



The Regional Economic Impact of the University of Houston's College of Medicine

Executive summary



The University of Houston's (UH's) growth has paralleled the growth of Houston, which has tripled in the last 45 years. With that growth have come significant increases in the need for health care, as the state finds itself facing the challenge of communities with significantly impaired access to health care. To address the entire state's need for improved health care, UH has decided to expand by adding a 15th academic college, the College of Medicine.

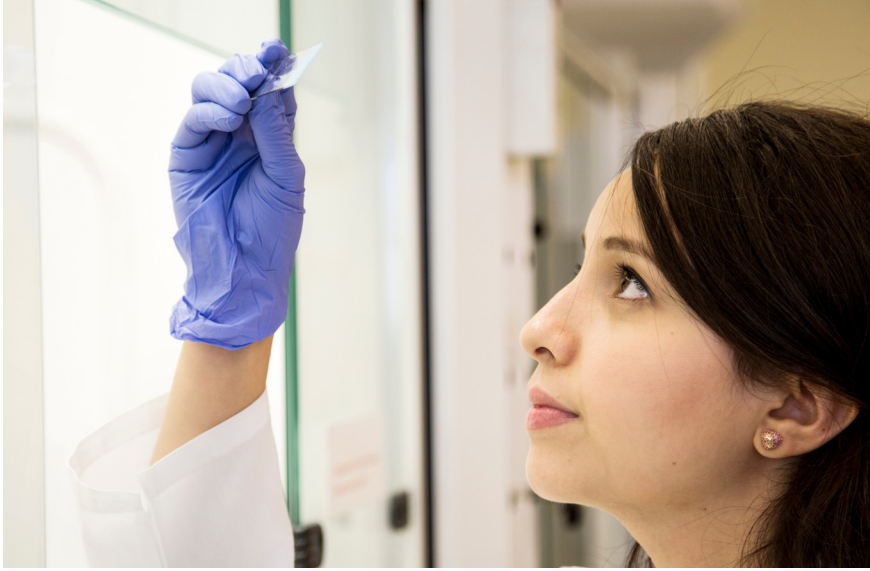
UH's College of Medicine will provide an environment for students, faculty and staff, and corporations to come together and help meet the health care needs of UH Service Area communities. The College's goals include: educating a diverse body of physicians who can provide primary and specialty care to the regional residents who need it most; providing high-quality care directly to patients; performing research to develop solutions to health care's pressing issues; and, engaging with patient populations and other partners to create a health care environment that benefits all of UH Service Area.

The initial capital investment will create short-run spending impacts through the construction of state-of-the-art facilities. These new capacities will allow the College of Medicine to serve Doctor of Medicine students. The College will create new jobs for additional faculty and staff and will increase the associated day-to-day purchases from the region's businesses. This will provide a steady stream of long-run spending impacts year after year. Lastly, as the students who would otherwise not have been served graduate, they will generate long-run benefits within the UH Service Area¹. Four types of impacts are estimated:

- Short-run spending impact
- Long-run operations spending impact
- Long-run student spending impact
- Long-run alumni impact

*The College of Medicine will influence both the **lives of students** and the **regional economy**.*

¹ The UH Service Area consists of Brazoria, Chambers, Fort Bend, Galveston, Harris, Liberty, Montgomery, and Waller Counties.



THIS analysis spans from FY 2019, when construction begins, to FY 2029, the final year of this analysis. We estimate the total impacts that will be created in the UH Service Area by FY 2029, as well as the annual impacts that will occur long after FY 2029.

SHORT-RUN SPENDING IMPACT



As the initial capital investment is spent on the construction of the College of Medicine, it will create a significant amount of new economic activity that will ripple throughout the UH Service Area economy. The short-run spending impacts begin in FY 2019, when construction begins, until FY 2022, when construction is expected to be completed. During the course of the construction phase, UH will spend a total of \$91.1 million on the College of Medicine. The \$91.1 million in construction spending will create a present value of \$58.7 million in added income for the UH Service Area economy.

