

Harvard says it adds \$5b to area

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Study comes as city pushes to get more money from colleges

By Robert Gavin, Globe Staff | January 15, 2009

Harvard University pumped nearly \$5 billion into the local economy in 2008, employing thousands of workers, attracting hundreds of millions of dollars in research grants, and spending hundreds of millions more on construction, equipment, and supplies, according to a new study from the school.

The study, conducted for Harvard by Appleseed, a New York consulting firm, aims to underscore Harvard's economic contributions to the state and region as Boston officials seek to squeeze more money out the city's tax-exempt nonprofit sector to help offset a budget shortfall estimated at more than \$100 million. Many hospitals and universities, including Harvard, make voluntary payments in lieu of taxes, but Boston officials estimate those payments amount to just one-10th of what the city would collect in property taxes.

Mayor Thomas M. Menino will soon name a task force to study the issue while Councilor-at-Large Michael Flaherty, who is considering running against Menino this year, has called for eliminating the tax-exempt status of colleges and universities so they "pay their fair share of property taxes."

These proposals come as universities themselves are squeezed. The financial crisis has battered endowments, including Harvard's, which lost more than 20 percent, or about \$8 billion, between July and November. Harvard relies on the endowment, which shrank to about \$29 billion from \$37 billion during that period, for one-third of its operating budget.

The new economic impact study shows Harvard's payments in lieu of taxes, a total of about \$5.6 million to Cambridge, Boston, and Watertown last year, are "just one small element in a wide range of programs" that benefit the region and the state, said Mary Power, the university's chief of community relations.

Harvard attracts more than \$3 billion a year from outside Massachusetts, including student tuition, research grants, and private donations, and spends most of that in the Boston area. The university employed more than 18,000 in 2008, and helped generate twice that many jobs through spending on goods and services; spending by students and employees; and companies spun off from research at Harvard.

All told, Harvard directly and indirectly supports about 51,000 jobs in the Boston area and generates about \$4.8 billion in economic activity, the study said.

In addition, Harvard, as well as other colleges and universities, have provided stability to the regional economy, adding jobs even during recessions, the study said. Between 2000 and 2002, for example, Harvard employment grew 2 percent, even as overall employment in the Boston area fell 3.3 percent.

Harvard is also a critical component of the state's innovation infrastructure, the study said. Harvard attracts the best and brightest from around the world, and many stay here. About 41,000 Harvard alumni, or nearly one-fifth of all the alumni, live within 75 miles of Boston.

The university spends more than \$600 million a year on research. Over the past five years, it has added more than 1 million square feet of research space. In 2005, the last year for which complete data are available, Harvard and its affiliates attracted more than \$1 billion in federal science and engineering research money.

"All that money would go somewhere else," said spokesman Kevin Casey. "We are sort of a regenerative resource for the economy."

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