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the El Paso Economy

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on the El Paso Economy**

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Introduction

In the fall of 2002, the Institute for Policy and Economic Development (IPED) completed an analysis of the Economic Impact of the University of Texas at El Paso (UTEP) on the regional economy. The study concluded the following:

- UTEP's presence increases annual local sales and personal income by \$349 and \$228 million, respectively.
- Adds 4,871 jobs to the region.
- Expands the credit base of local depository institutions by \$35 million.
- Increases the global stock of human capital (i.e., earnings' stream) by \$838 million per 2,000 UTEP graduates.
- Generates some impressive benefit to cost ratios. For example:

Increased Sales Volume to Net Local Government outlays supporting UTEP presence = 21 to 1.

UTEP – Related Income to UTEP State Government Funding = 3 to 1.

Incremental Global Human Capital to UTEP State Government Funding = 15 to 1.

This study clearly established the significance of UTEP to the region. At the time, the analysis did not consider the impact of visitors attracted to the region by UTEP via sporting and other ticketed events or the impact of UTEP retirees in the region. This report presents the results of IPED's economic impact analysis of UTEP retirees on the local economy as a follow-up to the original study (For a copy see iped.utep.edu/reports).

Methodology

To assist in this study, UTEP's Department of Human Resources identified over 400 (409) faculty and staff retirees living in El Paso County. A questionnaire was mailed to this population in the spring of 2003. Retirees were asked to respond to a series of questions concerning their status while at UTEP along with their current income, expenditure, and saving levels (A copy of the survey is available on request).

Given the expenditures identified in this survey, the direct economic impact, along with the indirect or multiplier effects on the region's business volume, employment level, and credit base, are calculated. The multipliers utilized in this report are derived from IPED's Regional Impact Model or IPED RIM.¹

Data and Analysis

UTEP Retirees

120 usable responses were generated from the survey of the 409 UTEP retirees living in El Paso County; a 29.3 percent response rate by the population of local retirees. The geographical distribution of the respondent group relative to the county's population is presented in Table 1. There is an over-representation of West and Northeast residents while Central located retirees are under-represented. To the extent that households located in the West/Northeast sectors and those in the Central areas of El Paso are relatively high income/spending and low income/spending units, respectively, implies that the survey results could lead to an overstatement of the economic impact of UTEP retirees upon the regional economy. To minimize the effects of this possibility, median values reported by the response group are utilized in this report.

¹ Referred to in the original study as the Caffrey-Isaacs Impact Model or CIM.

Tables 2, 3, and 4 provide responses concerning retirees' position while at UTEP. The survey results reveal the following:

- The response group is distributed broadly over the Executive/Administrative (13%), Faculty (46%), and Professional/Technical/Service/Maintenance (41%) categories.
- All UTEP colleges are represented in the response group with Science and Health Sciences comprising over 60 percent of former faculty responses.
- Responses by former UTEP staff are distributed over 30 categories with former staff employees in Physical Plant (20%) and the Library (16%) accounting for more than one-third of the response group. The eight categories listed in Table 4 represent approximately two-thirds of responses with the remaining 22 groups making up one-third of total responses.²

Table 5 presents median monthly income and expenditure data generated in the survey. Overall, UTEP retiree households earn \$49,200 per year and spend \$18,912 locally (including property tax payments).

Unfortunately, UTEP does not have population information concerning the responses reported in Tables 2 through 4. Therefore, other than the comparison data presented in Table 1, it is difficult to establish the representativeness of the response group relative to the population of UTEP retirees. This becomes a potential problem when extrapolating the expenditure data reported in Table 5. Given this, median values are utilized to minimize the effects of the extreme ends of relevant distributions. In addition, weighted medians were calculated using the geographical weights of the retiree population reported on Table 1. The results under this approach varied less than 5 percent from the direct medians reported in this study. In addition, the spending levels reported by the response group were compared to the patterns revealed by active UTEP faculty/staff and retirees from the Ft. Bliss military base in the region (see *IPED Border Business Review*, January 2003 and *IPED Technical Report #2002-08* at

² A complete file containing responses to this and all survey questions is available from IPED.

iped.utep.edu/reports). In all categories, the figures reported by UTEP retirees were consistent and/or reflected expenses consistent with reasonable expectations associated with other regional studies.

Table 6 reveals that UTEP retired faculty and staff maintain a median balance of \$26,000 in local depository institutions. These funds serve to increase the credit base of lending institutions in the region.

Summary

The local spending level of UTEP retirees can be applied to the retiree population to determine the direct, along with indirect or multiplier, effects upon local business volume. The annual, direct impact upon business revenues is calculated to be \$6,890,832. The total impact (direct plus indirect effects) is estimated at **\$15,159,830**. In addition, the presence of UTEP retirees in the local economy generated **212** additional jobs in the economic system and augments the credit base of local depository institutions by **\$10,634,000**.³ Table 7 presents these results. One should also consider that these values are in addition to the \$348 million impact on business revenues, the increase of 4,871 jobs, and an increased credit base of \$35 million reported in the 2002 IPED study for UTEP's on-going operations and programs.

³ As noted, these values were derived through the IPED-RIM.

Table 1
Geographical Distribution (%) of UTEP Retirees Living in El Paso County

<u>Area*</u>	<u>County Population</u>	<u>Response Group Percentage</u>
West	40.1	50.4
Northeast	10.3	12.2
East	13.3	13.9
Central	30.0	16.5
Lower Valley	6.2	7.0

* The El Paso areas are defined as follows:

West	Zip codes 79912, 13, 22, and 32
Northeast	Zip codes 79904 and 24
East	Zip codes 79925, 35, and 36
Central	Zip codes 79901, 02, 03, 05, and 30
Lower Valley	Zip Codes 79907, 15, and 27

Table 2
Distribution of Response Group (%) by Job Classification while at UTEP

<u>Classification</u>	<u>Percentage</u>
Executive, Administrative, Managerial	12.7
Faculty	45.8
Professional Non-Faculty, Technical, and Paraprofessional	28.8
Service/Maintenance	12.7

Table 3
Distribution (%) of Faculty Responses by College

<u>College</u>	<u>Percentage</u>
Business Administration	7.4
Education	7.4
Engineering	7.4
Liberal Arts	13.0
Science	38.9
Health Sciences	24.1
Other	1.8

Table 4
Distribution (%) of Staff Responses by College/Department/Unit

<u>College/Department/Unit</u>	<u>Percentage</u>
Physical Plant	19.7
Library	16.4
Department of Athletics	8.2
College of Education	6.6
College of Liberal Arts	4.9
Department of Art	3.3
Department of Biological Sciences	3.3
Food Services	3.3
All others (22 categories)	34.3

Table 5
Median Income/Expenditures (\$) Per Month of Response Group

<u>Income/Expenditure Category</u>	<u>Median \$ Per Month</u>
Household Income	\$4,100
Real Estate/Property Taxes	172
Housing and Utilities	404
Groceries	300
Auto	200
Retail Purchases	100
Entertainment	100
Charitable Contributions	100
Other	200

Table 6
Median Transactions and Savings Deposit Balances (\$) of Response Group in Local Depository Institutions

<u>Account</u>	<u>Median \$ Balance</u>
Transactions	\$4,000
Savings	\$22,000

Table 7
Economic Impact of UTEP Retirees

<u>Incremental Business Volume</u>	\$15,159,830
<u>Incremental Employment</u>	212
<u>Expansion in Credit Base of Local Depository Institutions</u>	\$10,634,000