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# Benefiting from EIU: The University as Catalyst for Economic Development in Charleston, IL

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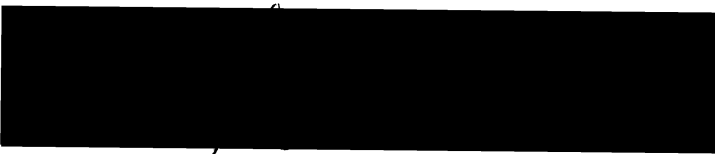
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Benefiting from EIU: the University as Catalyst

for Economic Development in Charleston, IL

(TITLE)

BY

**THESIS**

SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS  
FOR THE DEGREE OF

Master of Arts

IN THE GRADUATE SCHOOL, EASTERN ILLINOIS UNIVERSITY  
CHARLESTON, ILLINOIS

2002

YEAR

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## **Abstract**

In the city of Charleston, Illinois, home of Eastern Illinois University, there exist economic problems such as underemployment, potential for brain drain, and recent market failure in the retail industry. After being defined, the traditional role of EIU is expanded to include the promotion of economic development efforts in Charleston. An economic impact study shows EIU's influence on the local Charleston economy. It is concluded that with the establishment of an Office of Economic Development at EIU and the aid of local government and Charleston citizens, Eastern Illinois University may be able to reverse the effects of underemployment, potential brain drain, and the recent cycle of failed retail markets.

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## **Chapter 1: Introduction**

The role of the university has changed over the last decade to become more diverse in nature. As Anders (1992) states, “the economic impact of foreign competition on American industries has placed greater political and financial pressure on universities to demonstrate their contribution to the local economy” (Anders 1992). Defining the role an institution of higher learning plays within a community can justify and elongate its existence. Eastern Illinois University’s vitality as a functioning public University may depend on the economic status of its housing city, Charleston. This explains why universities should take action to ensure an economically sound environment not only for the sake of their own prosperity but for the longevity of their community as well. How vital a university proves to be to its “home city,” or rather, the city in which it is located can be difficult to measure, yet is of great importance. Evidence of increased employment opportunities, consumption expenditures, and effects in the retail, finance, and real-estate sectors prove to be obvious boons to a city that houses an accredited University like Eastern Illinois. Here, in these respects, the role of the University traditionally takes responsibility for educating its students, providing jobs, and administrating a long-run return to its ‘host region.’

The economic impact of EIU on Charleston’s retail industry was estimated at accounting for approximately 1/3 of all retail sales; this reinforces EIU’s importance to Charleston. Essentially, though unknown to the majority of residents of Charleston, the university is an asset, a valuable resource or public good. Important to note is the lack of awareness on behalf of Charleston residents is not through any fault of their own but

solely the result of the University's age and long existence (Eastern Illinois State College was first established in 1895).

Initially, we attempt to raise awareness of the traditional roles of the university; specifically, EIU's current role does not expand to the region outside the 'ivory tower.' In order to redefine the role of Eastern Illinois University, the first obvious step is to explain why the role is being expanded. Economic problems exist in EIU's host city, Charleston. These include problems such as underemployment, a potential for brain drain, and a lack of job opportunity. With the help of the University, improvements can be made that will benefit not only the EIU family, but Charleston citizens as well.

## 1.2

### *Goal of Study*

The goal of study or hypothesis of my thesis suggests that the role of the "Traditional University" should expand to play a more active part in promoting economic development and growth in its home city. One way to achieve this might be to fictionally create a center for economic development that people from Coles and neighboring counties can utilize. This is attempted; in Chapter six a Model Office of Economic Development (OED) is portrayed. How the Office would be run and funded are addressed, however details of the proposal are as yet very preliminary.

## 1.3

### *Method of Study*

In Chapter two, research was conducted in order to define the role of the university. Because EIU holds a long tradition in Charleston, researching the past was essential. A brief history of EIU is given before we move into the current role of Eastern Illinois.

Upon defining the current role of EIU, we find that EIU's mission statement does not include a duty to public service in the form of economic development. As further mentioned in chapter two there are scholars, such as Luger and Goldstein, who believe a university (aptly defined as a "multiproduct organization") should extend its traditional role and provide public service to its host region through the formation of a favorable environment. It is concluded in chapter two that because EIU currently does not include public service in its mission, there remains much room for improvements to be made and the fact that EIU should extend its role to include economic development efforts for its surrounding region is questioned.

To answer the question raised in chapter two, chapter three first defines economic development as the enhancement of economic factors such as employment, production and consumption in order to make improvements upon the quality of life in a particular region. Steps taken thus far by local organizations and government to improve Charleston economically are compared to efforts on behalf of Eastern Illinois University and it is concluded that more effort needs to be made on behalf of EIU in terms of development in Charleston.

Chapter four explains in detail why EIU should extend its role. Economic problems such as brain drain, underemployment, and information gaps exist in Charleston. It is concluded in chapter four that the university *can* extend its role to provide job opportunity to its students, to alleviate underemployment in Charleston and to provide information to local businesses but *only* with the help from those organizations already established.

In chapter five the economic impact of EIU on Charleston is measured 1.) in terms of household consumption expenditure by EIU faculty, staff, and students; 2.) in retail tax revenue generated by EIU faculty, staff, and students, and property tax revenues generated by EIU faculty and staff who are Charleston residents; and 3.) by EIU contracts to local construction firms. It is concluded that EIU employees and students collectively account for approximately 1/3 of all retail sales. Residents of Charleston who are faculty and staff pay a mean of \$3800 per year in Charleston, contributing to more than approximately 30% of property tax revenue. Finally, dollars spent by EIU on contracts with local Charleston construction firms totaled \$5.5 million, estimated over eight percent of total EIU purchase orders.

Chapter six concludes with a Model of Economic Development Office at EIU. Charts and data highlighting Charleston sales tax revenue in each sector help to illustrate the need for information to local businesses. Through implementation of an Office of Economic Development (OED) at EIU, it is argued that economic improvements can be made that will help to alleviate the economic problems existent in Charleston.

#### 1.4

##### *Summary of Findings*

Information gaps do exist in Charleston as proven in chapter six by the decreasing returns in the leading tax generating sectors. The potential for brain drain remains a significant economic problem and the lack of job opportunity keeps students from staying in Charleston after graduation and hinders new outlets for underemployed Charleston citizens to find jobs. The role of Eastern Illinois University should expand to take partial responsibility for the welfare of its students and the people who inhabit its surrounding

region. Local planning and development organizations are already functioning in Charleston, perhaps explaining why efforts on behalf of the university to help with economic development have been ignored thus far. Yet these planning and development commissions are not only geared towards enhancing Charleston. For example, Coles Together aids not just Charleston but all of Coles County. There needs to exist a “united front” of community organizations, local government, and university to improve upon the economic development in Charleston; an Office of Economic Development created as an extension of EIU could take the initiative to act as head of all the development and planning commissions.

To simply state, because of the deeply rooted tradition of our University, to accurately illustrate the condition of Charleston in absence of EIU would be difficult. But, the economic impact of Eastern Illinois University as illustrated in Chapter 5 will be an essential tool in defining the University’s role. It is argued that the University acting as catalyst for economic development will aid the community and neighboring counties directly to decrease underemployment levels, to create an enjoyable environment for EIU and the citizens of Charleston, to reverse brain drain flow, and lastly, to create more job opportunity for EIU graduates.

## **Chapter 2: Defining the Role of the University**

“...I believe the chief purpose of the University is to train the minds of students. This involves helping students to learn how to think and reason for themselves and encouraging them in the discovery and assimilation [sic] of new knowledge. Universities...provide physical training, which is a legitimate and vital function for personal development. Universities also provide food and lodging, and even entertainment. But mainly universities were established to develop the mind. If this is true, faculty members must be engaged primarily in teaching and students in learning. To fulfill this function the University must be a place where all ideas can be explored and tested, and where the search for truth goes on in an atmosphere of freedom, peace and order.” (Eastern Illinois University, President Fite (1971), as quoted in Tingley, 1974, pg. 176)

In this chapter, the traditional role of the university will be defined including the positive externalities associated with public institutions and their host regions. In particular, to gain a concise understanding of the role carried out by Eastern Illinois University, both her history and present-day ideals will be illustrated. It is widely believed that Eastern Illinois has little positive effect on the surrounding community. As we discuss later, some suggest that EIU’s impact is actually negative. On the contrary, Eastern Illinois’ history is extraordinary, in that it reveals a strong determination by individuals in Charleston who believed in her importance and fought for her existence. In revealing EIU’s history, we will attempt to counter the negative reputation and probable ineffectiveness of (revealed further at length in Chapter 4) and relate back to the



positive aspects of Eastern Illinois known by the people of Charleston long ago. The traditional ideals of 1895's Eastern Illinois State Normal School are carried onward through the role of our EIU today.

The role of a university is to provide knowledge transfer, educational and professional training, and human capital formation through knowledge and job creation. But should Eastern Illinois University stop there? As revealed by EIU's predecessors, a duty to public service as demanded and deserved by the surrounding society should become another definitive role of the University. Yet "duty to public service," that which might include economic development, does not appear in EIU's mission statement.

EIU's Mission Statement appears in Figure 2.1.

**Figure 2.1**  
**EIU Mission Statement**

Eastern Illinois University offers superior yet accessible undergraduate and graduate education. Students learn the methods and outcomes of free inquiry in the arts, sciences, humanities, and professions guided by a faculty known for its commitment to teaching, research/creative activity, and service. The University community strives to create an educational and cultural environment in which students refine their abilities to reason and to communicate clearly so as to become responsible citizens in a diverse world.

Source: EIU website <[www.eiu.edu](http://www.eiu.edu)>

Source: EIU website <[www.eiu.edu](http://www.eiu.edu)>

Over one hundred years ago, the founding fathers of EIU realized that the public could benefit from a university so they fought hard for its existence. The people of Charleston knew of two truths: first, that Eastern Illinois University (first developed as Eastern State College) would bring vast economic improvements to their region and second, they knew the long battle they fought for EIU's existence was entirely worth

their laborious efforts. EIU's history proves an interesting story, but it also helps to explain the extreme change of attitude amongst Charleston officials and citizens from yesteryear to today.

## 2.2

### *Feuding Neighbors: the Debate for a Public Institution*

In 1887, when word of a proposed plan by Illinois to start two new normal schools reached the eastern region of the state, Charleston, Mattoon, and surrounding towns like Decatur formed committees in efforts to gain support for the placement of the school. Normal schools, those specifically erected for pedagogical reasons, were in high demand in Illinois because of neighboring competition. States such as Minnesota and Wisconsin had four and five normal schools already and it was apparent they were setting the stage for institutionalized higher learning. The need for higher learning was of much public interest in the Midwest as many colleges and universities established on the East Coast proved to be successful. (Coleman, 1950, pgs. 5-9)

By 1893 a committee of seven comprised of both teachers and politicians prepared a bill in conjunction with the State of Illinois identifying the need to build more normal schools in Illinois. The committee was very determined and recognized the need for more schools sent many appeals by the General Assembly who, on January 10, 1895, introduced a bill to establish a normal school in the northern part of the state. It was not until a few months later and further petitioning on behalf of the committee of seven that the Assembly recognized a need for a school located in the East-central part of the state. (Coleman, 1950, pg. 11)

Both Charleston and Mattoon, directly seated in the East central region of Illinois, recognized the vast importance and long-term benefits a new school could offer; both towns knew they were in direct contention for the bid, which made the competition much more intense. (Coleman, 1950, pgs. 12-13)

Initially, because Mattoon, a neighboring town of Charleston, had a greater population and was favored politically, it was assumed by Mattoon citizens the school would go to them. Senator Craig from Mattoon was one of the seven sponsors of the original bill and also belonged to the same political party as the Governor of Illinois, Governor Altgeld. But Charleston, the county seat, sought favor by other political authorities to gain an edge over its competition. Charleston and Mattoon decided to come to an agreement. It was arranged that Charleston would help Mattoon fasten the proposal for the new state school and in return, Charleston would be allowed land rights to the Coles County courthouse. Ironically, that contract would later be broken. (Coleman, 1950, pgs. 15-17)

When addressing the benefits of a new school to the people of Charleston in 1895, Mr. Henry Neal, chairman of the committee, stated that Eastern would play a vital role in Charleston's economy to boost the market and improve upon their society:

[Eastern State College would] bring 300 to 600 students annually, bring many hundreds of people each year as visitors, make Charleston known all over the state of Illinois. It will make our society better and it will add to our wealth. It will increase our population and in many ways give us [the citizens of Charleston] standing and prestige. (As quoted in Coleman, 1950, pg. 15)

Although Coleman, biographer and retired professor at EIU, claims the reason why the agreement between Charleston and Mattoon was abandoned is "difficult to explain," it is a likely explanation that the residents of Charleston not only were excited for a new school, but also recognized its importance in their community. Coleman (1950) comments in his biography:

It is difficult to explain exactly how the agreement between Charleston and Mattoon was abandoned, but nevertheless every citizen in Charleston except one, driven to host a new school, collectively donated \$75,000 to promote the location of Charleston over Mattoon. (Coleman, 1950, pg.15)

In 1894, \$75,000 was an extremely large sum of money to be collected by farmers and other rural citizens in Charleston but a new school to the small town meant vast economic improvements for years upon years. This foreseeable advantage made it easy for Charleston to break their promise with Mattoon.

