

A close-up, blue-tinted photograph of US dollar bills, showing the number '20' and intricate patterns. The image occupies the left half of the cover.

**MONTCLAIR STATE UNIVERSITY**

**Economic  
Impact Report  
2008-2009**

**An Investment in  
New Jersey's Future**



**MONTCLAIR  
STATE  
UNIVERSITY**

# President's Message



Montclair State University takes great pride in the caliber and commitment of its students and the quality of the education it provides to them. Montclair State's many thousands of graduates have gone on to lead purposeful and productive lives and have contributed to society in innumerable ways.

While the University exists for this educational purpose, it is also, itself, a positive contributor to the economy and quality of life of the state and the region. Montclair State employs thousands of workers, makes voluminous purchases from local vendors, and attracts tens of millions of dollars in out-of-state funding.

Over recent years, the University has experienced significant growth in enrollments, expansion of academic programs, and the addition of new and renovated facilities. In short, we are running a bigger and better university than we were just a few short years ago, and these advances have enabled us to contribute even more to New Jersey.

We are determined to ensure that the University continues to be an outstanding educational resource and engine of growth for New Jersey and the nation.

A handwritten signature in black ink that reads "Susan A. Cole". The signature is written in a cursive, flowing style.

Dr. Susan A. Cole



## *Returning the State's Investment*

Montclair State University can take pride in its rich history of bold educational innovation and vital service to the state.

Although the University's core mission lies in higher education, it is also an integral part of the New Jersey economy and a steady driver of its growth. In fact, its impact extends well beyond its students and employees to create income and employment for thousands of people throughout the state, many of whom have no direct connection to the University. Now more than ever, when our state and nation are undergoing a serious economic crisis, this tangible economic benefit makes Montclair State an exceptional investment for New Jersey.

# 2008 Highlights

- **The economic activity traceable to Montclair State (\$296.3 million) was close to four times its state appropriation (\$79.1 million) in 2008.\***
- **Montclair State accounts for a large and growing number of jobs.** Including both jobs at the University and jobs that result from its in-state expenditures, more than 7,000 New Jersey jobs were attributable to Montclair State in 2008. To meet expanding student enrollments, the number of full-time faculty and staff positions rose more than 30% between 2000 and 2008.
- **Montclair State supports New Jersey vendors,** making almost 77% of its \$86.3 million in purchases from in-state vendors.
- **Montclair State serves as a major source of funds available for investment,** almost \$209 million.
- **Montclair State brings significant amounts of money into New Jersey,** \$27.1 million from out-of-state sources in 2008.

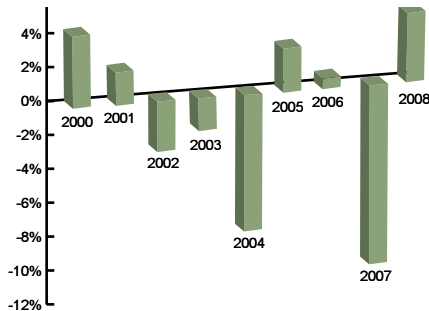


- **Montclair State has rapidly increased seats available to New Jersey students**, boosting enrollments by more than 29%—almost 4,000 students—between 2000 and 2008.
- **Montclair State is making a major contribution toward training New Jersey's work force**, conferring almost 53% more degrees in 2008 than it did in 2000.
- **The skills Montclair State provides its students stay in New Jersey.** About 94% of students who have earned degrees since 2000 still live in New Jersey.
- **Montclair State achieved all these positive outcomes as New Jersey's support for the University's operations was cut in half** from 55.2% of its operating budget in 1995 to 27% in 2009. Just between 2000 and 2009, the University's state allocation per student sank from \$3,366 to only \$2,550.<sup>†</sup>

\*Unless otherwise noted, all references are to *fiscal* years.

