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THE ECONOMIC IMPACT OF THE WASHINGTON HIGHER EDUCATION FACILITIES AUTHORITY

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Executive Summary

- WHEFA facilitated \$624 million in financing for capital projects over 1994-2014 focused on educational institutions.
- These projects had wide ranging economic impacts on Washington, creating 544 jobs, \$30.5 million in labor income, and \$43.8 million in gross domestic product annually on average from 1994-2014.
- In addition to the economic gains attributed to the construction and capital expenditures, these projects also created long-term economic value through the education institutions they supported.
- Only funds which are spent at Washington businesses are reflected in the analysis. Funds spent on equipment or materials manufactured outside of the state or in the hiring of non-resident labor are considered leakages, as are non-local purchases of services.
- The impacts reported from this study are solely derived from the economic activity generated from the capital project themselves.

Washington Economic Impact

- Tax-exempt projects supported an average of 544 total jobs annually from 1994-2014. This provided a much needed boost, especially during the two recessions in this period where the Washington labor market lost jobs for consecutive years on each occasion.
- WHEFA driven employment directly impacts the construction sector: Over half of the total jobs created by 501(c)(3) bonds were construction jobs.
- If the 501(c)(3) bond projects did not take place, Washington would have lost 283 construction jobs on average each year.
 - This was very important over the last decade when the construction sector was one of the worst performing sectors in Washington losing an average of 800 jobs each year.
 - It employs 5% of the total workforce.

Education Sector

Educational Institutions:

- Vital component to economic growth in the new age economy
 - Support and attract a more productive workforce
 - Center for research and innovation
 - Help spur new business ventures
- Educational services in WA employs 1.7% of the workforce.
- In Washington 41.6% of residents have an associate's, bachelor's, or other advantage degree. This is well above the national average (36.3%) and supports average wages, which also exceeds the US.
- Research and development is a vital component of the state economy with R&D spending comprising about 4% of gross state product. The availability of a highly technical workforce is crucial for supporting this level of investment and future growth.

Selected Tax-Exempt Projects

- Gonzaga University (2003): \$23,000,000 in financing for the construction of the McCarthy Athletic Center, a 6,000 seat multi-purpose arena which is home to the Gonzaga basketball program. Funds were also used to construct a baseball stadium and various other infrastructure improvements.
- Bastyr University (2009): \$14,025,000 in financing for the construction of Bastyr Student Village, student housing consisting of a cluster of 11 LEED Platinum certified, cottage style buildings housing up to 132 students.
- Seattle University (2009): \$41,775,000 in financing for construction of the McGoldrick Learning Commons addition to the main library, renovation of the main library, renovation and expansion of the School of Law (Father Sullivan Hall) and renovations to two university buildings for temporary use and to house Admissions and Alumni Relations and the University Facilities Department.

Selected Tax-Exempt Projects

- Whitworth University (2009): \$63,720,000 in financing which included \$35,190,000 to finance the construction of Robinson Science Hall and a 170 bed residence hall.
- University of Puget Sound (2012): \$68,500,000 in financing which included \$18,335,205 to construct Commencement Hall, a 135 bed student resident hall and related improvements.
- Seattle Pacific University (2013): \$85,515,000 in financing which included \$14,390,000 to finance construction of Arnett Hall, a student residence hall housing up to 150 students.
- Gonzaga (2014): \$53,000,000 in financing for the construction and equipping of the John J. Hemmingson University Center. The approximately 167,000 square foot, 4 level facility will house dining services for university students, academic and co-curricular spaces, meeting rooms and a multi-purpose ballroom.

Using IMPLAN to Model 501(c)(3) Impacts

- Economic activity generated by project expenditures on goods and services is derived from national and regional inter-industry purchasing relationships.
- *Direct effects* are the result of spending tied directly to the project, in addition there are two types of economic impacts generated through the supply chain linkages:
 - *Indirect effects* are generated when a business directly involved in the change in spending purchases inputs from its suppliers located in the region. This spending supports suppliers as well as the businesses supporting those firms, etc.
 - *Induced effects* are produced by the change in local spending of disposable income by all the workers involved in the event being studied, including both the direct workers supported by the initial changes in final demand (e.g., the construction workers) and by workers in the supplying industries (e.g., firms that sell concrete to the contractor).

WHEFA Financing : Washington Economic Impacts

Economic Impacts, Annual Average, 1994-2014

(# of Jobs, Current \$ in Thousands)

	Direct	Total
Employment	281	544
Labor income	17,173	30,475
Gross domestic product	21,237	43,777
Output	44,760	83,320
State/local taxes		2,294
Federal taxes		6,576

Labor Income: the additional annual amount paid in wages and salaries to Washington residents as a result of WHEFA projects.

Gross Domestic Product: the value-added to the state economy of goods and services produced as a result of WHEFA financings.

Output: the total valuation of the created good and services, which may include inputs imported from out-of-state.

Construction, Trade, Transportation, & Utilities, and Professional and Business Sectors Most Affected

Employment Impacts By Industry (Average Annual Jobs, 1994-2014)

Industry	Total	Direct	Indirect	Induced
Construction	283	281	1	1
Trade, Transportation, & Utilities	57	-	19	38
Professional & Business Services	50	-	38	12
Education & Health Services	36	-	0	36
Financial Services	34	-	11	24
Leisure & Hospitality Services	28	-	5	23
Manufacturing	22	-	19	3
Other Services	21	-	5	15
Information Services	5	-	2	2
Government	5	-	1	3
Agriculture, Forestry, Fishing	2	-	1	2
Natural Resources & Mining	0	-	0	0

Direct, Indirect , and Induced Employment Impacts

- Construction sector is the top beneficiary of capital dollars and direct jobs, but many other sectors benefit via the multiplier effect as the spending flows through the economy.
- 38 indirect jobs per year in the professional and business services sector.
 - Architectural and engineering, accounting and tax preparation, and legal services, used for the planning and implementation of capital projects.
- 38 induced jobs in the trade, transportation and utilities sector.
 - Retail stores and wholesale trade businesses are impacted by changes in disposable income that result from increased employment in other areas of the economy
- 36 induced jobs annually in the education and health services sector.
 - Private hospitals and the offices of physicians, dentists and health practitioners as employees seek out general healthcare services.
 - Private colleges, universities, and trade schools also are affected as demand for education generated by economic growth increases.

Conclusion

- Tax-exempt funding supported 554 jobs annually over the last 21 years in a wide array of industries.
- These projects also annually supported \$43.8 million in gross domestic product and \$30.5 million in labor income with jobs paying wages near the state average.
- The capital projects funded created long-term economic value for Washington increasing state competitiveness.
- Tax-exempt funding helps 501(c)(3)s attain low-cost funding even during challenging economic times when traditional financing options are thinnest. This helps fund new construction projects when they are needed most.