The fight and steadfast determination by Charleston citizens brought forth the creation of Eastern State Normal School by act of the General Assembly in May of 1895. One can interpret a sense of pride and duty addressed in the act of May 22:

[The purpose of the school] shall be to qualify teachers for the common schools...by imparting instruction in the art of teaching in all branches of study...in the elements of the natural and physical sciences, in the fundamental laws of the United States and of the State of Illinois, in regard to the rights and duties of citizens. (Coleman, 1950, pg.15)

One hundred years ago, Eastern Illinois University (then, Eastern State College) laid out a proposed plan of duty to share in part of the educational movement sweeping

the nation and to represent the State of Illinois in the process. Charleston citizens, clergy, and politicians knew of the substantial economic and social impact Eastern would have on their community and county, and they were elated to have won the debate for a public institution. As recognized by Coleman, *The Charleston Courier* (May 28, 1896) stated a year after the victory: “the contest was the hardest fought in the history of eastern Illinois, if not in the whole state and probably the most hotly contested (of its kind) on record anywhere.” (Coleman, 150, pg.18)

Today, recent research indicates that the traditional roles of a university are still deeply embedded, yet Henry Neal (Chairman of the Committee for Eastern State College) was right when he found economically enhancing qualities, such as increases in wealth and societal improvements, in Eastern Illinois University one hundred years ago.

### 2.3

#### *The Role of Eastern Illinois University Today*

It remains important to recognize the strenuous battle, “the hardest fought in Eastern Illinois,” on behalf of Charleston citizens was carried out for the prestige of having a new school but more importantly because individuals of Charleston considered the University an asset. That is, they knew of its importance and all it could do for their community.

Today, Eastern Illinois University plays a significant academic role in the lives of its students and faculty. Eastern boasts that it effectively enforces the roles of knowledge transfer and professional training by offering small class sizes. The average class size at EIU is 22, allowing for diligent knowledge transfer between the educator and the student. EIU also has a fully credentialed full-time faculty of 576 who are committed to teaching;

many of who have published scholarly literature in their respective fields. Insofar as academia, Eastern is ranked among the Nation's top 100 public universities for quality and value. To provide a quality education for little cost has been a goal of the university, as it continues to hold rank within the nation. (EIU view book 2000)

Although Eastern is not recognized as a research and development university, it continually strives for excellence and attempts to cater to the social aspects of college life. Over 10,000 students are enrolled at EIU and there are 150 recognized student organizations and 47 fraternities/sororities. Furthermore Eastern Illinois' location seats it in proximity to five distinguished urban areas. Chicago (3 hours North), St. Louis (2 hours Southwest), Springfield (2 hours Northwest), Indianapolis (2 hours east), and its closest cities, Champaign-Urbana (45 min north) lie in potential range for positive externalities to and from the University.

It has always been in the University's best interest to educate and "develop the minds" (as quoted by former EIU President Fite, (1971) of those who enter its doors. First and foremost, education or technology/knowledge transfers are leading, dual roles of a university—the core components to sustain improvements in higher education. Without technology transfer, the learning institution would fail and essentially the world would not evolve to where it is today. Yet deeply rooted in traditional universities such as EIU there should exist a responsibility to the public and its surrounding regions.

#### 2.4

***What is the Responsibility of the University, What are the General Roles of the Public Institution?***

Gerhard Casper (2000), the president of Stanford University, mentions nine basic roles of universities in Figure 2.4. These roles mentioned by Casper are widely accepted.

Figure 2.4	
<b>Nine Roles of the University</b>	
Source: Stanford University President, Gerhard Casper	
1.)	Education and professional training
2.)	Credentialing
3.)	Social integration
4.)	Providing a rite of passage
5.)	Networking
6.)	Knowledge assessment and creation
7.)	Selection of academic elites and peer review
8.)	Fostering a worldwide community of scholars
9.)	Transfer of knowledge

Many functioning universities abide by education, knowledge assessment and knowledge transfer, for example. Numbers three and four, “social integration” and “providing a rite of passage” have socio-economic implications, yet Casper fails to mention any role that reaches outside the ivory tower, to address public implications.

## 2.5

### *Universities as “Multiproduct Organizations”*

Other scholars like Luger and Goldstein (1997) agree with Gerhard Casper that universities play multiple roles. In their own list of roles conducive to a successful university, (Figure 2.5) Luger and Goldstein refer to universities as “multiproduct organizations,” (pg. 114) or institutions dedicated to many tasks.

The formation and application of transferred knowledge are not new concepts. Therefore, we must assume that overlapping ideas among Casper, Luger and Goldstein suggest static, traditional roles carried through by any university. Luger and Goldstein refer to “formation of human capital through teaching” and the importance of a

Figure 2.5  
**Multiple Roles of the University**  
Source: Luger and Goldstein, 1997

- 1.) Creation of new basic knowledge through research
- 2.) Formation of human capital through teaching
- 3.) Application of knowledge to the improvement of existing products and processes
- 4.) Application of knowledge to the creation and commercialization of new products
- 5.) Creation of physical capital and infrastructure
- 6.) Creation of a favorable milieu (or rather, favorable aspects of culture, community preferences, and entrepreneurial spirit)

“regional milieu;” both are noteworthy roles of the university that uniquely stand apart from Casper’s observations.

Whereas Casper deems credentials and knowledge assessment important roles for a university, Luger and Goldstein add a different aspect that deals with the creation of “a regional milieu to encompass aspects of culture, community tastes and demand for public goods, political attitudes, and entrepreneurial spirit.” (Luger and Goldstein, 1997, pg. 114) Luger and Goldstein extend the university’s role to reach its surrounding public, an idea that was overlooked by Casper.

As argued by Luger and Goldstein, a “favorable milieu,” (pg. 144) or, a desirable environment enhances economic development. Basically, intelligent students and faculty will flock to where there are outlets to satisfy their wants and desires. The idea that EIU does not show a favorable environment is shown by a high percentage of faculty and students that ‘flock’ to other urban areas to shop, go out to eat, and to socialize. In a 2001 survey (See Appendix B) distributed to 100 faculty and staff of Eastern Illinois, over half declared they frequently (3-5 times per month) shopped and ate outside of the Charleston region. This finding was surprising considering the fact that EIU’s mission



states “the University community strives to create an educational and cultural environment.” Apparently, EIU is not living up to what it states in its mission. (Refer back to Figure 2.1)

In regards to Luger and Goldstein’s second role, “the formation of human capital through teaching,” the leaders of Eastern Illinois also recognized the importance of human capital formation through teaching. In his first address to the faculty, EIU President Fite (1971) stated, “...only the faculty can provide the programs, teach the students, expand the knowledge through research, and perform the public service which our society demands and deserves.” (As quoted in Tingley, 1974, pg. 175)

## 2.6

### *Room for Improvement*

In essence, the role of the University has become more dynamic over the last few decades, and efforts have been made by faculty and students to perform tasks that reach outside the traditional ‘ivory tower.’ Scholars have explained different reasons for the “expansion phenomena” pertaining to global economies and both external and internal pressures (See Chapter 4, section 1) Universities are unique “multiproduct organizations,” apt to be catalysts for economic growth in their regions because they have advantages not administered by other regionally-based institutions. (Luger & Goldstein, 1997, pg. 106)

Other studies prove that universities are assets to their regional, state, and worldly environments. For example, a study done at the University of Montana (U of M) in Missoula showed that U of M students “accounted for \$96 million of spending in the Missoula economy last year.” (Seninger, 1997, pg. 18) Another study conducted at the

University of South Carolina (USC) found that “the total impact on the Upstate Region of the USC System-its two campuses and alumni in the Upstate Region-totaled \$490.2 million.” (Woodward & Teel, 2001, pg.6) Both the U of M and USC studies prove the university is an asset to its local economy. When the University of North Carolina at Chapel Hill, the first public university, was established in 1789, its role was to promote public policy goals. That was two hundred years ago; today, more emphasis is placed on public institutions to be involved with their own community improvements.

It is important to realize, though, there are problems, or rather, negative externalities that result from the existence of a university, even if the university administers, or carries out its proposed role in the community. A university may perform well in one area such as technology or knowledge transfer and yet fail to achieve its full potential; that is, improving perhaps the economic quality of its region. This epidemic goes unnoticed without proper information and often, no one entity can be blamed.

The failure of a university to function effectively in its public service role often stems from information lags, or gaps between the institution, the citizens, and the local governments. Often, it occurs on a relatively higher level in rural areas with highly populated Universities. Furthermore, “universities’ size and certain internal characteristics, and the nature of the regional environment, affect the spatial distribution of economic impact for such functions as teaching or basic research.” (Luger and Goldstein, 1997, pg. 106) In the case of Eastern Illinois University, a public institution of higher learning that has been functioning for over 100 years, we must ask ourselves, ‘is the university acting effectively and should its roles be re-defined to better its community?’

### **Chapter 3: Comparing the Role of the University and Local Government, Who is Responsible for Economic Development?**

The conclusion from Chapter two states that the traditional role of the university needs reassessment. Why is this the case for Eastern Illinois University? Essentially, there is room for improvement and economic situations could be improved for EIU, Charleston, and Coles County. There are apparent problems which exist in our institutional system (as elaborated in Chapter 4) caused by the potential for brain drain associated with an unfavorable environment, failing businesses in the Charleston area and underemployment, or lack of job opportunities for both long-term residents and new graduates. Because of the region's limited resources and wavering student population, economic development improvements in Charleston may be the only feasible solution.

But the question that has recently been addressed by other universities facing the same dilemma remains—'who will take the steps towards improvement; which entity is responsible for economic development?' Does liability rest with local governments and regional planning divisions? Or, is it necessary for the university to live up to its civic duty and become involved with economic development?

The university is a vital part of the community and should be viewed as an asset rather than only an institution where technologies and knowledge is transferred. The citizens and city government should recognize EIU's potential, tap into its resources, and lend aid to enhance economic development throughout Charleston and Coles County, its surrounding region.

In this chapter, the elements of economic development are discussed, economic development is defined, and efforts thus far on behalf of Charleston city government,

economic development boards, and Eastern Illinois University to promote economic improvements in Charleston will be illustrated. It is concluded that the perfect solution would be to join both university and city together in an effort to economically promote and enhance Charleston and Coles County.

### 3.2

#### *What is Economic Development?*

The purpose of economic development is to aid in the growth of, or to strengthen the production, distribution, or consumption of commodities. Local development caters towards the enhancement of economic factors such as employment, production and consumption to improve upon the quality of life in a particular region. Currently, Charleston battles with a struggling labor force that is underemployed, a cycle of inefficient and failing businesses that need attention, and a brain drain epidemic that involves highly trained graduates migrating elsewhere from the region to more urban areas. (See Chapter 4) All three of these adverse incidences create an unfavorable milieu, or environment that if not mended will cause a larger tear in the economy's welfare.

Mohan Rao (2000) describes economic development as an expansion in the tax base. He evaluates three sources of the tax base as government, businesses and families. To enhance economic development, Rao suggests preventing sources from leaving the region, expanding current sources and attracting new sources. To do so, according to Rao, simply means understanding the basic needs and wants of those who occupy the region—families and businesses.

Families, as Rao states, want good schools, jobs, peaceful and safe neighborhoods, recreational opportunities, fair value return for money spent on

consumption and taxes, and a community that cares for its citizens. Additionally, we would suggest that families not only desire “jobs,” but rather, to be employed at a certain level of skill that meets or exceeds their potential. To be employed otherwise may lead to feelings of inadequacy and increase the odds at which that individual could possibly quit or seek employment outside the region. A job can offer income, but a *good* job creates fulfillment and a comparable salary. Any individual who lacks either or both fulfillment or a comparable salary in his/her position is considered underemployed.

Underemployment, according to Charleston’s Mayor Coughill, clouds the somewhat positive unemployment statistics. Mayor Coughill estimates that unemployment is “around five percent in Charleston,” in addition he also states, “you have to consider all those people who are working at jobs below their skill.” (Coughill interview, 2001) Essentially, underemployment in Charleston has potential to become unemployment if it is not cured soon.

Referring back to Rao’s list of desires by the family, he suggests that once any of those wants or needs is threatened, a family or individual may want to leave the community in search of one that better fits their desires. Rao’s bleak yet realistic option left to families whose desires are not met is addressed also by Charleston’s Mayor in terms of underemployment: “...there’s a really well-trained work force who are unable to use their skills who would be ready to move and work for someone else.” (Coughill interview, 2001) What Mayor Coughill deems desirable to the individual, Rao extends to the entire family to include desires such as “peaceful and safe neighborhoods, fair value, and a community that cares.” (Rao, 2000, pg.88)

What Rao suggests as desirable to the family is comparative to Luger and Goldstein's notion of a "favorable milieu," (Chapter 2, section 5). Whereas both scholars address the importance of a favorable environment, Luger and Goldstein find its creation the responsibility of the university.

With the help of local government and economic development institutions, the University can create a desirable environment, yet a "favorable milieu" is only achieved with the help of industry and business. Rao divides the wants of businesses into three different categories: regional, community, and site-related. Regional factors include the location of raw materials, markets, and labor availability/cost. Community factors are facilities, services attitudes, utilities, development support and environmental regulations. Site-related factors go together with regional factors to scope out the ease involved with the cost of utilizing land/facilities, capital, transportation, safe environment and legal issues. Efficient markets and labor availability are lacking in Charleston, yet the University offers site-related incentives that attract retail industry. To aid with community factors as described by Rao, EIU can implement a facility that lends development support to businesses in Charleston.

### **3.3**

#### ***Building a Better Future for Coles County***

The governments of Coles County, including that of Charleston, have already proven their willingness to administer help in hopes of achieving an economically sound region in central Illinois.

The Coles County Regional Planning and Development Commission (CCRP & DC) for Clark, Coles, Cumberland, Edgar and Moultrie counties has created as of 1999 a

comprehensive economic development strategy for the east central Illinois region. The CCRP & DC were funded by a \$30,000 grant awarded by the U.S. Economic Development Administration (EDA) in December of 1997. CCRP & DC used the grant to establish an U.S. government designated “Economic Development District” for the former mentioned counties. Several years of collecting demographic data and further assessment conducted by trained professionals as part of the Commission has lead to many strategies of economic improvements for Coles and its four surrounding counties.

Currently, community development, as stated in the strategy booklet is “achieved by planning and developing balanced growth of the community’s social, economic, political and natural environments.” (CCRP & DC booklet, pg. 2-5) Although a large scale coordinated development project has yet to occur, the CCRP & DC has been successful in obtaining grants from the state and federal governments. It has assisted efforts by local lending institutions, the Charleston Chamber of Commerce, and public and private sector lenders in economic development improvements for Coles and surrounding counties.