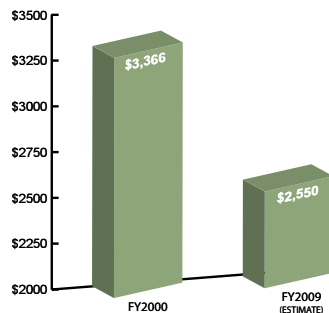
<sup>†</sup> 2009 figures are estimates

**Change in Inflation-Adjusted Direct State Appropriations for New Jersey's Nine State Colleges and Universities, FY2000-08**



*Among New Jersey's senior public institutions, Montclair State ranks dead last in its state allocation per full-time equivalent student.*

**Montclair State's Declining State Allocation Per Student**



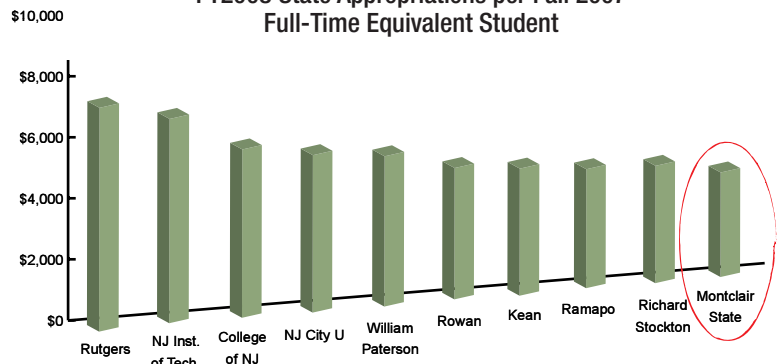
## Sources of Revenue

University revenue in 2008 was \$288.4 million. Between 2000 and 2008, New Jersey's appropriation for higher education rose less than half as quickly as the total state budget (33.2% versus 68.3%). In fact, New Jersey's inflation-adjusted direct appropriations for its nine state colleges and universities has been cut four times in the last seven years. Between 2007 and 2009, appropriations for all higher education dropped 0.1% versus a rise of 7.9% in the national average; New Jersey was one of only three states to cut its appropriations for higher education over those two years. As a result, by 2009, state appropriations accounted for less than half the fraction of Montclair State's operating budget that they had in 1995 (an estimated 27% versus 55.2%).

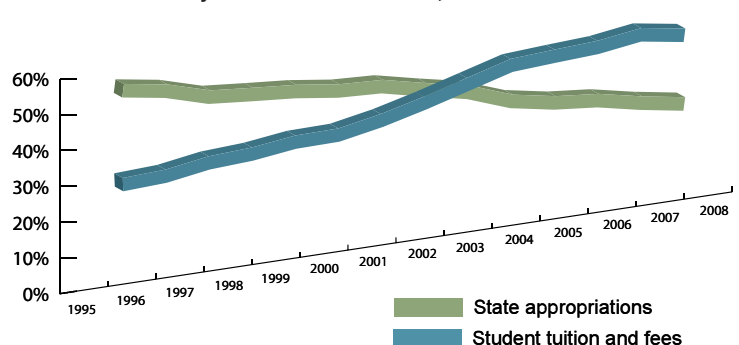
As a result of declining state support for higher education and Montclair State's conscious decision to address growing demand by New Jersey's high school graduates, the University's state allocation per student plummeted by a quarter — from \$3,366 to \$2,550 — between 2000 and 2009. To put those numbers in perspective, New Jersey's primary and secondary public schools received \$15,914 in support per student in the fall of 2007.

Among New Jersey's senior public institutions, Montclair State ranks dead last in its state allocation per full-time equivalent student. The University has necessarily become more dependent on other sources of revenue. Student tuition and fees in particular rose from one-third of revenue in 2000 to about one half in 2008.

