

Economic Impact On Lea County

of New Mexico Junior College and College of the Southwest

A Study by Gruen Gruen + Associates
June 2005

Executive Summary

INTRODUCTION

NMJC School Profile

Location: 5317 Lovington Highway

Founded: 1966

President: Steve McCleery

Students: Currently enrollment is about 4,700 with a full-time equivalent enrollment of 1,800

Faculty and Staff: Over 260 full-time and part time faculty, and staff

Campus: 243 acres with over 330,000 of gross square feet of building space including Pannell Library, Lea County Cowboy Hall of Fame, Don Whitaker Automotive Technology Center

Course Offerings: Over 640 courses offered annually

Mission Statement: The mission of New Mexico Junior College is to provide quality educational programs and support services and to enhance the quality of life for the communities and individual we serve.

Lea County Improvement Corporation engaged Gruen, Gruen + Associates (GG+A) to estimate the economic impact of New Mexico Junior College (NMJC) and College of the Southwest (CSW) on the Lea County economy. NMJC and CSW generate economic impacts from four primary sources:

- expenditures on operations and payroll;
- expenditures of employees;
- expenditures of students; and
- expenditures of visitors.

NMJC and CSW attract dollars from outside the County and spend many of these dollars locally on operations, construction and payroll. The employee, student and visitor expenditures on operations increase the purchases of goods and services in Lea County, and as the dollars spent locally circulate through the local economy, local incomes expand.

NMJC and CSW make a substantial contribution to economic development by preparing and training individuals for entering or reentering the workforce. Highly productive skilled workers help local businesses compete in the marketplace, and continuing education courses at NMJC allows workers to gain skills. The availability of high-quality labor is an important factor in attracting and retaining businesses. Local employers have access to high-quality training from community college staff who develop programs tailored to their needs. NMJC provides other specialized technical assistance to businesses, including assisting aspiring entrepreneurs on how to operate a successful business through its Small Business Development Center (SBDC).

Through spending, NMJC and CSW stimulate the local economy and contribute earned income to workers and their families. Dollars paid from NMJC and CSW to their employees stimulate the local economy because most money is expended locally. Through multiplier effects, dollars spent locally ripple through the economy creating more activity and income. In the absence of NMJC and CSW, many faculty members and administrators would likely leave Lea County.



NMJC and CSW also attract students from outside Lea County who end up residing in the County after graduation and also retain students who would otherwise leave Lea County to pursue their studies. Students and visitors stimulate the local economy through both multiplier effects and productivity increases. Students and visitors spend money on a variety of goods and services, including housing, food, personal supplies and services, utilities, books, clothes, entertainment, and lodging.

NMJC and CSW may also attract businesses to the County which either seek to do business with the institutions or have close access to their students and faculty. NMJC and CSW spend large sums purchasing a wide variety of goods and services which stimulate the local economy through multiplier effects. Some revenue funds dispensed for construction, operations, maintenance, and other goods and services are attracted from outside the County that would not otherwise be present in the absence of NMJC and CSW. NMJC and CSW are an important source of construction expenditures within the County. Both institutions use local contractors and architects for construction projects. The construction industry benefits in particular from the presence of the institutions.

NMJC and CSW also contribute to overall quality of life in Lea County through the provision of academic, cultural, recreational opportunities and facilities unlikely to be present in Lea County in the absence of CSW and NMJC.

CSW School Profile

Location: 6610 Lovington Highway

Founded: 1962

President: Gary A. Dill

Students: Currently enrollment of more than 600 undergraduate and 130 graduate students

Faculty and Staff: Over 100 full-time and part time faculty, and staff

Campus: 209 acres with over 145,000 of gross square feet of building space including Scarborough Memorial Library, Mabee Southwest Heritage Center, and Fadke Center of Arts & Sciences

