

Office of the President

TO MEMBERS OF THE COMMITTEE ON FINANCE:

DISCUSSION ITEM

For Meeting of September 15, 2011

**REPORT ON THE UNIVERSITY OF CALIFORNIA'S ECONOMIC CONTRIBUTION
TO THE STATE OF CALIFORNIA**

EXECUTIVE SUMMARY

This item presents the findings of a recently completed report that quantifies the University of California's economic impact at the state and regional levels in California. The report, produced by Economic & Planning Systems, Inc., shows that through its direct spending and multiplier effects from that spending, UC generates \$46.3 billion in annual economic activity for California and contributes \$32.8 billion toward California's Gross State Product.

The report further shows that UC supports one in 46 jobs in California, uses State funding to leverage significant additional non-State revenue that benefits Californians, and makes economic contributions to all regions of California through the economic ripple effects of its activities.

This is the first UC economic impact report conducted on a systemwide level since 2003 and also the first to isolate the economic contributions of the UC health enterprise. The University will be communicating the findings broadly so as to further build understanding among the public and elected leaders of the substantial economic value resulting from State investment in UC.

BACKGROUND

California and the University of California are inextricably intertwined. Throughout the State's history, the University of California has contributed richly to California's vitality and quality of life through its educational opportunities, research, and cultural resources. Many of the most important impacts of the University's work are personal – they are the transformational impacts on the lives of students, patients, and other beneficiaries of a public research university. But many important impacts of the University's work are much broader, touching the lives of all Californians whether they are directly connected to UC or not.

The University's direct economic impact is a prime example of this broad, systemic contribution to California. Because it is important for decision makers and the public to be aware of the broader economic effects of investment in UC – and for this awareness to be based on solid, verifiable data – the University undertook a study examining the state and regional economic

impacts of the University's operations. The resulting report, "The University of California's Economic Contribution to the State of California," was produced using UC-provided data by an independent consulting firm, Economic & Planning Systems, Inc., of Berkeley.

Study design

The study conducted by Economic & Planning Systems uses a standard IMPLAN® input-output model to analyze UC's contributions to the California economy through its direct spending and the multiplier effects of that spending. UC's operational expenditures, its employee compensation, its construction projects, the spending of its students, and the spending of its retirees all create additional economic value as they ripple through the California economy. The report quantifies the magnitude of that economic impact.

The report breaks out the University's economic contributions statewide, by each of 14 regions, by general campus, and by health sciences campus. A copy of the full report is attached.

Key findings

Among the key findings of the report:

- UC generates about \$46.3 billion in economic activity in California and contributes \$32.8 billion to the Gross State Product (the market value of final goods and services produced within a state in a given period).
- Every \$1 that the California taxpayer invests in UC and its students results in \$9.80 in Gross State Product and \$13.80 in overall economic output. The State of California provides a foundation of \$3.35 billion in funding for UC activities; that investment, supplemented by additional revenues leveraged from other sources, produces the \$32.8 billion in Gross State Product and \$46.3 billion overall economic activity in the State.
- UC operations and outside spending by the University's faculty, staff, students, and retirees support one out of every 46 jobs in California – approximately 430,000 total.
- With over 190,000 staff, UC itself is the third-largest employer in California, behind only the State and federal governments, and directly employs substantially more people in California than the top private-sector establishments (e.g., Kaiser Permanente, Walmart, Pacific Gas & Electric, or Wells Fargo).
- UC brings in about \$8.5 billion in annual funding from outside the State, including \$7 billion from the federal government. This leveraging of California-based funds with out-of-state money is most evident in UC's research enterprise, where every \$1 from private and government sources in California is supplemented with \$2.27 in funds from outside the State.
- UC-related economic activity touches every corner of California, making important contributions even in regions that don't have a UC campus.
- UC Health plays a major role in the University's economic contribution to California, generating about 117,000 jobs in the State, \$12.5 billion in contribution to Gross State Product, and \$16.7 billion in economic activity.
- Every \$1 reduction in State funding for UC has the potential to reduce State economic output by \$2.10 due to the ripple effects of UC activities across the entire California economy. The actual impacts would be larger because this analysis includes only the effect of reduced State

appropriation. It does not take into account the negative impacts of reducing the quality of UC's education, nor does it factor UC's ability to leverage research and other funding that directly contributes to economic output.

Communications and future steps

The University is in the process of developing communications materials to help convey the findings of the report to a variety of audiences, including elected officials. In addition to educating the public about the statewide economic contributions of the UC system, President Yudof and others in UC leadership will use the report around the state to convey the regional impacts of the University in all corners of California. The report and related collateral materials also will be promoted on a website and in social media.

While the current report quantifies important contributions of the University to the California economy, it does not examine more complicated impacts that add to UC's total economic contribution. These additional impacts include such things as the creation of spinoff companies from UC research, the State and local tax revenues generated by UC activities, and the economic contributions of UC alumni. These and others could be topics of future research in this area.

Attachment: "The University of California's Economic Contribution to the State of California" – Report of Economic & Planning Systems, Inc.

(Attachment)