



**Algoma**  
UNIVERSITY

The Economic Value of Algoma University  
to Sault Ste. Marie

# EXECUTIVE SUMMARY



**A**LGOMA University (AU) creates value in many ways. The University plays a key role in helping students increase their employability and achieve their individual potential. AU facilitates new research developments and draws visitors and students to the region, generating new dollars and opportunities for Sault Ste. Marie. AU provides students with the education, training, and skills they need to have fulfilling and prosperous careers. Furthermore, AU is a place for students to meet new people, increase their self-confidence, and promote their overall health and well-being.

AU influences both the lives of its students and the regional economy. The University supports a variety of industries in Sault Ste. Marie, serves regional businesses, and benefits the provincial government through increased tax revenues and public sector savings. The benefits created by AU even extend to society as a whole in Ontario, which benefits from an expanded economy and improved quality of life.

This study measures the economic impacts created by AU on the business community and the benefits the University generates in return for the investments made by its key stakeholder groups—students, taxpayers, and society. The following two analyses are presented:



### Economic impact analysis



### Investment analysis

All results reflect employee, student, and financial data, provided by the University, for fiscal year (FY) 2017-18. Impacts on the Sault Ste. Marie economy are reported under the economic impact analysis using data for AU's Sault Ste. Marie campus activity only, and are measured in terms of added income. The returns on investment to students, taxpayers, and society in Ontario are reported under the investment analysis.

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# Economic impact analysis

AU promotes economic growth in Sault Ste. Marie through its direct expenditures and the resulting expenditures of visitors, students, and regional businesses. The University serves as an employer, employing 196 full-time equivalent employees in FY 2017-18, and a buyer of goods and services for its day-to-day and research operations. The University's reputation and activities attract visitors and students from outside of Sault Ste. Marie, whose expenditures benefit regional vendors. In addition, AU is a primary source of post-secondary education to Sault Ste. Marie residents and a supplier of trained workers to regional industries, enhancing overall productivity in the regional workforce.

## Operations Spending Impact



AU adds economic value to Sault Ste. Marie as an employer of regional residents and a large-scale buyer of goods and services. Total payroll in FY 2017-18 was \$16.7 million (excluding payroll from research employees), much of which was spent in the region for groceries, mortgage and rent payments, dining out, and other household expenses. In addition, the University spent \$12.5 million on day-to-day expenses related to facilities, supplies, and professional services (excluding research expenditures).

AU's day-to-day operations spending added \$20.9 million in income to the region during the analysis year. This figure represents the University's payroll, the multiplier effects generated by the in-region spending of the University and its employees, and a downward adjustment to account for funding that the University received from regional sources. The \$20.9 million in added income is equivalent to supporting 270 jobs in the region.

## Research Spending Impact



Research activities impact the economy by employing people and requiring the purchase of equipment and other supplies and services. In FY 2017-18, AU spent \$379.9 thousand on payroll to support research activities. This, along with \$93.9 thousand in other research spending, created a net total of \$563.4 thousand in added income for the regional economy. This added income is equivalent to supporting seven jobs.

AU's research activities create an economic impact beyond spending. There are impacts created through the entrepreneurial and innovative activities stemming from AU's research. Communication advances, improved Indigenization, and awareness of socioeconomic phenomena are developments that all have

IMPACTS CREATED BY AU  
IN FY 2017-18



**\$20.9 million**  
Operations Spending Impact



**\$563.4 thousand**  
Research Spending Impact



**\$344.3 thousand**  
Visitor Spending Impact



**\$1.6 million**  
Student Spending Impact



**\$56.8 million**  
Alumni Impact



**\$80.2 million**  
TOTAL IMPACT

- OR -

**1,106**  
JOBS SUPPORTED

immense value in the regional economy. However, the full scope of these factors is difficult to quantify. Some of this impact may be captured in the alumni impact. The broader spillover effects, however, remain as additional value created beyond this analysis.

## Visitor Spending Impact



Thousands of visitors from outside the region were attracted to AU during the analysis year to attend commencement, cultural activities, sports events, and other activities sponsored by the University.

While in the region, visitors spent money for lodging, food, transportation, and other personal expenses. The off-campus expenditures of the University's out-of-region visitors generated a net impact of \$344.3 thousand in added income for the regional economy in FY 2017-18. This \$344.3 thousand in added income is equivalent to supporting 11 jobs.