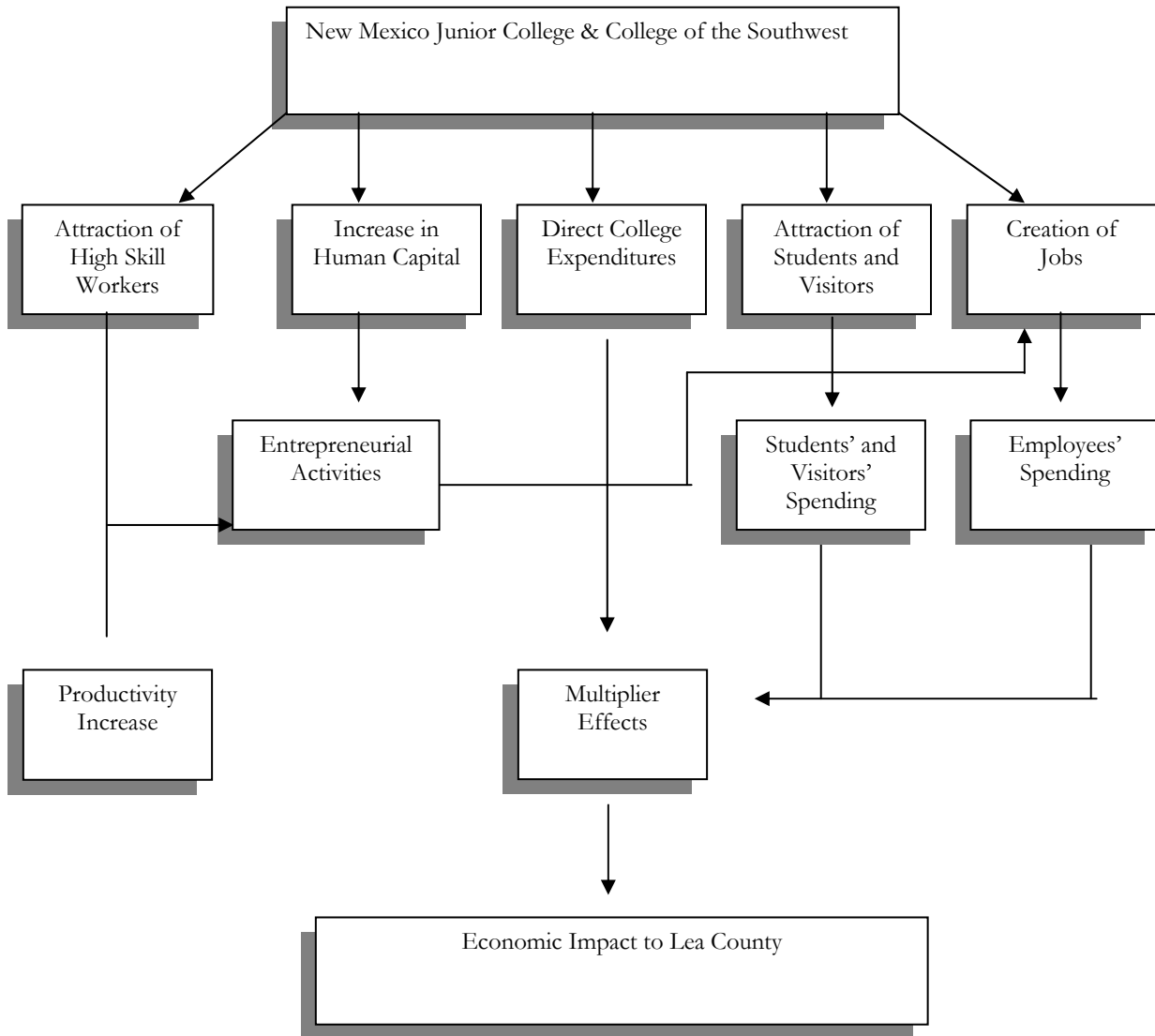
Degree Programs: Over 20 undergraduate degree programs and 4 graduate programs

Student to Faculty Ratio: 17:1

Mission Statement: Scholarship grounded in Christian faith, embracing personal responsibility, celebrating individual initiative



Economic Impact of College of the Southwest and New Mexico Junior College



ECONOMIC IMPACTS ON THE LEA COUNTY ECONOMY

Guide to Economic Impacts

Direct: refers to those effects that result from the expenditures made by the College directly for their operations and maintenance activities and from the spending of students and visitors.