**FY2008 State Appropriations per Fall 2007 Full-Time Equivalent Student**



**Major Sources of Revenue, FY1995-2008**



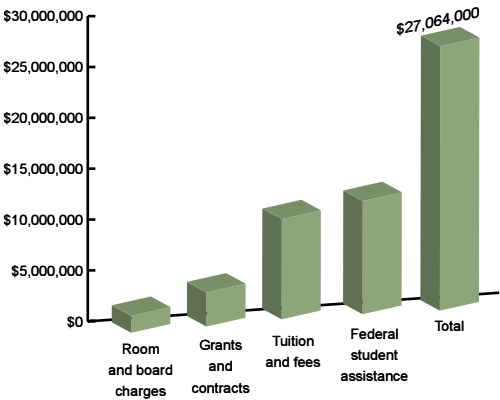


*Major projects, including the beautiful John J. Cali School of Music, provide construction jobs in the state.*

The University has redoubled its efforts to attract private money. To mark its centennial, Montclair State succeeded in raising \$60.3 million — 20% above its target — from over 23,000 donors during its “Campaign for a Second Century,” which ran from July 2001 through November 2008. The University is also aggressively seeking external grants. It succeeded in attracting \$44.6 million of such money from 2000 to 2008, of which 45% came from the federal government.

Montclair State brought more than \$27 million into New Jersey from out-of-state sources in 2008. The primary source of these funds was charges to out-of-state students, which amounted to \$12 million. Federal student assistance accounted for another \$11.6 million.

**Revenue from Out-of-State Sources,  
FY2008**

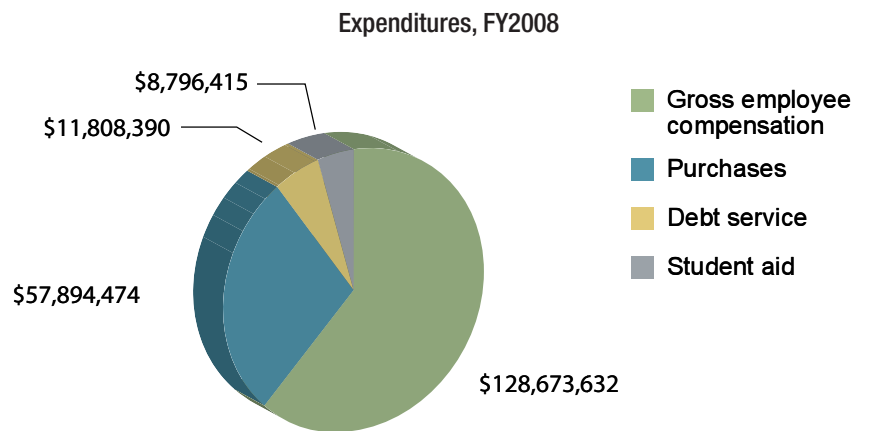




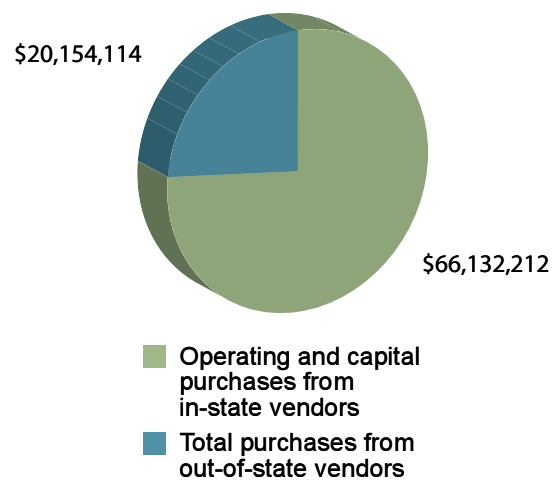


## Expenditures

Montclair State spent over \$207 million on operating expenditures and another \$28.4 million on capital expenditures in 2008. Gross employee compensation accounted for 62.1% of the operating budget, followed by purchases from vendors (27.9%), debt service (5.7%), and student aid (4.3%). Of the \$86.3 million of purchases from vendors for both operating and capital expenditures, almost 77% went to New Jersey vendors.

