DECEMBER 2020

CHICAGO STATE UNIVERSITY

## The Economic Value of Chicago State University

# EXECUTIVE SUMMARY

Emsi

**CHICAGO** State University (CSU) creates value in many ways. The university plays a key role in helping students increase their employability and achieve their individual potential. The university facilitates new research developments and draws students to the state, generating new dollars and opportunities for Illinois. CSU provides students with the education, training, and skills they need to have fulfilling and prosperous careers. Furthermore, CSU is a place for students to meet new people, increase their self-confidence, and promote their overall health and well-being.

CSU influences both the lives of its students and the state economy. The university supports a variety of industries in Illinois, serves state businesses, and benefits society as a whole in Illinois from an expanded economy and improved quality of life. The benefits created by CSU even extend to the state and local government through increased tax revenues and public sector savings.

This study measures the economic impacts created by CSU on the business community and the benefits the university 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 the university, for fiscal year (FY) 2018-19. Impacts on the Illinois 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 Illinois are reported under the investment analysis.

*CSU influences both the* **lives of its students** *and the* **state economy**.

# Economic impact analysis

CSU promotes economic growth in Illinois through its direct expenditures and the resulting expenditures of students and state businesses. The university serves as an employer and buyer of goods and services for its day-to-day and research operations. The university's reputation and activities attract students from outside Illinois, whose expenditures benefit state vendors. In addition, CSU is a source of higher education to Illinois residents and a supplier of trained workers to state industries, enhancing overall productivity in the state workforce.

## Operations spending impact

CSU adds economic value to Illinois as an employer of state residents and a large-scale buyer of goods and services. In FY 2018-19, the university employed 672 full-time and part-time faculty and staff (excluding research employees), all of whom lived in Illinois. Total payroll at CSU was $73.4 million (excluding payroll from research employees), much of which was spent in the state for groceries, mortgage and rent payments, dining out, and other household expenses. In addition, the university spent $19.8 million on day-to-day expenses related to facilities, supplies, and professional services (excluding research expenditures).

CSU's day-to-day operations spending added $85.2 million in income to the state during the analysis year. This figure represents the university's payroll, the multiplier effects generated by the in-state spending of the university and its employees, and a downward adjustment to account for funding that the university received from state sources. The $85.2 million in added income is equivalent to supporting 795 jobs in the state.

## Research spending impact

Research activities impact the economy by employing people and requiring the purchase of equipment and other supplies and services. In FY 2018-19, CSU spent $3.1 million on payroll to support research activities. This, along with $7.8 million in other research spending, created a net total of $14.5 million in added income for the state economy. This added income is equivalent to supporting 157 jobs.

## Student spending impact

Around 8% of students attending CSU originated from outside the state in FY 2018-19, and some of these students relocated to Illinois to attend CSU. These students may not have come to the state if

IMPACTS CREATED
BY CSU IN FY 2018-19

**$85.2 million**
Operations Spending Impact

**$14.5 million**
Research Spending Impact

**$6.7 million**
Student Spending Impact

**$1.5 billion**
Alumni Impact

**$1.6 billion**
**TOTAL IMPACT**

– OR –

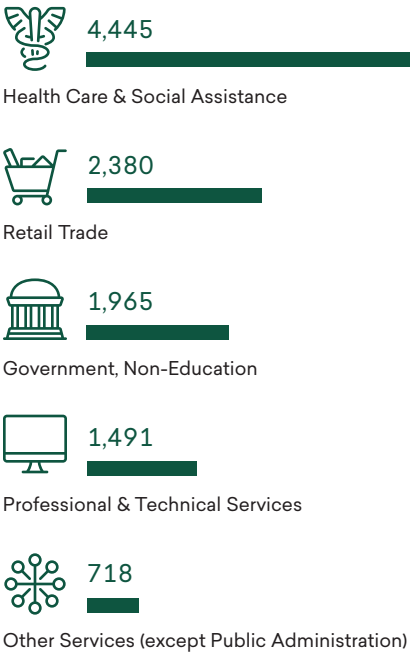
**17,525**
**JOBS SUPPORTED**

the university did not exist. In addition, some in-state students, referred to as retained students, would have left Illinois if not for the existence of CSU. While attending the university, these relocated and retained students spent money on groceries, accommodation, transportation, and other household expenses. This spending generated $6.7 million in added income for the state economy in FY 2018-19, which supported 127 jobs in Illinois.

## Alumni impact

The education and training CSU provides for state residents has the greatest impact. Since its establishment, students have studied at CSU and entered the state workforce with greater knowledge and new skills. Today, thousands of former CSU students are employed in Illinois. As a result of their CSU educations, the students receive higher earnings and increase the productivity of the businesses that employ them. In FY 2018-19, CSU alumni generated $1.5 billion in added income for the state economy, which is equivalent to supporting 16,445 jobs. Approximately $875.2 million, or 60%, of the $1.5 billion in added income stems from African American CSU alumni.

CSU IMPACTS BY INDUSTRY (JOBS SUPPORTED)




## Total impact

CSU added $1.6 billion in income to the Illinois economy during the analysis year, equal to the sum of the operations and research spending impacts, the student spending impact, and the alumni impact. For context, the $1.6 billion impact was equal to approximately 0.2% of the total gross state product (GSP) of Illinois.

