

## FINANCIAL AND ECONOMIC IMPACT

Since its founding in 1800, Middlebury College has had a symbiotic relationship with the town of Middlebury. Through the past two centuries, as the College has grown into one of the world's leading liberal arts institutions with a global vision, it has remained a residential college deeply rooted in Middlebury, Vermont.

The College is in very good fiscal health with AA credit rating from Standard and Poor's and an Aa2 credit rating from Moody's Investor Services. The rating agencies recently cited the following as credit strengths:

- Excellent student market position as a nationally prominent highly selective liberal arts college located in west-central Vermont (Middlebury is ranked #4 by USN&WR);
- Management is focused on program and revenue diversification, as highlighted by the full merger with the Monterey Institute of International Studies in California, summer programs (VT and CA), and the launch of Middlebury Interactive Languages LLC, a language learning company geared for pre-college students, featuring both an on-line language learning program and residential and day, language immersion summer academies located in various states and abroad in China and Spain;
- Management actions to reduce operating expenses; and
- Strong gift revenue remains key credit strength of the College.

The College's consolidated budget for FY 2014 is \$292 million; The College has \$1.5 billion in assets of which ~\$1 billion in the form of endowment assets.

The College's economic impact on the town of Middlebury and beyond is unmistakable. From its multi-million dollar annual spending on goods and services to the cultural benefits it brings to rural Vermont, from its position as the largest employer in Addison County to the immense level of intellectual capital it brings to the area, Middlebury College is an economic engine of enormous import to the town, the region, and the state.

In 2011, Middlebury College employed 1,376 faculty and staff—1,043 of whom were full-time employees—paying wages and providing benefits totaling \$79.6 million. As the largest employer in the town—one out of every ten jobs in Middlebury could be found at the College—Middlebury College also served as an important anchor during the recent recession. From 2007 to 2010, overall employment figures in the town of Middlebury fell, while employment at the College during this same period held steady. Just as the College was a steady source of jobs during the recession, it was also a steady source of wages that propelled the local economy. Nearly one out of every four dollars earned in Middlebury was earned at the College, and while wages paid in the town dropped nearly 6 percent during the recession, overall wages at Middlebury increased by one percent.

In addition to paying wages and providing employee benefits to its employees, Middlebury College, in 2011, paid an estimated \$113 million for goods and services to mostly regional and state suppliers and service providers.

Capital construction is the third largest expenditure impacting the local economy. During the past ten years, Middlebury has undertaken 26 major projects that have cost nearly \$200 million. In addition, the College has identified 14 construction projects that are planned for the next five to ten years at a cost of just under \$110 million. This implies an annual future construction spending of approximately \$15 million, which is consistent with the past ten years. Roughly half of these projects use Vermont-based general contractors, although nearly all of them require local constructors for major portions of the work.

For nine months of the year, 2,450 students reside in Middlebury, a figure that counts for nearly 29 percent of the town's population. It is estimated that College students spend \$5.8 million annually at businesses in Vermont, with about 80 percent of this spending, or \$4.5 million, occurring in the town of Middlebury alone. (The top three expenditures are for transportation, restaurants, and food and beverages.)

Finally, it is estimated that Middlebury brings nearly 5,000 visitors—parents, friends, alumni—to Vermont annually, and that they spend nearly \$4 million on lodging, restaurants, and shopping.

**Summary: Middlebury College's annual impact on the local economy through its expenditures on employees, goods and services, capital construction, and through the spending of its students and visitors equals approximately \$217.2 million.**

## **THE RIPPLE EFFECT**

Also called an indirect or multiplier effect, the ripple effect describes growth in jobs and wages in area industries that are a result of spending by the College and its employees, students, and visitors. According to a study conducted by Northern Economic Consulting Group, Middlebury College's expenditures in 2011 created 607 jobs elsewhere in Addison County (in addition to the 1,383 directly employed by the College. The combined figure of jobs directly and indirectly created by Middlebury represents nearly 14 percent of the workforce in Addison County. If one is to look statewide, Northern Economic Consulting Group estimates that Middlebury College is responsible for creating 2,420 jobs (including the 1,383 directly created by the College).