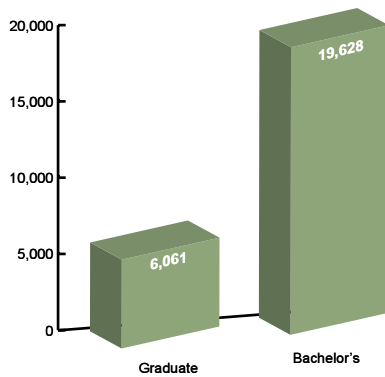


## Supporting New Jersey Vendors, FY2008

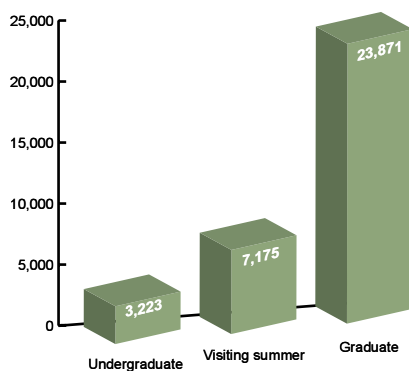




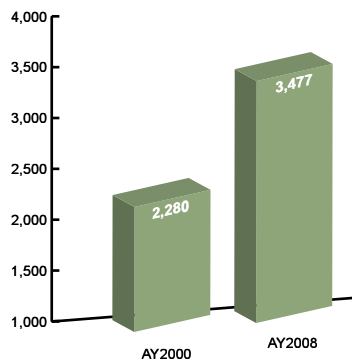
**Total Degrees Conferred,  
AY2000-08**



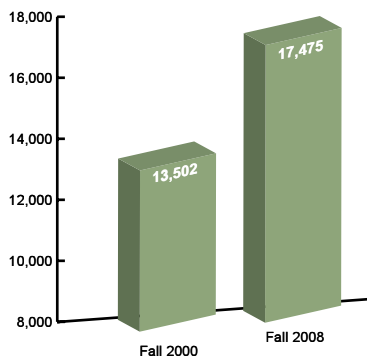
**Non-Degree Enrollments,  
AY2000-08**



**Growth in Degrees Conferred**



**Growth in Degree  
Enrollments**



## Training a Work Force

New Jersey cannot compete economically without a sophisticated work force, but it ranks a disappointing 46th among states in seats for students in public, four-year institutions of higher education on a per capita basis. New Jersey ranks 50th — dead last in the entire nation — in seats per high school graduate. As a result, New Jersey is far and away the largest net exporter of students in the United States: in the fall of 2006, nearly 30,000 students, or 60% of high school graduates who began attending four-year colleges, left the state. (All three of New Jersey's neighbors — New York, Pennsylvania, and Delaware — are net importers of college students.) Many of these expatriates never return to live or work in New Jersey, thereby denying the state the benefits of their intelligence, energy, and ambition. That prospect grows even more threatening given that over the next decade, New Jersey ranks among the top dozen states in its expected increase in high school graduates. This population spike will further restrict access to public higher education. Those students who are left out will be forced to attend college elsewhere or, worse, forgo college altogether. With its knowledge-driven economy, New Jersey has no choice but to increase capacity in its historically under-built system of higher education.

