

ECONorthwest

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MEMORANDUM

TO: Judy Miller

DATE: January 21, 2008

RE: CWU Long-run impacts, 2007

As part of our previous economic impacts analysis (“The Economic Impacts of Central Washington University,” March 1, 2007), ECONorthwest measured the long-run impacts associated with CWU’s Fall 2006 entering class. These long-run impacts are attributed to students’ investment in human capital development and the graduate’s increased lifetime earning power.

ECONorthwest was asked to conduct the same analysis for the following year. This memo outlines the long-run impacts associated with CWU’s **Fall 2007 entering class**. Each section compares the 2007 results to those from the previous year (shaded in gray). Each section heading begins with the table or figure reference from ECONorthwest’s 2006 study.

BACKGROUND

The long-run impacts depend on a variety of factors, such as: the number, educational background, and gender of incoming students; the costs of educating students; the incremental earnings associated with their college education; and the state and local tax rates they pay. The most important factor affecting this analysis (especially in comparison to our 2006 results) is the decline in the number of entering students. That is, the number of incoming freshmen students in Fall 2007 was approximately the same as in Fall 2006. However, the number of **incoming transfer students** dropped by approximately 11.5 percent (or 147 fewer students) between Fall 2006 and Fall 2007.

As a result, overall, the incoming class in Fall 2007 was approximately 5.4 percent smaller than the incoming class in Fall 2006. A comparison of entering undergraduate students for both classes is shown in the following table.

(NEW TABLE) COMPARISON OF ENTERING CLASSES, FALL 2006 AND FALL 2007

	Freshmen	Transfers	Total
Fall 2006 Entering Class			
Female	784	713	1,497
Male	705	561	1,266
Total	1,489	1,274	2,763
Fall 2007 Entering Class			
Female	779	605	1,384
Male	707	522	1,229
Total	1,486	1,127	2,613
Change			
Female	-5	-108	-113
Male	2	-39	-37
Total	-3	-147	-150
% Change			
Female	-0.6%	-15.1%	-7.5%
Male	0.3%	-7.0%	-2.9%
Total	-0.2%	-11.5%	-5.4%

(TABLE 11) INCREMENTS IN CWU 2007 ENTERING CLASS' WORK LIFE INCOME FROM POST SECONDARY EDUCATION; ADJUSTED FOR DIFFERENCES IN ABILITY AND EXPECTED PRODUCTIVITY GAINS, 2007 DOLLARS

CWU's 2007 entering class will earning approximately \$1.411 billion more over their lifetimes as a result of their university educations. (This is approximately 3.8 percent less than the incremental work life earnings of the previous 2006 entering class.)

2007 Entering Class – Overall Impacts

	Number Entering	Increment in Work Life Earnings
Some college, enter as freshmen	743	\$ 153,589,000
Bachelor's degree, enter as freshmen	743	615,679,000
Bachelor's degree, enter as transfer student	751	467,065,000
Master's degree	437	175,455,000
Total	2,674	\$ 1,411,788,000
Value in 2006		251,925,000
Per entering student		94,000

2006 Entering Class – Overall Impacts

	Number Entering	Increment in Work Life Earnings
Some college, enter as freshmen	745	\$ 153,767,000
Bachelor's degree, enter as freshmen	745	616,485,000
Bachelor's degree, enter as transfer student	849	527,311,000
Master's degree	423	169,547,000
Total	2,762	\$ 1,467,110,000
Value in 2006		262,023,000
Per entering student		95,000

(TABLE 16) INCREMENTS IN TAX AND FEE REVENUES TO WASHINGTON STATE AND LOCAL GOVERNMENTS ASSOCIATED WITH CWU 2007 ENTERING CLASS, 2007 DOLLARS

Over their work lives, CWU's 2007 entering class will contribute an additional \$372.2 million in taxes and fees to Washington state and local governments. The present value of that future flow of revenues is \$63.6 million.

