



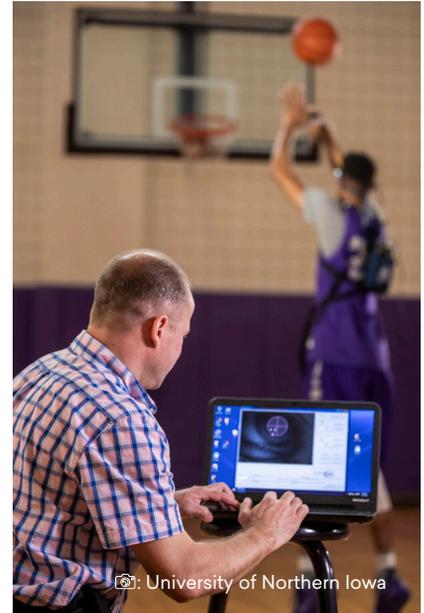
# The Economic Value of Iowa's Regent Universities FACT SHEET

Iowa's regent universities<sup>1</sup> create a significant positive impact on the business community and generate a return on investment to their major stakeholder groups—students, taxpayers, and society. Using a two-pronged approach that involves an economic impact analysis and an investment analysis, this study calculates the benefits received by each of these groups. Results of the analysis reflect fiscal year (FY) 2017-18.



## Economic impact analysis

In FY 2017-18, Iowa's regent universities added **\$11.8 billion** in income to the Iowa economy, a value approximately equal to **6.2%** of the state's total gross state product (GSP). Expressed in terms of jobs, the universities' impact supported **149,980 jobs**. For perspective, the activities of the universities and their students support **one out of every 14 jobs** in Iowa.



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### OPERATIONS SPENDING IMPACT

- Iowa's regent universities employed 19,905 full-time and part-time faculty and staff (not including hospital, clinic, and research employees). Payroll for these employees amounted to \$1.7 billion,<sup>2</sup> much of which was spent in the state for groceries, mortgage and rent payments, dining out, and other household expenses. The universities spent another \$504.7 million on day-to-day expenses related to facilities, supplies, and professional services (excluding construction, hospital, clinic, and research expenditures).
- The net impact of the universities' operations spending amounted to **\$1.9 billion** in added income to the state economy in FY 2017-18.

### CONSTRUCTION SPENDING IMPACT

- The universities commissioned contractors to build or renovate their facilities, generating a short-term infusion of spending and jobs in the state economy.

<sup>1</sup> Iowa's regent universities consist of the following universities: Iowa State University of Science and Technology, the University of Iowa, and the University of Northern Iowa.

<sup>2</sup> Includes royalty payments to inventors related to the universities that still live in Iowa.



- The net impact of the universities' construction spending in FY 2017-18 was **\$132.7 million** in added income for Iowa.

#### UNIVERSITY HOSPITAL & CLINIC SPENDING IMPACT

- University of Iowa Hospitals & Clinics (UIHC) would not exist without the university. UIHC provides a hands-on learning and research environment for students and employs hundreds of workers.
- In FY 2017-18, UIHC spent over \$745 million on UIHC faculty and staff and \$760 million on other expenditures to support its operations. These expenditures added a net impact of **\$1.5 billion** in added income to the state.

#### RESEARCH SPENDING IMPACT

- Research activities at the universities impact the state economy by employing people and making purchases for equipment, supplies, and services. They also facilitate new knowledge creation in Iowa through inventions, patent applications, and licenses. In FY 2017-18, the universities spent \$411.5 million on payroll and \$465.3 million on other expenses to support research activities.
- The universities' research spending generated **\$730 million** in added income for the Iowa economy in FY 2017-18.

#### VALUE OF EXTENSION AND OUTREACH

- Extension and outreach activities strengthen communities and their local economies by enhancing leadership structures, broadening engagement, teaching best practices, and providing hands-on assistance.
- Over the years, the extension and outreach offices have helped more than **13,000 companies and organizations** across the state. The offices have also helped **tens of thousands of Iowa farmers**. With that said, even though the quantitative impact of these activities is not measured, the value that these extension and outreach activities offer for state and local communities should be acknowledged.

#### ECONOMIC DEVELOPMENT IMPACT

- The universities create an exceptional environment that fosters innovation and entrepreneurship, evidenced by the number of start-up and spin-off companies created as a result of the universities and companies that have grown in the state with the support of the universities.<sup>3</sup>

<sup>3</sup> To maintain an acceptable level of data reliability, this impact is limited to those companies that were created in the last five years. It is therefore conservative. This impact includes the positive effects of the universities' Small Business Development Centers, University of Northern Iowa's Advance Iowa program, and Iowa State University's Center for Industrial Research and Service have on businesses within Iowa.