Indirect: effects are the new economic activities that occur due to the direct expenditures of the Colleges, their students, and visitors. These effects are primarily due to the spin-offs in demands that follow from the initial direct spending of the Colleges, students and visitors.

Induced: effects are the results of the College's spending on wages and salaries for employees that generate new household income and associated proportionate respending and employment.

The economic impact of NMJC and CSW on Lea County due to their purchases of supplies, equipment, services, utilities and labor is estimated with IMPLAN, an input-output (I-O) model. An I-O model, such as IMPLAN, takes into account inter-industry relationships or linkages among industries within a given geographic area; in this case, Lea County. Businesses tend to purchase or trade with each other for their production requirements. When a business in one industry increases its production because of increased demand for its goods, businesses in related industries will also have increased demand for their products. This is referred to as the "multiplier effect" and is represented by a multiplier coefficient. The IMPLAN I-O model estimates the magnitude of this multiplier effect on income, employment, and output demand.

NMJC and CSW play a vital role in the local economy of Lea County. They serve as large employers (responsible for three percent of total County employment) and attract out-of-county students, faculty and visitors to Lea County who would otherwise be unlikely to spend their dollars in Lea County. NMJC and CSW collectively generate:

- \$36.4 million of output;
- 900 jobs; and
- \$27 million in personal income.

NMJC's expenditures in 2005 exceeded the revenues it received from local sources by 95 percent – putting in over \$7.9 million more than was taken out of the Lea County economy. For CSW, expenditures exceed revenue by eight percent. This economic benefit to the Lea County economy will become even more pronounced by 2016 when the expenditures by NMJC in the County are forecast to exceed the revenues from local sources by more than 170 percent. In 2016, NMJC is estimated to generate nearly \$17.8 million in net local expenditures (i.e., \$28,042,106 local Lea County expenditures - \$10,256,374 local Lea County revenues).



NMJC'S IMPACT ON LEA COUNTY

Table 1 shows the annual economic impact of NMJC on Lea County based on its 2005 expenditure. The direct annual output impact is about \$18.8 million. Each dollar of output associated with NMJC generates \$1.28 in total economic production. NMJC generates a total output impact of over \$24 million. In addition to employees already on the payroll, 179 jobs are directly supported by the presence of NMJC. Over \$5.4 million is generated in wage income. This wage income equates to an average of \$30,300 per job.

TABLE 1			
Summary of Economic Impacts of the New Mexico Junior College on the Lea County Economy in 2005			
	Output	Employment	Income
Direct	\$18,758,344	178.9	\$5,427,031
Indirect	\$2,746,873	32.4	\$1,010,536
Induced	\$2,567,807	32.5	\$842,896
Total Impacts	\$24,050,524	243.4	\$7,280,462
Multiplier	1.28	1.36	1.34
Sources: Minnesota IMPLAN Group; Gruen Gruen + Associates.			

Table 2 shows the forecast annual economic impact of NMJC on Lea County based on its expected 2016 expenditure. The direct impact in annual output is forecast to approximate \$29.2 million. Each dollar of output associated with NMJC is forecast to generate \$1.30 in total economic production. The total economic impact of NMJC in 2016 is forecast to exceed \$38 million, a 58 percent increase in output from 2005. In addition to employees already on the payroll, 272 jobs are directly supported by the presence of NMJC. Over \$8.1 million is forecast to be generated in wage income. This equates to an average of about \$29,800 per job.

TABLE 2			
Summary of Economic Impacts of the New Mexico Junior College on the Lea County Economy in 2016¹			
	Output	Employment	Income
Direct	\$29,196,244	271.6	\$8,104,565
Indirect	\$4,581,471	47.4	\$1,492,275
Induced	\$4,227,304	48.5	\$1,257,953
Total Impacts	\$38,005,017	367.3	\$10,854,795
Multiplier	1.30	1.35	1.34
¹ Presented in 2005 dollars.			
Sources: Minnesota IMPLAN Group; Gruen Gruen + Associates.			



