

Economic Impact of the Proposed \$73 million cut in UNR's budget

By far the biggest reason citizens of all 50 states support their public universities is because university educated young people become inventors, skilled professionals, artists, social scientists, ethical businesspeople, and so on, making our society great.

But when budgets are tight, it's reasonable to ask how taxpayer support for a university compares on a purely economic basis with tax relief, for example. Nevada taxpayers spent approximately \$209 million dollars on the University of Nevada, Reno last year. That state allocation, plus student tuition, fees, and payments for research conducted by the faculty made up a budget of \$511 million. Two-thirds of that budget was spent on wages and salaries, and UNR employed about 4,600 people in Washoe County. UNR is the second largest employer in the county after the Washoe County School District.

Economists at the Center for Economic Development (UCED) calculated the effect on the economy of Nevada if the budget of the University of Nevada, Reno were to be cut by the proposed \$73 million in state support. As we know, one person's spending is another person's income. The person who earned that income spends some, too, supporting the income of yet another person, and so on. The 'circular flow' of spending, income, spending, income, and so on is formalized mathematically by what is called an "input-output" model. Here is what the mathematical model shows:

- A cut of \$73 million in state funding for the University of Nevada Reno, coupled with a proportional reduction in the faculty's ability to bring in externally funded research contracts, amounts to a \$99 million reduction in state value added (or state "GDP") and 1,288 fewer jobs.
- Alternatively, if Nevada taxpayers were to raise the \$73 million, and we all have less to spend on goods and services, this would also lead to lower economic activity. \$73 million in taxes paid (ultimately) by households amounts to \$39 million less value added (state GDP) and 534 fewer jobs.
- The net effect of putting the \$73 million into UNR rather than spending it as usual on goods and services is \$60 million more state GDP and 574 more jobs.

Why does the state get more jobs and income when it finances its universities than it does the other way? One, because university faculty bring even more money into the state by doing research and other projects. Without state support, however, faculty cannot accept 'matching grant' contracts, for example. Two, a much larger proportion of UNR's revenues goes directly to Nevada employees. Nothing goes to dividends, profits, royalties or rents to out-of-state stockholders, CEOs, or proprietors. In contrast, a big part of what is spent on a new car or new flat-screen TV goes out-of-state to the factory and company that made it. Some of the retail dollar also goes to pay rents, profits, and dividends, also sometimes out-of-state. A much smaller portion of a retail dollar goes to salaries for local employees. A much larger portion of a dollar spent on UNR goes directly into Nevada household income. Spending on UNR keeps much more money 'coming around and going around' in our economy.