



The Economic Contribution of the University Research Park

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August 2006

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Introduction

The University Research Park (URP) is a manifestation of the combined presence of the UW-Madison and the Wisconsin Alumni Research Foundation. Combining the research that takes place on the UW-Madison campus with the financial, legal, management and support expertise of WARF has made the URP a center of innovative high-tech product development. This concentration of people and capital is one reason Madison and Dane County continues to attract talent and income.

URP asked NorthStar Economics to estimate the economic impact the activities in the park make to the local economy. Using data collected from companies in the park and an economic impact model, NorthStar calculated the economic contribution URP makes to the Dane County and Wisconsin economies, the number of jobs supported by activities in URP and the tax revenue generated due to the existence of the companies in URP.

The estimated contribution URP makes to the local economy is presented in this report.

About URP

The University Research Park was established in 1984 with support from Madison Gas & Electric Company as a non-profit, technology park designed to foster the growth in technology transfer and new start up companies in Wisconsin. Located in Madison, the 255 acre park offers business incubator space and land parcels for building construction. The incubator building, MG&E Innovation Center, consists of 113,000 square feet of office and laboratory space, conference facilities and common areas. In addition to the incubator facilities, URP leases land for companies that wish to expand within the park and offers build to suit and multi-tenant buildings for lease. The park now has 34 buildings housing 114 companies.

URP Physical Statistics

2006

| | |
|----------------|-----------|
| Acreage | 255 |
| Buildings | 34 |
| Square Footage | 1,532,000 |
| Companies | 114 |

Companies located in the park represent a wide spectrum of business and industry. Biotechnology firms dominate the URP landscape, but also residing within the park are a business bank, three venture capital firms, an economic consulting firm, an on-line learning company, and two childcare facilities. Most of the high-tech start-up companies in the Park are off shoots of research conducted at the UW-Madison and supported by WARF.

URP accepts no state or local funding and, in fact, paid over \$2.8 million in property taxes in 2005. All URP assets and net income are for the benefit of the UW-Madison to continue the research that will create more high-tech start up companies in the future.

Economic Contribution

The economic contribution URP makes to the community is greater than just the activity that occurs within the Park. The business activity of the firms in URP has a greater economic impact on the surrounding community through the ripple effect of dollars spent by URP companies and employees. For example, for every dollar spent on computers by a company in URP, there are a number of people and businesses in the greater Dane County community that sell and service the computers for the URP companies. These providers in turn spend the income they receive from URP company business on other goods and services in the community, such as food, clothing, and shelter. Expansion of the direct economic activity of firms within the park out to the greater Dane County community is known as the multiplier effect. The multiplier effect affects commerce dollar flows through the community, job activity, and tax revenue generation.

Direct Impacts

There are 114 companies employing over 4,100 people in the University Research Park in 2006. URP firms' employees are highly educated with over 90% having at least a bachelor's degree and almost 44% having advanced degrees. URP employees earn over \$62,000 on average. This is substantially above the state average earnings of \$35,503 and the average Dane County earnings of \$39,029.

URP Company Employee Statistics

2006

| | |
|--------------------------------------|----------|
| Number of Companies | 114 |
| Number of Employees in URP | 4,155 |
| Percentage with BS degree | 47.9% |
| Percentage with Advanced Degree | 43.8% |
| Average Annual Earnings per Employee | \$62,290 |

URP firms have a total gross payroll of almost \$260 million dollars with annual average earnings of over \$62,000. Of this \$260 million in payroll, about 25 percent leaves the local area for federal taxes and other deductions. Another roughly 20 percent leaves the area due to personal spending outside Dane County.

URP Company Employee Payroll

2006

| | |
|----------------|----------------|
| Gross Payroll | \$ 258,816,290 |
| Net Payroll | 194,112,218 |
| Local Spending | 155,736,232 |

URP firms also spend over \$200 million on non-payroll goods and services, such as computers. About 47 percent of that spending occurs within the local economy, \$100 million.