## Student Spending Impact



Around 33% of students attending AU originated from outside the region in FY 2017-18, and some of these students, including international students, relocated to Sault Ste. Marie to attend AU.

These students may not have come to the region if the University did not exist. In addition, some in-region students, referred to as retained students, would have left Sault Ste. Marie if not for the existence of AU. While attending the University, these relocated and retained students spent money on groceries, accommodation, transportation, and other household expenses. This spending generated \$1.6 million in added income for the regional economy in FY 2017-18, which supported 36 jobs in Sault Ste. Marie. Of this impact, \$1.1 million is attributable to international students who relocated to Sault Ste. Marie to attend AU.

## Alumni Impact



The education and training AU provides for regional residents has the greatest impact. Since its establishment, students have studied at AU and entered the regional workforce with greater knowledge and new skills. Today, thousands of former AU students are employed in Sault Ste. Marie. As a result of their AU educations, the students receive higher earnings and increase the productivity of the businesses that employ them. In FY 2017-18, AU alumni generated \$56.8 million in added income for the regional economy, which is equivalent to supporting 782 jobs. Of this impact, \$4.9 million is attributable to former international students who are active in the regional workforce.

## Impact of International Students

International students are an important part of the AU community. The University strives to embrace diversity, and international and Canadian students learn from one another, creating a unique and intercultural experience. AU has steadily increased its international enrollment, serving 426 international students from over 30 countries in FY 2017-18. The majority of these students relocated to Sault Ste. Marie. These students bring new money to the regional economy through their spending on housing, food, and other living expenses. International student spending in FY 2017-18 generated \$1.1 million in added income for the regional economy.

Approximately 23% of international students remain in Sault Ste. Marie after finishing their time at AU. Today, many of these students are employed in the region, receiving higher earnings and increasing the productivity of the businesses that employ them. In FY 2017-18, these active alumni generated \$4.9 million in added income for the regional economy.

# Total Impact

AU added \$80.2 million in income to the Sault Ste. Marie economy during the analysis year, equal to the sum of the operations and research spending impacts, the visitor and student spending impacts, and the alumni impact. For context, the \$80.2 million impact was equal to approximately 2.7% of the total gross regional product (GRP) of Sault Ste. Marie. This contribution that the University provided on its own is larger than the entire Accommodation & Food Services industry in the region.

AU's total impact can also be expressed in terms of jobs supported. The \$80.2 million impact supported 1,106 regional jobs, using the jobs-to-sales ratios specific to each industry in the region. This means that one out of every 33 jobs in Sault Ste. Marie is supported by the activities of AU and its students. In addition, the \$80.2 million impacted regional industries in different ways.

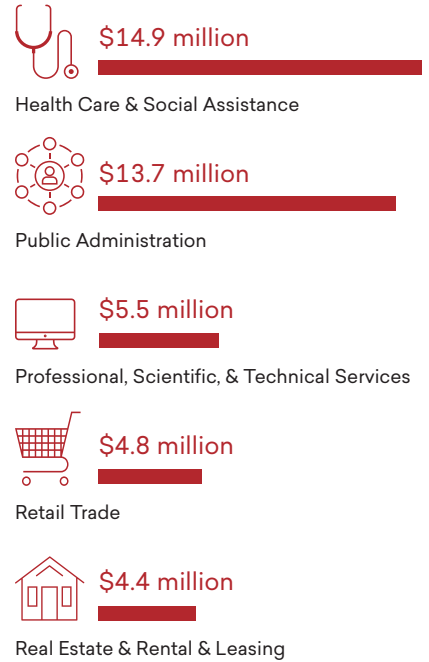
Among non-education industry sectors, AU had the largest impact in the Health Care & Social Assistance industry sector – generating \$14.9 million in added income in FY 2017-18. Some of this impact comes from AU's employees and students spending money in this industry subsector. However, the vast majority of the impact on this industry is from the alumni impact, demonstrating how AU's alumni who graduated from programs like social work and community & social development impact the local economy. These are impacts that would not have been generated without the University's presence in Sault Ste. Marie.

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## TOP INDUSTRIES IMPACTED BY AU (ADDED INCOME)





# Investment analysis

An investment analysis evaluates the costs associated with a proposed venture against its expected benefits. If the benefits outweigh the costs, then the investment is financially worthwhile. The analysis presented here considers AU as an investment from the perspectives of students, taxpayers, and society in Ontario.

