



INDIANA UNIVERSITY
NORTHWEST

The Economic Value of Indiana University Northwest

EXECUTIVE SUMMARY

INDIANA University Northwest (IU Northwest) and the daily lives of Hoosiers are inextricably intertwined. Through economic engagement activities, IU Northwest 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 Northwest. 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 Northwest 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 Northwest provides citizens with the capacity to increase lifetime earning potential and to achieve upward social mobility. IU Northwest 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 Northwest 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:



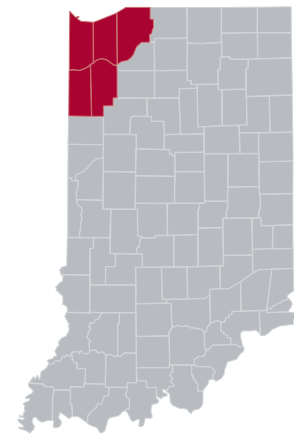
Economic impact analysis



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 Northwest service area¹ economy are reported under the economic impact analysis and are measured in terms of added income. 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 Northwest service area is comprised of Jasper, Lake, La Porte, Newton, and Porter Counties.



IU NORTHWEST SERVICE AREA

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

KEY TAKEAWAYS

- IU Northwest created **\$264.1 million** for the region in FY 2018-19.
- **One out of every 98 jobs** in the region is supported by the activities of IU Northwest and its students.
- For every dollar students invest in their education at IU Northwest, they will receive **\$3.90** in higher future earnings.
- For every tax dollar spent educating IU Northwest students, taxpayers will receive an average of **\$1.30** in return over the course of the students' working lives.



Economic impact analysis



On an annual basis, IU Northwest generates a flow of spending that has a major impact on the regional economy. The impacts 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 Northwest's core mission of producing knowledgeable, creative, and entrepreneurial graduates—with the most contemporary skills—who keep IU Northwest service area's talent pipeline full. Therefore, the greatest economic impact of IU Northwest stems from the added human capital—the knowledge, creativity, imagination, and entrepreneurship—found in its alumni.

While attending IU Northwest, 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 Northwest alumni enjoy the fruits of this increased productivity in the form of additional non-labor income (i.e., higher profits). IU Northwest alumni along with its spending impacts **added \$264.1 million in income to the regional economy in FY 2018-19.**

Operations spending impact



IU Northwest 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 895 full-time and part-time faculty and staff, 97% of whom lived in the IU Northwest service area. Total payroll at IU Northwest was \$30.5 million, much of which was spent in

IMPACTS CREATED BY
IU NORTHWEST IN FY 2018-19



\$37.9 million
Operations Spending Impact



\$1.9 million
Construction Spending Impact



\$0.1 million
Visitor Spending Impact



\$3.9 million
Student Spending Impact



\$220.2 million
Alumni Impact



\$264.1 million
TOTAL IMPACT

- OR -

4,138
JOBS SUPPORTED

the region for groceries, mortgage and rent payments, dining out, and other household expenses. In addition, the regional campus spent \$21.3 million on day-to-day expenses related to facilities, supplies, and professional services.

IU Northwest's day-to-day operations spending added **\$37.9 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 \$37.9 million in added income is equivalent to supporting **974 jobs** in the region.

Construction spending impact



IU Northwest invests in construction each year to renovate, demolish, construct, and repair and replace equipment, roofing, windows, sidewalks, 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 Northwest's construction spending generated **\$1.9 million** in added income, which is equivalent to supporting **20 jobs**.

Visitor spending impact

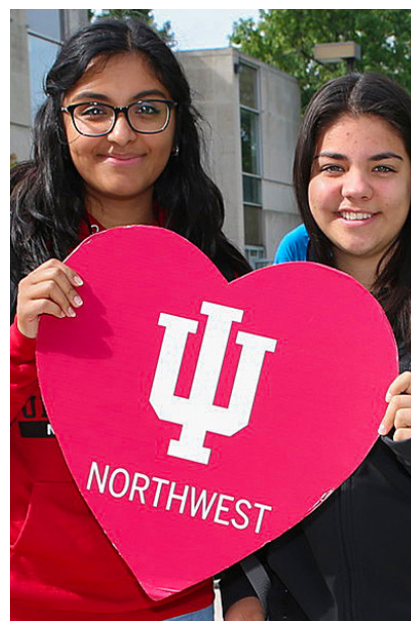


Thousands of visitors from outside the region were attracted to IU Northwest during the analysis year to attend commencement, sports events, and other activities sponsored by the regional campus. While in the region, visitors spent money for food, transportation, and other personal expenses. The off-campus expenditures of the regional campus' out-of-region visitors generated a net impact of \$114.9 thousand in added income for the regional economy in FY 2018-19. This **\$114.9 thousand** in added income is equivalent to supporting **four jobs**.