2007 Entering Class – Incremental Tax and Fee Revenues

	Number Entering	Present Value Sales and Use Tax Revenues	Present Value Tax and Fee Revenues	Present Value Total Incremental in Revenues
Some college, enter as freshmen	743	\$ 9,095,350	\$ 7,441,650	\$ 16,537,000
Bachelor's degree, enter as freshmen	743	6,613,750	5,411,250	12,025,000
Enter as transfer, do not complete bachelor's degree	376	-	-	-
Bachelor's degree, enter as transfer student	751	9,768,550	7,992,450	17,761,000
Graduate students	437	9,508,950	7,780,050	17,289,000
Total	3,050	\$ 34,986,600	\$ 28,625,400	\$ 63,612,000
Per entering student		11,500	9,400	20,900

2006 Entering Class – Incremental Tax and Fee Revenues

	Number Entering	Present Value Sales and Use Tax Revenues	Present Value Tax and Fee Revenues	Present Value Total Incremental in Revenues
Some college, enter as freshmen	745	\$ 8,855,000	\$ 7,245,000	\$ 16,100,000
Bachelor's degree, enter as freshmen	745	7,302,900	5,975,100	13,278,000
Enter as transfer, do not complete bachelor's degree	425	-	-	-
Bachelor's degree, enter as transfer student	849	9,525,450	7,793,550	17,319,000
Graduate students	423	8,996,900	7,361,100	16,358,000
Total	3,187	\$ 34,680,250	\$ 28,374,750	\$ 63,055,000
Per entering student		10,900	8,900	19,800

(TABLE 17) PRESENT VALUE OF STATE EXPENDITURES ON CWU 2007 ENTERING CLASS, 2007 DOLLARS

The state of Washington is expected to spend approximately \$39.9 million to educate the students entering CWU in 2007.

2007 Entering Class – PV of State Expenditures

	Number Entering	Annual Average Spending per Student	Average Years of Attendance	Present Value Total State Spending
Some college, enter as freshmen	743	\$ 4,880	2.60	\$ 9,098,000
Bachelor's degree, enter as freshmen	743	4,880	4.44	15,259,000
Enter as transfer, do not complete bachelor's degree	376	4,880	2.11	3,754,000
Bachelor's degree, enter as transfer student	751	4,880	2.10	7,464,000
Graduate students	437	4,880	2.10	4,343,000
Total	3,050			\$ 39,918,000
Per entering student				13,100

2006 Entering Class – PV of State Expenditures

	Number Entering	Annual Average Spending per Student	Average Years of Attendance	Present Value Total State Spending
Some college, enter as freshmen	745	\$ 4,590	2.59	\$ 8,548,000
Bachelor's degree, enter as freshmen	745	4,590	4.44	14,391,000
Enter as transfer, do not complete bachelor's degree	425	4,590	2.11	3,991,000
Bachelor's degree, enter as transfer student	849	4,590	2.10	7,937,000
Graduate students	423	4,590	2.10	3,954,000
Total	3,187			\$ 38,821,000
Per entering student				12,200

(TABLE 18) COMPARISON OF PRESENT VALUE OF STATE EXPENDITURES AND TAX AND FEE REVENUES ASSOCIATED WITH CWU 2007 ENTERING CLASS, 2007 DOLLARS

As a result of the increased earnings power attributed to CWU's 2007 entering class, the expected tax and fee revenues to state and local governments is 59 percent greater than the state's expected expenditures on the class.

2007 Entering Class – Comparison of State Expenditures and Tax/Fee Revenues

	Number Entering	Present Value Total State Spending	Present Value Total Incremental in Revenues	Ratio of PV Tax Revenues to PV Spending
Some college, enter as freshmen	743	\$ 9,098,000	\$ 16,537,000	1.82
Bachelor's degree, enter as freshmen	743	15,259,000	12,025,000	0.79
Enter as transfer, do not complete bachelor's degree	376	3,754,000	-	-
Bachelor's degree, enter as transfer student	751	7,464,000	17,761,000	2.38
Graduate students	437	4,343,000	17,289,000	3.98
Total	3,050	\$ 39,918,000	\$ 63,612,000	1.59
Per entering student		13,100	20,900	

2006 Entering Class – Comparison of State Expenditures and Tax/Fee Revenues

	Number Entering	Present Value Total State Spending	Present Value Total Incremental in Revenues	Ratio of PV Tax Revenues to PV Spending
Some college, enter as freshmen	745	\$ 8,548,000	\$ 16,100,000	1.88
Bachelor's degree, enter as freshmen	745	14,391,000	13,278,000	0.92
Enter as transfer, do not complete bachelor's degree	425	3,991,000	-	-
Bachelor's degree, enter as transfer student	849	7,937,000	17,319,000	2.18
Graduate students	423	3,954,000	16,358,000	4.14
Total	3,187	\$ 38,821,000	\$ 63,055,000	1.62
Per entering student		12,200	19,800	