



INDIANA UNIVERSITY
EAST

The Economic Value of Indiana University East

EXECUTIVE SUMMARY

INDIANA University East (IU East) and the daily lives of Hoosiers are inextricably intertwined. Through economic engagement activities, IU East connects its intellectual and creative resources with strategic opportunities that not only align educational programs with the workforce needs of the region, but the regional campus also provides a foundation to foster continued economic growth.

Recognizing that active engagement in the economic well-being of the region is a primary obligation for IU East. Through the vast scope of its activities, the regional campus benefits the area by educating citizens, enriching arts and culture, enhancing policymaking, developing sustainable infrastructure, and promoting economic growth. In terms of direct contributions to this economic growth, the regional campus purchases a considerable amount of goods and services from local businesses across the region while also employing residents, each of whom contributes directly to local tax bases.

Additionally, IU East supports creation of new jobs in vital growth sectors and prepares a workforce ready to fill them. Research indicates that a well-educated workforce corresponds with improved health, lower rates of mortality, and lower overall rates of crime and poverty. A degree from IU East provides citizens with the capacity to increase lifetime earning potential and to achieve upward social mobility. IU East alumni contribute greatly to the region in serving their local communities as business owners and employers, entrepreneurs, researchers, teachers, policymakers, and more.

This study measures the economic impacts created by IU East on the business community and the benefits the regional campus generates in return for the investments made by its key stakeholder groups—students, taxpayers, and society. The following two analyses are presented:



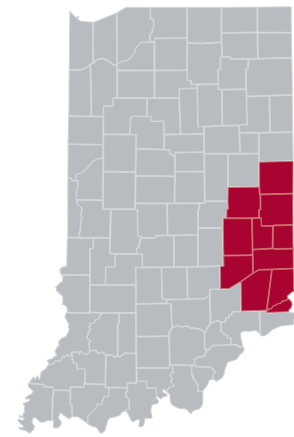
Economic impact analysis



Investment analysis

All results reflect employee, student, and financial data, provided by university administration and the regional campus, for fiscal year (FY) 2018-19 (July 1, 2018 – June 30, 2019). Impacts on the IU East service area¹ economy are reported under the economic impact analysis and are measured in terms of added income. It should be noted that IU East also serves several counties in Ohio. However, impact numbers from and for those counties are not reflected in this report. The returns on investment to students, taxpayers, and society in Indiana are reported under the investment analysis.

¹ For the purposes of this analysis, the IU East service area is comprised of Dearborn, Decatur, Fayette, Franklin, Henry, Ohio, Randolph, Ripley, Rush, Union, and Wayne Counties.



IU EAST SERVICE AREA

IU East benefits the area by educating citizens, enriching arts and culture, enhancing policymaking, developing sustainable infrastructure, and promoting economic growth.

KEY TAKEAWAYS

- IU East created **\$64.4 million** for the region in FY 2018-19.
- **One out of every 102 jobs** in the region is supported by the activities of IU East and its students.
- For every dollar students invest in their education at IU East, they will receive **\$4.50** in higher future earnings.
- For every tax dollar spent educating IU East students, taxpayers will receive an average of **\$1.20** in return over the course of the students' working lives.



Economic impact analysis



On an annual basis, IU East generates a flow of spending that has a major impact on the regional economy. The impacts of this spending are captured by the regional campus' operations, construction, visitor, and student spending activities. As impressive as these numbers are, they are further enhanced by IU East's core mission of producing knowledgeable, creative, and entrepreneurial graduates—with the most contemporary skills—who keep IU East service area's talent pipeline full. Therefore, the greatest economic impact of IU East stems from the added human capital—the knowledge, creativity, imagination, and entrepreneurship—found in its alumni.

While attending IU East, students gain experience, education, and the knowledge, skills, and abilities that increase their productivity and allow them to command a higher wage once they enter the workforce. The employers of IU East alumni enjoy the fruits of this increased productivity in the form of additional non-labor income (i.e., higher profits). IU East's alumni along with its spending impacts **added \$64.4 million in income to the regional economy in FY 2018-19.**

Operations spending impact



IU East adds economic value to the region as an employer of regional residents and a large-scale buyer of goods and services. In FY 2018-19, the regional campus employed 794 full-time and part-time faculty and staff, 74% of whom lived in the IU East service area. Total payroll at IU East was \$24.7 million, much of which was spent in the region for groceries, mortgage and rent payments, dining out, and other household expenses.