Coles Together, another organization to promote development within Coles County, administers marketing strategies in order to lure new businesses into Charleston and Mattoon. Coles Together is situated in Coles Business Park, a \$2.8 million land grant given to Coles County in 1994 by the EDA. Coles Together works to attract clients into the region for marketing purposes.

The Mayor of Charleston indicates an additional interest in economic development issues. He defines two main factors, retail and industry, as necessary for economic improvements: “the only way you’re going to get retail growth is by attracting

industry.” (Coughill interview, 2001) In order to witness a positive change in retail, according to Mayor Coughill, there has to be a movement that enhances industrial growth. Moreover, he states, industry provides the jobs “and if we start having the jobs, then we start seeing the spin-offs.” These “spin-offs,” mentioned by Coughill, are increases in wages, decreases in unemployment and underemployment, industry and retail growth and what Luger and Goldstein would refer to as a “favorable milieu.” Furthermore, Charleston’s government proves its cooperation with the Chamber and local development offices such as Coles Together in conducting a marketing plan that is currently in the works to attract new businesses to the Charleston area.

The plan adheres strictly to marketing tactics, mainly composed in the form of a brochure that would highlight attractive aspects of Coles County. The brochure, according to Mayor Coughill, would mention different attributes illustrating Charleston and Mattoon as unique areas of successful investment returns for any prospective business. The plan has not yet been enforced, neither have funding issues been passed by the regional planning commission but we would assume there to be high start-up, or sunk costs involved with such a costly endeavor.

### 3.4

#### *More Effort from the University?*

Unlike the vast array of development programs between the CCRP & DC, Coles Together, and the Chamber of Commerce, the University falls short of lending substantial assistance. Unfortunately, with a student body that exceeds 10,000 and a faculty count of 600; there is no Office of Economic Development or Regional Planning.



Although there is not an Office of Regional Economic Development or Planning, the Business and Technology Institute, or BTI, offers training, research, and consulting programs customized to fit the needs of regional business, industry, and community agencies. BTI operates as an extension of the Lumpkin College of Business and Applied sciences at EIU for nearly 25 years. Marilyn DeRuiter directs BTI and markets its programs throughout the area by brochures, ads, and web site. Last year, approximately 1400 individuals participated in BTI workshops and programs. Most of the programs are funded by grants so the company involved gets the incentive of virtually free training, consulting, and research. Furthermore,

In addition to the Eastern Illinois University personnel, partnerships have become a key factor in growth and program offerings. Through agreements with Franklin Covey Company, Center for Creative Leadership, Leadership Development Center, Nivo International, Research Survey Service, Illinois Prairie Manufacturing Technologies Extension Consortium, the BTI has been able to extend its services to more companies throughout the Midwestern states. (DeRuiter interview, 2001)

Although the BTI has proven its success for 25 years and allowing 1400 participants last year, more can be done on behalf of the University to aid with economic development throughout Charleston and surrounding regions. Neither the Economics nor Business Departments offers courses that lend expertise from students to the surrounding areas. The only effort retrieved was that of Dr. Betty Smith and her Land Use Planning Course as part of the Geology/Geography Department. Dr. Smith's class (a span of over one-year of work divided into two different semester classes) surveyed and analyzed land

in the Charleston-Mattoon corridor for the utilization of potential business expansion. Their concise and extensive research may help to launch new business occupation in the 'strip' that connects Charleston with Mattoon.

The conclusions from Dr. Smith and her classes rest assuredly in the fact that there is ample land to be used effectively by new industry. As part of their conclusive evidence, much data was collected on employment, top employers, demographics, population, and potential real estate. Real estate opportunity is currently Cole's County's biggest selling point, it is an aspect of development focused on the Regional Commission, Coles Together, the Chamber of Commerce, and by a small part of the University, but what about the businesses that already exist?

### 3.5

#### ***Creating an Economically Sound Environment: The Responsibility of Local Government, Regional Organizations, and the University***

Training, research and consulting programs are offered by the College of Business and Applied Sciences at EIU through the BTI program and one geography professor utilizes her classes to analyze retail property in the Charleston-Mattoon Corridor to lure new businesses into the area. Yet more needs to be done. Knowledge creation should be offered by institutions, particularly Eastern Illinois University, to enhance market development and growth and create awareness amongst the citizens of Charleston and Coles County. Efforts have already been instituted by local organizations such as Coles Together and the CCRP & DC to cooperate with local city government to provide an economically sound environment in Charleston and surrounding communities.

We conclude that information gaps do exist between town, gown, and University, but that the University may alleviate the ignorance by extending knowledge transfer to its citizens. By doing so, with aid from the local government and its supportive organizations, economic development initiatives may blossom into successful, long-term programs. Eastern Illinois University should utilize faculty and students, its most valuable capital, to expand those efforts already in motion and permanently act as catalyst for regional economic improvements.

We can view the research and technology/knowledge transfer by students and faculty as public goods offered by the EIU for Charleston and Coles County's disposal. Charleston can either recognize its University as a liability or an asset; the latter lends opportunities to Charleston where other regions lacking universities fall short. The added incentive theory of a University to its host region, once acknowledged, will render benefits and elongate the vitality of that region. As Rolnick (2000) states, the vitality of a region depends on:

...a university that produces basic research and well-educated students.

Because these products are types of public goods, unfettered markets will fail to produce enough of them. Public Universities are designed to correct this market failure by providing more education and basic research than the market would yield on its own; these are the fundamental roles of a university and the argument for governmental support. (Rolnick 2000, pg 20)

## **Chapter 4: Re-defining the Traditional Role of the University: EIU as Catalyst for Economic Improvements in Charleston**

As already mentioned in the previous chapters, economic development efforts have been mandated in Charleston on behalf of the local government and institutions such as Coles Together and CCRP & DC (Coles County Regional Planning and Development Commission). The question is not whether these labors should be implemented, but rather, could they be more effective with the University's help? I asked Jeff Lahr from the CCRP & DC his view of any future large-scale effort on behalf of the University and local government to jointly address various economic enhancement issues within the region. His reply was "he had not witnessed, in the ten years he has been [in Charleston] a tremendous amount of cooperation between the university administration and the local government." (Lahr interview, 2001)

In recent years, the traditional role of the university has changed in order to invest more into local communities. Gary Anders (1992) states, "help or aid to local communities has become more of a responsibility since foreign competition on American industries has placed greater political and financial pressures on Universities." (Anders, 1992, pg. 76) Furthermore, according to Udell, "as state economies have faltered or declined, state officials and the citizenry they represent have begun to look to their institutions of higher education for assistance in shoring up sagging sectors of the economy and building new ones." (29)

In the case of Charleston and its Eastern Illinois University, there should be no exception to the aforementioned epidemic: the University needs to reassess its mission to include economic development issues in its host region.

Referring back to chapter two, section two I utilize a quote by Mr. Henry Neal (1899) in his attempts to define the grand possibilities of a new University to the eager people of Charleston. Recent research proves to readers that the traditional roles of a University are still embedded deeply at the forefront. For example, earlier roles of the University as mentioned also in Chapter two by scholars Luger and Goldstein (1997) state Universities as technology transfer and educational institutions, yet Henry Neal was right one hundred years ago when he found economically enhancing qualities in Eastern Illinois University. Neal specifically referred to three value-adding attributes brought forth from EIU, he mentions that EIU can increase the wealth of the economy, increase the population, and make the regional society better as a whole.

Studies have been conducted globally to measure the economic effects that Universities have on their regional communities. In some cases, even the University's impact is measured in terms of its affects on the entire state. In the case of The University of Minnesota, (2001) many citizens "agreed that the University should take a more direct and active role in promoting economic development and argued for an explicit partnership between the University and local business community." (Rolnick, 2001, pg. 19) Impressive results were concluded from the impact study which showed that research lent by the University of Minnesota increased "marketable products, new businesses, and higher-paying jobs," also that "because of the University, Minnesota has one of the most educated work-forces in the country." (Rolnick, 2001, pg. 20)

In Charleston, it is evident that certain businesses would not function if it were not for the student and faculty population. Businesses, especially those in the retail sector, are created and remain vital solely because of EIU's existence. This is a well-known fact that does not need fancy calculations. According to the Mayor of Charleston (2001), Mayor Coughill, "retail establishments say they want to be in a college community," and business owner Barbara Phillips states, "without the students, we're not going to make it." (Coughill interview, 2001 & quote by Phillips found in *The Daily Eastern News*, November 12, 2001, vol. 86, No. 60) Further studies into the economic impacts of EIU on Charleston are covered in Chapter five where consumption spending amongst faculty and students and property taxes amongst faculty are calculated.

Referring to Neal's second attribute brought by the university; much has changed since 1899. Today, at EIU, there exists a dynamic student population that comes and goes from the city of Charleston. When the students leave, so do their dollars. An increased population that occurs in Charleston as a result of the University is obvious, but it may be disputable as to how beneficial a dynamic or fluctuating population of students is for the Charleston economy.

An unsteady population flow due to the student body of EIU that is continually entering and leaving the area (and not in any way offering a balance effect) may lead to the possibility of business failure. How can a new business be certain of its vitality when it is faced with an insecure amount of clientele? Mayor Coughill mentions the ineffectiveness of a fluctuating population and how it harms retail growth. He says potential retailers frown at the demographics of Charleston, such as the population. "The demographics show this big bubble, with this high population of 18-24 [year olds] which

is not really an affluent population...we kind of look like an upside down V.” (Coughill interview, 2001)

Because EIU was established over 100 years ago, the probability of it going away or leaving the region of Coles County is highly unlikely. Mayor Coughill needs to accept this fact and look past the ineffective and “non-affluent” population of students he poses as a hindrance to retail growth in Charleston. He stated himself that most of the retail businesses in Charleston exist because of the University’s proximity. Chapter 5 evaluates student expenditures at \$49.3 million per year (See Figure 5.4.b). Without the students, many businesses would not have come to Charleston or would have shut their doors. Therefore, Mayor Coughill, the University, regardless of its rigid population, brings a *population* that in turn lures in retail business to Charleston; it should be viewed an asset rather than a liability.

Neal’s third positive effect on Charleston from EIU deals with overall regional enhancements, or improvements. This concept refers back to what Luger and Goldstein (1997) list in their roles as the “creation of a favorable milieu.” (Luger and Goldstein 114) Neal knew that EIU would bring great economic improvements to the small town of Charleston in terms of variety and culture. Luger and Goldstein make aware the fact that successful universities add value to their regions by creating enjoyable environments for citizens, faculty and students.

One indication of an unfavorable environment can be determined by the potential for *brain drain* in Charleston. Brain drain can either be negative or positive in terms of flow, the flow of higher-educated individuals away from, or into a certain area. In this case brain drain is defined as a negative flow of the higher-educated individuals who

move away from Charleston after they utilize the university's resource. There simply is no industrial sector that caters to college graduates. This can be defined as one major problem I see that can be alleviated with the aid of the University. The other problems that occur within Charleston are *underemployment* and what I refer to as *information gaps* that inhibit potential economic improvements.

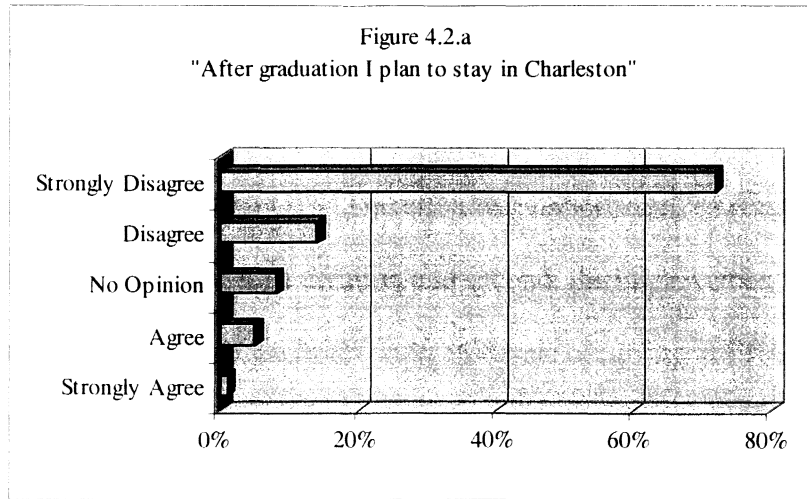
## 4.2

### ***Keeping Students in Charleston: A New Role for Eastern?***

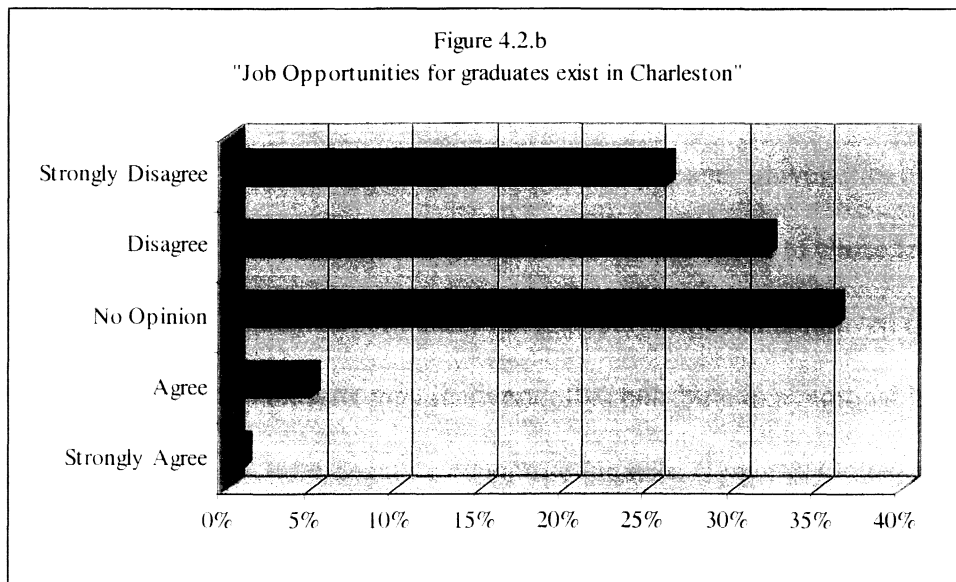
Eastern Illinois' close proximity to urban areas, as mentioned earlier in Chapter two, is a mixed blessing. Positively, the opportunity for urban interaction provides external outlets to students, faculty and the citizens of Charleston. These outlets act as two-way streets, also luring in visitors and new students from urban areas. This is important to secure diversity within the student body of EIU and the residents of Charleston. But, there are disadvantages to the proximity of urban areas as well. The closeness of urban outlets keeps many graduates from maintaining residence in rural Charleston, a problem that the University has not addressed. A 2002 survey (Appendix C) asked 100 EIU students how they felt about residing in Charleston after graduation. Seventy-two percent of the sample population strongly disagreed to staying in Charleston after graduation. Further results are illustrated in Figure 4.2.a. Why was there such a high response of students who strongly disagreed with the notion of residing in Charleston after graduation? The simple answer is lack of job opportunities in Charleston. In addition to aforementioned survey (Appendix C), the same 100 students were questioned how they felt about a statement suggesting that job opportunity in Charleston exists for graduates. Figure 4.2.b shows to what percent EIU students believe



job opportunity (for new graduates) exists in Charleston. Although 36% had answered 'no opinion,' those that disagreed held 32% of the population and those who answered



'strongly disagree' consisted of 26% of the population. Therefore, we can approximate one out of every four students at EIU strongly disagree that job opportunity in Charleston exists for new graduates. This supports the idea that there exists the *potential* for brain drain within the EIU-Charleston region.