#### IMPACTS CREATED BY IOWA'S REGENT UNIVERSITIES IN FY 2017-18\*



\* This table excludes the positive impacts of the universities' extension, outreach, & volunteer activities.

- In FY 2017-18, start-up and spin-off companies generated **\$1 billion** in added income for the Iowa economy.

#### VISITOR SPENDING IMPACT

- Out-of-state visitors attracted to Iowa for activities at the universities brought new dollars to the economy through their spending at hotels, restaurants, gas stations, and other state businesses.
- Visitor spending added approximately **\$38.1 million** in income to the Iowa economy.

#### VALUE OF VOLUNTEERISM

- Beyond positively impacting the state through the activities occurring at the universities, they also directly impact the state economy through their facilitation and support of student and employee volunteer activities.
- In FY 2017-18 alone, 36,142 student and employee volunteers supported non-profit organizations and causes across the state. These students volunteered **1.8 million hours** of their time. Their volunteer activities added **\$42.2 million** in value<sup>4</sup> for the state and local communities. The impact of volunteerism is not measured in this analysis; however, the value volunteers offer should not be overlooked.

#### STUDENT SPENDING IMPACT

- Around 40% of students attending the universities originated from outside the state. While some of these students continued to live outside the state, many relocated to Iowa to attend the universities. In addition, some in-state students would have left Iowa for other educational opportunities if not for Iowa's regent universities. These relocated and retained students spent money on groceries, mortgage and rent payments, and other living expenses at state businesses.
- The expenditures of relocated and retained students in FY 2017-18 added **\$232.9 million** in income to the Iowa economy.

#### ALUMNI IMPACT

- Over the years, students have studied at Iowa's regent universities and entered or re-entered the workforce with newly-acquired knowledge and skills. Today, hundreds of thousands of these former students are employed in Iowa.
- The net impact of the universities' former students currently employed in the state workforce amounted to **\$6.2 billion** in added income in FY 2017-18.

<sup>4</sup> Value per volunteer hour per state provided by Independent Sector. See [https://independentsector.org/resource/vovt\\_details/](https://independentsector.org/resource/vovt_details/).





# Investment analysis

## STUDENT PERSPECTIVE

- The universities' FY 2017-18 students paid a present value of **\$919.8 million** to cover the cost of tuition, fees, supplies, and interest on student loans. They also forwent **\$904.7 million** in money that they would have earned had they been working instead of attending college.
- In return for their investment, students will receive **\$6.8 billion** in increased earnings over their working lives. This translates to a return of **\$3.70** in higher future earnings for every dollar students invest in their education. Students' average annual rate of return is **14.4%**.

## TAXPAYER PERSPECTIVE

- Taxpayers provided Iowa's regent universities with **\$710.9 million** of funding in FY 2017-18. In return, they will benefit from added tax revenue, stemming from students' higher lifetime earnings and increased business output, amounting to **\$1.8 billion**. A reduced demand for government-funded services in Iowa will add another **\$287 million** in benefits to taxpayers.
- For every dollar of public money invested in Iowa's regent universities, taxpayers will receive **\$2.90** in return, over the course of students' working lives. The average annual rate of return for taxpayers is **7.9%**.

## SOCIAL PERSPECTIVE

- In FY 2017-18, Iowa invested **\$4.7 billion** to support Iowa's regent universities. In turn, the Iowa economy will grow by **\$20.4 billion**, over the course of students' working lives. Society will also benefit from **\$868.4 million** of public and private sector savings.
- For every dollar invested in Iowa's regent universities in FY 2017-18, people in Iowa will receive **\$4.50** in return, for as long as the universities' FY 2017-18 students remain active in the state workforce.

STUDENTS SEE A HIGH RATE OF RETURN FOR THEIR INVESTMENT IN THE UNIVERSITIES



14.4%

Average annual return for Iowa's regent universities' students



9.9%

Stock market 30-year average annual return



0.8%

Interest earned on savings account (National Rate Cap)

Source: Forbes' S&P 500, 1989-2018. FDIC.gov, 6-2019.



FOR EVERY \$1...



Students gain

**\$3.70**

in lifetime earnings



Taxpayers gain

**\$2.90**

in added tax revenue and public sector savings



Society gains

**\$4.50**

in added income and social savings