Middlebury College had a similar impact on earning, creating \$79.9 million in wages (\$60.6 million paid directly to College employees, plus \$19.3 paid to other Addison County employees as a result of the multiplier process). After accounting for Social Security payments and other taxes, plus dividend, interest, and rent earnings, Middlebury College was responsible for creating \$67.5 million in disposable income in Addison County in 2011.

All of the College's economic activity—whether created directly or indirectly—leads to the generation of tax revenue for the state of Vermont. These revenues (from the statewide education property tax, the

individual income tax, the general sales tax, and other smaller sales taxes) are estimated to have totaled \$10.7 million in payment to the state in 2011.

**Summary: Middlebury College's impacts job growth in the region and combined with its direct expenditures contributes tax revenue to the state of Vermont in a material way.**

### **RELATIONSHIP WITH THE TOWN**

As a private nonprofit institution of higher learning, Middlebury College is exempt from local property taxes, except for property being used for purposes that are not directly tied to the mission of educating students. The College currently pays \$680,000 annually in taxes on these properties. In addition, Middlebury College and the Town of Middlebury are engaged in a long-term agreement in which the College will pay the town an annual sum of \$270,000 to be considered a payment in lieu of taxes.

Of recent note, Middlebury committed to pay \$600,000 a year for a period of 30 years to help fund the construction of a new in-town bridge spanning Otter Creek that has greatly enhanced traffic flow and accessibility to downtown Middlebury—while also improving safety by increasing access for police, fire, and ambulance services—since its opening in 2010.

Middlebury is also a generous supporter of a number of nonprofit organizations.

**Summary: Middlebury College contributes \$1,550,000 annually in property taxes and payment in lieu of taxes.**

### **THE ENTREPRENEURIAL COLLEGE**

The College, in addition to being a nationally prominent highly selective liberal arts college the College is home to the:

- internationally recognized summer language schools (where 10 different languages are taught);
- the widely acclaimed Bread Loaf School of English and Writer's Conference both housed in Ripton, VT in the summer;
- 38 sites abroad which educate both Middlebury students as well as students from other institutions
- a graduate school in Monterey, CA ... the Monterey Institute of International Studies (MIIS). MIIS is home to the internationally recognized Center for Nonproliferation Studies.

The College's has a strong commitment to the environment and sustainability which is evidenced by its commitment to become carbon neutral by 2016. The College has made great strides by constructing and fully operating a biomass woodchip plant which has not only reduced the College's carbon emissions by half but has reduced its dependency on foreign oil by procuring wood chips from local sources. In addition, the College is working with a local provider on a project to bring renewable natural gas to the college which will allow the college to become carbon neutral while at the same time

continuing to keep our fuel purchases locally sourced. Finally, the College is committed to purchasing a portion of its food from local sources. The College locally sources ~20% of its food locally.

Building on its strategic position in foreign language instruction, the College first launched the Middlebury-Monterey Language Academy (MMLA) – a four-week summer residential academy for pre-college students (grades 8 - 12). The summer campus in Poultney, VT at Green Mountain College educates over 300 students in the summer learning in a fully immersive environment: Chinese, French, and Spanish. The program has expanded to multiple campuses throughout the east coast and in California.

Seeing a huge need for high quality foreign language instruction in the U.S. for K -12 students – the College deepened its strategic position in foreign language instruction by forming a for-profit foreign language learning company, Middlebury Interactive Languages (MIL), focused on both online education and bricks and mortar instruction (MMLA) with a primary market of K -12 students. The existing online courses which are in the hands of 100,000 students nationwide cover grades 4-12. MIL launched a Vermont initiative whereby thirty Vermont schools received deeply discounted language software and professional development for teachers which in large part was underwritten by the College. MIL is headquartered in Middlebury, VT and currently employs 40 employees in the Middlebury office.

The College launched the Middlebury College Center for Social Entrepreneurship which builds on and complements Middlebury's commitment to educating students in the tradition of the liberal arts. The center is designed to be a hub within a global network of schools, NGOs, government agencies, businesses, and foundations that share a commitment to creating 21st-century solutions.

The College along with the town and local businesses see the need for economic development in the town of Middlebury, Addison County, and greater VT. As such we have partnered with the town and local business to fund an economic development position aimed primarily at attracting new businesses to Middlebury, Addison Co. and VT.

**Summary: Middlebury College is a global, twelve-month campus focusing on the important global (and local) issues of our time ... however with its roots firmly set in Vermont.**