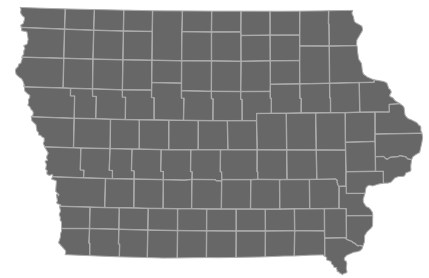


The Economic Value of Iowa's Regent Universities



IOWA

Iowa's regent universities¹ 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) 2021-22.

Economic impact analysis

In FY 2021-22, Iowa's regent universities added **\$14.9 billion** in income to the Iowa economy, a value approximately equal to **7.1%** of the state's total gross state product (GSP). Expressed in terms of jobs, the universities' impact supported **198,837 jobs**. For perspective, the activities of the universities and their students support **one out of every 10 jobs** in Iowa.

Operations spending impact

- Iowa's regent universities employed 32,998 full-time and part-time faculty and staff (including graduate assistants and student employees but excluding the University of Iowa (UI) Hospitals & Clinics and research employees). Payroll amounted to \$1.9 billion² (excluding payroll from the UI Hospitals & Clinics and research

¹ 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.

² Includes royalty payments to inventors related to the universities who still live in Iowa.

employees), much of which was spent in the state for groceries, mortgage and rent payments, dining out, and other household expenses. The universities spent another \$635.7 million on day-to-day expenses related to facilities, supplies, and professional services (excluding construction, the UI Hospitals & Clinics, and research expenditures).

- The net impact of the universities' operations spending added **\$2.3 billion** in income to the state economy in FY 2021-22.

Construction spending impact

- The universities invest in construction each year to maintain facilities, create additional capacities, and meet growing educational demands, generating a short-term infusion of spending and jobs in the state economy.
- The net impact of Iowa's regent universities' construction spending in FY 2021-22 was **\$117.8 million** in added income for Iowa.

UI Hospitals and Clinics spending impact

- The UI Hospitals & Clinics would not exist without the university. The UI Hospitals & Clinics provide a hands-on learning and research environment for students and employs hundreds of workers.
- In FY 2021-22, the UI spent \$2.1 billion on hospital and clinic operations. These expenditures added a net impact of **\$2 billion** in added income to the state.

Research spending impact

- Research activities at Iowa's regent 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 2020-21, the universities spent \$360.9 million on payroll and \$309.7 million on other expenses³ to support research activities.
- The universities' research spending generated **\$607.6 million** in added income for the Iowa economy in FY 2021-22. Note that at the time of this study, FY 2021-22 research expenditure data were being verified, so FY 2020-21 research expenditure data were used as the reference. Actual FY 2021-22 research awards are equal to or higher than FY 2020-21.

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 **6,500 companies and organizations** across the state. The offices have also helped **tens of thousands of Iowa farmers**. With that said, even though the

³ Excludes indirect costs because indirect costs are not necessarily spent during the analysis year.

Impacts created by Iowa's regent universities in FY 2021-22*



Total economic impact
\$14.9 billion

OR

Jobs supported
198,837

* This table excludes the positive impacts of the universities' Extension and Outreach activities.



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.
- In FY 2021-22, Iowa's regent universities' start-up and spin-off companies generated **\$2.3 billion** in added income for the Iowa economy.⁴

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 **\$179.8 million** in income to the Iowa economy.

Student spending impact

- Around 38% of students attending the universities originated from outside the state. Most of these students relocated to Iowa to attend the universities. In addition, some in-state students, referred to as retained 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 2021-22 added **\$166.2 million** in income to the Iowa economy.

Volunteerism impact

- The work of Iowa's regent universities' student, employee, and university-coordinated community volunteers allow businesses and organizations to grow, increasing their output and impacting the economy at large. Using the value per volunteer hour for Iowa,⁵ the work of Iowa's regent universities student, employee, and university-coordinated community volunteers is equivalent to \$49.8 million in earnings.
- In terms of actual impact to the regional economy, volunteers at Iowa's regent universities generated an impact of **\$96.5 million** in added income in FY 2021-22.⁶

⁴ To maintain an acceptable level of data reliability, this impact is limited to those companies that were created or supported by the universities after FY 2011-12 and were still active in Iowa in FY 2021-22.

⁵ Value per volunteer hour by state was provided by Independent Sector (see https://independentsector.org/resource/vovt_details/).

⁶ The impact of volunteerism is grossly undercounted because the number of volunteer hours was self-reported to the universities and only includes a small sample of the universities' student and employee volunteers.



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 **\$7.2 billion** in added income in FY 2021-22.

Investment analysis

Student perspective

- The universities' FY 2021-22 students paid a present value of **\$879.1 million** to cover the cost of tuition, fees, supplies, and interest on student loans. They also forwent **\$517.7 million** in money that they would have earned had they been working instead of attending college.
- In return for their investment, students will receive a cumulative present value of **\$7.5 billion** in increased earnings over their working lives. This translates to a return of **\$5.40** in higher future earnings for every dollar students invest in their education. Students' average annual rate of return is **15.6%**.

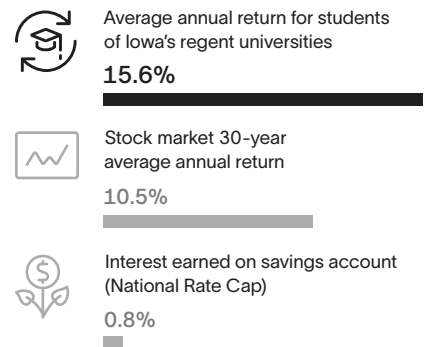
Taxpayer perspective⁷

- Taxpayers provided Iowa's regent universities with **\$675.3 million** of state funding in FY 2021-22. In return, they will benefit from added tax revenue, stemming from students' higher lifetime earnings and increased business output, amounting to **\$1.6 billion**. A reduced demand for government-funded services in Iowa will add another **\$256.2 million** in benefits to taxpayers.
- For every dollar of public money invested in Iowa's regent universities, taxpayers will receive **\$2.70** in return, over the course of students' working lives. The average annual rate of return for taxpayers is **6.4%**.

Social perspective

- In FY 2021-22, people in Iowa invested **\$4.1 billion** to support Iowa's regent universities. In turn, the Iowa economy will grow by **\$17.6 billion**, over the course of students' working lives. Society will also benefit from **\$814.4 million** of public and private sector savings.
- For every dollar invested in Iowa's regent universities in FY 2021-22, people in Iowa will receive **\$4.40** in return, for as long as the universities' FY 2021-22 students remain active in the state workforce.

Students see a high rate of return for their investment in Iowa's regent universities



Source: Forbes' S&P 500, 1992-2021. FDIC.gov, 2-2022.



⁷ The modeling approach used for the taxpayer and social investment analyses centers on the benefits and costs arising from the UI's core mission—educating students. As such, it does not consider the taxpayer or social benefits arising from the UI Hospitals & Clinics' provision of healthcare to Iowans and the study removes the operational costs and benefits of the UI Hospitals & Clinics from its analysis.