Student spending impact



Around 4% of students attending IU Northwest originated from outside the region in FY 2018-19, and some of these students relocated to the area to attend IU Northwest. 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 Northwest. While attending the regional campus, these relocated and retained students spent money on groceries, accommodation, transportation, and other household expenses. This spending generated **\$3.9 million** in added income for the regional economy in FY 2018-19, which supported **99 jobs** in the IU Northwest service area.



Alumni impact



The education and training IU Northwest provides for regional residents has the greatest impact. Since its establishment, students have studied at IU Northwest and entered the regional workforce with greater knowledge and new skills. Today, thousands of former IU Northwest students are employed in the region. As a result of their IU Northwest education, the students receive higher earnings and increase the productivity of the businesses that employ them. In FY 2018-19, IU Northwest alumni generated **\$220.2 million** in added income for the regional economy, which is equivalent to supporting **3,041 jobs**.

Total impact

IU Northwest added **\$264.1 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 \$264.1 million impact was equal to approximately **0.6%** of the total gross regional product (GRP) of the IU Northwest service area. This contribution that the regional campus provided on its own is nearly as large as the entire Management of Companies & Enterprises industry in the region.

*The additional income of **\$264.1 million** by IU Northwest is equal to approximately **0.9%** of the total GRP of its service area.*

IU Northwest's total impact can also be expressed in terms of jobs supported. The \$264.1 million impact supported **4,138 regional jobs**, using the jobs-to-sales ratios specific to each industry in the region. This means that **one out of every 98 jobs** in the IU Northwest service area is supported by the activities of the regional campus and its students. In addition, the \$264.1 million, or 4,138 supported jobs, stemmed from different industry sectors. Among non-education industry sectors, IU Northwest's spending and alumni in the Health Care & Social Assistance industry sector added \$62.6 million in income to the region in FY 2018-19. These are impacts that would not have been generated without the regional campus' presence.

IU NORTHWEST IMPACTS BY INDUSTRY



\$62.6 million

Health Care & Social Assistance



\$33.9 million

Manufacturing



\$27.7 million

Government, Non-Education



\$15.4 million

Construction



\$12.4 million

Retail Trade

One out of every 98 jobs in the region is supported by the activities of IU Northwest 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 Northwest as an investment from the perspectives of students, taxpayers, and society in Indiana.

Student perspective



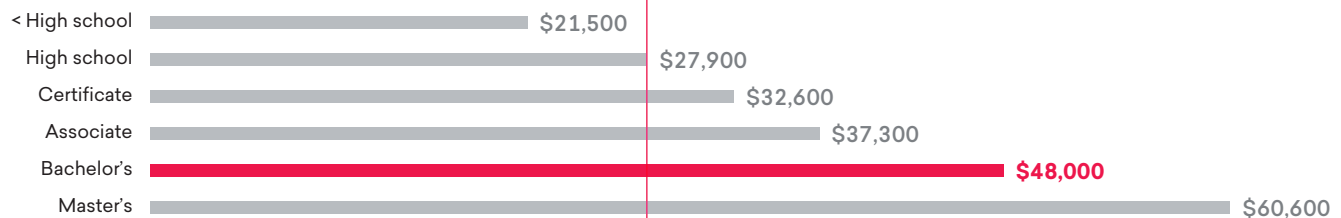
In FY 2018-19, IU Northwest served a total annual unduplicated headcount of 7,799 students,² including 2,817 dual credit high school students. By attending IU Northwest, students receive higher future earnings throughout their working lives; however, college is also an investment for students. In order 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 forewent income they would have otherwise earned had they been working instead of attending college. The total investment made by IU Northwest's students in FY 2018-19 amounted to a present value of \$55.1 million.

In return for their investment, IU Northwest's students will receive a stream of higher future earnings that will continue to grow throughout their working lives. For example, the average IU Northwest bachelor's degree graduate from FY 2018-19 will see annual earnings that are \$20,100 higher than a person with a



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The average bachelor's degree graduate from IU Northwest will see an increase in earnings of **\$20,100** 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 Northwest'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.

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 undiscounted value of \$844.2 thousand in higher earnings per graduate. The present value of the cumulative higher future earnings that IU Northwest's FY 2018-19 students will receive over their working careers is \$217.3 million.

The students' benefit-cost ratio is **3.9**. In other words, for every dollar students invest in IU Northwest, in the form of out-of-pocket expenses and forgone time and money, they will receive a cumulative value of \$3.90 in higher future earnings. **For every \$10,000 students invest in their education at IU Northwest, they will receive \$39,000 in return** in the form of higher future earnings. Annually, the students' investment in IU Northwest has an average annual internal rate of return of **17.9%**, 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 Northwest 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 Northwest generates more in tax revenue than it receives. Benefits to taxpayers will also consist of savings generated by the improved lifestyles of IU Northwest students and the corresponding reduced government services. As IU Northwest 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 \$27.5 million in added taxes.