## Student Perspective

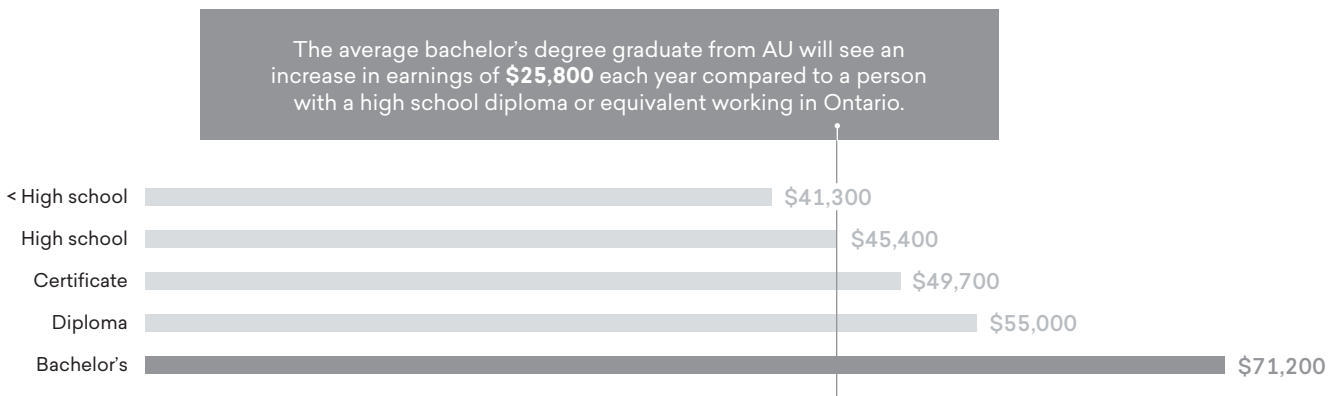


AU served 1,362 students in FY 2017-18. In order to attend the University, the students paid for tuition, fees, books, and supplies.

Additionally, students gave up money they would have otherwise earned had they been working instead of attending university. The total investment made by AU's students in FY 2017-18 amounted to a present value of \$30.8 million, equal to \$9 million in out-of-pocket expenses and \$21.8 million in forgone time and money.

In return for their investment, AU's students will receive a stream of higher future earnings that will continue to grow throughout their working lives. For example, the average AU bachelor's degree graduate from FY 2017-18 will see an increase in earnings of \$25,800 each year compared to a person with a high school diploma or equivalent working in Ontario. Over a working lifetime, the benefits of the bachelor's degree over a high school diploma will amount to an undiscounted value of \$1.0 million in higher earnings per graduate. Altogether, AU's FY 2017-18 students will receive \$65.9 million in higher future earnings over their working lives, as a result of their education and training at AU.

The students' benefit-cost ratio is 2.1. In other words, for every dollar students invest in AU, in the form of out-of-pocket expenses and forgone time and money, they will receive a cumulative value of \$2.10 in higher future earnings. Annually, the students' investment in AU has an average annual internal rate of return of 13.8%.



## Taxpayer Perspective



AU generates more in tax revenue than it takes. These benefits to taxpayers consist primarily of taxes that the provincial government will collect from the added revenue created in the province. As AU students earn more, they will make higher tax payments throughout their working lives. Students' employers will also make higher tax payments as they increase their output and purchases of goods and services. By the end of the FY 2017-18 students' working lives, the provincial government will have collected a present value of \$33 million in added tax revenue.

Benefits to taxpayers also consist of savings generated by the improved lifestyles of AU students and the corresponding reduced government services. Education is statistically correlated with a variety of lifestyle changes. Students with AU educations will generate savings in three main categories: 1) health-care, 2) crime, and 3) income assistance. Improved health will lower students' demand for health care services. In addition, students will be less likely to interact with the criminal justice system, resulting in a reduced demand for law enforcement and reduced victim costs. AU students will be more employable, so their reduced demand for income assistance such as welfare and unemployment benefits will benefit taxpayers. For a list of study references, contact the University for a copy of the main report. Altogether, the present value of the benefits associated with an AU education will generate \$504.5 thousand in savings to provincial taxpayers.

Total taxpayer benefits amount to \$33.5 million, the present value sum of the added taxes and public sector savings. Taxpayer costs are \$16.8 million, equal to the amount of provincial government funding AU received in FY 2017-18. These benefits and costs yield a benefit-cost ratio of 2.0. This means that for every dollar of public money invested in AU in FY 2017-18, taxpayers will receive a cumulative value of \$2.00 over the course of the students' working lives. The average annual internal rate of return for taxpayers is 9.4%, which compares favorably to other long-term investments in the public and private sectors.