LONG-RUN OPERATIONS SPENDING IMPACT



As long as the additional capacities created by the College of Medicine are utilized, there will be recurring operations spending impacts. After FY 2028, when annual operations spending stabilize, long-run operations spending impacts will benefit the UH Service Area economy with \$37.3 million in total added income annually, which is equivalent to supporting 350 jobs per year.

Once the College is constructed, UH will begin to utilize its newly added capacities. This will increase the university's associated annual operational expenditures, which will include additional payroll for new faculty and staff, new capital and equipment spending, and added spending on other supplies (e.g. office supplies). These operations spending impacts will begin in FY 2020. From FY 2020 to FY 2029, the increased operations spending resulting from the College of Medicine will create a present value of \$286.4 million in total added income for the regional economy.

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LONG-RUN STUDENT SPENDING IMPACT



There will be recurring annual student spending impacts as long as the College of Medicine serves students. By FY 2028, when the annual students served per year stabilize, the long-run student spending impacts will benefit the UH Service Area economy with \$4.8 million in total added income annually, which is equivalent to supporting 90 jobs each year.

The College of Medicine will expand the capacities at UH, allowing the university to serve an additional 480 students each year, once stabilized. Some of these students will relocate to the UH Service Area. Additionally, some in-region students will remain in the UH Service Area because the College can now serve them. The money that these relocated and retained students will spend toward accommodation, groceries, entertainment, and transportation can be attributed to the College of Medicine. The student spending impacts are expected to start in FY 2021, when the first medical students will be served. From FY 2021 to FY 2029, the student spending will create a present value of \$17.7 million in total added income for the UH Service Area economy.

LONG-RUN ALUMNI IMPACT



The added capacities created by the College of Medicine will help UH respond to the demands of a growing economy and student population. The College will create additional alumni who otherwise would not have been served by UH. They will begin to accrue in FY 2024, when the first students graduate with their Doctor of Medicine degree. The added earnings and increased productivity of these alumni will create long-run impacts across the regional economy. Accounting for the College's enrollment ramp-up period, by FY 2029, the College of Medicine will have produced more than 400 physicians, a number of whom are expected to remain in the region. Every year thereafter, more than 100 graduates will be produced. From FY 2024 to FY 2029, the additional alumni will add a present value of \$13.9 million in total added income for the UH Service Area economy.

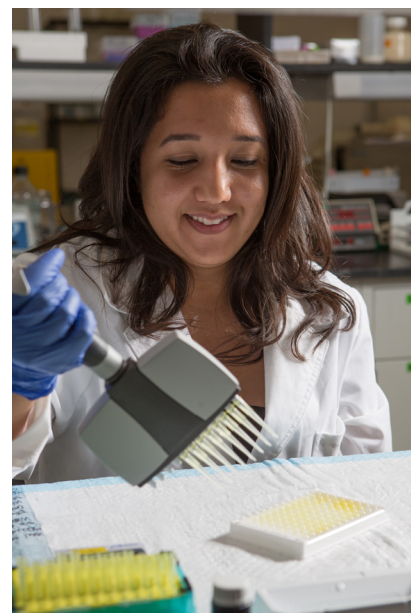
TOTAL IMPACT

From FY 2019 to FY 2029, the present value of short-run and long-run impacts created by the College of Medicine will provide a total economic impact on the UH Service Area economy of \$376.6 million in added income.

The implicit multiplier is the present value of added income divided by initial spending on the College of Medicine. From FY 2019 to FY 2029, every dollar of the \$91.1 million in funding of the College of Medicine's initial capital investment will create a present value of \$4.13 in added income throughout the UH Service Area.

By FY 2026, 7.5 years after construction begins, it is expected that the impacts generated by the College of Medicine will have grown significantly enough to recover the costs of not only the initial capital investment, but also the annual costs of keeping the College operational.

There will be recurring annual student spending impacts as long as the College of Medicine serves students. By FY 2028, when the annual students served per year stabilize, the long-run student spending impacts will benefit the UH Service Area economy with **\$4.8 million** in total added income annually, which is equivalent to supporting **90** jobs each year.

