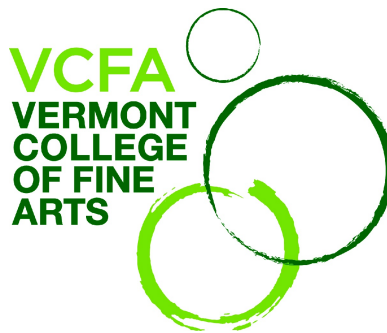


The Economic Impact of Vermont College of Fine Arts



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Executive Summary

- In 2011, Vermont College of Fine Arts reported an average annual employment of 51 Vermonters, with 46 on the Montpelier campus and five faculty members located off-campus elsewhere in the state. Based on employment, the College ranked in the top four percent of all private sector employers in the state.
- The College paid \$2,160,000 in wages to its Vermont-based employees in 2011. On average the wages paid to the on-campus employees were 11% above the statewide average wage. We estimate the benefit package given these employees cost the College an additional \$508,000.
- When the College's out-of-state faculty and students attend in-state residence programs, they frequently do some spending at the region's lodges, restaurants, and retail stores which is not reimbursed by the College. Through a survey of the faculty and students, we estimate that this spending totaled \$419,000 in 2011.
- Through the economic multiplier process, the operation of the College created an additional 22 jobs throughout Vermont. Therefore, the College in total supported 73 jobs in all of Vermont in 2011.
- In 2011, through the economic multiplier process, the College created an additional payroll of \$790,000 elsewhere in Vermont. The College therefore supported a total payroll of \$2,950,000 throughout all of Vermont in 2011.
- The operation of the College led to the collection of a total of \$318,000 in taxes for the State of Vermont in 2011. The two largest tax sources were \$86,000 from the personal income tax and \$82,000 in statewide property taxes.
- The success of Vermont College of Fine Arts since its establishment only three years ago guarantees that its historic campus in Montpelier will continue to operate as an institution of higher learning into the foreseeable future, continuing a usage begun more than 175 years ago.

The Economic Impact
of
Vermont College of Fine Arts: 2011

Table of Contents

I.	Purpose and Outline of this Report.	1
II.	Vermont College of Fine Arts.	2
III.	Direct Economic Impact.	3
IV.	How is the Total Economic Impact Measured?.	7
V.	Total Economic Impact of Vermont College of Fine Arts.	8
VI.	Putting this Impact into Perspective.	12

I. Purpose and Outline of this Report

Vermont College of Fine Arts, located in Montpelier, Vermont, is a relatively new institution of higher learning in Vermont. Though its Montpelier location has been home to a college for more than 175 years, and though the College has been offering masters degrees in the fine arts for more than 20 years, Vermont College of Fine Arts (VCFA) as an entity has existed only since 2008. Vermont College of Fine Arts has grown rapidly in the first three years of its existence, now serving more than 300 students per semester. It has become a major employer in the City of Montpelier.¹

Vermont College of Fine Arts is today an important employer in the regional economy but the impact of the College on the region goes beyond the number of jobs and payroll at the College itself. The wages and salaries paid by the College, its spending on day-to-day activities, the spending of visitors to the campus, and the long term capital construction projects of the College support additional jobs and payrolls at many other area businesses throughout the region. The purpose of this report is to measure the total economic impact of all the activities of Vermont College of Fine Arts on the economy of the state of Vermont. The full economic impact is measured by use of a state-of-the-art dynamic input-output model of the Vermont economy.

This report begins with a brief history and description of Vermont College of Fine Arts. We then present a measure of the total direct impact of the College, including its employment and payroll, capital construction expenditures, other expenditures for day-to-day activities, and student and faculty off-campus spending. Next we present our measures of the total economic impact of the College on wages, payrolls, and spending in all of Vermont as determined by use of our economic model.

We conclude the report with a discussion of the relative importance of the College's activity to the local economy and the economy of the state.

¹ The U.S. Census reports there were 704 private business establishments in Montpelier in 2009, only 31 reported higher employment than Vermont College of Fine Arts.

II. Vermont College of Fine Arts

Vermont College of Fine Arts was established in June 2008 with the purchase of the historic Vermont College campus and three MFA programs from Union Institute & University. The 31-acre campus highlighted by a scenic green located at the intersection of East State Street and College Street has been the site of an institution of higher learning since 1834.