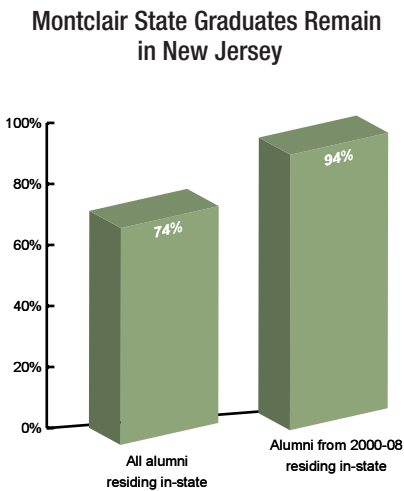
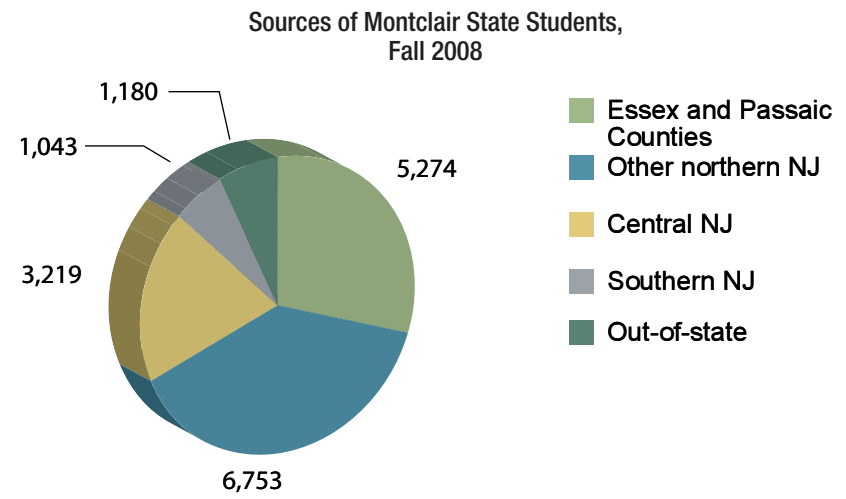
The second largest university in New Jersey, Montclair State has been doing its part to address this grave problem. From 2000 to 2008, it conferred 19,628 baccalaureate and 6,061 graduate degrees. The University has served comparable numbers of non-degree students: During those same years, non-degree undergraduate enrollments in the fall and spring totaled 3,223, visiting summer enrollments amounted to 7,175, and non-degree, post-baccalaureate enrollments numbered 23,871. More to the point, Montclair State has been growing quickly: Between fall 2000 and fall 2008, it boosted degrees conferred by almost 53%, undergraduate enrollments by almost 35%, and graduate enrollments by more than 13%. Adopted in the fall of 2002, the University's Strategic Plan committed it to increasing the size of its student body to at least 18,000. Montclair State should successfully meet that long-term goal in the coming year.

Montclair State is a true opportunity university. In the fall of 2008, 42% of freshmen were minority students, and 32% of freshmen estimated that their family income was below \$50,000. Only about 39% of their fathers and their mothers had earned a college degree, so many students were the first member of their family to attend college.

Montclair State draws students from an ever-widening geographic base. In the fall of 2008, although 30% of all students hailed from the University's home in Essex and Passaic Counties, 39% came from the rest of northern New Jersey (Bergen, Hudson, Morris, and Sussex Counties), 18% from central New Jersey, and 6% from the south of the state.

*The skills of many of these graduates would have been lost to New Jersey if they had attended out-of-state universities.*

Every one of New Jersey's 21 counties was represented. The 7% of students who came from elsewhere were particularly diverse: 30 states and the District of Columbia and 116 foreign countries were represented, with the largest international contingents coming from China (464), the Republic of Korea (60), and India (38).



Although it attracts growing numbers of out-of-state applicants, Montclair State's primary contribution is to the human capital of New Jersey, amply repaying the state for its investment in their education. Of students who earned degrees between 2000 and 2008 whose whereabouts are known to the University, 94% live in New Jersey. Of the 97,997 living graduates whose whereabouts are known, almost 74% still reside in New Jersey. The skills of many of these graduates would have been lost to New Jersey if they had attended out-of-state universities.

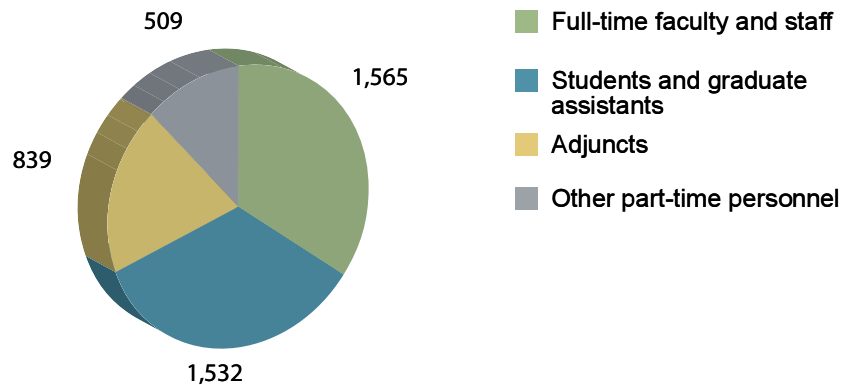




## A Major New Jersey Employer

Montclair State University has a strong, direct impact on the state economy by means of the jobs it provides. In November 2008, the University employed 4,445 people. To meet expanding student enrollments, the number of full-time faculty and staff positions rose more than 30% between 2000 and 2008.

