

## Impact Illinois: An Overview

### Introduction

For more than 140 years the University of Illinois has been providing first rate education, research and public service to the state of Illinois. Through three campuses and two satellite medical campuses the University serves nearly 70,000 students and employs more than 30,000 faculty, staff and graduate students with an annual budget of more than \$4 billion. The University is an engine of economic growth, an important social and cultural institution and a beacon of knowledge whose research, faculty and students reach people in every part of the globe. This brief outlines the significant economic impact the University of Illinois has on the state of Illinois as reported by the January 2009 study “The Impact of the University of Illinois on the Economy of Our State” compiled by the Institute of Government and Public Affairs<sup>1</sup>.

### The Economic Impact of University Spending

#### Direct Impact

The most directly measurable economic impact of the University of Illinois is a result of the spending of its annual budget, over \$4 billion in fiscal 2008. The \$4 billion is the **direct impact** of University spending, the money that is injected directly into the Illinois economy from the University’s coffers. This spending provides microscopes, pays professors, builds facilities, and provides for the rest of the goods and services the University requires to function. The direct impact of the University’s spending is substantial and integral to the economic prosperity of the state of Illinois, but it is much smaller than the indirect impact of the University’s spending.

#### Indirect Impact

The **indirect impact** of University spending is created when money the University has spent re-circulates through the state economy. For instance, a portion of the wages that the University pays faculty and staff will likely be spent locally as they pay their mortgages, buy food and clothing, and spend money on other items. A portion of the money that the staff spend will also stay in the state economy as the banks and businesses that they interacted with spend their own money on local goods and services. The process continues, with the original University of Illinois money re-circulating throughout the Illinois economy. A running total of the employees’ money moving through the economy, adding to the total each time the money changed hands, is a measure of the indirect impact of University wages and salaries on the Illinois economy.

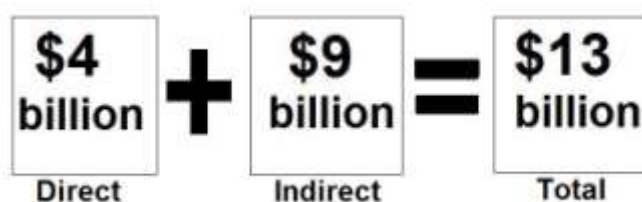
Because directly measuring the indirect impact of a large organization like the University of Illinois is time and labor prohibitive, economists use **spending multipliers** to estimate how much spending in a particular category will re-circulate through a local economy. A spending multiplier estimates the indirect effects of \$1 of spending and can be multiplied by the direct spending figure to arrive at the indirect impact. Once the economists make spending multiplier estimates for all spending categories and determine how much spending has been done in each category, they multiply the

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<sup>1</sup> Rich, Robert F; Geoffrey J.D. Hewings, Darren Lubotsky, Finley Edwards, Robert Resek. “The Impact of the University of Illinois on the Economy of Our State”. Institute for Government and Public Affairs.

spending in each category by the spending multiplier and add all the category totals to arrive at the total indirect impact of an organization.

The economists who compiled the IGPA report broke University spending into nine categories<sup>2</sup> and developed spending multipliers for each of them. After compartmentalizing University spending, the economists were able to determine that a total of approximately \$9 billion in indirect economic impact was realized by University spending. Adding the direct spending of \$4 billion, University of Illinois spending has a total economic impact in the state of around \$13 billion every year. In FY 2008 the state of Illinois appropriated \$726 million to the University of Illinois. Dividing this number by the \$13 billion economic impact produces approximately \$17, which is the economic impact the state economy received for every dollar the state invested in the university.



### **Jobs**

Economists are also able to estimate how many jobs are created by the levels of spending in particular spending categories. Using these estimates and the indirect and direct spending totals for each of the nine spending categories, they estimate that every year, simply by spending the money it takes for the University to function, the University pumps more than \$13 billion into the Illinois economy and supports 154,000 in-state jobs.

### **The Economic Impact of University of Illinois Alumni**

To most state citizens, the largest contribution the University of Illinois makes to the state is through the education of its young people. The University of Illinois graduates over 18,000 students a year, about 70 percent of whom will continue to live in-state. These graduates extend the economic impact of the University of Illinois outside of the classroom and into nearly all sectors and regions of the Illinois economy.

