



# **The Economic Contribution of the University Research Park**

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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 Dane County, 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 \$4.8 million in tax revenue generated. This consists of \$1.6 million in income tax revenue, \$1.1 million in sales tax revenue, and \$2.1 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	\$ 4,845,844

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 almost \$33 million in tax revenue.

**URP Total Economic Contribution**

2006

	<b><u>URP</u></b>	<b><u>Indirect</u></b>	<b><u>Total</u></b>
<b>Economic Contribution</b>	\$ 256,110,225	374,056,459	<b>\$ 630,166,684</b>
<b>Jobs Created</b>	4,155	4,331	<b>8,486</b>
<b>Tax Revenue Generated</b>	\$ 28,088,823	4,845,844	<b>\$ 32,934,666</b>