



**STATE, COUNTY, AND LOCAL
ECONOMIC IMPACT
OF PRINCETON UNIVERSITY**

2007

Princeton University is a major economic asset to the State of New Jersey, Mercer County, and the Princeton-area communities. Through its operating budget expenditures, its construction spending, and other contributions, Princeton University generates a continuing stream of expenditures into the local economy and provides a significant base of employment within the region.

In 2006–07, Princeton participated in a regional economic impact study with the four other colleges and universities in Mercer County.

The Roper Group, in association with A. Ilan Consulting and assisted by T. J. Spitznas & Associates, provided an analysis of the economic impact of Mercer County Community College, Princeton University, Rider University, The College of New Jersey, and Thomas Edison State College. This analysis is excerpted from the Roper study and augmented by other statistics compiled by Princeton.

Princeton University Economic Impact Analysis

OPERATING BUDGET IMPACT

Princeton University is one of the largest private employers in Mercer County. It typically ranks among the top five private employers in the region. In FY 2005, the most recent year for which data was available for the Roper study, Princeton employed 5,309 full- and part-time workers. This translated to a full-time equivalent (FTE) count of 5,010. Eighty-seven percent of the University's employees were New Jersey residents and 63 percent lived in Mercer County. Salaries and benefits paid to University employees in FY 2005 equaled nearly \$470 million. The University withheld, and paid to the state, just over \$12.4 million in New Jersey state income taxes on employee wages and salaries.

The University spent the balance of its FY 2005 \$963 million operating budget on major maintenance projects and the purchase of goods and services. The major maintenance expenditures totaled \$24.7 million and expenditures for the purchase of goods and services totaled \$468.4 million. Ninety-four percent of the major maintenance dollars were spent in New Jersey.

Princeton University's direct spending leverages even greater measurable economic impacts in the state and in the region. As funds are expended for labor, materials, and services, they generate a ripple effect that benefits nearly every sector of the New Jersey economy. When the full multiplier effect of spending is taken into account, the FY 2005 direct and induced benefits to the various suppliers down the chain were estimated by

the Roper study to bring the total impact of Princeton's operating budget spending on the State of New Jersey to nearly \$1.6 billion, generating 4,065 additional jobs. Of these statewide impacts, \$1.38 billion of the additional economic activity and 1,648 of the additional jobs were generated in Mercer County.

Princeton's overall economic activity, including direct and induced spending, generated about \$74.2 million in state tax revenues. In FY 2005, the State of New Jersey contributed about \$3.2 million to Princeton University: \$660,000 in general operating support and just over \$2.5 million in support of specific research. For each dollar in financial support contributed to Princeton University by the State of New Jersey in FY 2005, Princeton's operating budget expenditures generated approximately \$490 in economic activity and \$214 in wages and other earnings throughout the state, and \$23 in state tax revenue.

CONSTRUCTION SPENDING IMPACT

In addition to operating expenditures, Princeton makes significant expenditures in capital construction. While operating expenditures typically hold steady over the years and escalate with the costs of labor, goods, and services, construction expenditures can be more volatile. Therefore, the Roper study looked at construction spending over the period FY 2001–05. During that period, the University spent \$711.1 million on construction. Approximately 80 percent of all of the construction dollars were spent in New Jersey.

Through the multiplier effect, capital construction spending generated \$1.34 billion in total spending throughout the state, including \$406.7 million in earnings and 10,193 person-years of employment—an

average of 2,039 construction-related jobs per year. The \$711.1 million in construction spending over the five-year period generated \$45.1 million in tax revenues for the State of New Jersey—an average of more than \$9 million annually. Of the statewide impacts, 2,145 construction jobs, or 429 jobs per year, and \$86.9 million in earnings were generated in Mercer County over the five-year period.

ADDITIONAL ECONOMIC IMPACTS

The direct expenditures on operations and construction represent only a part of Princeton's economic impact in the state and in the region. In FY 2005 approximately 700,000 people visited the Princeton campus and McCarter Theatre. These visitors spent nearly \$40 million in the local economy, including \$33 million on hotels, \$5 million on meals, and over \$1 million on tickets.

In FY 2005, the University enrolled 4,700 undergraduate students and 2,000 graduate students. Most undergraduate students live on campus and participate in University or eating club meal plans. However, in FY 2005 the University estimated that undergraduate students spent about \$3,200 for miscellaneous expenses. This suggests that about \$15 million was spent in the community by undergraduate students. Graduate students live in graduate dormitories, University apartments, and off-campus, non-University housing. Taking into account the various purchasing needs of graduate students, the extent of graduate student spending in the community in FY 2005 was approximately \$25 million.

Princeton's Office of Technology Licensing facilitates licensing and patenting for University-developed

technologies, including faculty start-up companies and patents and licenses with commercial applications. The Office of Technology Licensing secured 38 U.S. and international patents in FY 2005.

Princeton's academic departments compete successfully for research funding. In FY 2005, Princeton University received \$224 million in sponsored research funding. Of that amount, \$10 million came from 80 businesses and industrial partners in support of research of interest to these companies.

The University pays more than \$10 million dollars in property taxes to the five municipalities in which it owns property; 78 percent of the total is paid to Princeton Borough and Princeton Township for county, school, and municipal taxes. In addition, the University makes numerous contributions to local government and local service providers, including an annual voluntary tax payment to Princeton Borough that totaled \$1 million in 2006, contributions to the local volunteer fire company, rescue squad, the Medical Center at Princeton, and more.

Methodology

The multiplier in this study was estimated using the RIMS II Regional Input-Output Model, produced by the Bureau of Economic Analysis specifically for New Jersey and Mercer County. The RIMS II Model is a mathematical model that traces how spending in any given sector flows to all other sectors in the local economy and creates new economic activities and jobs in these sectors. New Jersey state taxes were estimated using the 2005 effective tax rates in New Jersey. Visitor spending was estimated by applying day and overnight spending rates to 10 categories of campus visitors.

Copyright © 2007 by The Trustees of Princeton University
Published by the Office of Public Affairs, 223 Nassau Hall,
Princeton University, pubaff@princeton.edu
Photographs by Denise Applewhite

In the Nation's Service and in the Service of All Nations