CSW'S IMPACT ON LEA COUNTY

Table 3 shows the annual economic impact of CSW on Lea County based on expected 2005 expenditures. The direct impact in annual output is about \$9.6 million. Each dollar of output associated with CSW generates \$1.29 in total economic production. The total economic impact of CSW is about \$12.4 million. In addition to employees already on the payroll, 94 jobs are directly supported by the presence of CSW. About \$2.9 million will be generated in wage income. This equates to an average of \$30,900 per job.

TABLE 3			
Summary of Economic Impacts of the College of the Southwest on the Lea County Economy in 2005			
	Output	Employment	Income
Direct	\$9,578,736	93.9	\$2,898,967
Indirect	\$1,432,472	17.4	\$540,583
Induced	\$1,370,674	17.2	\$449,934
Total Impacts	\$12,381,879	128.5	\$3,889,484
Multiplier	1.29	1.37	1.34
Sources: Minnesota IMPLAN Group; Gruen Gruen + Associates.			

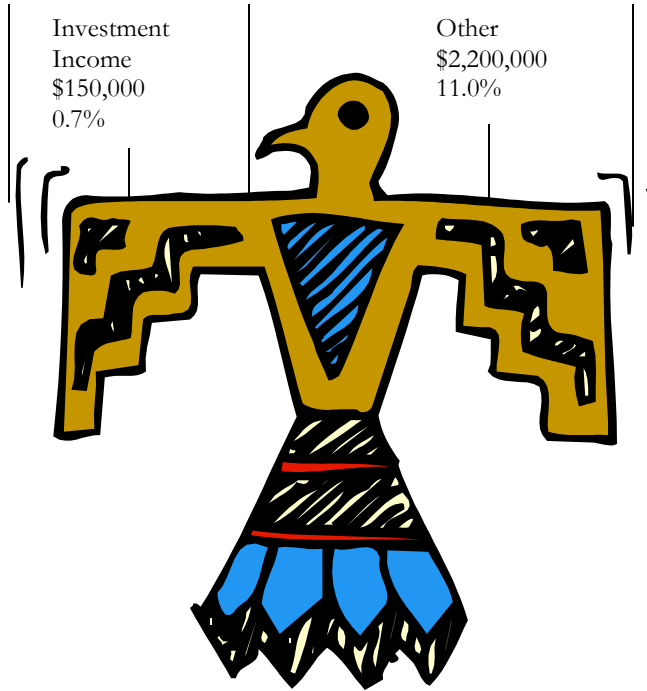
Table 4 shows the annual economic impact of CSW on Lea County based on its expected 2016 expenditure presented in 2005 dollars. The direct impact in annual output is about \$18.3 million. Each dollar of output associated with CSW generates \$1.25 in total economic production. The total output impact of CSW is about \$22.9 million. In addition to employees already on the payroll of CSW, 163 jobs are directly supported by the presence of CSW. About \$4.9 million is generated in wage income. This equates to an average of \$29,800 per job.

TABLE 4			
Summary of Economic Impacts of the College of the Southwest on the Lea County Economy in 2016¹			
	Output	Employment	Income
Direct	\$18,293,278	163.6	\$4,873,537
Indirect	\$2,329,369	27.3	\$855,667
Induced	\$2,286,097	28.2	\$750,422
Total Impacts	\$22,908,741	219.1	\$6,479,624
Multiplier	1.25	1.34	1.33
¹ Presented in 2005 dollars.			
Sources: Minnesota IMPLAN Group; Gruen Gruen + Associates.			



SOURCE OF NMJC FUNDS

State Government \$14,150,000 70.5%	Tuition & Fees \$1,750,000 8.6%	Federal Government \$1,850,000 9.2%
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For 2005, NMJC will receive approximately \$20.1 million in total revenues. State and federal government sources will provide 80 percent of total revenues and nearly two-thirds of this amount will be from sources outside of Lea County. Approximately 65 percent of tuition and fees will be received from within Lea County. Overall, 58 percent of all revenues will be received from outside of the County.

NMJC forecast its sources of revenues for 2016 when enrollment will increase by one-third to 2,400 students. Total revenues will increase by 25 percent to \$25.1 million. Non-local revenue will increase by nearly 27 percent from \$11.7 million to \$14.8 million. The proportion of non-local revenues will remain about the same at 59 percent of total revenues.