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### STUDENT PERSPECTIVE

\$65.9 million  
Present value benefits

\$30.8 million  
Present value costs

\$35.2 million  
Net present value

Benefit-cost Ratio	Rate of Return
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2.1

13.8%



### TAXPAYER PERSPECTIVE

\$33.5 million  
Present value benefits

\$16.8 million  
Present value costs

\$16.7 million  
Net present value

Benefit-cost Ratio	Rate of Return
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2.0

9.4%



### SOCIAL PERSPECTIVE

\$208.5 million  
Present value benefits

\$53.2 million  
Present value costs

\$155.3 million  
Net present value

Benefit-cost Ratio	Rate of Return
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3.9

n/a\*

\* The rate of return is not reported for the social perspective because the beneficiaries of the investment are not necessarily the same as the original investors.

## Social Perspective



Society as a whole in Ontario benefits from the presence of AU in two major ways. Primarily, society benefits from an increased economic base in the province. This is attributed to higher student earnings and increased business output, which raise economic prosperity in Ontario.

Benefits to society also consist of the savings generated by the improved lifestyles of AU students. As discussed in the previous section, education is statistically correlated with a variety of lifestyle changes that generate social savings. Note that these costs are avoided by the consumers but are distinct from the costs avoided by the taxpayers outlined above. Healthcare savings include avoided medical costs associated with smoking, alcohol dependence, obesity, and mental illness. Crime savings include reduced criminal justice system expenditures, lower victim costs, and increased productivity of individuals who are working rather than spending time in custody. Income assistance savings include the reduced demand for employment insurance benefits and employment-related social assistance. For a list of study references, contact the University for a copy of the main report.

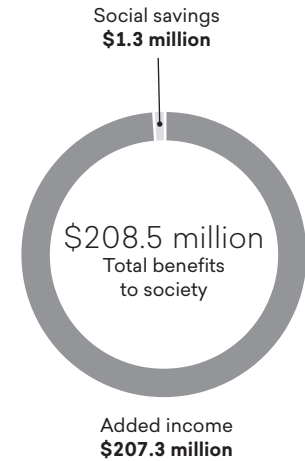
Altogether, the social benefits of AU equal a present value of \$208.5 million. These benefits include \$207.3 million in added income through students' increased lifetime earnings and increased business output, as well as \$1.3 million in social savings related to health, crime, and income assistance in Ontario. People in Ontario invested a present value total of \$53.2 million in AU in FY 2017-18. These costs include all University and student costs.

The benefit-cost ratio for society is 3.9, equal to the \$208.5 million in benefits divided by the \$53.2 million in costs. In other words, for every dollar invested in AU, people in Ontario will receive a cumulative value of \$3.90 in benefits. The benefits of this investment will occur for as long as AU's FY 2017-18 students remain employed in the provincial workforce.

## Summary of Investment Analysis Results

The results of the analysis demonstrate that AU is a strong investment for all three major stakeholder groups—students, taxpayers, and society. As shown, students receive a great return for their investments in an AU education. At the same time, taxpayers' investment in AU returns more to government budgets than it costs and creates a wide range of social benefits throughout Ontario.

### SOCIAL BENEFITS IN ONTARIO FROM AU





# Conclusion

The results of this study demonstrate that AU creates value from multiple perspectives. The University benefits regional businesses by increasing consumer spending in the region and supplying a steady flow of qualified, trained workers to the workforce. AU enriches the lives of students by raising their lifetime earnings and helping them achieve their individual potential. The University benefits provincial taxpayers through increased tax receipts and a reduced demand for government-supported social services. Finally, AU benefits society as a whole in Ontario by creating a more prosperous economy and generating a variety of savings through the improved lifestyles of students.

## About the Study

Data and assumptions used in the study are based on several sources, including the FY 2017-18 academic and financial reports from AU, industry and employment data from Statistics Canada, outputs of Emsi's Canadian Regional Input-Output model, and a variety of studies and surveys relating education to social behaviour. The study applies a conservative methodology and follows standard practice using only the most recognized indicators of investment effectiveness and economic impact. For a full description of the data and approach used in the study, please contact AU for a copy of the main report.

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