Perhaps a new role of the University shall be to promote business markets in the region in order to alleviate the brain drain epidemic suffered by the city of Charleston.

Not only should the University network for its faculty, but rather network its community to offer its students incentives to stay after they graduate. This process would also give more incentives for the citizens of Charleston as well and in return, underemployment issues may be resolved.

Luger and Goldstein (1997) mention two important roles (Figure 2.5) for universities first as knowledge creation and second, the improvement of human capital; the latter can be applied to the brain drain epidemic occurring at EIU. Students of a university are trained individuals that are capable of holding high status in their regions, why let them move to other areas and essentially lose their potential contribution? Luger and Goldstein mention the importance of the “flow” of students in regard to the impact of knowledge transfer. They state:

Universities that draw talented students from a wide geographical area, so-called national or world-class universities, and that have regional labor markets offering abundant job and career opportunities would be expected to have the largest regional economic impacts; on the other hand, universities that mainly draw students locally but whose students tend to chose to leave the region for better career opportunities or perceived quality-of-life reasons may inadvertently contribute to a regional brain drain and have negative economic impacts. (Luger & Goldstein, 1997, pg. 108)

Luger and Goldstein blatantly make clear the importance of retention, rural universities like Eastern must keep hold of their most valuable assets—the trained and educated students.

EIU attracts an estimated 10,000 students per year. Of the total 10,531 students enrolled in 2001 Fall Semester, 616 or six percent of EIU students lived in Coles County, the county in which Charleston is located. Appendix A shows a map of Illinois divided into its respective counties. The number of EIU students from each county is also given. The counties referred to as “collar counties” are those located in the Chicago land area. As indicated in Appendix A, these collar counties (McHenry, Lake, Kane, Cook, DuPage, Kendall, Will and Grundy) represent about 37% of EIU’s total population. As shown from Figure 4.2.a, an estimated five percent of the total sample population of EIU students ‘strongly agreed’ or ‘agreed’ to reside in Charleston after graduation. By extending the results from Figure 4.2.a to the entire EIU student population, we calculate the total number of students who actually will stay in Charleston upon graduation estimated at 527 students. Those that plan to leave after graduation total 10,004.

In the same fashion, we can determine how many of those 527 students who plan to stay are from the Charleston area. Appendix A gives the total number of EIU students from Coles County as 616 students. By using the estimated five percent in Figure 4.2.a, approximately 31 out of the 616 EIU students from Coles County will stay in Charleston after graduation, the remaining 585, or 95% will migrate out of the region.

We indicate that the potential for brain drain is even higher when evaluating different flows of brain drain; that is, measuring the number of EIU students from the Chicago land, or collar counties area and surrounding areas of Charleston who might stay

in Charleston after graduation. By utilizing the estimated percentages in Figure 4.2.a, we can calculate the amount of EIU students who come to Charleston for an education and then migrate out of the area. A total of 3,936 students come from the Chicago land area (the region that accounts for the highest portion of EIU students). Of the 3,936 students who flock to Charleston from the Chicago land area, we estimate only 197 will plan to stay in Charleston after graduation and 3,379 students will leave.

Again, upon utilization of the five percent of students who plan to stay in Charleston, we can determine how many are from the surrounding areas. For our evaluation, we included the 12 counties that surround Charleston, excluding Coles County. These include: Champaign, Vermilion, Platt, Douglas, Edgar, Clark, Crawford, Jasper, Effingham, Cumberland, Shelby, and Moultrie Counties. The number of EIU students in 2001 from these counties totaled 1,835 students, or roughly 17% of EIU's total 2001 population. Of these 1,835 students, only 92 will stay in Charleston and the remaining 1,743 students will leave.

Last year, Charleston lost approximately 10,000 students; 5.8% of them were from the Charleston region, 37.4% came from the Chicago land area and 18.3% were from surrounding counties of the Charleston region.

### 4.3

#### *Underemployment can be alleviated Through the University's Aid*

In addition to the high potential for brain drain mentioned in 4.2, the problem of underemployment also exists in Charleston. In Chapter 3, section 2, the issue of underemployment is addressed. I stated that any individual who lacks either or both fulfillment or a comparable salary in his/her position is considered underemployed.

#### 4.4

##### *Ignorance Poses a Problem*

Information gaps also exist among many business owners in a relatively small region or community such as Charleston. Local markets, because they are smaller in comparison to urban markets, sometimes lack the resources otherwise available to evaluate potential market failures. Market failure in the community can be attributed to lack of knowledge about the marketplace. This, in turn, may lead to poor management where the prospect of positive returns is non-existent because of ignorance, or incomplete information. Furthermore, incomplete information about market opportunities “may lead private entrepreneurs to overlook profitable investments.” (Weiler, 2000, pg. 195) What seems an enticing job opportunity may be clouded by the reality of negative externalities, so prospective business owners therefore may initiate or continue with an agreement that sounds great but actually becomes disastrous. With over 15 failed businesses within the last three years, this is the case in Charleston.

Information gaps inhibit economic improvements in Charleston. These information gaps can be referred to “poor business management,” the result, according to the Mayor, of the many failed businesses in Charleston within the past few years. (Coughill interview, 2001) The University could pick up the slack and offer consulting through an office of economic development. By consulting those business owners that need the assistance, the University can bridge the information gaps that exist and improve business conduct and vitality in Charleston.

## 4.5

### *A Shared Solution*

In order to achieve a quality-driven, economically stable community, there must be a solution that comprehensively takes into account all the needs and wants of a community like Charleston. The local government surely could find ways to expand the tax base, and a university might serve as the missing link to enhance economic development in Charleston.

Eastern Illinois has a radius of approximately fifty miles that it can utilize whether it be transferring knowledge through an economic development center, or improving upon businesses or industry such as agriculture with research-lending. Agriculture has already been a statistically proven industry of “big business for Coles County,” (Phelan 2001, pg.1) and EIU could render aid in the form of additional research and projects to benefit Charleston, Mattoon, and even the rest of Coles County. Furthermore, EIU has access to over 51,000 individuals (population for Coles County was 51,103 in 1998.) It can assist faltering businesses in making more vital decisions. It can lend research, expanding market revenues in the agriculture industry. And it has a government that it can work beside to enhance the welfare of its people.

## **Chapter 5: The Economic Impact of EIU on Charleston**

The presence of Eastern Illinois University positively impacts Charleston retail and industrial sectors by contributing approximately 37.1% to total sales revenues per year. In this chapter, the economic impact of EIU faculty & staff expenditures and property taxes, student expenditures, and local contracts is estimated to prove an overall benefit to Charleston.

### **5.1**

#### ***Survey Methodology***

The direct contribution associated with Eastern Illinois University in terms of sales revenues, tax revenues, and local construction contracts was estimated by means of sample surveys and telephone interviews.

Information on Charleston property tax revenue was readily available through the City Treasurer. Also, information regarding EIU contracts with local construction firms was also available through interview with the EIU Vice President of Business Affairs. Lastly, all other desired information was not readily available so it was decided to conduct two separate surveys, included in Appendices B and C. Two surveys were conducted to measure spending by the two entities at EIU: 1.) Faculty and staff; and 2.) students.

The survey for faculty and staff (Appendix B) was mailed to a sample of 600 individuals out of a total population of 1,879 in November of 2001. Faculty and staff were selected randomly by using an EIU telephone directory; every third entry was selected. This method, in addition to being random, also alleviated any problem of

double calculation for those persons of faculty who are married. Because of the randomness of this survey, the sample calculations of mean consumption expenditures, property taxes, spending habits, and feelings about the community are determined highly significant.

Questions for the survey were developed because of their significance to the goal of study. Three main issues were explored in the faculty and staff survey. The first dealt with residency, the second with property tax, the third with consumption expenditure. From the first question on the survey, it is approximated that 80% of EIU faculty and staff live in Charleston. Ranges were given for selection on property taxes paid for those who resided in Charleston. From the ranges a mean was calculated to fulfill the second issue of property taxes paid by EIU faculty and staff. To measure consumption, questions were geared toward different categories of spending: grocery, restaurant/bar, retail, and recreation.

Other questions in the survey asked EIU faculty and staff about spending habits, their willingness to lend their expertise in order to benefit the community, and their feelings about the soundness of the Charleston economy.

Exactly 133 surveys were returned. Of the 133, 33 were discarded as not usable due to incomplete information. Means were calculated from the ranges on the survey (see Appendix B) and multiplied by the number of EIU faculty and staff, exactly 1,879 individuals in 2001. To estimate the population parameter of EIU faculty and staff the 100 randomly served as a random sample. For the estimation of property taxes paid by EIU faculty and staff, a mean was generated from the ranges on the survey and multiplied by 1,503.2 individuals, or 80% of the total EIU faculty and staff population.



Because of time constraints, the student survey was not mailed but distributed to 100 students across campus. The student survey appears in Appendix C. The survey was conducted for four days, each day gathering 25 different students from four central campus locations. This ensured a selection of all various types of students from all different departments. But, because the sample was not chosen by random selection as were faculty and staff surveys, the sample calculations may not approximate the true student population parameters. However, because steps were taken to ensure a broad cross section of students, the data are considered representative. Thus, we have a moderate level of confidence in the student results, just not as high a level as the faculty and staff survey results.

As in the faculty survey, questions for the student survey were geared towards consumption expenditures in different sectors (see Appendix C). These sectors included communication/media, grocery, bar/tavern, cigarette, restaurant/drive-thru, leisure/recreation, retail, and laundry. In the final section of the survey, students were asked to rate their feelings about certain statements regarding store selection, action by local government, and job opportunity in Charleston. One issue that was not addressed in the student survey was residence. Students were not asked if they came from Charleston or elsewhere, therefore those estimations regarding student migration specifically in terms of EIU students who are from Charleston are not based on sufficient information to reach firm conclusions. But, the fact that there remains a potential for brain drain and lack of job opportunity in Charleston is strongly suggested by estimates from the student survey.

The 100 student surveys gathered during the four days across distinct campus locations accounted for the sample size. A mean figure from the answers given by the 100 EIU students was then calculated and multiplied by 10,531, or total EIU enrollment in the 2001 Fall Semester. Because ranges were not offered on the student survey as they were on the faculty and staff survey, exact consumption dollars were given by students and then calculated to derive a mean. This provides a somewhat greater significance when approximating total consumption expenditures on behalf of students as opposed to faculty and staff.

