UW–MADISON AND THE WISCONSIN ECONOMY ADDENDUM

The University of Wisconsin–Madison's $30 Billion Impact on the Wisconsin Economy

NorthStar Analytics, LLC
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PART 1: OVERALL ECONOMIC IMPACT BASED ON 2018–19 FISCAL YEAR

The overall economic impact of the University of Wisconsin–Madison is, to put it simply, enormous. Based on data for the full fiscal year of 2018–19 and updated for inflation to 2021, the university's annual economic impact on the Wisconsin economy is $30.8 billion. That impact comes from the operations of the university and its affiliates (such as UW Health), which contribute $20.8 billion, and those of UW–Madison-related startup companies, which contribute $10 billion. This economic impact is an annual contribution to the state's economy; the size of that impact continues to grow as the economy expands and recovers from the COVID-19 pandemic.

UW–Madison, its affiliates, and UW–Madison-related startups account for about 8% of the economic activity in the State of Wisconsin.

To put that activity into perspective, Wisconsin's 2019 Gross State Product—the value of all goods and services produced by the workers and businesses in Wisconsin—was $349.4 billion. Adjusting for the pandemic recession and robust growth in 2021, UW–Madison's contribution to the Wisconsin economy is approximately eight percent of the state's total economic activity.

92% of the benefit from UW–Madison economic impact goes to Wisconsin's private sector. This impact amounts to $28.3 billion.

An important component of UW's economic impact is who benefits. We estimate that $28.3 billion in economic activity (or 92 percent of the $30.8 billion) benefits the private sector. This includes grocery stores, auto dealers, banks and credit unions, bars and restaurants, hotels, convenience stores, gas stations and almost every other type of Main Street Wisconsin business.

PART 2: UW–MADISON'S IMPACT ON THE WISCONSIN WORKFORCE

Every year, UW–Madison graduates add thousands of skilled workers to high demand fields that grow the Wisconsin economy.

Alumni of the institution remain in the state in large numbers, with 91 percent of the 2018 graduating class staying in Wisconsin and 79 percent of graduates staying in the state three years after graduation. The state also retains around ten percent of Minnesota reciprocity and non-resident students each year. These graduates add to the skilled Wisconsin workforce. As the search for more workers becomes a major issue to Wisconsin's future prosperity, the annual addition of thousands of UW–Madison graduates becomes even more important.

UW–Madison graduates fill critical jobs in high demand fields including science, technology, engineering, and math (STEM) as well as healthcare. The institution produced 1,261 healthcare graduates across all fields and 4,361 STEM graduates in the 2018–2019 academic year, according to UW System accountability measures.

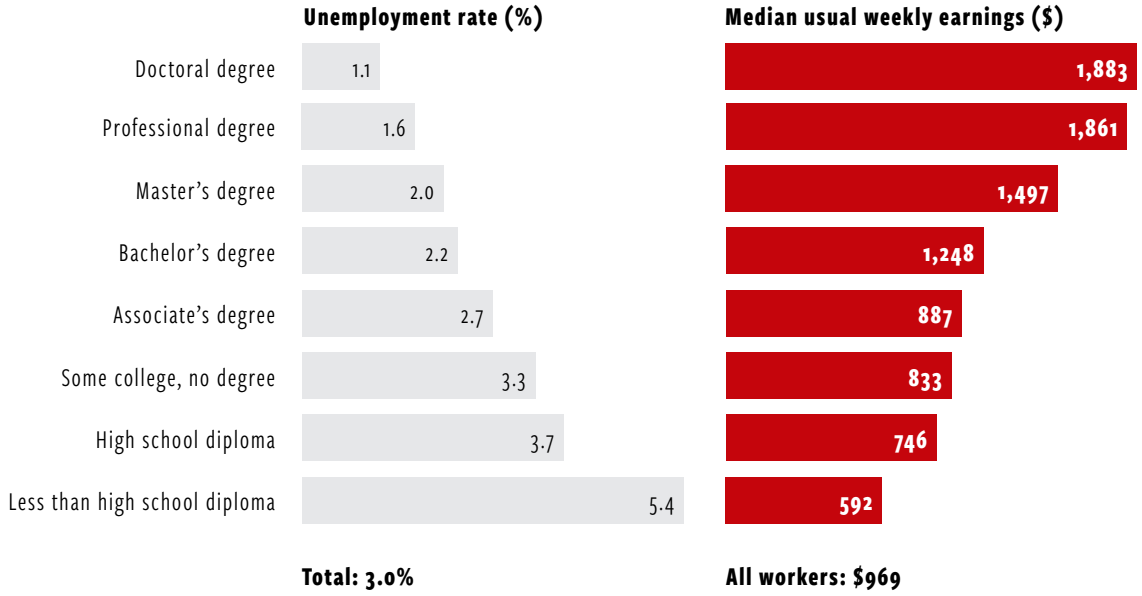
Beyond these specific measures, we know that UW–Madison plays a dominant role in improving the state's educational attainment. The Lumina Foundation estimates that 57 percent of Wisconsin residents possess at least some postsecondary education. The postsecondary educational attainment of UW–Madison's market is a much higher 68 percent. This has strong bearing on the knowledge creation and spillover effects of the university, as well as the economic well-being of the region.

