

## GLOSSARY OF KEY TERMS

Four dimensions of Impact covered in the report include:

1. **Economic Impacts:** How CSU generates measurable economic value in the form of industry activity, job creation and increased earnings.
2. **Student Impacts:** How the CSU transforms lives through access to education, degree attainment, career preparation and pathways to social mobility.
3. **Industry Impacts:** How the CSU strengthens California's industries by supplying talent, driving innovation, and meeting regional and statewide workforce needs.
4. **Societal Impacts:** How the CSU's applied research addresses California's most pressing challenges, from climate resilience and water security to biotechnology and cybersecurity.

### Economic Impact

Economic impact refers to the total economic output generated across sectors due to CSU-related direct spending. It captures the ripple effects of CSU operations, student expenditures, and alumni earnings on other industries such as construction, retail, hospitality and professional services.

Four impact metrics are used:

- **Industry Activity** is the most common impact metric reported. It measures the total economy-wide industry spending generated across sectors due to CSU-related activity.
- **Employment** measures jobs supported by CSU-related activity. IMPLAN estimates employment by aggregated sector. The term "supported" is used to describe job impacts to clarify that the impact may not be net new jobs created but instead may sustain annual employment.
- **Labor Income** measures supported wages and salaries (including benefits) paid to workers, plus proprietor income, supported by the CSU-related activity.
- **Tax Impacts** measure state and local tax revenues from businesses, sales, excise and property from CSU-related activity.

### Economic Activity

- Economic activity is generic term used throughout the report to capture the broad economy-wide impact of the CSU.

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#### **Multiplier**

A multiplier is a factor used to estimate the total economic impact of direct spending. It reflects how initial CSU expenditures and student spending lead to additional rounds of spending in the economy, amplifying the total impact. It is calculated by dividing the total industry impact by the direct impact.

$$\text{Multiplier} = \text{Industry Activity} / \text{direct impact}$$

#### **Return on Investment (ROI)**

ROI in the context of the CSU report refers to the economic return generated for every dollar invested by the state in the CSU system or CSU campus. For example, the report shows that each dollar of state funding yields \$7.69 in industry activity—and \$35.53 when alumni earnings are included—demonstrating the CSU's high value as a public investment.

$$\text{ROI} = \text{Industry Activity} / \text{State Investment}$$

#### **Direct Impact**

Direct impact refers to the immediate economic effects of CSU-related activities. These impacts occur in the industry sectors where the primary activity occurs.

$$\text{Direct impact} = \text{input} - \text{regional leakage}$$

#### **Indirect Impact**

Indirect impact captures the secondary effects on industries that supply or interact with the primary industries directly affected by CSU spending. For instance, when CSU buys construction materials, it boosts demand in manufacturing and logistics sectors that support construction.

#### **Induced Impact**

Induced impacts captures the secondary effect on industries from increased wages for workers in directly and indirectly impacted industries. Workers use their income to buy goods and services, further stimulating the economy in sectors like retail, health care, and entertainment. Indirect and induced impacts together are often referred to as secondary impacts.

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**Leakage**

Leakage refers to industry activity, employment, labor income or taxes (impacts) that are experienced outside of the region of analysis due to supply chains that extend beyond the region. For example, campuses in the North Coast may purchase supplies or services from Bay Area or out-of-state companies. These dollars are “leaked” out of the region. For some campuses and/or regions, statewide impacts are larger than regional impacts due to supply-chain purchases from the regional economy that are captured at the state level.

**Incremental Alumni Earnings**

Incremental alumni earnings refer to the additional income that CSU graduates earn over their lifetimes (annualized) as a direct result of obtaining a CSU degree. This figure is calculated by comparing the earnings of CSU alumni to those of individuals with lower levels of education, such as high school graduates or transfer students without a bachelor’s degree. The median income for CSU alumni was determined based on CSU data (specified by degree level and years since graduation). These earnings contribute significantly to California’s economy, as alumni spend their increased income on goods and services, generating induced economic impacts across the state.

**Student Spending**

Student expenditure data is based on Cost of Attendance data provided by CSU. The line items included based on the student type (living with parents, living in campus housing, and living off campus) are detailed in the table below.

A significant portion of on-campus CSU student expenditures occur at auxiliary organizations (e.g., campus housing, bookstores, campus food services and parking), which are captured in the auxiliary organization spending vector. To avoid double counting, on-campus student spending on food and housing are excluded and on-campus student spending on book and supplies are discounted (50%) in student expenditures.

Living With Parents	Living On Campus		Living Off Campus
Books and Supplies	Books and Supplies	50%	Books and Supplies
Food and Housing			Food and Housing
Transportation	Transportation		Transportation
Personal/Miscellaneous	Personal/Miscellaneous		Personal/Miscellaneous

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#### **Special Note: Capital Expenditures**

While \$1.2 billion spent annually on capital assets may seem like a large number, the CSU has identified nearly \$31 billion in capital project needs. This includes a significant backlog in deferred maintenance of \$8.6 billion which is expected to grow by more than \$400 million annually due to inflation and aging facilities. While these figures largely represent construction related costs, it's important to remember they also include capital software and equipment costs which may require renewal every year or every few years.

The CSU has received \$803 million in one-time funding over the past two decades with a majority of this funding received between the 2019-20 and 2022-23 fiscal years to help support these expenditures. The state has also provided some ongoing funding to support Systemwide Revenue Bond debt service. Absent any future allocations by the state, the CSU may need to redirect crucial instructional dollars to ensure facilities are properly maintained to ensure student safety and an engaging learning environment.