IMPACTS CREATED BY
IU EAST IN FY 2018-19



\$23.9 million

Operations Spending Impact



\$0.4 million

Construction Spending Impact



\$0.3 million

Visitor Spending Impact



\$2 million

Student Spending Impact



\$37.8 million

Alumni Impact



\$64.4 million

TOTAL IMPACT

- OR -

1,474

JOBS SUPPORTED

In addition, the regional campus spent \$10.7 million on day-to-day expenses related to facilities, supplies, and professional services.

IU East's day-to-day operations spending added **\$23.9 million** in income to the region during the analysis year. This figure represents the regional campus' payroll, the multiplier effects generated by the in-region spending of the regional campus and its employees, and a downward adjustment to account for funding that the regional campus received from regional sources. The \$23.9 million in added income is equivalent to supporting **728 jobs** in the region.



Construction spending impact



IU East invests in construction each year to renovate, repave roads, repair and replace equipment and building fixtures, and more. While the amount varies from year to year, these quick infusions of income and jobs have a substantial impact on the regional economy. In FY 2018-19, IU East's construction spending generated **\$421.8 thousand** in added income, which is equivalent to supporting **nine jobs**.

Visitor spending impact



Thousands of visitors from outside the region were attracted to IU East during the analysis year to attend commencement, sports events, and other activities sponsored by the regional campus. While in the region, visitors spent money for lodging, food, transportation, and other personal expenses. The off-campus expenditures of the regional campus' out-of-region visitors generated a net impact of **\$292.7 thousand** in added income for the regional economy in FY 2018-19. This \$292.7 thousand in added income is equivalent to supporting **nine jobs**.



Student spending impact



Around 36% of students attending IU East originated from outside the region in FY 2018-19, and some of these students relocated to the area to attend IU East. These students may not have come to the region if the regional campus did not exist. In addition, some in-region students, referred to as retained students, would have left the area if not for the existence of IU East. While attending the regional campus, these relocated and retained students spent money on groceries, accommodation, transportation, and other household expenses. This spending generated **\$2 million** in added income for the regional economy in FY 2018-19, which supported **54 jobs** in the IU East service area.

Alumni impact



The education and training IU East provides for regional residents has the greatest impact. Since its establishment, students have studied at IU East and entered the regional workforce with greater knowledge and new skills. In addition to technical skills, students are leaving IU East with contemporary skills, such as creativity and leadership, that are in extremely high demand by the region's leading employers. Today, thousands of former IU East students are employed in the region. As a result of their IU East education, the students receive higher earnings and increase the productivity of the businesses that employ them. In FY 2018-19, IU East alumni generated **\$37.8 million** in added income for the regional economy, which is equivalent to supporting **674 jobs**.

Total impact

IU East added **\$64.4 million** in income to the regional economy during the analysis year, equal to the sum of the operations and construction spending impacts, the visitor and student spending impacts, and the alumni impact. For context, the \$64.4 million impact was equal to approximately **0.6%** of the total gross regional product (GRP) of the IU East service area.

*The additional income of **\$64.4 million** by IU East is equal to approximately **0.6%** of the total GRP of its service area.*

IU East's total impact can also be expressed in terms of jobs supported. The \$64.4 million impact supported **1,474 regional jobs**, using the jobs-to-sales ratios specific to each industry in the region. This means that **one out of every 102 jobs** in the IU East service area is supported by the activities of IU East and its students. In addition, the \$64.4 million, or 1,474 supported jobs, stemmed from different industry sectors. Among non-education industry sectors, IU East's spending and alumni in the Health Care & Social Assistance industry sector added \$8.9 million in income to the region in FY 2018-19. These are impacts that would not have been generated without the regional campus' presence in the IU East service area.

IU EAST IMPACTS BY INDUSTRY



One out of every 102 jobs in the region is supported by the activities of IU East and its students.