Taxpayers will also experience savings generated by the improved lifestyles of IU Northwest students and the corresponding reduced government services. Education is statistically correlated with a variety of lifestyle changes. Students' IU Northwest 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 Northwest students will be more employable, decreasing their need for income assistance such as welfare and unemployment benefits. For a list of study references, contact the regional

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



17.9%

Average annual return for IU Northwest 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 Northwest, taxpayers will receive a cumulative value of **\$1.30** over the course of the students' working lives.*

campus for a copy of the main report. Altogether, the present value of the benefits associated with an IU Northwest education will generate \$6.3 million in savings to state taxpayers.

Total taxpayer benefits amount to \$33.8 million, the present value sum of the added taxes and public sector savings. Taxpayer costs are \$25.9 million, equal to the amount of state government funding IU Northwest received in FY 2018-19. These benefits and costs yield a benefit-cost ratio of **1.3**. This means that for every dollar of public money invested in IU Northwest in FY 2018-19, taxpayers will receive a cumulative value of \$1.30 over the course of the students' working lives. To state this another way, **for every \$10,000 invested by taxpayers, they will receive \$13,000 in return**. The average annual internal rate of return for taxpayers is **3.0%**, 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 Northwest 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 Northwest 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 Northwest's impact on the state and the higher future earnings. In addition, the personal and governmental benefits from the improved lifestyles of IU Northwest 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 Northwest equal a present value of \$797.4 million. These benefits include \$749.2 million in added income through students'



STUDENT PERSPECTIVE

\$217.3 million
Present value benefits

\$55.1 million
Present value costs

\$162.2 million
Net present value

Benefit-cost ratio	Rate of return
3.9	17.9%



TAXPAYER PERSPECTIVE

\$33.8 million
Present value benefits

\$25.9 million
Present value costs

\$7.9 million
Net present value

Benefit-cost ratio	Rate of return
1.3	3.0%



SOCIAL PERSPECTIVE

\$797.4 million
Present value benefits

\$94.1 million
Present value costs

\$703.3 million
Net present value

Benefit-cost ratio	Rate of return
8.5	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.

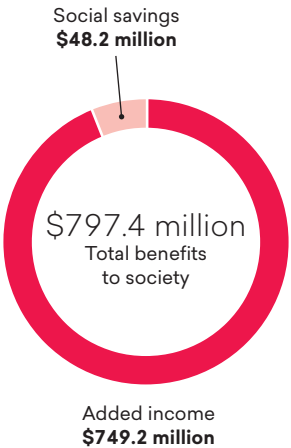
increased lifetime earnings and increased business output, as well as \$48.2 million in social savings related to health, crime, and income assistance in Indiana. People in Indiana invested a present value total of \$94.1 million in IU Northwest in FY 2018-19. The cost includes all the regional campus and student costs.

The benefit-cost ratio for society is **8.5**, equal to the \$797.4 million in benefits divided by the \$94.1 million in costs. In other words, for every dollar invested in IU Northwest, people in Indiana will receive a cumulative value of \$8.50 in benefits. One can also say that **for every \$10,000 society invests in IU Northwest, Indiana will see \$85,000 in benefits** over the students working lives. The benefits of this investment will occur for as long as IU Northwest’s FY 2018-19 students remain employed in the state workforce.

Summary of investment analysis results

The results of the analysis demonstrate that IU Northwest 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 Northwest education. At the same time, taxpayers’ investment in IU Northwest returns more to government budgets than it costs and creates a wide range of social benefits throughout Indiana.

SOCIAL BENEFITS IN INDIANA
FROM IU NORTHWEST



Conclusion



This study demonstrates that IU Northwest 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 Northwest'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 Northwest added **\$264.1 million** in income to the region. This income would not have existed in the region without IU Northwest. This is an annual impact and will continue year after year as IU Northwest continues to serve students. The \$264.1 million impact was equal to approximately **0.6%** of the total gross regional product (GRP) of the IU Northwest service area. The contribution that the regional campus provided on its own is nearly as large as the entire Management of Companies & Enterprises industry in the region. The impact is equivalent to supporting **4,138 jobs**. In other words, **one out of every 98 jobs** in the region is supported by IU Northwest and its students. For every dollar students and taxpayers invested in the regional campus, students will receive **\$3.90** in the form of higher future earnings and taxpayers will receive **\$1.30** in the form of added tax revenues and government savings. By almost any measure and across every economic sector, IU Northwest delivers a substantial positive impact on the region and a strong return on investment for its students, taxpayers, and Indiana as a whole.

*IU Northwest created **\$264.1 million** for the region in FY 2018-19, which is equivalent to saying that **one out of every 98 jobs** in the region is supported by the activities of IU Northwest and its students.*

*For every dollar students and taxpayers invested in IU Northwest, they will receive **\$3.90** and **\$1.30** in benefits, respectively.*

About the study

Data and assumptions used in the study are based on several sources, including the FY 2018-19 IU Northwest 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.