URP Company Non-Payroll Spending

2006

| | |
|----------------------------------|----------------|
| URP Company Non-Payroll Spending | \$ 212,909,476 |
| URP Company Local Spending | 100,373,993 |

All the employees in the Park pay income tax to the state, over \$8 million. They also pay sales taxes on purchased goods, \$6 million, and property taxes to the local communities, over \$11 million. The Park it self pays almost \$3 million dollars in local property taxes.

URP Economic Statistics

2006

| | |
|--|----------------|
| Total URP Non-Payroll Spending | \$ 212,909,476 |
| URP Companies' Local Spending | 100,373,993 |
| URP Property Tax | 2,828,353 |
| URP Companies' Employee Income Tax | 8,282,121 |
| URP Companies' Employee Sales Tax | 5,926,893 |
| URP Companies' Employee Property Tax | 11,051,456 |
| Total Direct URP Tax Revenue Generated | \$ 28,088,823 |

Total Economic Impact

The total economic impact of URP is expanded using economic multiplier coefficients applied to the direct economic activity of URP companies. Multipliers are applied to payroll spending, non-payroll spending, and to employment levels.

The multiplied economic expansion brings the total economic contribution the URP makes to the local economy to over \$630 million. Payroll spending accounts for \$376 million of the total. Non-payroll spending accounts for \$254 million.

Total employment in the area also expands due to URP activity. Employment is affected by non-payroll spending and by the employees of URP companies. Non-payroll spending by URP companies creates 3,030 jobs in the local communities. The existence of URP companies' employees create 1,301 more jobs.

The total number of jobs created by activities at URP is 8,486.

With the addition jobs comes additional tax revenue. For the 4,331 of new jobs created by URP companies and their employees, there is another \$16 million in tax revenue generated. This consists of \$5.2 million in income tax revenue, \$3.8 million in sales tax revenue, and \$7.1 million in local property tax revenue.

URP Company and Employee Tax Revenue

2006

| | |
|------------------------------------|---------------|
| URP Companies' Employees | 4,155 |
| Indirect Jobs Created | 4,331 |
| Total Tax Revenue of Indirect Jobs | \$ 16,129,665 |

The total economic contribution to the local economy due to the presence of the University Research Park is large, \$630 million. The Park's presence is also responsible for 8,486 workers in Dane County and over \$44 million in tax revenue.

URP Total Economic Contribution in Dane County

2006

| | <u>URP</u> | <u>Indirect</u> | <u>Total</u> |
|------------------------------|-------------------|------------------------|-----------------------|
| Economic Contribution | \$ 256,110,225 | 374,056,459 | \$ 630,166,684 |
| Jobs Created | 4,155 | 4,331 | 8,486 |
| Tax Revenue Generated | \$ 28,088,823 | 16,129,665 | \$ 44,218,488 |

State Incremental and Total Economic Contribution

The economic activity conducted at URP is not contained within Dane County. URP business activity washes across the state and this incremental contribution is not insignificant. Non-payroll spending outside Dane County, but within Wisconsin, adds another \$22 million in direct spending. This commerce expands to almost \$52 million as it cycles or multiplies through the state economy.

URP activity outside Dane County generates another 620 jobs in Wisconsin and an additional \$22 million in payroll. The incremental state activity also generates another \$2.2 million in state and local tax revenue.

In total, URP activity generates \$682 million in economic activity in Dane County and Wisconsin, creates 9,100 jobs, and generates over \$46 million in state and local tax revenue.

URP Total Economic Contribution in Dane County and Wisconsin

2006

| | <u>Dane County</u> | <u>Wisconsin Increment</u> | <u>Total Contribution</u> |
|------------------------------|---------------------------|-----------------------------------|----------------------------------|
| Economic Contribution | \$ 630,166,684 | \$ 51,787,985 | \$ 681,954,670 |
| Jobs Created | 8,486 | 620 | 9,106 |
| Tax Revenue Generated | \$ 44,218,488 | \$ 2,158,636 | \$ 46,377,124 |