Investment analysis

An investment analysis evaluates the costs associated with a proposed venture against its expected benefits. If the benefits outweigh the costs, then the investment is financially worthwhile. The analysis presented here considers IU East as an investment from the perspectives of students, taxpayers, and society in Indiana.

Student perspective



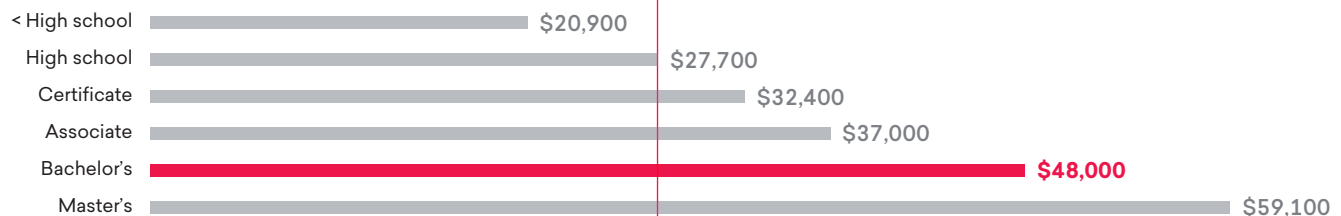
In FY 2018-19, IU East served a total annual unduplicated headcount of 7,160 students,² including 1,333 dual credit high school students. By attending IU East, students receive higher future earnings throughout their working lives; however, college is also an investment for students. In order to attend the regional campus, the students paid for tuition, fees, books, and supplies. They also took out loans and will incur associated interest charges. Additionally, students forwent income they would have otherwise earned had they been working instead of attending college. The total investment made by IU East's students in FY 2018-19 amounted to a present value of \$50.1 million.

In return for their investment, IU East's students will receive a stream of higher future earnings that will continue to grow throughout their working lives. For example, the average IU East bachelor's degree graduate from FY 2018-19 will see annual earnings that are \$20,300 higher than a person with a high school diploma or equivalent working in Indiana. Over a working lifetime, the benefits of the bachelor's degree over a high school diploma will amount to an



*In FY 2018-19, IU East served **7,160 students**, 1,333 of whom were dual credit high school students.*

The average bachelor's degree graduate from IU East will see an increase in earnings of **\$20,300** each year in comparison with a person with a high school diploma or equivalent working in Indiana.



Source: Emsi employment data.

2 The study used an unduplicated count of students enrolled between 7/1/18 and 6/30/19, which included students enrolled in the Summer II 2018, Fall 2018, Spring 2019, and Summer I 2019 semesters. This count also includes dual credit, high school enrollments as of the end of term, which is the most inclusive count of such students. The method is more meaningful for studying economic impact, but it differs from IU East's standard enrollment reporting, which uses beginning-of-term numbers on a semester-by-semester basis. Both perspectives accurately draw from the same underlying data.

undiscounted value of \$812,000 in higher earnings per graduate. The present value of the cumulative higher future earnings that IU East's FY 2018-19 students will receive over their working careers is \$223.1 million.

The students' benefit-cost ratio is **4.5**. In other words, for every dollar students invest in IU East, in the form of out-of-pocket expenses and forgone time and money, they will receive a cumulative value of \$4.50 in higher future earnings. **For every \$10,000 students invest in their education at IU East, they will receive \$45,000 in return** in the form of higher future earnings. Annually, the students' investment in IU East has an average annual internal rate of return of **19.4%**, which far surpasses the U.S. stock market's 30-year average rate of return of 9.9%.

This analysis is conservative because it does not take into account the improved well-being of IU East students. Many years of research have demonstrated that a college education leads to happier and healthier lives. Educated members of society typically use the knowledge and skills they acquire over their years of learning to pursue their life goals and dreams, while also improving their lifestyles and overall well-being. They are generally more financially stable than those who do not engage in higher education, and they are inspired to work to improve their mental, physical and emotional health.

Taxpayer perspective



IU East generates more in tax revenue than it takes. Benefits to taxpayers will also consist of savings generated by the improved lifestyles of IU East students and the corresponding reduced government services. As IU East students will earn more, they will make higher tax payments throughout their working lives. Students' employers will also make higher tax payments as they increase their output and purchases of goods and services. By the end of the FY 2018-19 students' working lives, the state government will have collected a present value of \$12.8 million in added taxes.

