University of Illinois Springfield (UIS) creates value in many ways. The university plays a key role in helping students increase their employability and achieve their individual potential. It provides students with the skills they need to have a fulfilling and prosperous career. Further, it supplies an environment for students to meet new people, increase their self-confidence, and promote their overall health and well-being.

However, the contribution of UIS consists of more than just influencing the lives of students. The university serves a range of industries in Sangamon County and supports local businesses. Society as a whole in Illinois benefits from an expanded economy and improved quality of life. The benefits created by UIS extend as far as the state and local government, in the form of increased tax revenues and public sector savings.

The purpose of this study is to investigate the regional economic impacts created by UIS on the local business community and the benefits that the university generates in return for the investments made by its key stakeholder groups—students, society, and taxpayers. The following two analyses are presented:

- **Regional economic impact analysis**
- **Investment analysis**

All results reflect student and financial data for Fiscal Year (FY) 2013-14. Impacts on the local business community are reported under the regional economic impact analysis, and the return on investment to students, society, and taxpayers are reported under the investment analysis. Both analyses are described more fully in the following sections.
The regional economic impact analysis examines the impact of UIS on the local community through increased consumer spending and enhanced business productivity. Results are measured in terms of added income and are organized according to the following three effects:

1. Impact of university operations;
2. Impact of the spending of students who relocated to the county, and;
3. Impact of the increased productivity of former students that were employed in the regional workforce during the analysis year.

**Impact of University Operations**

UIS is an important employer in Sangamon County. In FY 2013-14, the university employed 1,129 faculty and staff. Of these, 76% lived in Sangamon County. Total payroll at UIS was $67.1 million, much of which was spent in the county for groceries, eating out, clothing, and other household expenses.

UIS is itself a large-scale buyer of goods and services. In FY 2013-14 the university spent $31.1 million to cover its expenses for facilities, professional services, and supplies.

The total income that UIS created during the analysis year as a result of its day-to-day operations was $75.3 million. This figure represents the university’s payroll, the multiplier effects generated by the spending of the university and its employees, and a downward adjustment to account for funding that the university received from local sources.

**Impact of Student Spending**

Approximately 19.7% of UIS’s students relocated to Sangamon County to attend university in FY 2013-14. These students would not have come to the county if the university did not exist. While attending, out-of-county students spent $14.9 million to purchase groceries, rent accommodation, pay for transportation, and so on. A significant portion of these expenditures occurred in the county, generating $5.9 million in new income in the economy during the analysis year.

**Impact of Alumni Productivity**

UIS’s greatest impact results from the education and training it provides for local residents. Since the university was established, students have studied at UIS and entered the workforce with new skills. Today, thousands of alumni are employed in Sangamon County.

During the analysis year, UIS’s alumni generated $95.5 million in added income in the county. This figure represents the higher wages that alumni earned during the year, the increased output of the businesses that employed them, and the multiplier effects that occurred as alumni and their employers spent money at other businesses.

**Total Impact**

The overall effect of UIS on the local community during the analysis year amounted to $176.8 million, equal to the sum of the university operations effect, the student spending effect, and the alumni productivity effect. This added income was equal to approximately 1.3% of the county’s Gross Regional Product.
Investment Analysis

Investment analysis is the process of evaluating total costs and measuring these against total benefits to determine whether or not a proposed venture will be profitable. If benefits outweigh costs, then the investment is feasible. If costs outweigh benefits, then the investment will lose money and is considered unprofitable.

This study considers UIS as an investment from the perspectives of students, society, and taxpayers. The backdrop for the analysis is the entire Illinois economy.

Student perspective
UIS served 6,474 students (unduplicated) in the 12-months of FY 2013-14. In order to attend university, students paid for tuition, fees, books, and supplies. They also gave up money that they would have otherwise earned had they been working instead of attending university. The total investment made by UIS's students in FY 2013-14 amounted to $128.9 million, equal to $31 million in out-of-pocket expenses plus $97.9 million in forgone time and money.

In return for their investment, UIS's students will receive a stream of higher future wages that will continue to grow through their working lives. As shown in Figure 1, mean income levels at the midpoint of the average-aged worker's career increase as people achieve higher levels of education. For example, the average bachelor's degree completer from UIS will see an increase in earnings of $29,915 each year compared to someone with a high school diploma or equivalent. Over a working lifetime, this increase in earnings amounts to an undiscounted value of approximately $1,121,801 in higher income.

The present value of the higher future wages that UIS's students will receive over their working careers is $413.8 million. Dividing this value by the $128.9 million in student costs yields a benefit-cost ratio of 3.2. In other words, for every $1 students invest in UIS in the form of out-of-pocket expenses and forgone time and money, they receive a cumulative of $3.20 in higher future wages.

The average annual rate of return for students is 14.5%. This is an impressive return compared, for example, to the less than 1% return per annum that is generally expected from saving money in today's standard bank savings accounts.

Social perspective
Society as a whole in Illinois benefits from the presence of UIS in two major ways. The first and largest benefit that society receives is the added income created in the state. Students earn more because of the knowledge, skills, and abilities they acquire while attending UIS. Businesses also earn more because the enhanced knowledge, skills, and abilities of students makes them more productive. Together, higher student wages and increased business output stimulate increases in income across the state, thereby raising prosperity in Illinois and expanding the economic base for society as a whole.

Benefits to society also consist of the savings generated by the improved lifestyles of students. Education is statistically correlated with a variety of lifestyle changes that generate social savings across three main categories: 1) health, 2) crime, and 3) unemployment. Health savings include avoided medical costs associated with smoking, alcoholism, obesity, drug abuse, and mental disorders. Crime savings include reduced security expenditure and insurance administration, lower victim costs, and reduced criminal justice system expenditures. Unemployment savings include the reduced
$1 of public money invested in UIS, taxpayers receive a cumulative value of $3.50 over the course of the students’ working lives. The average annual rate of return is 11.1%, a solid investment that compares favorably with other long-term investments in both the private and public sectors.

Summary of investment analysis results
Table 2 presents the results of the investment analysis for all three of UIS’s major stakeholder groups—students, society, and taxpayers. As shown, students receive great value for their educational investment. At the same time, the investment made by state and local taxpayers in the university creates a wide range of benefits to society and returns more to government budgets than it costs.
The results of this study demonstrate that UIS creates value from multiple perspectives. The university benefits local businesses by increasing consumer spending in the county and supplying a steady flow of qualified, trained professionals into the workforce. It enriches the lives of students by raising their lifetime incomes and helping them achieve their individual potential. It benefits society as a whole in Illinois by creating a more prosperous economy and generating a variety of savings through the improved lifestyles of students. Finally, it benefits state and local taxpayers through increased tax receipts across the state and a reduced demand for government-supported social services.

About the Study

Data and assumptions used in the study are based on several sources, including the 2013-14 academic and financial reports from the university, industry and employment data from the U.S. Bureau of Labor Statistics and U.S. Census Bureau, outputs of EMSI’s Social Accounting Matrix (SAM) model, and a variety of studies and surveys relating education to social behavior. The study applies a conservative methodology and follows standard practice using only the most recognized indicators of investment effectiveness and economic impact. For a full description of the data and approach used in the study, please contact the university for a copy of the technical report.