PART 3: THE EARNINGS IMPACT OF UW–MADISON GRADUATES

The earning power of college graduates continues to grow as the market rewards skills and education through higher salaries. As the chart [below] shows, college graduates earn about $500 a week more than high school graduates. On average, the lifetime earnings of college graduates exceed those of high school graduates by more than one million dollars.

Because a substantial portion of UW–Madison graduates stay in the state, they contribute accelerated spending and income and sales taxes that help Wisconsin provide services to residents of all income levels. These graduates also start and run more businesses that further contribute to the growth of the Wisconsin economy.

UNEMPLOYMENT RATES AND EARNINGS BY EDUCATIONAL ATTAINMENT, 2019



Beyond these measures we know that the Madison metropolitan area has the highest per capital personal income (PCPI) of any area in Wisconsin. Its real PCPI of $62,087 in 2019 also ranks 34th of the nation's metropolitan areas (BEA, 2019). Wage and earnings growth over the past five years (28 percent) is also significantly higher than other areas. This can be attributed in part to the presence of UW–Madison, its faculty and staff, and alumni.

PART 4: UW–MADISON'S STATEWIDE IMPACT

UW–Madison's institutional impact extends beyond campus. First, UW–Madison operates facilities such as research farms and stations around the state. The UW–Madison Division of Extension has offices in virtually every county in Wisconsin. Finally, several UW–Madison affiliates such as UW Health have clinic operations in many locations around the state.

A second aspect of UW–Madison's statewide impact is the economic activity of the university that draws on suppliers from throughout the state. This supply chain applies to economic activity related to construction and repair of UW–Madison buildings. It includes services as varied as audit services, HVAC services, software support services, and many other service and physical products.

Finally, a third element of the statewide impact is UW–Madison graduates who live and work in counties throughout the state. Visual evidence of this can be found in the UW System Accountability Dashboard. This dashboard shows where alumni of each UW campus live. Searching for UW–Madison alumni produces a map illustrating that UW–Madison alums live in every county in the state.

PART 5: UNIVERSITY IMPACT IN ECONOMIC RECOVERIES

Universities and UW–Madison are very good generators of economic activity and growth. This is particularly important when the state and nation are recovering from an economic downturn. The recent sharp decline in the U.S. and Wisconsin economies in the 2020 pandemic is a good example of why universities are needed to help generate economic recovery and growth.

The 2021 economic impact study shows how UW–Madison contributes to recovery and growth in the following ways:

- UW–Madison attracts money from out-of-state sources that contributes directly to economic activity in the state. For example, the $1.3 billion on-going research programs at UW–Madison are largely based on federal money that comes into Wisconsin and is in turn spent in the state. As the federal government increases research this year and next, particularly into viruses and pandemics, UW–Madison is well positioned to capture some of that money, which will ultimately benefit the Wisconsin economy. Other out-of state sources of funds attracted by the university include international and domestic out-of-state students who pay a higher tuition and spend money as temporary residents of the state.
- UW–Madison supplies talented graduates, a key component of economic growth needed to power high tech businesses in the state. As the economic recovery from the pandemic grows, a major driver of that recovery is high tech and information tech companies. These Wisconsin firms require engineering and computer skills, and they are heavy recruiters of UW–Madison graduates in engineering, the sciences, data analytics, and computer programming.
- The economic leverage of UW–Madison's economic activity multiplies the effect of public investment in the university. The 2021 Economic Impact study found that every dollar of state investment in UW–Madison resulted in $26 of economic activity statewide.
- UW–Madison has become an important generator of new businesses. Finally, in economic recessions, many businesses fail, and the national and state economies need new startup businesses to spur growth and employment. As described in the 2021 Economic Impact Report, in the last three decades, the university has helped create more than 400 startup businesses. And many of those businesses survived the recession and continue to grow at a fast pace.

Dr. David J. Ward
Mr. Jeffrey Sachse
NorthStar Analytics, LLC
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