

MAY 2018

# FACT SHEET

## The Economic Value of Public Universities of Ohio

Inter-University Council of Ohio’s (IUC) public universities create a significant positive impact on the business community and generate a return on investment to their 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) 2016-17.

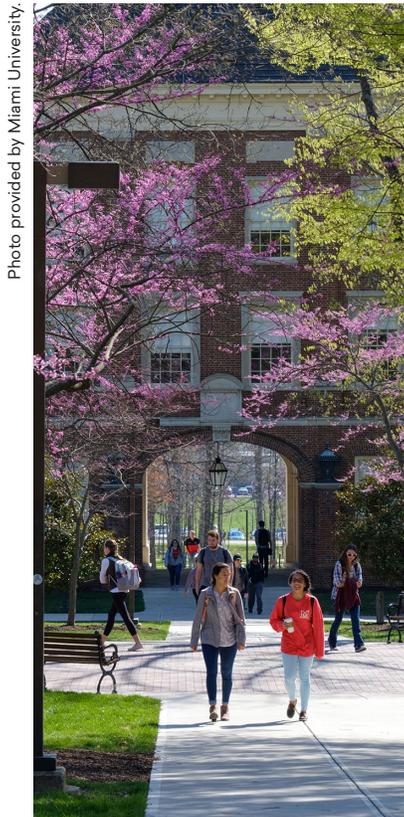


Photo provided by Miami University.

### IMPACT ON BUSINESS COMMUNITY

During the analysis year, Ohio public universities’ research, clinical, construction, and entrepreneurial activities, along with their students and visitors, added **\$42 billion** in added income to the Ohio economy, approximately equal to **6.7%** of the state’s total gross state product (GSP). The universities’ impact supported 558,841 jobs in FY 2016-17. For perspective, this means that one out of every 12 jobs in Ohio is supported by the activities of the universities and their students. The economic impacts of the public universities of Ohio break down as follows:

#### Operations spending impact

- The public universities employed 53,986 full-time and part-time employees for their day-to-day operations in FY 2016-17. Payroll for these employees amounted to \$4.9 billion, much of which was spent in Ohio to purchase groceries, clothing, and other household goods and services. The universities spent another \$2.7 billion to support their day-to-day operations.
- The net impact of the universities’ payroll and expenses in Ohio during the analysis year was approximately **\$5.6 billion** in income.

#### Research spending impact

- Research activities at the universities impact the state economy by employing people and making purchases for equipment, supplies, and services. They

**IMPACTS CREATED BY THE PUBLIC UNIVERSITIES OF OHIO IN FY 2016-17**

ADDED INCOME	JOBS
<b>\$5.6 billion</b>	<b>67,974</b>
Operations spending impact	
<b>\$1.4 billion</b>	<b>18,489</b>
Research spending impact	
<b>\$3.7 billion</b>	<b>56,726</b>
Clinical spending impact	
<b>\$401.0 million</b>	<b>5,241</b>
Construction spending impact	
<b>\$248.7 million</b>	<b>1,948</b>
Start-up and spin-off company impact	
<b>\$710.7 million</b>	<b>14,589</b>
Student spending impact	
<b>\$76.2 million</b>	<b>2,198</b>
Visitor spending impact	
<b>\$29.8 billion</b>	<b>391,675</b>
Alumni impact	
<b>\$42.0 billion</b>	<b>558,841</b>
Total impact	

also facilitate new knowledge creation in Ohio through inventions, patent applications, and licenses. In FY 2016-17, the universities spent **\$598 million** on payroll to support research activities.

- The public universities’ research spending generated **\$1.4 billion** in added income for the Ohio economy.

**Clinical spending impact**

- The clinics and medical centers related to and affiliated with the public universities of Ohio provide hands-on learning and research environments for students and employ hundreds of workers.
- In FY 2016-17, the clinics and medical centers spent \$3 billion on clinical operations. These expenditures added a net impact of **\$3.7 billion** in added income to the state.

**Construction spending impact**

- The public universities of Ohio commissioned contractors to build or renovate facilities during the analysis year, generating a short-term infusion of spending and jobs in the state economy.
- The net impact of the universities’ construction spending in FY 2016-17 was **\$401 million** in added income for Ohio.