Vermont College of Fine Arts today is a national center for education in the arts and is a forerunner in the field of low-residency education. The College is the first college devoted entirely to low-residency, graduate fine arts programs. VCFA's low-residency programs have included a MFA in Writing, a MFA in Visual Art, and a MFA in Writing for Children & Young Adults. A MFA in Music Composition and a MFA in Graphic Design have just recently been added.

Rather than study a set curriculum, students work one-on-one with a faculty advisor to develop study plans that respond to their particular interests. Designed with an artist or writer's busy life in mind, students come to the Vermont campus twice a year and do the rest of their work from home. Following the residency, students work from their own communities, honing their craft and reading throughout the semester according to their own schedule. The College faculty members are all nationally recognized teachers. Vermont College of Fine Arts is accredited by the New England Association of Schools and Colleges, through its Commission on Institutions of Higher Education.

In the current semester of 2011, the College has 319 students enrolled in MFA programs who are working with more than 50 faculty members. Students and faculty come from all over the fifty states as well as several foreign countries. The 2009 Strategic Plan of the College calls for enrollment to grow to 500 students and a further expansion of educational programs.

The birth of Vermont College of Fine Arts has given new life to the historic campus in Montpelier, and guarantees its use as an institution of higher learning into the future. For more information, visit www.vcfa.edu.

III. Direct Economic Impact

The direct economic impact of an institution can be measured by its spending. In the case of a college, the direct economic impact is measured by its employment and employee compensation, its spending at local suppliers for goods and services to operate the institution on a day-to-day basis, by its capital spending for long-term infrastructure needs, and by the spending of its students and visiting faculty at local area businesses. All of these activities directly impact the local economy. The following is a presentation of the direct economic impact of Vermont College of Fine Arts in calendar year 2011.

A. Staff Employment and Wages in 2011

For purposes of this analysis, the employment of Vermont College of Fine Arts is broken into two categories: on-campus staff and faculty. The on-campus staff employment consists of those employees whose place of work is physically located at the Montpelier campus. The faculty members are for the most part located in states across the United States.

We measure the staff employment of the College based on its unemployment insurance filings with the Vermont Department of Labor. In the last twelve months the College reported an average annual employment of 46 individuals to the state.² This consisted of department heads, deans, senior staff, and those who take care of the day-to-day operations of the college facilities.

During that school year the College paid \$2,031,433 in wages to these employees. In addition, the College offers its employees an excellent benefit package consisting of health insurance (medical, dental and vision), life and disability insurance, 403b retirement savings plan. We estimate this benefit package cost the College \$508,000 in 2011. Therefore, the total compensation package offered to College staff in 2011 had a value of \$2,540,000.

VERMONT COLLEGE OF FINE ARTS	
<u>Direct Employment Impact 2011</u>	
On-campus employment	46
Wages and salaries	\$2,031,433
Benefits	\$508,000
Rounded total =	\$2,540,000

² The employee and wage data are taken from the College's filings with the Vermont Unemployment Insurance fund (SUTA) for the 4th quarter of 2010 through the 3rd quarter of 2011. The 4th quarter of 2011 was not available at the time this study was completed.

B. Faculty Employment and Wages in 2011

As described above, Vermont College of Fine Arts offers low-residency MFA programs in the fine arts. Students from all over the U.S. enroll at the College and work one-on-one with faculty who are also drawn from all over the U.S. The faculty and students come to the College for an on-campus residency to determine the course of study for the semester. It is common for a faculty member to work with up to five students per semester. Under this arrangement the faculty members are paid as independent contractors working for the College. Unless faculty members happen to be located in Vermont, their salaries directly impact their home state and only indirectly impact the Vermont economy.

In 2011, the College contracted with an average (over the two semesters) of 65 faculty members across the U.S., including five Vermont-based faculty. Salaries in 2011 for all non-Vermont faculty totaled \$1,333,028, of which \$128,191 was paid to Vermont-based faculty.

C. Other College Operating Spending in Vermont in 2011

The day-to-day operations of the College also impact the local and state economy through routine expenditures needed to operate the College. These include a wide range of items such as office supplies, utilities, building maintenance, insurance costs, etc. In FY 2011, total operating spending of the College was \$6,600,000. Subtracting the expenditures for staff and faculty employment (in A and B above) yields other operating expenditures of \$2,700,000.

