

**The Impact of American University on the
District of Columbia Economy**

Research Summary

Prepared for

The Consortium of Universities of the Washington Area

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American University is a major source of economic activity within the District of Columbia. While American University (AU) impacts the District of Columbia in many ways—cultural, educational, social and economic—its economic impacts are frequently undercounted or overlooked altogether. The analysis presented here identifies the measurable direct outlays that flow from American University into the District of Columbia economy and calculates the total economic impacts of these flows that would not have occurred to the benefit of the District of Columbia in the absence of American University.

The spending flows reported here include American University's annual payroll and non-payroll expenditures, student spending, spending in the District of Columbia by out-of-town visitors and spending by retirees from AU who have continued to reside in the City. However, this analysis does not reflect many sources of economic impact that cannot be easily quantified on an annual basis that nevertheless represent important sources of local economic benefits. These would include: the value of the education and skills transferred to the District's workforce as a result of American University's presence in the District; the business attraction and interaction linked to the presence of AU and its faculty; the intellectual property generated at American University that contributes to the City's business base and competitiveness; the in-kind and voluntary services provided by American University and its staff and students to the betterment of the City; and there are many others. The operating outlays and capital spending by the American University Foundation also have been excluded from this analysis.

Research Findings

American University is an important source of economic activity within the District of Columbia, as employer, generator of personal income and business transactions, and as a source of direct and indirect spending that spans the breadth of the District of Columbia economy. In 2010 American University had a workforce totaling 7,750 full- and part-time employees of which 4,639 or 60 percent resided in the District of Columbia representing an annual payroll of \$66.1 million. American University also made \$50.7 million in non-payroll expenditures for goods and services and capital outlays totaling \$6 million to vendors and contractors located within the District. Combined, payroll, non-payroll and capital outlays in 2010 within the District of Columbia totaled \$122.8 million.

This direct spending was complemented by the spending of AU's students in the City, the spending of AU retirees residing in the City and by the spending of AU's non-local visitors in the City. This spending—\$64.7 million—and the direct outlays made by American University totaled \$187.5 million in 2010.

The total economic impact of this combined \$187.5 million in direct outlays, that is, the total contribution of this spending to the District of Columbia's gross city product (GCP), totaled \$263.2 million. This direct spending supported a total of 872 non-university jobs of which 589 or two-thirds are estimated to have been held by District residents generating an additional \$32.4 million in new personal earnings for DC-resident workers.

The sources of these economic impacts and their magnitudes are presented in the following tables and summarized below:

- American University employed 7,750 full- and part-time workers in 2010 with 59.8 percent of these job holders residing within the City;
- Payroll outlays by American University to its employees residing in the District of Columbia totaled \$66.1 million in 2010;
- American University's non-payroll outlays for the annual operations totaled \$86.1 million in 2010 with \$50.7 or 58.9 percent of these purchases being made from vendors located in the District of Columbia;
- Local capital outlays during 2010 by American University are estimated to have totaled \$6.0 million;
- Student enrollment during the 2009-2010 academic year, inclusive of summer programs, averaged 12,705 with 52.1 percent of these students enrolled as undergraduates;
- Eighty-five percent (85.6%) of the 12,705 students attending American University were non-residents of the District of Columbia prior to matriculation with 53 percent of these new students residing within the City thereby representing a significant net new spending potential for DC-based businesses;
- In 2010 it is estimated that 25,156 out-of-town visitors (not residing within the metropolitan area) were attracted to the AU campus spending an estimated \$1.06 million on lodging, meals and other retail services while visiting the City; and,
- The combined direct spending benefits accruing to the District of Columbia from American University (AU's spending and the spending of its students, visitors and retirees) totaled \$187.5 million in 2010 and contributed a total of \$263.2 million to the City's gross city product reflecting an aggregate multiplier of 1.40373, generated net personal earnings to the benefit of DC-resident workers totaling \$32.4 million, and supported a total of 872 non-

university jobs with an estimated 589 or two-thirds of these jobs being held by DC residents.

Higher education is one of the District of Columbia's major growth sectors upon which its future economic vitality will depend. American University has been shown to be a major employer of City residents, supporting directly or indirectly a total of 5,228 jobs held by city residents (1,477 full-time, 1,178 part-time and 2,573 student employees), generating direct and indirect personal earnings totaling \$98.5 million to the benefit of workers residing in the City, and accounting for direct business expenditures to the benefit of City-based firms totaling \$50.7 million and local purchases by students, visitors and retirees totaling \$64.7 million. And, this spending and the earnings (and spending) of AU employees living in the City represent a major source of local tax revenues. The economic impacts reported here confirm that beyond its national and international reputation as a major academic institution, American University is also an important and continuing local force in the City's economy as an employer and source of income for City residents and businesses.

Table 1

Profile of the American University, 2010

Metrics	Number/Value
Number of Full and Part-Time Employees	7,750
Full-time	2,402
Part-time	2,500
Students	2,848
Number of Employees Residing in	
District of Columbia	4,639
Maryland	2,041
Virginia	1,070
Total	7,750
Total Payroll Outlays to DC residents	\$66,078,963
Total Non-Payroll Outlays to DC Firms	\$50,746,243
Total Capital Outlays to DC Vendors	\$5,987,600
Total University Outlays in The District	\$117,422,806
Total Average Annual Enrollment	12,705
Percent Undergraduate	52.1
Percent Graduate Students	47.9
Number of Retirees Residing in the District	65
Non-Local Visitors To Campus	25,156

Sources: American University, GMU Center for Regional Analysis

Table 2

Distribution of American University Spending
within the Washington Metropolitan Area, 2010
(percent)

Source	DC	Maryland	Virginia
Payroll	35.9	44.9	19.2
Non-Payroll	58.9	26.7	14.4
Students	52.7	31.7	15.6

Sources: American University, GMU Center for Regional Analysis.

Table 3

The Economic Impacts Generated by American University's Direct
and Associated Outlays in the District of Columbia, 2010
(dollars in millions)

Spending Sources	Direct Outlays	Total Output(1)	Personal Earnings(2)	Jobs Supported(3)
University \$s				
Payroll	\$66.1	\$93.6	\$11.6	342
Non-Payroll	50.7	71.8	8.9	263
Construction	6.0	7.3	0.5	12
Sub-total	\$122.8	\$172.7	\$21.0	617
Students	\$60.7	\$85.3	\$10.8	239
Retirees	2.9	3.8	0.5	10
Visitors	1.1	1.4	0.1	6
Sub-total	\$64.7	\$90.5	\$11.4	255
Totals	\$187.5	\$263.2	\$32.4	872

Source: American University and GMU Center for Regional Analysis.

Notes: (1) the total value of goods and services generated directly and indirectly as a result of direct spending; (2) the additional earnings generated within the District of Columbia as a result of the direct outlays; (3) the additional new jobs supported nationwide by the spending and re-spending of direct outlays within the District of Columbia economy.