Taxpayers will also experience savings generated by the improved lifestyles of IU East students and the corresponding reduced government services. Education is statistically correlated with a variety of lifestyle changes. Students' IU East education will generate savings in three main areas—health care, crime, and income assistance—of tax savings. Improved health will lower students' demand for national health care services. In addition, students will be less likely to interact with the criminal justice system, resulting in a reduced demand for law enforcement and victim costs. IU East students will be more employable, decreasing their need for income assistance such as welfare and unemployment benefits will benefit taxpayers. For a list of study references, contact the regional campus for a copy of the main report. Altogether, the present value

STUDENTS SEE A HIGH RATE OF RETURN FOR THEIR INVESTMENT IN IU EAST



19.4%

Average annual return for IU East students



9.9%

Stock market 30-year average annual return



0.8%

Interest earned on savings account (National Rate Cap)

Source: Forbes' S&P 500, 1989-2018. FDIC.gov, 6-2019.

*For every dollar of public money invested in IU East, taxpayers will receive a cumulative value of **\$1.20** over the course of the students' working lives.*

of the benefits associated with an IU East education will generate \$1.9 million in savings to state taxpayers.

Total taxpayer benefits amount to \$14.7 million, the present value sum of the added taxes and public sector savings. Taxpayer costs are \$12.3 million, equal to the amount of state government funding IU East received in FY 2018-19. These benefits and costs yield a benefit-cost ratio of **1.2**. This means that for every dollar of public money invested in IU East in FY 2018-19, taxpayers will receive a cumulative value of \$1.20 over the course of the students' working lives. To state this another way, **for every \$10,000 invested by taxpayers, they will receive \$12,000 in return**. The average annual internal rate of return for taxpayers is **2.6%**, which compares favorably to other long-term investments in the public and private sectors.

Social perspective



Although the public often emphasizes the benefits of a college degree to themselves, the benefits to society are equally important. Through their volunteer work, leadership and philanthropic contributions, IU East students enrich the civic and economic life of their communities. They contribute more in taxes and they are also less reliant on government programs and services than those without college degrees. They are also more actively involved in vital societal activities, such as voting. In addition, IU East provides vital services to communities that are often overlooked, such as sports, culture, arts, and music. Many of these benefits are difficult to quantify; however, this study is able to capture the increased economic base to the state from the growth in gross state product stemming from IU East's impact on the state and the higher future earnings. In addition, the personal and governmental benefits from the improved lifestyles of IU East students is captured.

As discussed in the previous section, education is statistically correlated with a variety of lifestyle changes that generate social savings. Note that these costs are avoided by the consumers but are also distinct from the costs circumvented by the taxpayers outlined above. Healthcare savings include avoided medical costs associated with smoking, alcohol dependence, obesity, drug abuse, and depression. Savings related to crime include reduced security costs and insurance administration, lower victim costs, and reduced expenditures by the criminal justice system. Income assistance savings include reduced welfare and unemployment claims. For a list of study references, contact the regional campus for a copy of the main report.

Altogether, the social benefits of IU East equal a present value of \$556.8 million. These benefits include \$533.6 million in added income through students' increased lifetime earnings and increased business output, as well as \$23.2 million in social savings related to health, crime, and income assistance in



STUDENT PERSPECTIVE

\$223.1 million
Present value benefits

\$50.1 million
Present value costs

\$173 million
Net present value

| Benefit-cost ratio | Rate of return |
|--------------------|----------------|
| 4.5 | 19.4% |



TAXPAYER PERSPECTIVE

\$14.7 million
Present value benefits

\$12.3 million
Present value costs

\$2.5 million
Net present value

| Benefit-cost ratio | Rate of return |
|--------------------|----------------|
| 1.2 | 2.6% |



SOCIAL PERSPECTIVE

\$556.8 million
Present value benefits

\$69.6 million
Present value costs

\$487.2 million
Net present value

| Benefit-cost ratio | Rate of return |
|--------------------|----------------|
| 8.0 | n/a* |

* The rate of return is not reported for the social perspective because the beneficiaries of the investment are not necessarily the same as the original investors.