College graduates generally earn more money over time than their peers without college degrees. In the IGPA study, it was determined that women with bachelor's degrees make, on average, more than \$600,000 more over their lifetimes than do women without college experience. Men with bachelor's degrees make, on average, more than \$1 million more over their lifetimes than do men without college experience. A recent study showed that graduates of the University of Illinois at Urbana-Champaign have the highest mid-career median salary of any Big Ten school, and the ninth highest of all state-supported schools in the nation<sup>3</sup>.

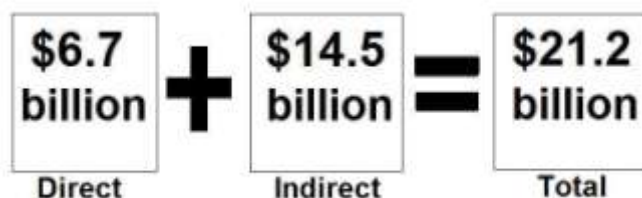
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<sup>2</sup> Resources; construction; nondurables; durables; transportation, communications and utilities; trade; finance, insurance, and real estate; services; and government

<sup>3</sup> Payscale College Salary Report. "Top State Universities".

<http://www.payscale.com/best-colleges/top-state-universities.asp>

The IGPA economists estimated that University alumni made an average of \$56,000 in 2008 and multiplied that salary by the approximately 120,000 University alumni who still live in Illinois. The product was approximately \$6.7 billion, which represents the direct impact of annual wages of all alumni living in Illinois in 2008. The economists then broke this number into the nine spending categories based on the typical spending patterns of Illinois consumers. After multiplying the spending category totals by the spending multipliers (as in the previous indirect impact calculation), it's estimated that 2008 alumni spending added \$14.5 billion indirectly to the Illinois economy. Adding the \$6.7 billion in direct spending to this number produces an alumni economic impact of \$21.2 billion in 2008. This spending is estimated to support 265,000 jobs in the state of Illinois.



### **Intangible Impacts of the University of Illinois**

While it's possible to measure and present the massive economic impact of the University of Illinois, it is also clear that the benefits of having a world-class educational institution in the state of Illinois extend far beyond the annual economic impact.

Research has shown that having some college experience is correlated with a host of positive quality-of-life indicators. People with some college education are more likely to have better health (as do their families), vote, donate time and money to charitable causes, work in better job conditions, enjoy their work, read to their children and provide a quality education for their children, along with numerous other benefits that strengthen the fabric of life in Illinois.

It is also hard to measure the value of the groundbreaking research that the University system has been conducting for well over a century. University of Illinois researchers have made substantial contributions to the development of superconductors, web browsers, plasma screen televisions, and other modern conveniences. Researchers have also introduced major discoveries to the medical and biotechnology fields that have improved the quality of health care in Illinois. Major research in all fields helps to create a more highly educated population as students are introduced to cutting edge research.

### **Conclusion**

Quality research and education, public service programs extended to every county of Illinois, and an economic impact of well over \$10 billion. The growth and success of the University of Illinois is intrinsically linked with the economic and social prosperity of the state of Illinois.

## **Executive Summary of the IGPA Report**

The University of Illinois serves nearly 70,000 students at three campuses and two satellite medical campuses, employs more than 30,000 faculty, staff and graduate assistants and operates with an annual budget of more than \$4 billion. The State of Illinois' investment in the University is substantial. This report examines the benefits of the University to the state.

The authors of the Institute of Government and Public Affairs report have examined separate aspects of the University's contributions to the state's economy: the impact of the University's spending for wages, salaries, materials and services and the contribution of the University's alumni; the benefits to the economy that result from the greater earning power that higher education brings; and the *benefits to the economy of increased worker productivity that a higher education provides*.

They found that:

- the University of Illinois produces about \$13.1 billion per year in direct and indirect economic impact on the Illinois economy each year, including the creation of more than 150,000 jobs;
- the University's alumni, through their own wages and salaries, contribute about \$21.2 billion per year to the state's economy, including more than 265,000 jobs;
- the University contributes \$13.1 billion in expected increased lifetime earnings for its students each year;
- annual activity of the University creates \$1.3 billion in future tax revenue to the state at a cost of \$726 million, resulting in a net annual gain of about \$535 million each year;
- each percentage point of population with college degrees adds \$911 to average annual per capita income;
- there is a long list of non-monetary benefits received each year by University students and the state at large, including \$350 million more in charitable contributions;
- and college graduates earn an average 57 percent more than high school graduates.

The full report is available online on the IGPA website: [www.igpa.uiuc.edu](http://www.igpa.uiuc.edu).