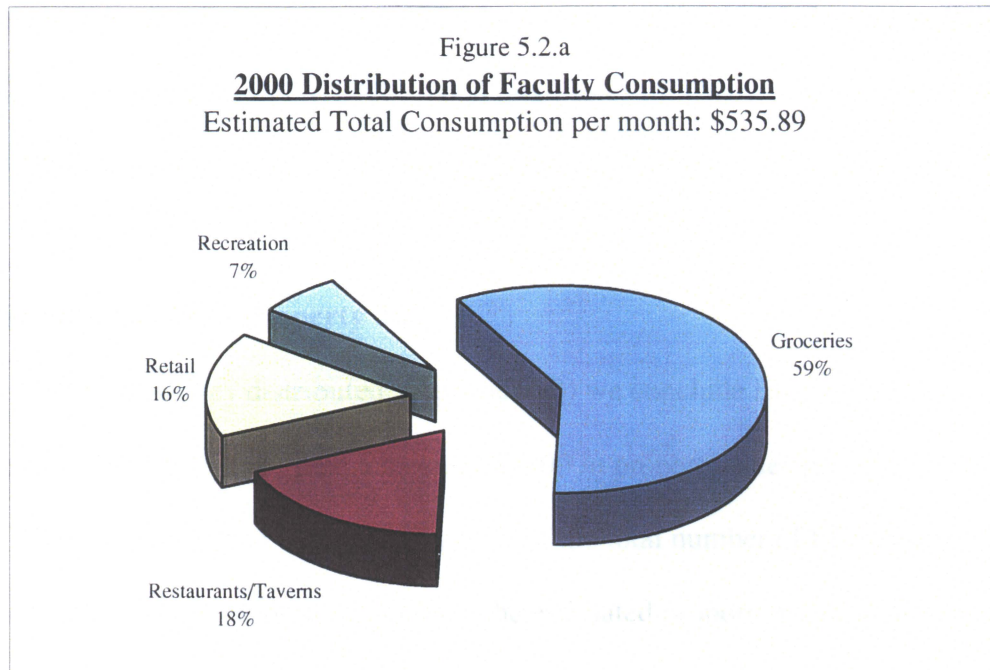
## 5.2

### *Faculty and Staff Consumption Expenditures*

As mentioned in 5.1, exactly 1,879 individuals were employed by EIU in 2001. Based on a random sample of 100 EIU faculty and staff, mean spending for each detailed business category was multiplied by the 1,879 faculty and staff employed at EIU. Table 5.2 shows the mean, per faculty/staff member monthly spending and consumption distribution into various sectors. The different sectors of spending include Groceries,

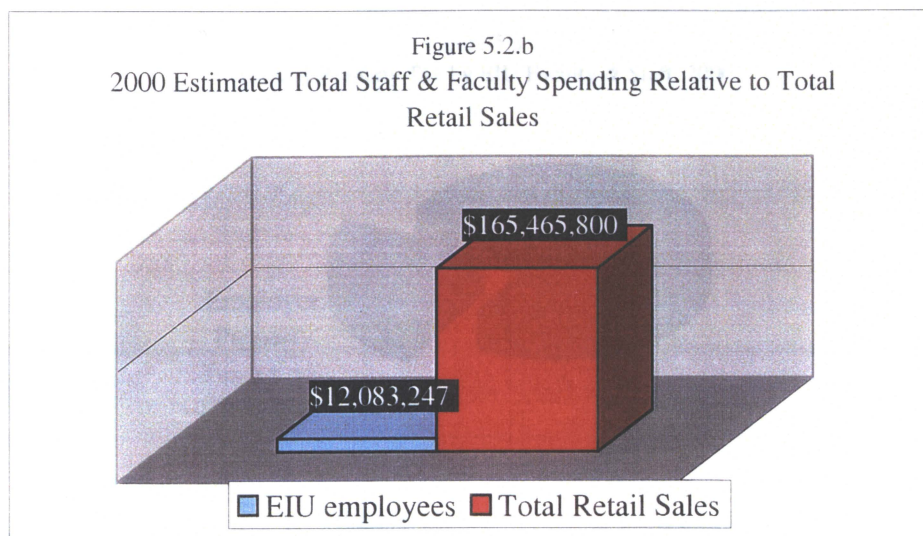
<i>Total</i>	<i>Groceries</i>	<i>Restaurant/ Tavern</i>	<i>Retail</i>	<i>Recreation</i>
\$535.89	\$316.17	\$96.56	\$87.64	\$35.52

Bars/Taverns, Retail and Recreation. The mean consumption expenditure for faculty and staff per person, per month in Charleston is estimated at \$535.89. Figure 5.2.a illustrates to what percent faculty and staff spent in each sector. For example, grocery expenditures



average at \$316.17 per month and accounts for approximately 59% of total consumption expenditures per month by faculty and staff.

Total spending by the entire EIU faculty and staff were estimated to be over \$12 million in FY 2000. Figure 5.2.b shows total EIU employee (faculty & staff) spending

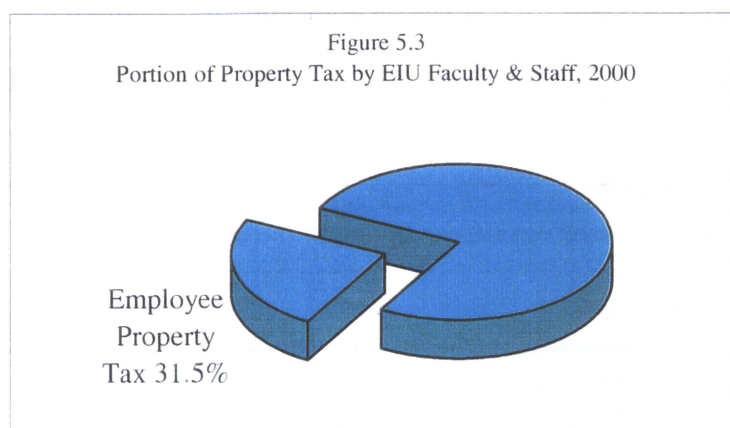


compared to retail sales in FY 2000. EIU faculty and staff accounted for an estimated 7.3% of total retail sales in FY 2000. Total retail sales for Charleston were \$165 million in FY 2000, according to the Charleston Chamber of Commerce (Titus interview, 2002).

### 5.3

#### **EIU Faculty and Staff Property Tax**

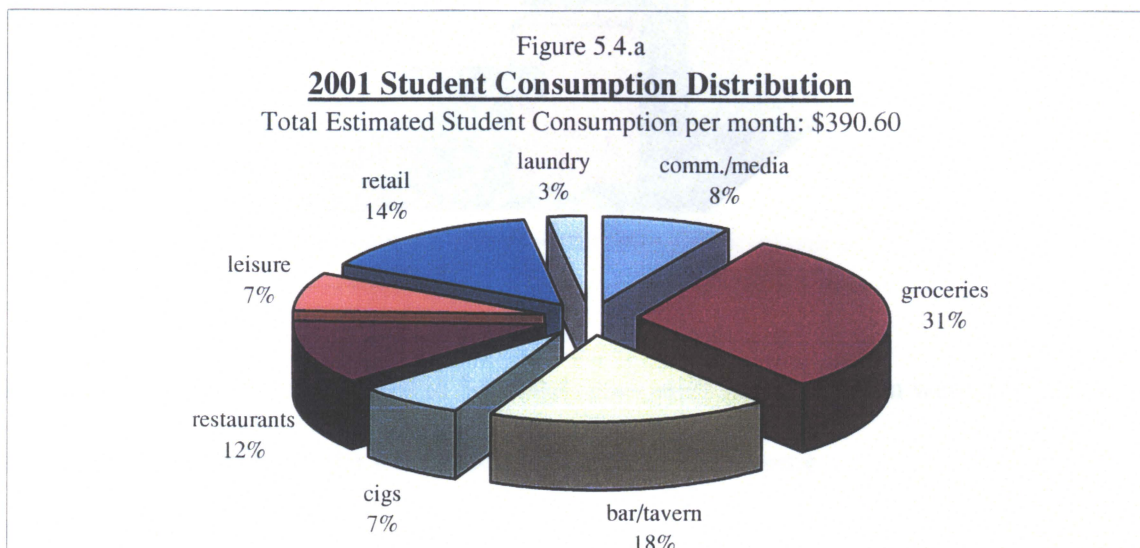
From the survey distributed, (Appendix B) we conclude EIU residential employees (faculty & staff) paid a mean of \$3800 in property taxes per household for FY 2000. The mean was then multiplied by 80% of the total number of EIU faculty and staff, or 1,503. The 80% figure represents the estimated proportion of faculty and staff who are residents of Charleston. Total property tax paid by EIU faculty and staff estimated at \$5,711,400 in 2000. Total property tax collected in Charleston was approximated at \$18,150,428 (Charleston Treasurer, phone interview, 2002). Figure 5.3 shows total EIU faculty and staff property taxes comparative to total Charleston property taxes paid in 2000 as 31.5%.



### 5.4

#### ***Student Consumption Expenditures***

From answers provided by the hand-distributed survey, (Appendix C) the mean, monthly per-student consumption expenditures equal \$390.60. Figure 5.4.a illustrates the total, monthly mean per student expenditure distribution into each sector of spending.

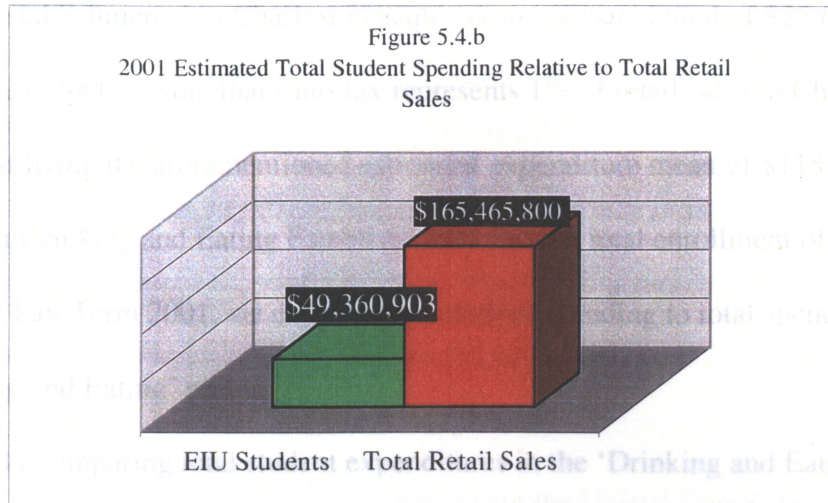


As in employee spending, (refer to Figure 5.2.a), grocery consumption expenditures are the highest amongst students at \$118.58 per month, or 31% of total expenditure. Table 5.4 shows the mean amount of monthly, per student consumption expenditures in each sector: Communication & Media, Groceries, Bar/Tavern, Cigarettes, Restaurants, Leisure, Retail, and Laundry.

Table 5.4  
2001 Mean Student Consumption Expenditures per Month

Total	Comm/ Media	Grocery	Bar/ Tavern	Cigarette	Restaur.	Leisure	Retail	Laundry
\$390.61	\$32.44	\$118.58	\$71.47	\$27.48	\$46.53	\$27.86	\$55.99	\$10.25

Total spending by the entire EIU student body was estimated at \$49.3 million in FY 2001. Figure 5.4.b shows estimated total EIU student spending in FY 2001 compared to retail sales in FY 2000. EIU students accounted for an estimated 29.8% of total retail



sales in FY 2000. As mentioned in 5.2, total retail sales for Charleston were \$165 million in FY 2000, according to the Charleston Chamber of Commerce.

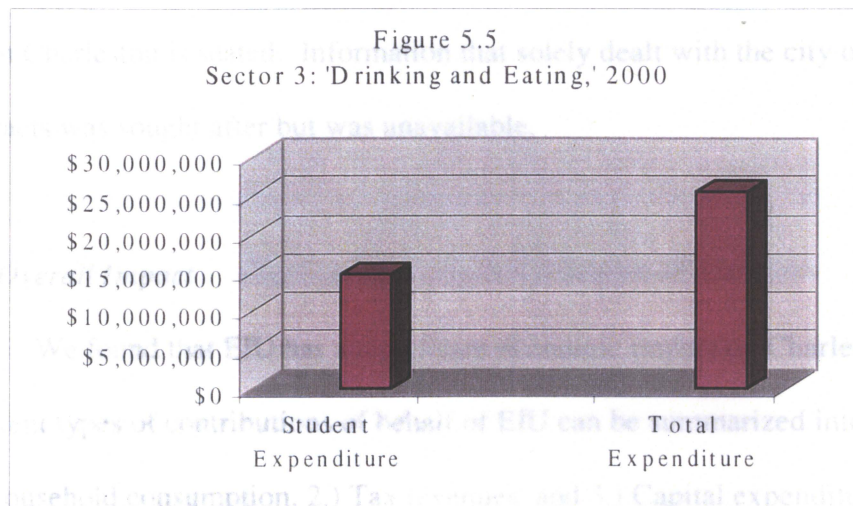
### 5.5 Student Expenditure within Sector 3: 'Drinking and Eating Establishments'

Refer back to the second and third performing sectors in Table 5.4: Bar/Tavern and Restaurants. These two sectors combined equal to the sector 3: 'Drinking and Eating Establishments' as classified by the Illinois Department of Revenue. When we add together Bar/Tavern (\$71.47 per month) and Restaurant spending (\$46.53 per month) student spending in the 'Drinking and Eating Establishment' sector is estimated at \$118 per month, per student. This amount, multiplied by 12 for yearly spending and then multiplied by the number of EIU students (10,531), gives total estimated student expenditures in the 'Drinking and Eating Establishment' class to be estimated at \$14.9 million.

Figure 6.1 (chapter 6) lists ten different sectors of retail that generated sales tax in Charleston through the years 1988-2000. Referring to the third column, 'Drinking and

Eating Establishments' in Charleston acquired an estimated total of \$25.6 million in sales for the year 2000. (Note that sales tax represents 1% of retail sales in Charleston). By further utilizing the aforementioned estimated expenditure mean of \$118 per student, per month in Drinking and Eating Establishments and the total enrollment of students at EIU from the Fall Term 2001, we can compare student spending to total spending in the 'Drinking and Eating' sector.

By comparing total student expenditures in the 'Drinking and Eating Establishment' sector estimated at \$14.9 million to the \$25.6 million in 'Drinking and Eating' sales, we conclude that EIU students accounted for an estimated 58% of total expenditures of this class. Therefore, over half of this sector's vitality depends on students' consumption habits. Also, as indicated in Chapter 6, (Figure 6.4), the 'Drinking and Eating Establishment' sector ranks third in regards to total sales tax revenue and accounts for 15% of the total tax receipts accrued in Charleston in 2000. Figure 5.5



effectively shows the highly significant economic influence of student consumption on the third sector: 'Eating and Drinking Establishments.'

## 5.6

### **Local Contracts: The University's Contribution**

As the university reassesses its need to improve physically, it bids out contracts to construction firms. Last year, EIU rehabilitated and gated its formal entrance. The local contractors who were hired to construct the new entrance to EIU benefited greatly from the contract formed with EIU.

EIU has many contracts all throughout the United States, however in this section emphasis is placed on contracts formed with Coles County construction firms.

In FY 2001, total number of EIU purchase orders equaled 18,238. The proportion of those that were Coles County contracts equaled 3,960, or 21.7% of total purchase orders. Total purchases for FY 2001 amounted to \$62,707,379.51. The proportion of those that were Coles County purchases amounted to \$5,528,787.68, or 8.8% of total EIU purchase orders. (Jeff Cooley interview, 2002) Note that Coles County is the county in which Charleston is seated. Information that solely dealt with the city of Charleston contracts was sought after but was unavailable.