**Start-up and spin-off company impact**

- The public universities create exceptional environments that foster innovation and entrepreneurship, evidenced by the number of start-up and spin-off companies created by the universities. In FY 2016-17, there were 113 start-up and 19 spin-off companies active in Ohio, employing a total of 990 people.
- In FY 2016-17, the universities’ start-up and spin-off companies generated **\$248.7 million** in added income for the Ohio economy.

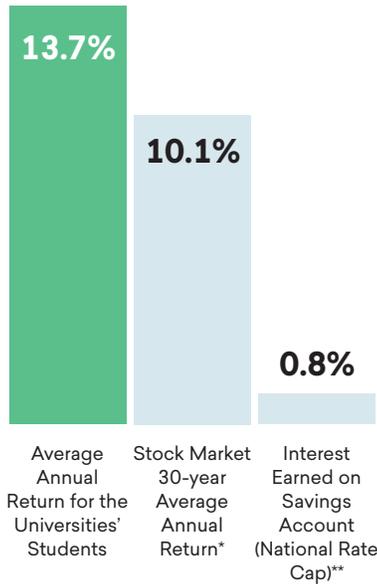
**Impact of student spending**

- Many students attending the universities originated from outside the state. Some of these students relocated to Ohio. In addition, a number of students would have left the state if not for the public universities of Ohio. These relocated and retained students spent money for everyday needs such as groceries, transportation, and housing at state businesses.
- The expenditures of relocated and retained students during the analysis year added approximately **\$710.7 million** in income to the Ohio economy. Of the \$710.7 million impact, \$450 million was generated by out-of-state students.

**Visitor spending impact**

- Out-of-state visitors attracted to Ohio for activities at the universities brought new dollars to the economy through their spending at hotels, restaurants, gas stations, and other state businesses.

## STUDENT RATE OF RETURN



\* Forbes' S&P 500, 1987-2016.

\*\* FDIC.gov, 7-2017.

- Visitor spending added approximately **\$762 million** in added income for the Ohio economy.

### Alumni impact

- Over the years, students have studied at the public universities of Ohio and entered or re-entered the workforce with newly-acquired skills. Today, hundreds of thousands of these former students are employed in Ohio.
- The impact of former students currently employed in the state workforce amounted to **\$29.8 billion** in added income during the analysis year.

## RETURN ON INVESTMENT TO STUDENTS, TAXPAYERS, AND SOCIETY

### Student perspective

- The public universities' FY 2016-17 students paid a total present value of **\$3.7 billion** to cover the cost of tuition, fees, supplies, and interest on student loans. They also forwent **\$2.5 billion** in money that they would have earned had they been working instead of learning.
- In return for the monies invested in the universities, students will receive a present value of **\$29.2 billion** in increased earnings over their working lives. This translates to a return of **\$4.60** in higher future earnings for every \$1 that students invest in their education. The average annual return for students is **13.7%**.

### Taxpayer perspective

- In FY 2016-17, state and local taxpayers in Ohio paid **\$2.1 billion** to support the operations of the universities. The net present value of the added tax revenue stemming from the students' higher lifetime earnings and the increased output of businesses amounts to **\$7.7 billion** in benefits to taxpayers. Savings to the public sector add another **\$748.4 million** in benefits due to a reduced demand for government-funded services in Ohio.
- Dividing benefits to taxpayers by the associated costs yields a **4.1** benefit-cost ratio, i.e., every \$1 in costs returns \$4.10 in benefits. The average annual return on investment for taxpayers is **8.6%**.

### Social perspective

- The economic base in Ohio will grow by **\$105.8 billion** over the course of the students' working lives. Society will also benefit from **\$3.2 billion** in present value social savings related to reduced crime, lower unemployment, and increased health and well-being across the state.
- For every \$1 that society spent on the universities' FY 2016-17 educations, society will receive a cumulative value of **\$8.20** in benefits, for as long as the FY 2016-17 student population at the universities remains active in the state workforce.

