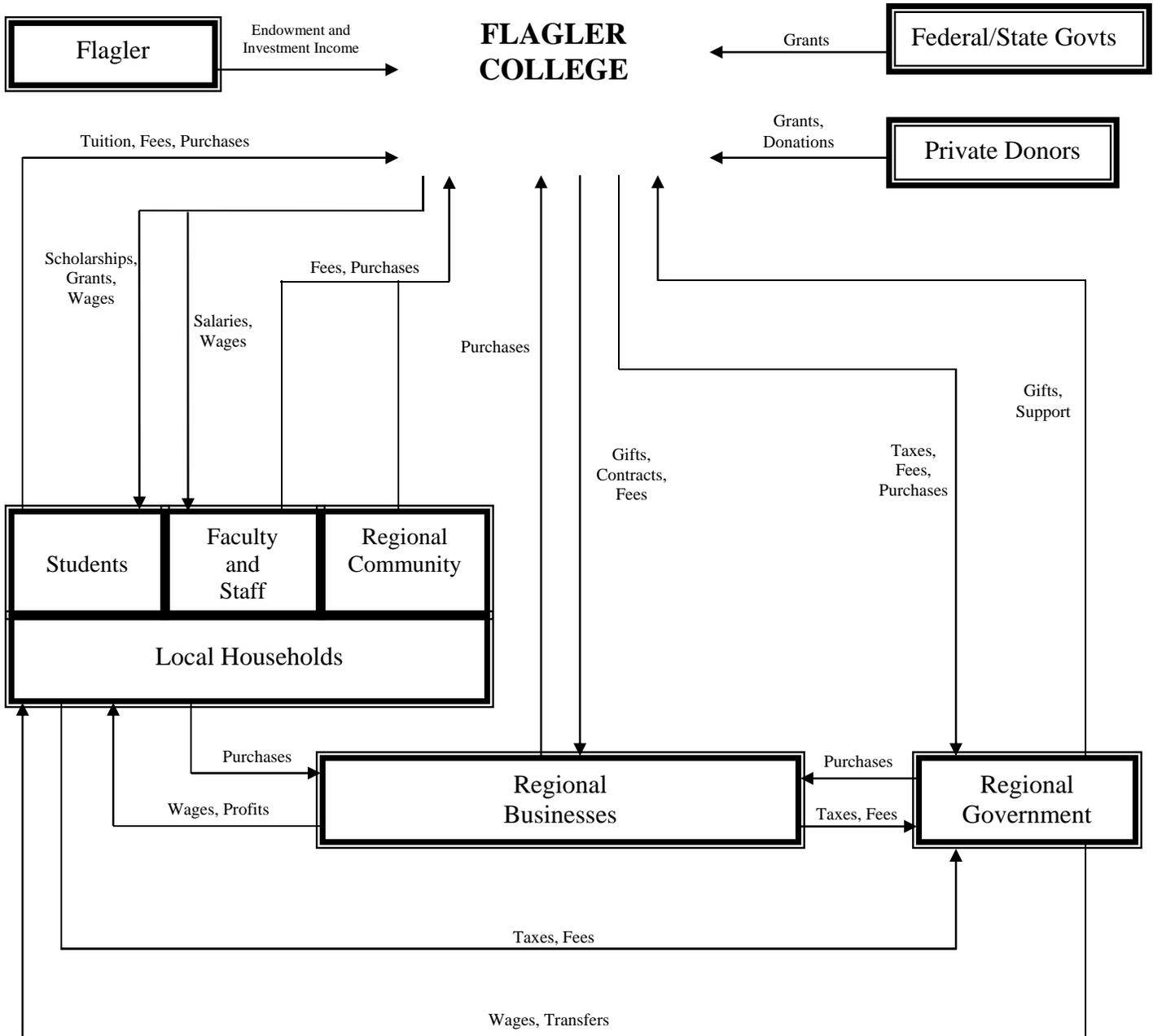
Knowledge Impacts – Alumni Earnings - The principal economic value of a College degree lies in the difference between the average earnings of a College graduate versus that of a high school graduate. This was calculated in the following manner: the number of alumni by gender, graduation year, and degree was multiplied by the average annual earnings for each category. The average annual income for high school graduates for each category was then subtracted. This process showed the additional earnings gained from a College education.

Knowledge Impacts – Social Benefits - This is the benefit of reduced alcoholism, incarceration, unemployment, and welfare because of the choices made by Flagler alumni who live in Metro Jacksonville. Lower social costs reduce expenditures of businesses and governments.

CASH FLOW MODEL

The flow chart on the following page represents the place of Flagler College in the flow of income and expenditures in a regional economy. The concept is the same for Metro Jacksonville. “The circular flow of income, where households earn income and spend, businesses receive revenues from household spending and pay their operating costs, and local governments receive taxes and fees which are transformed into municipal services, is illustrated by the chart. The income-spending/income-re-spending cycle constitutes the multiplier process,” (Rennie, 2002) to which reference is made earlier in this report (see “Methods Used to Calculate Spending Impact”)

APPENDIX 2
ECONOMIC IMPACT OF FLAGLER COLLEGE
CASH FLOW MODEL (Rennie, 2002)



APPENDIX 3
KEVIN STOKES – BIOGRAPHICAL SKETCH

Kevin Stokes is one of the leading providers of Economic Impact studies for private colleges. He has developed a unique method for determining the impact of higher education on municipal budgets. His clients have included Biola University (CA), DePauw University (IN), Franklin College (IN), Hope College (MI), Loma Linda University (CA), Lyon College (AR), Roger Williams University (RI), University of Bridgeport (CT), the University of the Southern Caribbean (Trinidad), and Washington and Lee University (VA).

Clients in healthcare have gained from his expertise in the areas of analysis of variance, certificate of need application, management training, market definition, mergers and acquisitions, personnel development, statistical regression, trend analysis and value of life analysis. Clients have included Adventist Health System-Asia (Singapore), Adventist Living Centers (IL) , Brooke Grove Healthcare (MD), Battle Creek Adventist Hospital (MI), Fuller Memorial Hospital (MA), Geer Memorial Hospital (CT), Gritman Hospital (ID), HMO Nebraska, Kentucky Poison Control Center, Louisville Medical Center Development Corporation (KY), Pullman Memorial Hospital (WA), Sacred Heart Hospital (WA) and the World Health Organization.

Mr. Stokes received his B.A. from Andrews University in Michigan and his M.A. in Economics from Washington State University. He has served as adjunct Professor of Economics and Statistics at Webster University.

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