## 5.7

### ***The Overall Impact***

We found that EIU has a significant economic impact on Charleston. The different types of contributions of behalf of EIU can be summarized into three categories: 1.) Household consumption, 2.) Tax revenues, and 3.) Capital expenditures by EIU in the form of contracts to local construction firms. Collectively, the faculty, staff, and students of EIU spent an estimated \$61.4 million dollars in FY 2001 on household consumption expenditures in Charleston . Also collectively, EIU faculty, staff, and students accounted



for an estimated 37.1% of total retail sales in Charleston for 2000-2001. Total dollars from EIU faculty and staff property taxes totaled approximately \$5.7 million for FY 2000, or roughly 31.5% of total property tax revenue in Charleston. Lastly, dollars spent by EIU on contracts with local construction firms totaled \$5.5 million, or estimated about 8.8% of total EIU purchase orders for FY 2001.

It is important to note that ideally, for this chapter, a multiplier effect should have been estimated. Although a multiplier effect was not calculated, the effect may exist which would indeed magnify the economic impact on both household consumption by EIU faculty, staff, and students and capital expenditures by EIU to local construction firms. The multiplier was not determined because of its difficulty to measure. Multiplier effects, although they exist on local levels, have been critiqued in terms of the degree to which they are effective. Some studies have indicated a very large multiplier exists at the local level whereas others suggest the local level has a small multiplier. Because there exists discrepancy amongst impact studies about the multiplier, it was considered undesirable to calculate one for this study.

Previous economic impact studies have been conducted by two professors from the Lumpkin College of Business and Applied Sciences. Because of the duration of time between this study and that of the previous (the previous studies were conducted in the 1970's) no exact calculations could be derived from Booth Library. Information is no longer available.

## **Chapter 6: A Model Office of Economic Development**

### **6.1**

#### ***Impact, Brain Drain, and an Argument for Economic Development***

In the previous chapter, the economic impact of Eastern Illinois University on Charleston was measured using data from surveys. The economic impact of EIU on Charleston includes: 1.) consumption expenditures by EIU faculty, staff, and students; 2.) property tax revenues from EIU faculty & staff who reside in Charleston; and 3.) labor and materials in construction and equipment contracts of local industry. It is concluded that the presence of EIU in Charleston remains positive.

However, as discussed in chapter 4, section 2, a potential brain drain problem exists that may hinder the economic growth of the city. As more local residents utilize the university, receive an education and migrate away from home, local industry in Charleston suffers from the lost human capital. As industry declines from the lack of education, job opportunities also take a plunge. The numbers shown from chapter 4, section 2, suggest the potential for brain drain. Any form of brain drain is not an economically favorable situation for the City of Charleston to be in. From this perspective, EIU, in fact, may actually be harmful to the city, but, at the same time, an argument in favor of economic development emerges to build up and enhance industry and create greater job opportunity to new graduates.

### **6.2**

#### ***A Need for Economic Development Services***

Upon evaluation of tax revenue generated through spending in various sectors, we realize that the argument for economic development strategies initiated by the university isn't solely for the purpose of reversing a possible brain drain epidemic. There remains an apparent need for aid and information to small business owners, especially those in the top tax-generating sectors.

Table 6.2 shows how much revenue was generated through sales tax in Charleston

Year	Total Tax Receipts	1 General Merchandise	2 Food	3 Drink & Eating Est.	4 Apparel	5 Furniture Household	6 Lum., Bldg., Hardware	7 Automotive Filling Stat.	8 Drugs & Misc.	9 Agriculture Extractives	10 Manufgr.
1988	\$1,090,802	\$139,610	\$238,034	\$150,273	\$22,596	\$15,480	\$86,847	\$261,978	\$92,990	\$29,292	\$53,701
1989	\$1,081,595	\$149,044	\$246,521	\$152,433	\$22,224	\$21,665	\$73,648	\$258,413	\$99,822	\$39,198	\$18,626
1990	\$1,143,320	\$153,997	\$249,247	\$167,443	\$21,080	\$24,328	\$69,829	\$247,492	\$101,752	\$41,012	\$67,139
1991	\$1,115,190	\$160,570	\$261,170	\$167,857	\$16,741	\$21,846	\$66,541	\$241,419	\$105,605	\$14,382	\$32,056
1992	\$1,190,935	\$179,128	\$256,985	\$183,141	\$16,393	\$21,153	\$73,806	\$285,103	\$104,343	\$46,057	\$24,825
1993	\$1,285,202	\$188,556	\$240,093	\$202,592	\$15,760	\$22,955	\$84,495	\$332,840	\$142,260	\$48,695	\$6,956
1994	\$1,394,150	\$188,755	\$233,382	\$199,187	\$16,424	\$26,070	\$113,757	\$357,683	\$149,292	\$70,813	\$38,792
1995	\$1,407,273	\$192,757	\$238,947	\$214,009	\$21,794	\$27,635	\$107,704	\$381,541	\$154,422	\$51,028	\$17,437
1996	\$1,470,089	\$196,987	\$250,757	\$210,794	\$19,560	\$20,355	\$96,357	\$399,345	\$192,243	\$61,120	\$22,573
1997	\$1,481,393	\$170,138	\$281,482	\$260,886	\$19,970	\$21,923	\$65,533	\$315,454	\$177,228	\$101,595	\$67,185
1998	\$1,517,518	\$176,384	\$277,643	\$254,258	\$19,728	\$22,547	\$54,379	\$379,025	\$192,405	\$96,963	\$44,186
1999	\$1,598,587	\$181,830	\$291,486	\$259,613	\$21,033	\$21,777	\$47,175	\$440,301	\$200,886	\$100,115	\$34,371
2000	\$1,654,658	\$223,076	\$278,942	\$256,324	\$20,046	\$15,663	\$51,911	\$444,053	\$223,972	\$101,443	\$39,227

Source: Charleston Chamber of Commerce, 2001

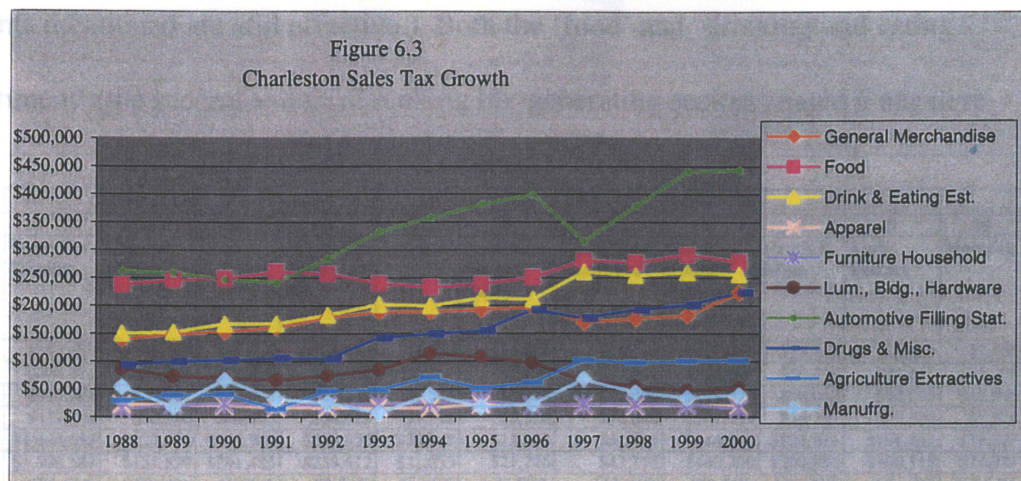
(approximately 1% of retail sales) from 1988-2000.

The increasing amounts of 'total tax receipts' indicate that collectively, retail spending and expansion in Charleston have grown at a steady rate. Furthermore, 'automotive and filling stations,' 'food,' and 'drinking and eating establishments' are consistently ranked as the top three sectors of generating tax revenue. Note that both 'drugs and miscellaneous retail' and 'general merchandise' have consistently grown over the last decade and continue to rank in the fourth and fifth position, with 'drugs' moving into a higher rank than 'general merchandise' and keeping its position in fourth since 1997.

## 6.3

*The Effects of a Super Wal-Mart.*

A new Super Wal-Mart center was established at a central Charleston location in 2000. Refer to figure 6.3. The effects of the Wal-Mart on the Charleston economy is shown by the large increase in 'general merchandise' from \$181,830 to \$223,076 and a



decline in 'food' from \$291,486 to \$278,942. Cynthia Titus, Director of the Charleston Chamber, notes that "Super Wal-Mart includes both 'general merchandise' and 'food' into their accounting methods and no discrepancy is noted." (Titus interview, March 11, 2001) This gives the illusion, (shown in figure 6.3) that food sales have dropped as general merchandise has increased within the last year, when, in fact, they may have stayed constant or even increased; it is just that all the spending has taken place under one roof. This remains positive for the Charleston economy as a whole, yet problematic for the food sector as a separate entity. It can also be concluded that the tremendous decrease in 'furniture and household' and the slight cut in 'apparel' can also be linked to Super Wal-Mart.

## 6.4

*Decreasing Returns from the Leading Tax Generating Sectors*

Table 6.4 gives a percent change in Charleston spending from 1999 to 2000.

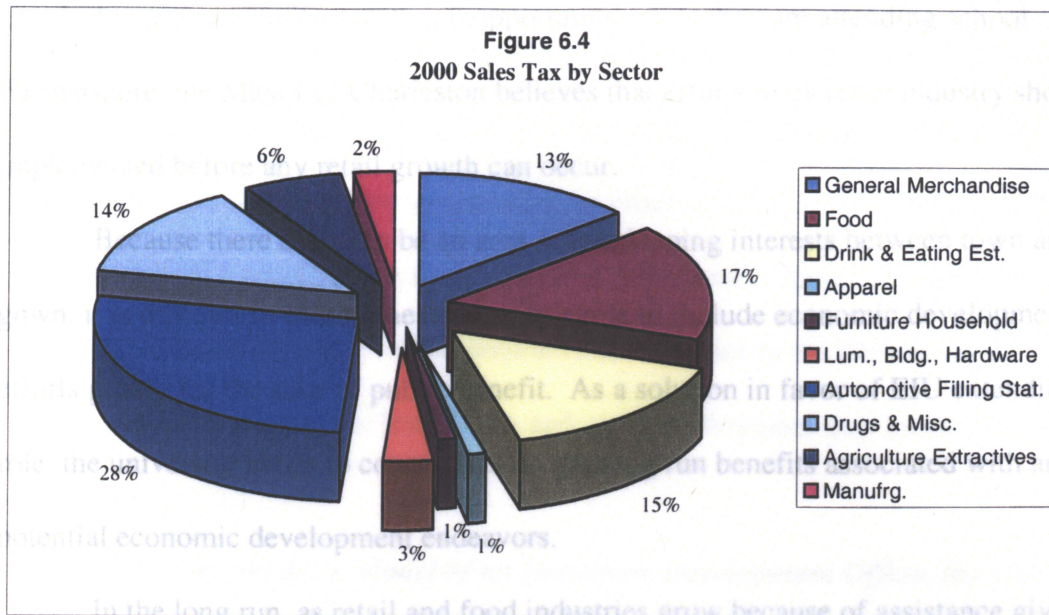
(Note that the Charleston Chamber did not calculate 4th quarter spending from 2001 at the time of this paper; therefore more current numbers could not be used yet the arguments mentioned are still effective.) Both the 'food' and 'drinking and eating establishment' (the second and third ranking tax-generating sectors) faced a negative

		1	2	3	4	5	6	7	8	9	10
2000 by Quarter	Total Tax Receipts	General Merch	Food	Drink & Eating Est.	Apparel	Furniture, House., Radio	Lum., Bldg., Hardware	Auto, Filling Stat.	Drugs & Misc.	Agric. Extract	Manufgr
Q1	\$383,637	\$40,728	\$69,010	\$61,043	\$4,930	\$4,579	\$10,138	\$107,086	\$55,152	\$23,416	\$7,555
Q2	\$424,411	\$44,521	\$74,496	\$69,920	\$5,061	\$3,886	\$13,648	\$120,890	\$56,529	\$24,151	\$11,298
Q3	\$407,564	\$45,287	\$71,033	\$61,334	\$4,746	\$3,678	\$16,036	\$114,329	\$54,068	\$24,055	\$12,998
Q4	\$439,046	\$92,540	\$64,403	\$64,028	\$5,310	\$3,520	\$12,088	\$101,739	\$58,222	\$29,820	\$7,376
2000	\$1,654,658	\$223,076	\$278,942	\$256,325	\$20,047	\$15,663	\$51,910	\$444,044	\$223,971	\$101,442	\$39,227
1999	\$1,598,587	\$181,829	\$291,485	\$259,612	\$21,033	\$21,776	\$47,175	\$440,300	\$200,886	\$100,115	\$34,371
% change	103.51%	122.68%	95.70%	98.73%	95.31%	71.93%	110.04%	100.85%	111.49%	101.33%	114.13%
2000 by Quarter	Total Tax Receipts	General Merch	Food	Drink & Eating Est.	Apparel	Furniture Household	Lum., Bldg., Hardware	Auto, Filling Stat.	Drugs & Misc.	Agric. Extract	Manufgr
2000 Q1	\$383,637	\$40,728	\$69,010	\$61,043	\$4,930	\$4,579	\$10,138	\$107,086	\$55,152	\$23,416	\$7,555
1999 Q1	\$376,807	\$40,099	\$68,418	\$59,260	\$5,030	\$5,193	\$10,250	\$112,433	\$42,367	\$25,612	\$8,144
% change	101.81%	101.57%	100.87%	103.01%	98.01%	88.18%	98.91%	95.24%	130.18%	91.43%	92.77%
2000 Q2	\$424,411	\$44,521	\$74,496	\$69,920	\$5,061	\$3,886	\$13,648	\$120,890	\$56,529	\$24,151	\$11,298
1999 Q2	\$412,873	\$45,116	\$71,775	\$89,738	\$5,047	\$6,278	\$14,338	\$117,220	\$54,131	\$20,857	\$8,372
% change	102.79%	98.68%	103.79%	77.92%	100.28%	61.90%	95.19%	103.13%	104.43%	115.79%	134.95%
2000 Q3	\$407,564	\$45,287	\$71,033	\$61,334	\$4,746	\$3,678	\$16,036	\$114,329	\$54,068	\$24,055	\$12,998
1999 Q3	\$391,820	\$44,999	\$72,566	\$61,641	\$5,339	\$5,289	\$14,841	\$107,957	\$47,551	\$24,045	\$7,592
% change	104.02%	100.64%	97.89%	99.50%	88.89%	69.54%	108.05%	105.90%	113.71%	100.04%	171.21%
2000 Q4	\$439,046	\$92,540	\$64,403	\$64,028	\$5,310	\$3,520	\$12,088	\$101,739	\$58,222	\$29,820	\$7,376
1999 Q4	\$417,087	\$51,615	\$78,726	\$68,973	\$5,617	\$5,016	\$7,746	\$102,690	\$56,837	\$29,601	\$10,263
% change	105.26%	179.29%	81.81%	92.83%	94.53%	70.18%	156.05%	99.07%	102.44%	100.74%	71.87%

Source: Charleston Chamber of Commerce

change in sales tax revenue (1% of total sales) from 1999 sales to 2000 sales.

