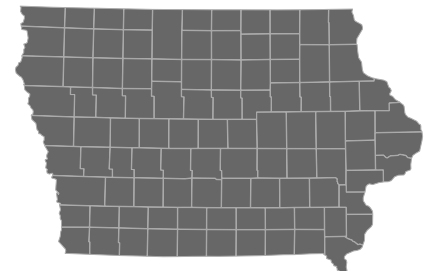


## The Economic Value of the University of Iowa



IOWA

The University of Iowa (UI) creates a significant positive impact on the business community and generates a return on investment to its 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, the UI added **\$8 billion** in income to the Iowa economy, a value approximately equal to **3.8%** of the state's total gross state product (GSP). Expressed in terms of jobs, the UI's impact supported **109,694 jobs**. For perspective, the activities of the UI and its students support **one out of every 19 jobs** in Iowa.

### Operations spending impact

- The UI employed 16,658 full-time and part-time faculty and staff (including graduate assistants and student employees but excluding the UI Hospitals & Clinics and research employees). Payroll amounted to \$1.1 billion<sup>1</sup> (excluding payroll from the UI Hospitals & Clinics and research employees), much of which was spent in the state for groceries, mortgage and rent payments, dining out, and other household

<sup>1</sup> Includes royalty payments to inventors related to the UI who still live in Iowa.

expenses. The university spent another \$266.6 million on day-to-day expenses related to facilities, supplies, and professional services (excluding construction, UI Hospitals & Clinics, and research expenditures).

- The net impact of the university's operations spending added **\$1.4 billion** in income to the state economy in FY 2021-22.

### Construction spending impact

- The UI invests in construction each year to maintain its facilities, create additional capacities, and meet its growing educational demands, generating a short-term infusion of spending and jobs in the state economy.
- The net impact of the UI's construction spending in FY 2021-22 was **\$72.3 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 thousands 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 the UI 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 UI spent \$242.7 million on payroll and \$133.6 million on other expenses<sup>2</sup> to support research activities.
- The UI's research spending generated **\$369.5 million** in added income for the Iowa economy. 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 outreach programs

- As the home of Iowa's premier hospital, the UI and its faculty, staff, and students provide healthcare to tens of thousands of Iowans each year.
- The State Hygienic Lab, operated at the UI, provides critical services for every mother and child born in Iowa while also detecting disease and environmental pollution.
- Other capabilities resident at the UI are working to improve Iowa's response to floods, assisting communities in tackling their unique challenges, and providing expertise and support to Iowa's entrepreneurs.

<sup>2</sup> Excludes indirect costs because indirect costs are not necessarily spent during the analysis year.



\*This table excludes the positive impacts of the UI's outreach activities.



### Economic development impact<sup>3</sup>

- The UI creates 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 university; and companies that have grown in the state with the support of the UI.
- In FY 2021-22, the UI's start-up and spin-off companies generated **\$551.4 million** in added income for the Iowa economy.<sup>4</sup>

### Visitor spending impact

- Out-of-state visitors attracted to Iowa for activities at the UI brought new dollars to the economy through their spending at hotels, restaurants, gas stations, and other state businesses.
- Visitor spending added approximately **\$91.2 million** in income to the Iowa economy.

### Student spending impact

- Around 41% of students attending the UI originated from outside the state. Most of these students relocated to Iowa. In addition, some in-state students, referred to as retained students, would have left Iowa for other educational opportunities if not for the UI. 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 **\$64.2 million** in income to the Iowa economy.

### Volunteerism impact

- The work of UI student and employee volunteers allow businesses and organizations to grow, increasing their output and impacting the economy at large. Using the value per volunteer hour for Iowa,<sup>5</sup> the work of UI student and employee volunteers is equivalent to \$6.3 million in earnings.
- In terms of actual impact to the regional economy, UI student and employee volunteers generated an impact of **\$12.2 million** in added income in FY 2021-22.<sup>6</sup>

### Alumni impact

- Over the years, students have studied at the UI and entered or re-entered the workforce with newly-acquired knowledge and skills. Today, thousands of these former students are employed in Iowa.
- The net impact of the UI's former students currently employed in the state workforce amounted to **\$3.5 billion** in added income in FY 2021-22.

3 The following three impacts (economic development, visitor spending, and volunteerism) are based off data that is not tracked regularly or captured completely. Thus, the results that follow are conservative.

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

5 By state value per volunteer hour was provided by Independent Sector (see [https://independentsector.org/resource/vovt\\_details/](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 UI and only includes a small sample of UI student and employee volunteers.



## Investment analysis

### Student perspective

- The UI's FY 2021-22 students paid a present value of **\$454.2 million** to cover the cost of tuition, fees, supplies, and interest on student loans. They also forwent **\$278.3 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 **\$3.9 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 perspective<sup>7</sup>

- Taxpayers provided the UI with **\$261.2 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 **\$799.1 million**. A reduced demand for government-funded services in Iowa will add another **\$122.5 million** in benefits to taxpayers.
- For every dollar of public money invested in the UI, taxpayers will receive **\$3.50** in return, over the course of students' working lives. The average annual rate of return for taxpayers is **11.4%**.

### Social perspective

- In FY 2021-22, Iowa invested **\$2.3 billion** to support the UI. In turn, the Iowa economy will grow by **\$8.9 billion**, over the course of students' working lives. Society will also benefit from **\$411.9 million** of public and private sector savings.
- For every dollar invested in the UI in FY 2021-22, people in Iowa will receive **\$4.10** in return, for as long as the UI's FY 2021-22 students remain active in the state workforce.

### Students see a high rate of return for their investment in the UI



Average annual return for UI students

**15.6%**



Stock market 30-year average annual return

**10.5%**



Interest earned on savings account (National Rate Cap)

**0.8%**

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

### For every \$1...



**Students** gain in lifetime earnings

**\$5.40**



**Taxpayers** gain in added tax revenue and public sector savings

**\$3.50**



**Society** gains in added income and social savings

**\$4.10**

<sup>7</sup> 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.

