The Economic Value of the University of Illinois System

The University of Illinois System (the U of I System) 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 (FY21) (July 1, 2020 through June 30, 2021).

**ECONOMIC IMPACT ANALYSIS**

In FY21, the U of I System added **$18.9 billion** in income to the Illinois economy, a value approximately equal to **2.1%** of the state’s total gross state product (GSP). Expressed in terms of jobs, the U of I System’s impact supported **164,154 jobs**. For perspective, the activities of the universities and their students support **one out of every 46 jobs** in Illinois.

**OPERATIONS SPENDING IMPACT**

- The U of I System employed 28,669 full-time and part-time faculty and staff (excluding research and hospital employees). Payroll amounted to $4.3 billion (excluding payroll from research and hospital 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 $1.4 billion on day-to-day expenses related to facilities, supplies, and professional services (excluding research and hospital expenditures).
- The net impact of the universities’ operations spending added **$5.0 billion** in income to the state economy in FY21.

**RESEARCH SPENDING IMPACT**

- Research activities at the U of I System impact the state economy by employing people and making purchases for equipment, supplies, and services. They also facilitate new knowledge creation in Illinois through inventions, patent applications, and licenses. In FY21, the U of I System spent $560.4 million on payroll and $605.2 million on other expenses to support research activities.
- The U of I System’s research spending generated **$1.3 billion** in added income for the Illinois economy in FY21.

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**Note**

Added income should not be confused with personal income or sales. It is important to bear in mind that much of this sales revenue leaves the state economy through intermediary transactions and costs, whereas income remains in the state and is synonymous to value added or gross state product.
HOSPITAL SPENDING IMPACT

- The University of Illinois Hospital & Health Sciences System (UI Health) would not exist without the U of I System. The hospital provides a hands-on learning and research environment for students and employs thousands of workers.
- In FY21, the U of I System spent $1.3 billion on hospital operations. These expenditures added a net impact of $1.6 billion in added income to the state.

CONSTRUCTION SPENDING IMPACT

- The U of I System invests 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 the U of I System’s construction spending in FY21 was $193.4 million in added income for Illinois.

START-UP AND SPIN-OFF COMPANY IMPACT

- The U of I System 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 universities.
- In FY21, the U of I System’s start-up and spin-off companies generated $838.0 million in added income for the Illinois economy.

VISITOR SPENDING IMPACT

- Out-of-state visitors attracted to Illinois for activities at the universities brought new dollars to the economy through their spending at hotels, restaurants, gas stations, and other state businesses. Typically, the U of I System’s universities hosts thousands of out-of-state visitors for on-campus events. The U of I System, its partners, and affiliations bring national and internationally renowned speakers and entertainers to the state. In addition, the U of I System attracts visitors for commencement, cultural, and sporting events. It is important to remind the reader of the restrictions imposed by the COVID-19 pandemic and its strong influence on the number of visitors during FY21.
- Visitor spending added approximately $3.6 million in income to the Illinois economy.

STUDENT SPENDING IMPACT

- While the vast majority of students attending one of the U of I System universities are Illinois residents, around 33% of students attending the universities originated from outside the state. Some of these students relocated to Illinois. In addition, some in-state students, referred to as retained students, would have left Illinois for other educational opportunities if not for the U of I System. 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 FY21 added $387.2 million in income to the Illinois economy.

IMPACTS CREATED BY THE U OF I SYSTEM IN FY21

- **Operations spending impact**: $5.0 billion
- **Research spending impact**: $1.3 billion
- **Hospital spending impact**: $1.6 billion
- **Construction spending impact**: $193.4 million
- **Start-up & spin-off company impact**: $838.0 million
- **Visitor spending impact**: $3.6 million
- **Student spending impact**: $387.2 million
- **Alumni impact**: $9.5 billion

**TOTAL ECONOMIC IMPACT**: $18.9 billion

**Jobs supported**: 164,154
ALUMNI IMPACT
- Over the years, students have studied at the U of I System’s 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 Illinois.
- The net impact of the U of I System’s former students currently employed in the state workforce amounted to $9.5 billion in added income in FY21.

INVESTMENT ANALYSIS

STUDENT PERSPECTIVE
- The U of I System’s FY21 students paid a present value of $1.3 billion to cover the cost of tuition, fees, supplies, and interest on student loans. They also forwent $1.1 billion 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 $12.8 billion in increased earnings over their working lives. This translates to a return of $5.20 in higher future earnings for every dollar students invest in their education. Students’ average annual rate of return is 15.7%.

TAXPAYER PERSPECTIVE
- Taxpayers provided the U of I System with $1.5 billion of funding in FY21. In return, they will benefit from added tax revenue, stemming from students’ higher lifetime earnings and increased business output, amounting to $4.2 billion. A reduced demand for government-funded services in Illinois will add another $532.6 million in benefits to taxpayers.
- For every dollar of public money invested in the U of I System, taxpayers will receive $3.10 in return, over the course of students’ working lives.

SOCIAL PERSPECTIVE
- In FY21, Illinois invested $9.8 billion to support the U of I System. In turn, the Illinois economy will grow by $42 billion, over the course of students’ working lives. Society will also benefit from $1.5 billion of public and private sector savings.
- For every dollar invested in U of I System in FY21, people in Illinois will receive $4.40 in return, for as long as the U of I System’s FY21 students remain active in the state workforce.

STUDENTS SEE A HIGH RATE OF RETURN FOR THEIR INVESTMENT IN THE U OF I SYSTEM

For every $1...

- Students gain in lifetime earnings: $5.20
- Taxpayers gain in added tax revenue and public sector savings: $3.10
- Society gains in added income and social savings: $4.40