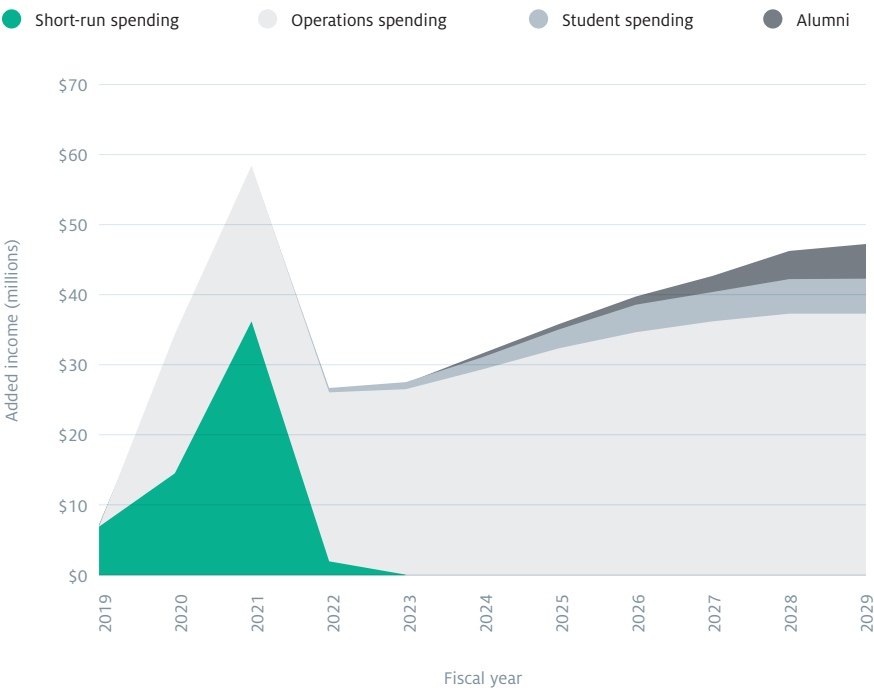


By FY 2029, the last year of this analysis, alumni are estimated to add \$5.2 million in total added income to the economy per year, or 57 jobs. This annual impact is expected to increase every year for several years as the College of Medicine continues to serve more students and they enter the workforce.

Conclusion

The results of this study demonstrate that the College of Medicine will create value for the UH Service Area economy through many avenues. From the very beginning, its construction phase, the College will positively impact the regional economy. Once the College is operational, , it will bring money into the region that will continue long after the final year

COLLEGE OF MEDICINE’S TOTAL IMPACT FROM FY 2019 TO FY 2029, UNDISCOUNTED



of this analysis. The College will allow UH to serve more students, helping meet the growing medical student demand. These students’ daily spending will grow the regional economy. Finally, as these students graduate from the College of Medicine with their Doctor of Medicine degrees, they will help meet the health care needs of the regional economy and add to the productivity of the regional workforce.

ABOUT THE STUDY

Data and assumptions used in the study are based on several sources, including data from UH, industry and employment data from the U.S. Bureau of Labor Statistics and U.S. Census Bureau, and outputs of Emsi’s Multi-Regional Social Accounting Matrix model. The study applies a conservative methodology and follows standard practice using only the most recognized indicators of economic impact. For a full description of the data and approach used in the study, please contact UH for a copy of the main report.

| Present Value Impacts, FY 2019 to FY 2029 | | Long-Run Annual Impacts |
|---|--|-------------------------|
| \$58.7 million | | N/A |
| Short-Run Spending Impact | | |
| \$286.4 million | | \$37.3 million |
| Long-Run Operations Spending Impact | | |
| \$17.7 million | | \$4.8 million |
| Long-Run Student Spending Impact | | |
| \$13.9 million | | \$5.2 million |
| Long-Run Alumni Impact | | |
| \$376.6 million | | \$47.4 million |
| Total Impact | | |
| N/A | | 497 |
| Jobs Supported | | |