



From Out Here: Valuing our rural colleges

By Jack M. Geller, Ph.D.

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Two months ago while reading my favorite local newspaper in North Dakota I ran across an article regarding the economic impact of a local college on a small rural community. In the article the president of the college was pleased to announce the results of a study that found that the college had an annual economic impact of \$46 million on the local economy. Needless to say, for a rural community of almost 2,000 residents, that's a big economic impact.

The study went on to discuss how, with a large annual payroll in the millions, the college actually impacts more than 300 additional jobs in the community, as many employees of the college purchase their goods and services locally, spurring further job growth. In addition, many of the college's employees own homes in the community, which adds to the local tax base. And lastly, the college itself purchases some of its supplies and services locally, spurring additional economic impact. These are what economists call multipliers: quantifying for every dollar of payroll or revenue how many additional dollars or jobs are "created" in the local economy.

Yep, \$46 million is a pretty big impact for a town that's not quite 2,000 in population!

It turns out that many other colleges and various public or

quasi-public institutions have been conducting similar economic impact studies for quite some time in an attempt to "educate" the local officials and citizens alike of their value and importance to the community. But is that really the true economic value of an institution of higher education? Does it simply boil down to the fact that colleges have big payrolls, and that big payrolls create a big economic impact? I don't think so, and here's why:

Essentially, if it's only about the size of the payroll of the educational institution that spurs the economic impact and creates this economic value, then doesn't it stand to reason that a prison with a \$26 million payroll should have the same local economic impact as a college with a \$26 million payroll? If so, wouldn't it be logical to argue that a local prison might actually have more economic value than a local college, as it not only has a large payroll, but each weekend it attracts many visitors to town to see their incarcerated loved ones, who likely will eat lunch at the local café, or purchase gas at the local filling station? Now that's economic impact ... right?

Or is there something different about a college that adds economic value in a unique way? That maybe a college actually represents an aggregation of intellectual and creative capital; i.e., a lot of very smart people

whose ideas, knowledge and creativity bring unique economic value to a community. In Richard Florida's 2002 book, *The Rise of the Creative Class*, he observed a very strong empirical correlation between those communities that have a significant percentage of residents who are engaged in "the knowledge economy" and a community's overall economic growth. That the knowledge, innovation and creativity that emerges with a growing "creative class" provides communities with a competitive advantage not often found in communities that have a more limited number of knowledge or creative workers.

So does the presence of a local college provide similar competitive advantage for its host community? Well, listen to Dr. Mike Johnson, Provost of Itasca Community College in Grand Rapids, Minn. To him, clearly the answer is yes. While Johnson also engaged in a study examining the economic impact of his college on the community of Grand Rapids, he quickly came to the conclusion that in fact, the real economic value of his college to the community was in the faculty and staff's involvement in its local development efforts.

Quoting from *Itasca Business Monthly*, Johnson states, "There is an expectation that rural community colleges should be involved in economic development activities in their

communities. Our college is very involved in the community; not just myself (Johnson is currently serving his sixth year on the board of the Itasca Development Corporation), but our faculty and our staff are very active in organizations within the community outside of their normal college duties.”

From my perspective there is little doubt that having a local college or university in your community is a wonderful local and regional asset. However, the true size and scope of its economic value and impact on

the community can vary greatly. Is your community just thankful that as a large employer the college provides a large and stable payroll? Is the college simply that cluster of buildings up on the hill? Or is the college, its administration, faculty and staff integrated into the social, cultural and economic life of the community? Does it foster new ideas, creativity and a unique cultural pulse to the community? Is it engaged with local business and industry in customized training and workforce enhancement activities? Is it

assisting in the fostering of an emerging creative class?

Not sure? Well, why don't you take a walk up the hill and have a cup of coffee with the local college officials? You might just see some great opportunities emerge.

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