In 2000, 'food' tax revenues accounted for 17% of total tax receipts. (See figure 6.4) In addition, 'drinking and eating establishment' tax revenues accounted for 15% of the other hand, building upon the top tax-generating sectors would increase growth in total tax receipts in 2000. 'General merchandise' (refer back to Table 6.4, column 1) had



the most significant increase in sales tax revenue at 1.27% compared with 1999 sales taxes. 'General merchandise' accounted for 13.5% of total tax receipts in 2000.

### 6.5 2001 survey (Appendix B) which asked a random sample of 100 EIU faculty and

#### *Why Should EIU get involved in order to Enhance Economic Development?*

Figure 6.4 shows the top three tax-generating sectors: automotive and filling stations, food, and drinking and eating establishments as generating 58% of total sales tax receipts for 2000. Therefore, such as in the year 2000 when two of the top three leading sectors faced negative returns, the local Charleston economy suffered and businesses failed. Recently, for this reason, economic development efforts have grown more significant to Charleston residents and local business owners. Thus, a new role for EIU emerges, but why should the university get involved merely for public good?

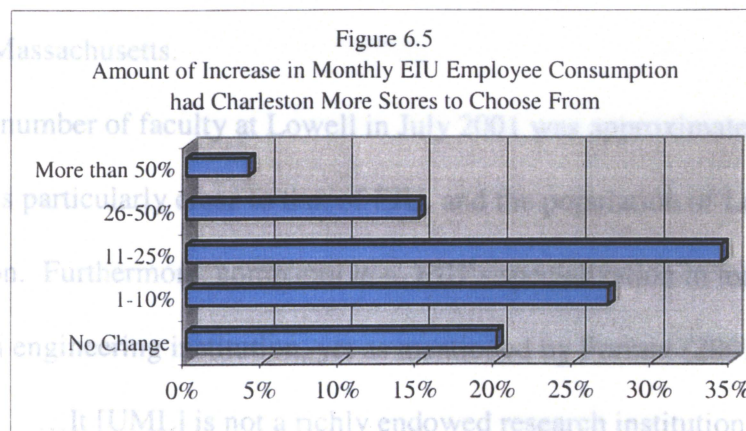
It was stated previously that improvements in retail and food would not provide the jobs needed for new graduates and wouldn't alleviate any problem of brain drain. On the other hand, building upon the top tax-generating sectors would increase growth in

Charleston and aid students with job opportunity while they are attending school.

Furthermore, the Mayor of Charleston believes that efforts to increase industry should be implemented before any retail growth can occur.

Because there seems to be an area of overlapping interests between town and gown, it is difficult to extend the university's role to include economic development efforts purely for the sake of public benefit. As a solution in favor of EIU extending its role, the university needs to concentrate on the long run benefits associated with any potential economic development endeavors.

In the long run, as retail and food industries grow because of assistance given by the university, more dollars will be generated for the city to improve upon marketing efforts, therefore expanding any potential for industrial growth. Figure 6.5 shows results of a 2001 survey (Appendix B) which asked a random sample of 100 EIU faculty and staff to what percent would monthly spending increase if Charleston had more retail stores to choose from. Thirty-four percent of EIU faculty and staff stated their monthly spending would increase by 11-25%.



Total consumption per month for faculty and staff totaled \$535.89 in 2000

(Chapter 5, Figure 5.2.a); an increase of 11-25% would raise faculty and staff

consumption to \$594.84 - \$669.86 per month. Furthermore, Figure 6.5 supports the argument for retail growth in Charleston. As faculty and staff consumption expenditures increase, so do tax dollars generated from retail spending. As a result, both the retail and industrial sectors are improved, and businesses and corporations, attracted to positive signs of commerce, will want to construct new facilities in the Charleston area. In time, both problems of potential brain drain and underemployment may be eliminated.

## 6.6

### *What EIU Should do: a Model of an Economic Development Office, the University of Massachusetts at Lowell*

In the next section, administrative efforts made by the University of Massachusetts at Lowell (UML) will be utilized as a model for university economic development.

The town of Lowell, Massachusetts houses the University of Massachusetts at Lowell, or better known as the UML. In a recent article, Farrant (2001) discusses the possibilities if the University extended its role to meet the economic development needs of Lowell, Massachusetts.

The number of faculty at Lowell in July 2001 was approximately 400, the student enrollment is particularly close to that of EIU, and the population of Lowell matches that of Charleston. Furthermore, comparative to EIU's specialization in teaching, UML is known as an engineering institution, yet as mentioned by Farrant (2001):

...It [UML] is not a richly endowed research institution like the Massachusetts Institute of Technology or Stanford University; thus, the



Lowell case is useful for those interested in the role that the ‘more ordinary’ regional universities might play. (Farrant, 2001, pg. 614)

Eastern is definitely considered a “more ordinary” University; it is not equipped with the resources like that of its neighbor, the University of Illinois, nor does it have the ‘specialization label’ that the University of Chicago has with medicine and research. Yet, as illustrated by the study conducted at the UML in Lowell, positive outcomes can happen in the long run.

The UML has already implemented economic and social strategic planning through two committees: A Committee on Industrial Theory and Assessment (CITA), formed in 1993 and the Department of Regional and Social Development (RESD), established in 1996. CITA is formulated with every college at the University’s participation and membership. “CITA’s work focuses on industry sector studies, community leadership development, and community-based social research.” (Farrant, 2001, pg. 615)

Whereas CITA members provide the research needed for assessing development issues, RESD actually conducts the teaching and training needed to carry out an efficient development process in Lowell. Farrant (2001) explains the benefits of the RESD to regional citizens:

Members previously taught in the history, sociology, political science, community psychology, economics, and management established RESD; its graduate program educates technologists, entrepreneurs, development professionals, and community activists to understand, analyze and intervene in the economic development process. (Farrant, 2001, pg. 616)

(Unique to the regional UML are the organizations implemented like CITA and RESD.) For a regional school, it is unlikely to find programs of economic development that have been initiated and performed by all colleges at the University. EIU has the BTI program (for a description see chapter 3, section 4), yet its programs are offered through the Lumpkin College of Business and Applied Science.

Strides in favor of improving economic development have been made at Lowell, according to Farrant, “however, success of UML is inhibited by non-consistent campus-wide meetings to discuss implementations of any development efforts, a lack of consensus on certain views, and structural barriers which hinder the work to run smoothly.” (Farrant, 2001, pg. 622) The Dean at UML College of Arts and Sciences further addresses the barriers as “congruence of disciplines and departments, the alignment of institutional mission with faculty roles and rewards, bureaucratic rigidity, access to resources, and boundary maintenance.” (Kleniewski, 2001, pg. 593) Also, lack of faculty involvement also hinders success of economic improvements at UML. As mentioned by Farrant, “of the 400 faculty and staff at UML, less than 90 proposals are received a semester from professors interested in working on such programs.” (Farrant, 2001, pg. 622)

Much has been accomplished through the establishment of CITA and RSED at UML but as illustrated, problem areas still remain. For EIU, the potential to follow Lowell’s example exists, and if implemented, a department or office of economic development may show more significant results.

## **6.7**

### ***No Outlet for Faculty and Staff***

Perhaps the problem does not appear to be lack of interest by EIU faculty. Faculty and staff may not have shown much cooperation in the development process merely because there is no outlet to do so. In conjunction with the same 2001 study (Appendix B) of 100 Eastern Illinois faculty and staff, 88.6% of the sample population said they would offer their expertise to improve upon the Charleston community. Only eight percent of the sample population said they would only agree to lend expertise if they were paid. (Faculty & Staff Survey, Appendix A).

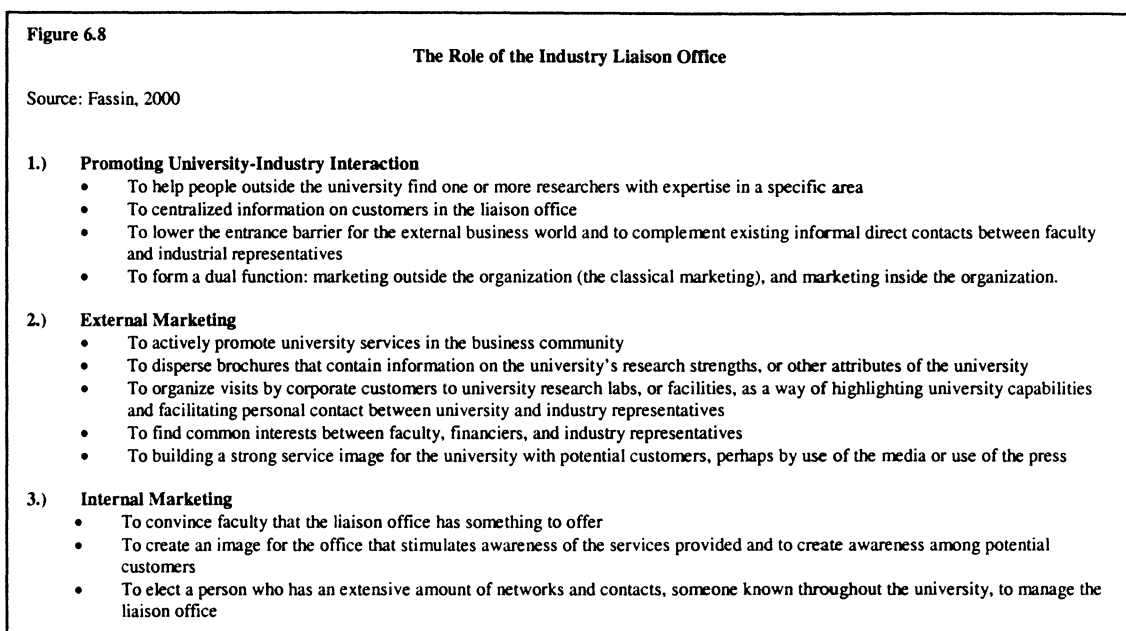
These are amazing figures, considering only 31.4% of the 100 faculty and staff that returned surveys were ever asked by the EIU Administration to render community services. If EIU had offices such as CITA or RESD to allow faculty the opportunity to foster their expertise, the survey indicates many faculty members would cooperate. Though, as illustrated by Forrant's theory of the UML, there would need to be a group effort on behalf of student, citizens, regional directors, government officials, and planning boards to meet and discuss exhaustively the preparation, conduct, and performance of such an economic development program. For if such a program were implemented as part of EIU, it would prove a success, heighten relationships between students and citizens, benefit the community, give both positive short and long run effects, and decrease levels of brain drain and underemployment.

## 6.8

### *Operating an Office of Economic Development at EIU*

If implemented, how would an office of economic development operate? Yves Fassin (2000) describes a possible new strategy for Universities, which he refers to "industry liaison offices." What used to be limited to the role of regional government,

Fassin theorizes economic development should be an expanded role of the University, mainly because growing industry needs the “specialized know-how, information and advice available from universities.” (Fassin, 2000, pg. 31) Attributes of Fassin’s industry liaison office are described in Figure 6.8. Fassin mentions one main use for a liaison office is to recruit people from outside the university, helping them find “one or more



researchers with expertise in a specific area.” (35) The problem, according to Fassin, with many universities is that their faculties are departmentalized, making it difficult for outsiders to locate someone with a particular expertise. If a development office were created at EIU, a directory of expertise would be needed as well as capacity for research into Charleston’s retail and industrial markets, or what Fassin refers to in Figure 6.8 as “external marketing.”

Typically, it has been in the interest of local governments to support and conduct efforts to enhance development in their region. Why should Eastern Illinois University be any different? EIU could offer an office of economic development, ran with the

assistance from faculty and students, to provide “customized services to help businesses improve their competitiveness” (Bartik, 2001, pg. 850) and allow opportunity for new potential business to increase. The argument of Bartik (2001) for local government to take part in an economic development role also sums up the role of a hypothetical economic development office implemented by EIU. The program could:

...Provide businesses with advice and technical assistance on modernization options; help businesses figure out how to export and assist them with worker training; help potential entrepreneurs and small businesses develop better business plans and locate financing. (Bartik, 2001, pg. 850)

Bartik also suggests that “small and medium sized businesses have the greatest need” for the services mentioned above. Charleston already has Coles Together, but the Institution normally caters to industrial and manufacturing plants. Furthermore retail growth efforts carried out by the Charleston Chamber are exclusively offered to Chamber members only. Eastern Illinois University could offer development assistance to any small, medium, or large-scale business that needed expertise. EIU should consider much unexplored potential for creating an Office of Economic Development.

## 6.9

### *Budget Issues*

If EIU took on a new expanded role of community public service and an office of economic development were implemented how would it be funded?

Western Kentucky University established the Institute for Economic Development and Public Service in 1989 with the help of a grant from the Economic Development

Administration (EDA) of the US Department of Commerce. The grant given by the EDA offered assistance, yet only partially funded the Institute at Western Kentucky University. "Additional funds are obtained through other public and private grants and a portion of the University's annual budget is contributed to fund the Institute." (Galloway & Minton, 1997, pg.44) The Institute for Economic Development and Public Service has proven a positive force for the entire state and has been successfully functioning as part of WKU for over twelve years.

