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) 2017-18.

**Economic impact analysis**

In FY 2017-18, UI added **$6.5 billion** in income to the Iowa economy, a value approximately equal to **3.4%** of the state’s total gross state product (GSP). Expressed in terms of jobs, UI’s impact supported **81,073** jobs. For perspective, the activities of UI and its students support **one out of every 26 jobs** in Iowa.

**OPERATIONS SPENDING IMPACT**

- UI employed 10,443 full-time and part-time faculty and staff (excluding hospital, clinic, and research employees). Payroll for these employees amounted to **$988.3 million**, much of which was spent in the state for groceries, mortgage and rent payments, dining out, and other household expenses. The university spent another **$237.4 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 university’s operations spending amounted to **$1.1 billion** in added income to the state economy in FY 2017-18.

**CONSTRUCTION SPENDING IMPACT**

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

- The net impact of UI’s construction spending in FY 2017-18 was **$90.8 million** in added income for Iowa.

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1 Includes royalty payments to inventors related to UI that still live in Iowa.
UI HOSPITAL & CLINIC SPENDING IMPACT

- UI Hospitals & Clinics (UIHC) would not exist without the university. UIHC provides a hands-on learning and research environment for students and employs thousands of workers.
- In FY 2017-18, UIHC spent over $745 million on payroll and $760 million on other non-pay 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 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 2017-18, UI spent $229.1 million on payroll and $282.9 million on other expenses to support research activities.
- UI’s research spending generated $417 million in added income for the Iowa economy in FY 2017-18.

ECONOMIC DEVELOPMENT IMPACT

- 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 UI.
- In FY 2017-18, UI’s start-up and spin-off companies generated $532 million in added income for the Iowa economy.

VISITOR SPENDING IMPACT

- Out-of-state visitors attracted to Iowa for activities at UI brought new dollars to the economy through their spending at hotels, restaurants, gas stations, and other state businesses.
- Visitor spending added approximately $18.9 million in income to the Iowa economy.

VALUE OF VOLUNTEERISM

- Beyond positively impacting the state through the activities occurring at the university, UI also directly impacts the state economy through its facilitation and support of student and employee volunteer activities.

2 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.

3 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 UI’s Small Business Development Center has on businesses within Iowa.
• In FY 2017-18 alone, 11,612 student and employee volunteers supported non-profit organizations and causes across the state. These students volunteered 318,789 hours of their time. Their volunteer activities added $7.5 million in value\(^4\) 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 44% of students attending UI originated from outside the state. Some of these students relocated to Iowa. In addition, some in-state students would have left Iowa for other educational opportunities if not for 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 2017-18 added $119.2 million in income to the Iowa economy.

**ALUMNI IMPACT**

• Over the years, students have studied at 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 UI’s former students currently employed in the state workforce amounted to $2.7 billion in added income in FY 2017-18.

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\(^4\) Value per volunteer hour per state provided by Independent Sector. See https://independentsector.org/resource/vovt_details/.
Investment analysis

STUDENT PERSPECTIVE

- UI’s FY 2017-18 students paid a present value of $458.4 million to cover the cost of tuition, fees, supplies, and interest on student loans. They also forwent $427.1 million in money that they would have earned had they been working instead of attending college.

- In return for their investment, students will receive $3.2 billion in increased earnings over their working lives. This translates to a return of $3.60 in higher future earnings for every dollar students invest in their education. Students’ average annual rate of return is 14.2%.

TAXPAYER PERSPECTIVE

- Taxpayers provided UI with $316.8 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 $770 million. A reduced demand for government-funded services in Iowa will add another $116.5 million in benefits to taxpayers.

- For every dollar of public money invested in UI, taxpayers will receive $2.80 in return, over the course of students’ working lives. The average annual rate of return for taxpayers is 8.4%.

SOCIAL PERSPECTIVE

- In FY 2017-18, Iowa invested $2.6 billion to support UI. In turn, the Iowa economy will grow by $8.7 billion, over the course of students’ working lives. Society will also benefit from $369.8 million of public and private sector savings.

- For every dollar invested in UI in FY 2017-18, people in Iowa will receive $3.50 in return, for as long as UI’s FY 2017-18 students remain active in the state workforce.

5 In order to focus on the costs and benefits that are more directly related to UI, UIHC operational costs and benefits were removed from the taxpayer and social perspectives.