D. Planned Capital Spending in Vermont

In its first three years of existence, Vermont College of Fine Arts has undertaken only limited construction projects as it has concentrated on establishing its new programs. Now the College has plans to undertake approximately \$5,000,000 of capital spending over the coming three years. This will lead to approximately 11 additional construction jobs in Vermont in each of the three years with an annual wage gain of \$495,000. Annual tax revenues to the state will increase by \$71,000 in each of these years.

E. Faculty and Student Spending in Vermont in 2011

Faculty and students come to the Vermont College of Fine Arts campus once a semester for either a 7-day or 10-day on-campus residence. Most of their travel, lodging, and board expenses are paid by or through the College and are therefore included in the expenditure in Section D above. However, while the faculty and students are in Vermont they routinely purchase a variety of goods and services from Vermont merchants from their own resources.

We conducted a survey of all faculty and students who participated in the most recent on-campus residence at the College to estimate their expenditure. Based on this survey, we estimate that the faculty and staff spent a total of \$419,000 at Vermont merchants in 2011. This included the following categories of spending.

VERMONT COLLEGE OF FINE ARTS	
<u>Faculty and Student Spending 2011</u>	
Lodging	\$155,000
Restaurants, food stores	\$116,000
Travel services	\$64,000
Clothing, gifts, others	\$84,000
Rounded total =	----- \$419,000

F. Total Direct Expenditure of VCFA, Its Faculty, and Students

Vermont College of Fine Arts directly impacts the local and state economy through its expenditures on employees (wages and benefits), day-to-day goods and services, capital construction projects, and through the spending of its visiting faculty and students. The individual estimates of these direct expenditures have been discussed above. We estimate the total direct expenditure of the College in 2011 equaled \$7,217,000.

VERMONT COLLEGE OF FINE ARTS	
<u>Total Direct Expenditure Impact in 2011</u>	
VT Wages and benefits	\$2,540,000
Non-VT Wages	\$1,205,000
Capital construction	*
Day-to-day operations	\$3,053,000
Faculty and Student spending	\$419,000
Total =	\$7,217,000

* to occur in 2012 to 2014

IV. How is the Total Economic Impact Measured?

When an employee is paid a salary, he or she then spends most of it on a variety of goods and services to meet their households' needs. This spending then becomes the income of the business supplying the goods and services. Some of that income is paid to the employees of that firm who then spend it as they wish, creating jobs and wages at other businesses. This process ripples through the economy. The initial job and its wage payment lead to additional job and wage creation that is some multiple of them.

The initial job and wage payment is the direct impact of an institution such as the College. The creation of additional jobs and wages through the spending process are the secondary impacts. The sum of the two — the direct and secondary impacts — is the total economic impact. And the ratio between the total economic impact and the direct impact is called the multiplier. For example, if the multiplier for a business is 1.75, that means that 100 jobs at that business lead to the creation of 75 jobs elsewhere in the region for a total impact of 175 jobs.

Multipliers are not the same size for all projects. Multipliers tend to be greater for larger, more diverse regions (that is why Vermont multipliers tend to be smaller than those for New York). Multipliers also depend on the nature of the firm or institution under consideration. If it is a high-paying firm, this leads to extensive secondary impacts and large multipliers. If the firm tends to rely on local inputs into its production instead of imports, it generally has a larger multiplier than otherwise.

There are several ways to obtain multipliers in order to carry out an economic impact analysis such as this one for Vermont College of Fine Arts.