Jobs at Montclair State, November 2008



About 91% of Montclair State's employees live in-state, paying New Jersey property, income, and sales taxes. And the University draws its employees from across New Jersey. Many employees live in Essex and Passaic Counties, but 56% live elsewhere in the state, including about 885 employees from central and southern New Jersey.

## Stimulating New Jersey's Economy

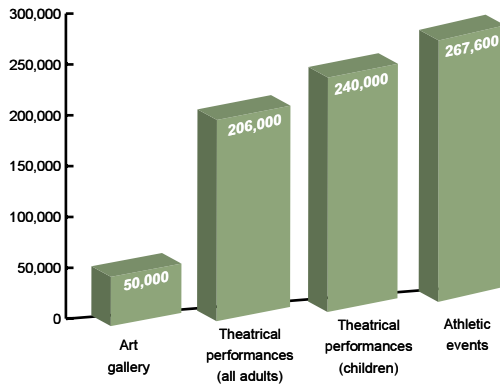
To calculate their short-term economic impact, many universities rely on the Ryan-New Jersey Model, a modified form of the classic Caffrey and Isaacs Model developed for the American Council on Education. These models estimate an institution's economic impact by means of the direct and indirect contributions it makes to cash flow in its host economy. Montclair State's direct, in-state expenditures (including capital expenditures) totaled \$66.5 million in 2008. University employees and students accounted for another \$46.8 million and \$34.8 million respectively, making for total direct expenditures within New Jersey of \$148.1 million.\*

This figure underestimates the University's true impact. It does not attempt to include the effects of hosting visitors at athletic, artistic, and other events. From 2000 through 2008, athletic events at Montclair State enjoyed attendance of over 267,600 spectators. Theatrical performances drew almost 206,000 guests to the campus during the same period, and in addition, about 240,000 children enjoyed shows on campus. Attendance at the University's art gallery more than quintupled between 2000 and 2008.

\* This report relies on data from the U.S. Census Bureau, the U.S. Department of Labor's Bureau of Labor Statistics, and the U.S. Department of Commerce's Bureau of Economic Analysis to derive conservative estimates of consumer spending.

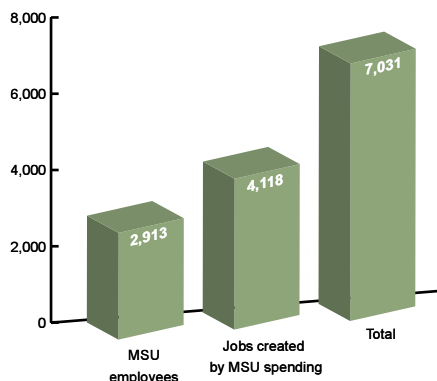


Attendance at Events, FY2000-08



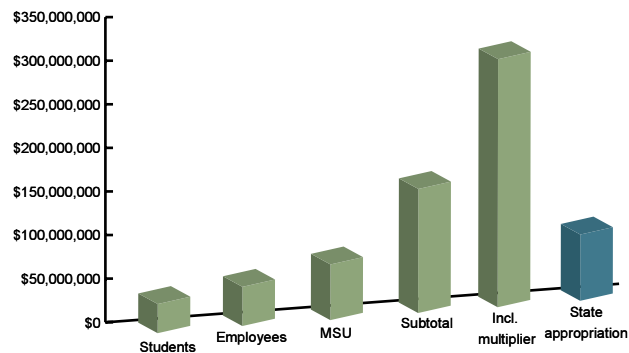
*Even without counting graduate assistants and student workers, when its own employees are included, a total of 7,031 New Jersey jobs were attributable to Montclair State in 2008.*