NMJC Planned Construction

NMJC will spend an average of \$4.3 million annually on new construction projects which include:

Western Heritage Museum:
Size: 25,675 square feet
Cost: \$5,300,000
Estimated Completion: 2005

Ben Alexander Student Center:
Size: 34,260 square feet
Cost: \$6,800,000
Estimated Completion: 2005

Workforce Development Center:
Size: 32,000 square feet
Cost: \$5,132,000
Estimated Completion: 2007

Six Student Dormitories:
Size: 100 beds; 27,170 square feet each
Average Cost: \$4,400,000
Estimated Completion: One new dormitory every other year until 2016



SOURCE OF CSW FUNDS

CSW Planned Construction

CSW will spend an average of \$3.4 million annually on new construction projects including:

Fitness Center:
 Size: 41,636 square feet
 Cost: \$4,800,000
 Estimate Completion: 2008

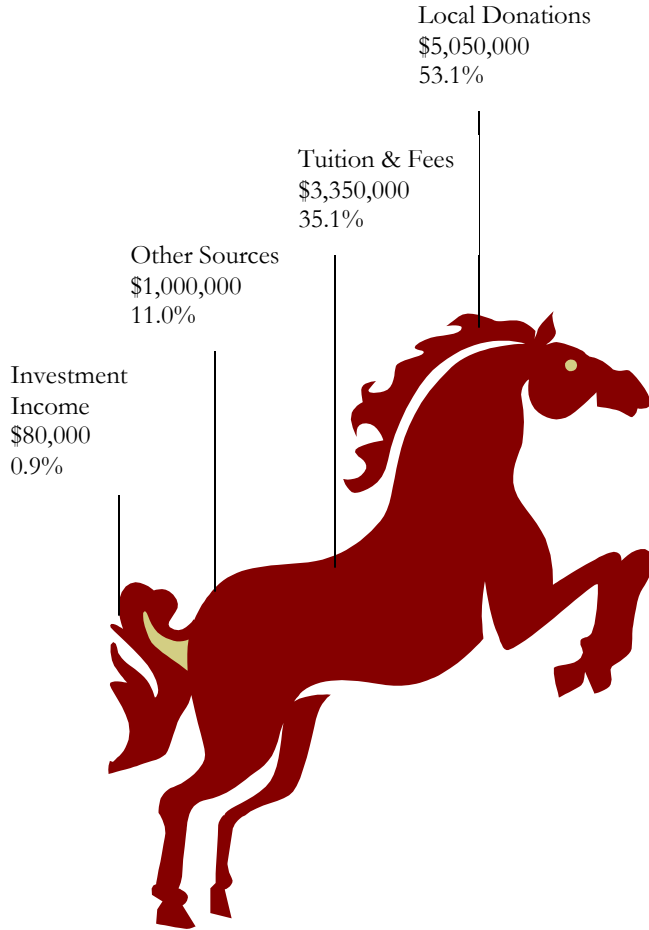
Chapel
 Size: 8,800 square feet
 Cost: \$1,700,000
 Estimate Completion: 2007

Administration Building
 Size: 15,461 square feet
 Cost: \$2,600,000
 Estimated Completion: 2010

Campus Center Expansion
 Size: 13,826 square feet
 Cost: \$2,600,000
 Estimated Completion: 2011

Academic/Technology Center
 Size: 16,500 square feet
 Cost: \$3,000,000
 Estimated Completion: 2016

Nine Residence Halls
 Size: 48 beds; 14,913 square feet each
 Average Cost: \$1,800,000
 Estimated Completion: One residence hall each year until 2012



In 2004, total revenues approximated \$9.5 million. The largest amount received was from local private donations accounting for 53 percent of total revenues. Approximately 31 percent of revenues are received from non-local sources.

CSW forecast its sources of revenues for 2016 when enrolment will more than double. Total revenues will increase by 184 percent to \$27 million. Non-local revenue will increase by over 430 percent to almost \$15.8 million, as the portion of non-local revenues will increase from 31 percent to 58 percent.