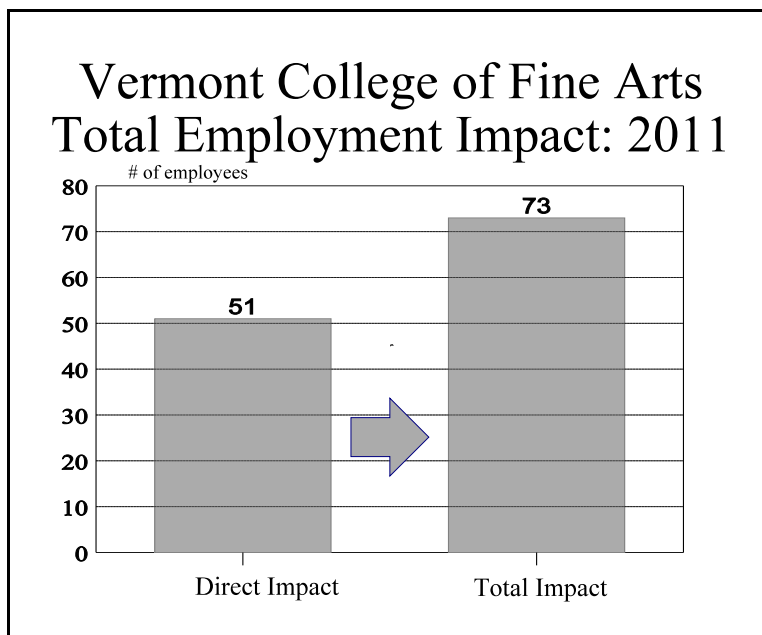
- The Bureau of Economic Analysis (BEA) in Washington, D.C. prepares RIMS II multipliers which can be obtained at a low cost. They are easy to apply. The earnings multiplier for professional schools such as Vermont College of Fine Arts is 1.52, meaning for every \$100,000 in payroll at the College a total payroll of \$152,000 is created throughout Vermont. These multipliers are limited in their application and are difficult to tailor to a specific study.
- Regional Dynamics Inc. has a computer-based, dynamic input-output model which can be adjusted to the region in question. We lease the REDYN model for the Vermont economy. This model is more costly than the RIMS II multipliers and more complicated to use, but it can be precisely tailored to the study of a specific institution and offers more robust results. We used the REDYN model for this study.

V. Total Economic Impact of Vermont College of Fine Arts

The operation of Vermont College of Fine Arts supports additional employment and payrolls throughout the state of Vermont through the multiplier process. We measure the total economic impact of the College by use of the dynamic input-output model developed by Regional Dynamics, Inc. (REDYN).

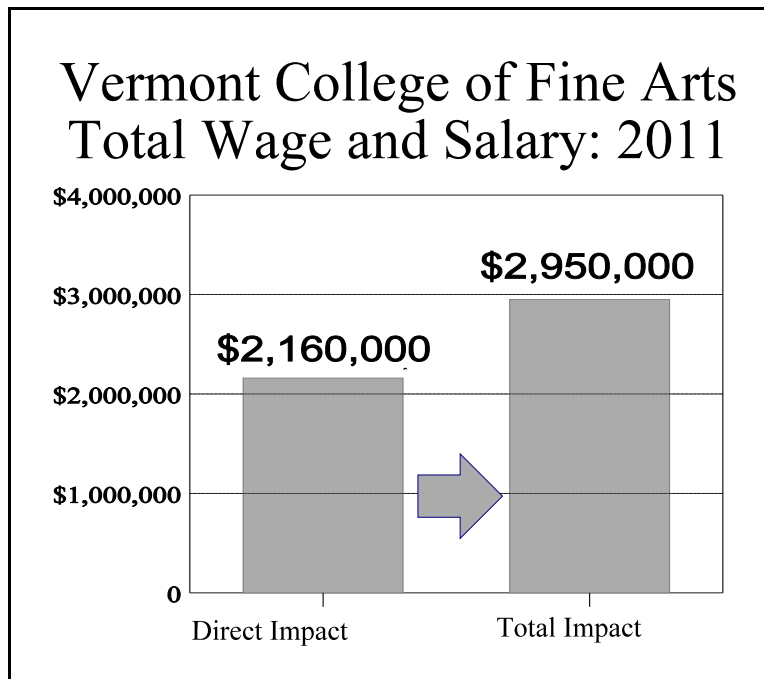
A. Total Employment Impact

As discussed above, the direct employment in Vermont of Vermont College of Fine Arts in 2011 averaged 51 for staff and Vermont-based faculty combined over the entire calendar year of 2011. Based on the REDYN model, we estimate that operation of the College created an additional 22 jobs elsewhere in Vermont. In total, the economic activity of the College today supports 73 jobs throughout all of Vermont.



B. Total Payroll Impact

The payroll of Vermont College of Fine Arts in 2011 was \$2,160,000. Based on the REDYN model, we estimate that operation of the College created an additional payroll of \$790,000 elsewhere in Vermont. In total, the College supports a payroll of \$2,950,000 throughout all of Vermont.



C. Impact on State Tax Revenues

The creation of jobs and payroll at Vermont College of Fine Arts and throughout Vermont through the multiplier process has the effect of generating additional taxes for the State of Vermont treasury. The four major sources of taxes for the State are the personal income tax, the statewide education property tax, the general sales tax, and other selective sales taxes (including the meals and rooms tax, motor fuel taxes, etc.).