New Jersey Jobs Attributable to Montclair State, FY2008



As Montclair State's Mission Statement declares, "The University will serve as a center for the creation of new knowledge and for the development of innovative applications of existing knowledge." Given Montclair State's growing collaboration with industries like pharmaceuticals, its experience sponsoring highly regarded conferences focusing on issues related to business and the environment, and the breadth of expertise represented by its faculty, the University is a major resource supporting the New Jersey business community.

In-State Expenditures Attributable in Montclair State, FY2008



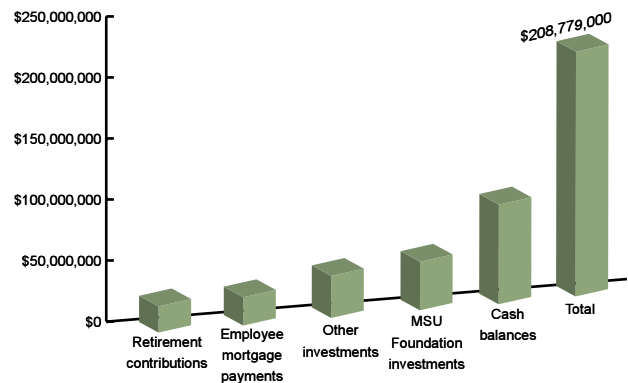
Finally, to measure short-term economic impact accurately, it is necessary to apply a multiplier to direct spending to capture the indirect "ripple effect" of an institution's expenditures. The individuals and businesses whose incomes are directly affected by an institution's spending themselves spend or invest some of those dollars locally, creating additional income and employment for thousands of people, many of whom have no direct connection to the institution. Economic impact studies produced by other universities in the region conservatively estimate that every dollar spent generates another dollar's worth of in-state economic activity. If this multiplier of 2 is applied to estimate the combined effect of direct and indirect spending, Montclair State's total short-term economic impact on New Jersey in 2008 becomes \$296.3 million — close to four times the state's \$79.1 million appropriation to the University.

Spending naturally translates into jobs. Applying a conservative coefficient to expenditures of \$148.1 million yields an estimate of 4,118 jobs attributable to direct spending by the University, its employees, and its students. Even without counting graduate assistants and student workers, when its own employees are included, a total of 7,031 New Jersey jobs were attributable to Montclair State in 2008. Montclair State not only drives job growth, but also heightens wages and salaries throughout the state. Because the University both stimulates demand for local businesses and directly competes with them for employees, average compensation in the area is higher than would be the case without it. As a result, Montclair State's presence benefits all workers in New Jersey.



The University also makes a sizeable contribution to New Jersey's credit base. At the end of fiscal year 2008, Montclair State's cash balance in banks totaled \$85 million, and the market value of Montclair State University Foundation investments and other University investments amounted to \$41.4 million and \$35.8 million respectively. Employee mortgage payments and University and employee contributions to retirement systems added another \$24.2 million and \$22.3 million. All told, the University was thus a source of almost \$209 million in investment funds.

**Montclair State as a Source of Investment Funds, FY2008**



## The Long-Term Economic Impact of Higher Education

The facts and figures cited above speak only to Montclair State's short-term impact. The University's long-term impact is measured by its contribution to students' earnings. There is a powerful relationship between education and economic success. The U.S. Census Bureau estimates that the work-life income of the average bachelor's degree earner will exceed the total income of the average high school graduate by about \$900,000. University graduates are thus likely to spend more, save and invest more, and pay more in taxes than peers who lack university degrees, and about 72,500 Montclair State alumni are spending, saving, and investing their money and paying taxes here in New Jersey.