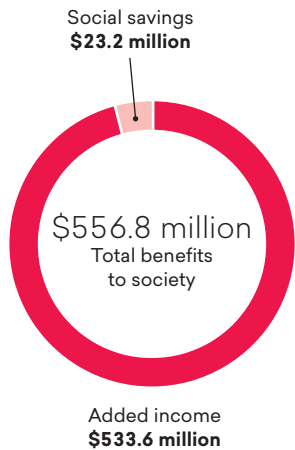
Indiana. People in Indiana invested a present value total of \$69.6 million in IU East in FY 2018-19. The cost includes all the regional campus and student costs.

The benefit-cost ratio for society is **8.0**, equal to the \$556.8 million in benefits divided by the \$69.6 million in costs. In other words, for every dollar invested in IU East, people in Indiana will receive a cumulative value of \$8.00 in benefits. One can also say that **for every \$10,000 society invests in IU East, Indiana will see \$80,000 in benefits** over the students working lives. The benefits of this investment will occur for as long as IU East's FY 2018-19 students remain employed in the state workforce.

Summary of investment analysis results

The results of the analysis demonstrate that IU East is a strong investment for all three major stakeholder groups—students, taxpayers, and society. As shown, students receive a great return for their investments in an IU East education. At the same time, taxpayers' investment in IU East returns more to government budgets than it costs and creates a wide range of social benefits throughout Indiana.

SOCIAL BENEFITS IN INDIANA FROM IU EAST



Conclusion



This study demonstrates that IU East increases the economic activity in the region, the earnings of its students, and the tax revenues received by the state. The regional campus fills the area's talent pipeline with knowledgeable, skilled, and innovative employees, who then generate substantial tax revenue for the state. IU East's alumni not only give back to their region and state through the economic contributions they make, but also through the impact they have on strengthening society. The regional campus enriches the lives of students, drives the success of regional businesses, supports the state and local taxpayers, and advances society as a whole in Indiana by creating a more prosperous economy and generating a variety of savings.

In FY 2018-19, IU East added **\$64.4 million** in income to the region. This income would not have existed in the region without IU East. This is an annual impact and will continue year after year as IU East continues to serve students. The \$64.4 million impact was equal to approximately **0.6%** of the total gross regional product (GRP) of the IU East service area. The impact is equivalent to supporting **1,474 jobs**. In other words, **one out of every 102 jobs** in the region is supported by IU East and its students. For every dollar students and taxpayers invested in the regional campus, students will receive **\$4.50** in the form of higher future earnings and taxpayers will receive **\$1.20** in the form of added tax revenues and government savings. By almost any measure and across every economic sector, IU East delivers a substantial positive impact on the region and a strong return on investment for its students, taxpayers, and Indiana as a whole.

*IU East created **\$64.4 million** for the region in FY 2018-19, which is equivalent to saying that **one out of every 102 jobs** in the region is supported by the activities of IU East and its students.*

*For every dollar students and taxpayers invested in IU East, they will receive **\$4.50** and **\$1.20** in benefits, respectively.*

About the study

Data and assumptions used in the study are based on several sources, including the FY 2018-19 IU East academic and financial reports from Indiana University Financial Management Systems (FMS) and Indiana University Institutional Research and Reporting (UIRR), industry and employment data from the U.S. Bureau of Labor Statistics and U.S. Census Bureau, outputs of Emsi's Multi-Regional Social Accounting Matrix 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 economic impact and investment effectiveness. For a full description of the data and approach used in the study, please contact the regional campus for a copy of the main report.



Emsi is a labor market analytics firm that integrates data from a wide variety of sources to serve professionals in higher education, economic development, workforce development, talent acquisition, and site selection. Emsi is a leading provider of economic impact studies and labor market data to educational institutions in the U.S. and internationally. Since 2000, Emsi has completed over 2,000 economic impact studies for institutions across three countries. Emsi is well known for its conservative methodology. Emsi's methodology for this study adheres to the Association of American Universities (AAU) and the Association of Public and Land-grant Universities (APLU) guidelines, published in December 2014. For more information about Emsi's products and services, visit www.economicmodeling.com.