By use of the REDYN model we estimate that the operation of the College led to the collection of \$318,000 in taxes for the State of Vermont. The breakdown by tax source is given below. The two largest tax sources were \$86,000 from the personal income tax and \$82,000 in statewide property taxes.

VERMONT COLLEGE OF FINE ARTS	
<u>State Tax Revenue Impact 2011</u>	
Individual income tax	\$86,000
Statewide property tax	\$82,000
General sales tax	\$45,000
Selective sales taxes	\$74,000
All other taxes	\$31,000
Total taxes =	----- \$318,000

D. Reasonableness of the REDYN Estimates

We used the REDYN model to estimate the total economic impacts of Vermont College of Fine Arts. We believe it is one of the best tools for this purpose. As mentioned in section IV of this report, other models besides REDYN exist. We obtained the employment and earnings multipliers for the College which are prepared by the U.S. Bureau of Economic Analysis. These RIMS II multipliers show the College creating 75 jobs in all of Vermont (compared to our 73 above) and with payrolls totaling \$2,760,000 (compared to our \$2,950,000 above). The total economic impacts from the RIMS II multipliers are very similar to those we found with the REDYN model and give us confidence in the accuracy of those estimates.

E. A Note on Future Construction and Enrollment Expansion

Vermont College of Fine Arts plans to carry out \$5,000,000 of construction projects over the next three years. These projects will lead to the creation of 11 construction jobs each year with a payroll of \$495,000. Through the multiplier process we estimate Vermont will see a gain of seven more jobs, for a total gain of 18 jobs with a payroll of \$569,000 from this construction activity in each of the next three years.

In addition, the College plans to continue expanding its enrollment from the current level of approximately 320 students to 500 students by 2015. This expansion is estimated to lead to an increase of eight new employees with an additional payroll of \$320,000 on the Montpelier campus and a commensurate expansion of student spending during on-campus residences. Through the multiplier process we estimate this will lead to a gain of five more jobs in Vermont, for a total gain of 13 jobs with a payroll of \$488,000 from this enrollment expansion.

These impacts will occur after 2011 and were not included in the impact figures for 2011 discussed elsewhere in this report.

VI. Putting this Impact into Perspective

Vermont College of Fine Arts is an important employer for the state of Vermont. It has a direct employment of 51 and a salary base of more than \$2.1 million, not including benefits. In all of Vermont there are approximately 22,000 private business establishments, and 96% of them had fewer than 50 employees. That puts the College in the top 4% of private employers in Vermont.

In 2011 the College paid wages totaling more than two million dollars to its staff located at the Montpelier campus, which yields a simple average wage of \$44,200. In 2011 the simple average wage paid at all Vermont businesses is expected to equal \$39,900.³ Therefore, the average College wage was 11% higher than the statewide average. In addition, the College provides a better than average benefit package to its employees.

Perhaps the key economic impact of the College is that it is an important exporter for the state of Vermont in the sense it brings outside dollars (through student tuition payments — the key source of its financing) into the state to support our economy in exchange for its educational services. Just like IBM, Stowe Mountain Resort, or, for the most part, Ben & Jerry's, Vermont College of Fine Arts further stimulates spending in Vermont by drawing in these outside dollars.

In addition to these impacts, the College further supports the state economy in that it is a growing firm in an expanding industry. In just three years the College's enrollment has grown to more than 300 students and it has plans to expand to near 500 students by school year 2014.⁴ Further, the overall private sector higher education industry in Vermont (which includes the College, Middlebury College, Norwich University, and many other institutions) has been and will be a growth engine for the state. While in the last decade (a difficult one for Vermont and the U.S.), total employment fell by 1.1% in the state, the private education sector's employment grew by 7.2%. With the College's focus on low-residency education, it is poised to be a key part of the industry's expansion.

Lastly, as we look to the future it is important to remember the function of Vermont College of Fine Arts in preserving the past which in this case includes the campus of Vermont College which it purchased in 2008. The campus has been home to a college for more than 175 years. The creation and growth of Vermont College of Fine Arts guarantees this traditional use will continue into the foreseeable future.

³ This is based on the 2010 QCEW average wage in the private sector increased by 3.5% for 2011.

⁴ See the VCFA Strategic Plan: FY2010–FY2014 at www.vcfa.com.