## Conclusion

Montclair State University is committed to serving the educational needs of New Jersey. The University has also had a significant impact on New Jersey by serving as an engine of economic growth for the entire state. And because Montclair State's impact has only grown over time, with enrollments and expenditures having risen for years, the University has continued to make a positive and stabilizing contribution to New Jersey's economy even as other sectors have experienced downturns. Although this contribution comes as a by-product of the University's core mission of teaching and scholarship, it represents a tangible economic impact that materially benefits the citizens of New Jersey and returns their investment many times over.





Calculation Variables Used in 2009 Economic Impact Study		
Variable	Estimate	Source
Estimate of non-housing expenditures for “complete income reporters” in the New York Metropolitan Statistical Area	0.74	2006-07 Consumer Expenditure Survey, Bureau of Labor Statistics, U.S. Dept. of Labor (Table 21)
Estimate of in-state expenditures for employees and students	0.75	2002 Economic Census, U.S. Census Bureau
Estimate of the percentage of state residents who rent	0.33	2007 American Community Survey, U.S. Census Bureau
Estimate of the state-wide median monthly rent	\$1,026	2007 American Community Survey, U.S. Census Bureau
Estimate of annual in-state spending on non-housing items by non-local, full-time employees	\$2,000	Based on economic impact studies conducted at CUNY and other regional universities
Estimate of average annual college-related expenditures by full-time students	\$2,270	MSU Financial Aid Office (as reported in the 2007-08 Common Data Set)
Estimate of average annual college-related expenditures by part-time students	\$1,300	MSU Financial Aid Office
Coefficient for estimating jobs attributable to expenditures	0.0000278	2003 Bureau of Economic Analysis, U.S. Dept. of Commerce via American Assoc. of Universities
Multiplier	2.0	Conservative figure used by Rutgers and other regional universities in their economic impact studies



## Appendix: A Note on Methodology

The methodology used to calculate short-term economic impact is commonly referred to as the Ryan/New Jersey model. It represents a modified form of the classic economic impact model developed by John Caffrey and Herbert Isaacs for the American Council on Education.\* A number of institutions have relied on the Ryan/New Jersey model over the past two decades, and it has undergone several modifications.†

The major difference between the Caffrey and Isaacs and Ryan/New Jersey models is that the latter substitutes estimated values derived from available data for information collected from surveys of faculty, staff, and students. Many institutions found that they needed to make this substitution because survey response rates were often very low due to the sensitive nature of the information being requested.

The calculation variables substituted for survey data are: (1) an estimate of non-housing expenditures for an average middle-income family in New Jersey; (2) an estimate of in-state expenditures for employees and students; (3) an estimate of the percentage of New Jersey residents who rent; (4) an estimate of the median rent in New Jersey; (5) an estimate of in-state spending on non-housing items by non-local, full-time employees; (6) an estimate of average annual college-related expenditures by full-time students; (7) an estimate of average annual college-related expenditures by part-time students; (8) the coefficient for estimating jobs attributable to University expenditures; and (9) a multiplier. The table to the left presents the calculation variables used in this study and their sources.

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\* John Caffrey and Herbert H. Isaacs, 1971, *Estimating the Impact of a College or University on the Local Economy*, Washington, D.C.: American Council on Education.

† Research and Planning Committee, 1983, *Handbook for Conducting a Study of the Economic Impact of a Community College*, Lincroft, NJ: Council of County Colleges of New Jersey. G. Jeremiah Ryan, 1985, "A Shortcut to Estimating Economic Impact," *Community/Junior College Quarterly* 9:197-214. College Outcomes Evaluation Program, 1989, *Procedures Manual for the Assessment of Community/Society Impact at New Jersey Institutions of Higher Education*, Trenton, NJ: New Jersey Department of Higher Education. College Outcomes Evaluation Program, 1990, *Handbook for Calculating Short-Term Economic Impact at New Jersey's Institutions of Higher Education*, Trenton, NJ: New Jersey Department of Higher Education. G. Jeremiah Ryan and Patricia Malgieri, 1992, *Economic Impact Studies in Community Colleges: The Short Cut Method, Second Edition*, Resource Paper No. 48, National Council for Resource Development.

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