If such an Institute or Office of Economic Development were created at EIU, the first thing to do would be to establish a committee of faculty and staff to explore the potential costs and benefits. Business Technologies Institute (BTI) is a current program offered through the Lumpkin College of Business that aids with technological support and consulting to various local industries. BTI is funded by grants from the state and local governments. Because it is a part of the University, essentially an extension of the Lumpkin College of Business, it operates on the Lumpkin College's budget. Grants could be obtained for the Office of Economic Development entirely in the same fashion as they are BTI, the only difference being OED, the Office of Economic Development, would operate under the entire EIU budget plan.

Creative faculty at EIU would see it in their best interest to utilize the student body by structuring a class to tie in with economic development and consulting services. This could extend farther than the obvious Economics, Business, Marketing and Finance Departments. If OED was established, an urban planning and development class, for example, could collectively do research on the benefits/costs of integrating new business into the Charleston community.

Currently, it is debatable as to whether or not faculty would be paid for their services to OED; limited funding from grants may pose a problem. Yet given by results from a recent survey (2000), (see section 6.7: *No Outlet for Faculty and Staff*) 88.6% of EIU faculty said they would offer their expertise (without getting paid) if it would benefit the Charleston community. And why wouldn't they? Nearly eighty percent of EIU faculty and staff reside in Charleston. (Faculty & Staff Survey, Appendix B) By lending their expertise to OED, they too benefit with the possibility of improving upon their community.

## **6.10**

### ***Four Requirements of an Office of Economic Development***

An Office of Economic Development (OED) must include: 1.) a spelled out mission that deals with improvements of economic development within certain regional boundaries and clearly defines the roles and rewards of participants involved; 2.) a willing faculty, staff, and student body who will be active in the everyday success of the Office; 3.) a community that allows the University to participate; and 4.) a general consensus that is reached upon every decision made by the Head Committee or Advisory Board (possibly those individuals who were picked or elected to devise the budgetary plan). In addition to the resources needed to implement such a program, the ideal Office for Economic Development would eventually generate more job opportunity, decrease potential for brain drain and perhaps even increase EIU enrollment.

At this point in time, no plans for an Office of Economic Development have crossed the drawing boards, so to speak, of EIU's Board of Trustees; yet if such an institution were ready for an OED, it is Eastern Illinois University.

## **Chapter 7: Conclusions**

As previously stated, three main problems exist in Charleston, Illinois. They are: underemployment, a negative brain drain flow, and a recent trend in retail market failure. The Mayor of Charleston has said that “even though unemployment is around five percent in Charleston,” there are many individuals who are working below their capacity and therefore, are underemployed (Coughill interview). Every year, 10,000 new students are enrolled at Eastern Illinois University. The impact of EIU students is highly significant, yet the fact that those students do not stay in Charleston upon graduation causes brain drain to flow away from the Charleston economy. Lastly, there is a recent trend of retail business failure partially due to the establishment of a Super Wal-Mart Center in the latter half of 1999.

Eastern Illinois University has been housed in Charleston for over 100 years. When it was first established in 1895, the citizens of Charleston struggled for its existence. They realized the school’s importance and the potential boons it could bring to their economy. Henry Neal, (1895) the Chairman of the Committee to bring Eastern to Charleston, outlined the benefits Charleston would incur if the university became part of its economy as: 1.) Increasing population; 2.) Bringing fame to Charleston; 3.) Improving society; and 4.) Adding to the wealth of Charleston’s economy.

Today, Eastern Illinois University does add “wealth” to the Charleston economy. The economic impact study conducted in Chapter 5 estimates EIU faculty, staff, and students collectively contributing to over 30% of Charleston’s total retail sales. Yet, in spite of this, it is widely believed that EIU has little positive effect (other than



consumption expenditures) on its surrounding region. One reason for the underestimation of EIU's economic contribution is that EIU is state property and no compensation is given back to the city for the lack of property tax that could have been issued had the university were privately owned. Another reason is the fluctuating population of students that come and go from the university, leaving local business owners unsure of the future in terms of sale projections. Finally, the university has not fully participated in economic development efforts to improve conditions in the Charleston and surrounding economies. It is unfair to say, though, that EIU and its governing body has not participated at all in economic development. There has been some participation. For example, the President and his staff appear at City Council meetings and assist the local Chamber of Commerce with marketing efforts. What is fair to state, rather, is that Eastern Illinois University has much untapped potential that has not yet been explored.

The traditional role of the University is to provide knowledge transfer, educational and professional training, and human capital formation through knowledge and job creation. Recent research explains why those traditional roles are being expanded to include public policy intervention, in this case, local economic development. Anders (1992) states, "help or aid to local communities has become more of a responsibility since foreign competition on American industries has placed greater political and financial pressures on universities." (Anders, 1992, pg. 76) Due to the negative economic implications that exist in Charleston and the fact that EIU has much untapped potential, we can conclude that the University must re-evaluate its mission to include economic development issues in regard to its host region.

For example, an Office of Economic Development could be implemented as part of EIU. The OED could help with economic development efforts already established by the Regional Planning Commission and Coles Together. These organizations have been successful, but cater to all of Coles County. Therefore, there is no single entity that focuses solely on Charleston. (The absence of an economic development office does not help the recent failing retail sector that exists in Charleston nor does it alleviate the lack of job opportunities.) The university must utilize its most resourceful capital, its students and faculty, to aid and enhance Charleston with economic development efforts. By creating an Office of Economic Development, or OED, EIU can expand its role to provide a public service to Charleston and live up to its strong tradition.

The Office of Economic Development would not overlap with Coles Together but instead could work alongside Coles Together, focusing the majority of its efforts on Charleston and expand upon what Coles Together has already carried out. Indeed there currently lacks sufficient coordination and unification among Coles Together, CCRP & DC (The Coles County Regional Planning and Development Commission), and the local Charleston government. The most efficient plan would be to involve EIU as a partner with these other organizations, building upon and exemplifying what already has proven beneficial in Charleston. With aid from EIU, there can exist a unified front, so to speak, of town and gown helping not only local Charleston businesses with consulting and market information, but EIU students as well. If an Office of Economic Development were implemented, Eastern Illinois will benefit greatly by helping to create a more desirable environment for its faculty and students, by allowing more creative outlets for faculty to expand their expertise to those who need it in Charleston, and most importantly

it will add to EIU's vitality and allow it to earn greater recognition as a standing leader in its community.



**APPENDIX B**  
**Faculty and Staff Survey**

As a Charleston resident, I paid the following in property taxes within the past year :

- I was not a Charleston resident within the past year
- I lived in Charleston but rented and did not pay property taxes within the past year
- Below \$1,000
- \$1,001-\$2,000
- \$2,001-\$3,000
- \$3,001-\$4,000
- \$4,001-\$5,000
- \$5,001-\$6,000
- \$6,001-\$7,001
- \$7,001-\$8,000
- \$8,001-\$9,000
- Over \$9,000

On average, within the past year, I spent the following on groceries, including alcohol and cigarettes, purchased in Charleston:

- I did not purchase groceries, alcohol, or cigarettes in Charleston within the past year
- Less than \$25 per month (about \$5/ week)
- \$25-\$99 per month (up to \$25/ week)
- \$100-\$249 (\$25-\$62/ week)
- \$250-\$499 (\$63-\$124/ week)
- \$500-\$749 (\$125-\$187/ week)
- \$750-\$999 (\$188-\$250/ week)
- Over \$1,000 (\$250+/ week)

On average, within the past year, I spent the following in Charleston restaurants/bars including drive-thru spending:

- I did not purchased food from a Charleston restaurant or drive-thru within the past year
- Less than \$25 per month (about \$5/ week)
- \$25-\$49 per month (\$6-\$12/ week)
- \$50-\$74 per month (\$13-\$18/ week)
- \$75-\$99 per month (\$19-\$24/ week)
- \$100-\$149 per month (\$25-\$37/ week)
- \$150-\$199 per month (\$38-\$49/ week)
- \$200-\$249 per month (\$50-\$62/ week)
- \$250-\$299 per month (\$63-\$75/ week)
- Over \$300 per month (\$75+/ week)

On average, within the past year, I spent the following in Charleston stores on retail, including necessities for the family and gifts for others:

- I have never purchased retail for myself or anyone else in Charleston within the past year
- Less than \$25 per month
- \$25-\$49 per month
- \$50-\$74 per month
- \$75-\$99 per month
- \$100-\$149 per month
- \$150-\$199 per month
- Over \$200 per month

On average, within the past year, I spent the following in Charleston on recreational activities:

- I have never spent on recreational activities in Charleston within the past year

- Less than \$25 per month
- \$25-\$49 per month
- \$50-\$74 per month
- \$75-\$99 per month
- \$100-\$149 per month
- \$150-\$199 per month
- Over \$200 per month

If Charleston had more stores to choose from, what I spend on retail, groceries, and alcohol per month would:

- Not change at all
- Increase by 1-10%
- Increase by 11-25%
- Increase by 26-50%
- More than 50%

Within the past year, I went out of my way to shop at stores outside of the Coles County area:

- Never
- 1-2 times a month
- 3-5 times a month
- More than 5 times a month

Within the past year, the Administration has asked me to provide paid/unpaid services for the Charleston community:

- Never
- 1-3 times
- 4-6 times
- 7-10 times
- 7-11 times
- Monthly
- Weekly
- Daily

If given the chance, I would offer my expertise if it would improve upon the community:

- Yes
- No
- Only if I was paid for my services

On a scale of 1-4 (with 4 being the greatest), rate the level of security you feel as an employee who works in Charleston:

- 4
- 3
- 2
- 1
- 0

How often would you use this statement to describe Charleston? "Charleston is economically sound."

- Never
- Sometimes
- Often
- Always

**APPENDIX C**  
**Student Survey, 2002**

**SECTION 1**

This section deals with demographics. Read each statement carefully; circle one answer.

1. What is your gender? Male Female
2. What year are you in school? Fresh Soph Junior Senior Grad
3. Where do you live? On Campus Off campus>>>go to section 2
4. Do you rent or own? Own Rent>>>go to section 2
5. Do you live in Charleston? Yes No>>>go to section 2
6. How much did you pay in property taxes last year? \$ \_\_\_\_\_

**SECTION 2**

The following is a list of relatively expensive items. Circle ALL the items you purchased new within the last year. Note that if you have not purchased any of these items within the last year, circle "none" and go to section 3.

- |                                  |   |
|----------------------------------|---|
| COMPUTER                         | AUTO / SUV/ TRUCK (NEW OR USED) FROM DEALER |
| MONITOR                          | ENGAGEMENT RING                             |
| PRINTER                          | FURNITURE                                   |
| SCANNER                          | APPLIANCE(S)                                |
| COLOR TV                         | VCR   |
| DVD PLAYER                       | DIGITAL CAMERA                              |
| POOL / FOOSEBALL TABLETRAMPOLINE |   |
| STEREO                           | LAWNMOWER                                   |
| WEIGHT MACHINE                   | NONE  |

7. Of those items you circled, which ones were purchased in Charleston?

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**SECTION 3**

This section deals with consumption. The next set of items are divided into different categories of spending. The goal here is to estimate how much you spent on the following groups within the last month in Charleston. After reading each category, write down the estimated, monthly average spent on each category. It will be assumed that spending sometimes fluctuates to meet individual needs, please be accurate in your answers and give an average amount for the month. For example, Sadie spent \$50 at the local bar last month but normally she spends \$100 per month when she goes out to the bars. Her answer would range from \$75-100, but would not be \$50.

COMMUNICATION / MEDIA	(TV's, VCR's, DVD players, DVD's, VHS, stereos, CD's, CD players, video game units, games, telephones, beepers, cell phones, answering machines, fax machines, calculators)
	\$ _____
GROCERIES	(includes beer / liquor bought in stores, excludes cigarettes)
	\$ _____
BAR / TAVERN	(includes food purchased in establishment, excludes cigarettes)
	\$ _____
CIGARETTES	(no need to answer if non-smoker)
	\$ _____
RESTAURANTS / DELIVERIES / DRIVE-THRU	(includes coffee shops and delis)
	\$ _____
LEISURE / RECREATION	(video rentals, movie theatres, bowling, non-related EIU activities, includes leisure and novelty items.)
	\$ _____
RETAIL	(clothing, shoes, jewelry, accessories, any other household item not mentioned above, includes school supplies, paper, ink cartridges, art supplies, books, magazines)
	\$ _____
LAUNDRY	\$ _____

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**SECTION 4**

The following ten items deal with your opinions about Charleston. After carefully reading each statement, please circle the letter that best corresponds to your own opinion.

- A = STRONGLY AGREE
- B = AGREE
- C = NO OPINION
- D = DISAGREE
- E = STRONGLY DISAGREE

- |     |   |   |   |   |   |   |
|-----|---|---|---|---|---|---|
| 1.  | I buy things I can't afford, or I purchase items I really shouldn't.                            | A | B | C | D | E |
| 2.  | Charleston stores offer an adequate retail selection.   | A | B | C | D | E |
| 3.  | There are not enough restaurants in Charleston.   | A | B | C | D | E |
| 4.  | I spend more outside of the Charleston area than I do in Charleston.                            | A | B | C | D | E |
| 5.  | Charleston respects EIU students.   | A | B | C | D | E |
| 6.  | Job opportunities for new graduates exist in Charleston.  | A | B | C | D | E |
| 7.  | The local government hasn't favored students in their decisions.                                | A | B | C | D | E |
| 8.  | The failed businesses (on Lincoln Ave. and elsewhere) pose no threat to the Charleston economy. | A | B | C | D | E |
| 9.  | I wouldn't open a business in Charleston for fear of its survival.                              | A | B | C | D | E |
| 10. | After graduation, I plan to stay in Charleston.   | A | B | C | D | E |



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