*The additional income of* **$1.6 billion** *created by CSU is equivalent to supporting* **17,525 jobs** *in Illinois.*

CSU's total impact can also be expressed in terms of jobs supported. The $1.6 billion impact supported 17,525 state jobs, using the jobs-to-sales ratios specific to each industry in the state. In addition, the $1.6 billion, or 17,525 supported jobs, stemmed from different industry sectors. Among non-education industry sectors, CSU's spending and alumni in the Health Care & Social Assistance industry sector supported 4,445 jobs in FY 2018-19. These are impacts that would not have been generated without the university's presence in Illinois.

# Investment analysis

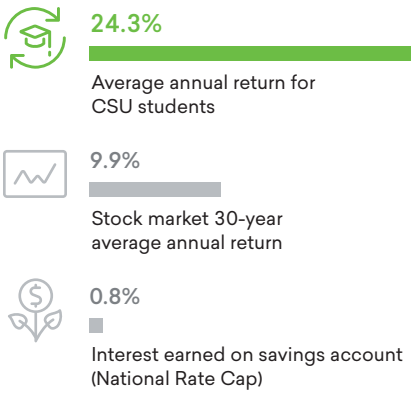
An investment analysis evaluates the costs associated with a proposed venture against its expected benefits. If the benefits outweigh the costs, then the investment is financially worthwhile. The analysis presented here considers CSU as an investment from the perspectives of students, taxpayers, and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

## Student perspective

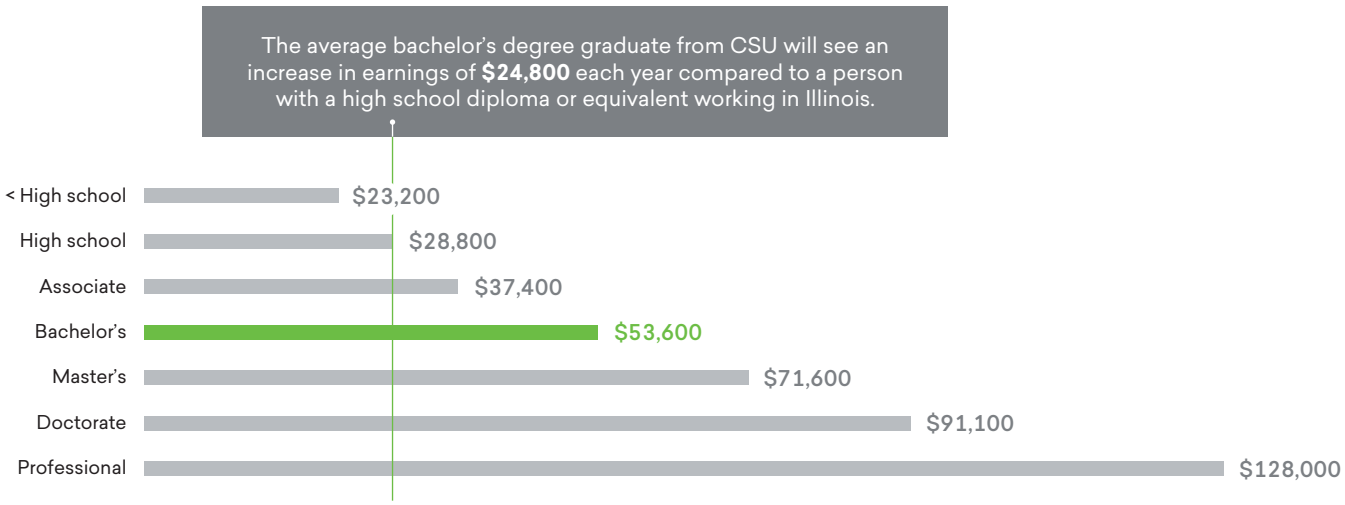
In FY 2018-19, CSU served 3,595 students. In order to attend the university, the students paid for tuition, fees, books, and supplies. They also took out loans and will incur interest on those loans. Additionally, students gave up money they would have otherwise earned had they been working instead of attending college. The total investment made by CSU's students in FY 2018-19 amounted to a present value of $57.8 million, equal to $23 million in out-of-pocket expenses (including future principal and interest on student loans) and $34.8 million in forgone time and money.

In return for their investment, CSU's students will receive a stream of higher future earnings that will continue to grow throughout their working lives. For example, the average CSU bachelor's degree graduate from FY 2018-19 will see annual earnings that are $24,800 higher than a person with a high school diploma or equivalent working in Illinois. Over a working lifetime, the benefits of the bachelor's degree over a high school diploma will amount to an undiscounted value of $843.2 thousand in higher earnings per graduate. The present value of the cumulative higher future earnings that CSU's FY 2018-19 students will receive over their working careers is $288 million.

STUDENTS SEE A HIGH RATE OF RETURN FOR THEIR INVESTMENT IN CSU




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




Source: Emsi employment data.

The students' benefit-cost ratio is 5.0. In other words, for every dollar students invest in CSU, in the form of out-of-pocket expenses and forgone time and money, they will receive a cumulative value of $5.00 in higher future earnings. Annually, the students' investment in CSU has an average annual internal rate of return of 24.3%, which is impressive compared to the U.S. stock market's 30-year average rate of return of 9.9%.

## Taxpayer perspective

CSU generates more in tax revenue than it takes. These benefits to taxpayers consist primarily of taxes that the state and local government will collect from the added revenue created in the state. As CSU 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 and local government will have collected a present value of $103.5 million in added taxes.

*For every dollar of public money invested in CSU, taxpayers will receive a cumulative value of* ***$3.00*** *over the course of the students' working lives.*

Benefits to taxpayers will also consist of savings generated by the improved lifestyles of CSU students and the corresponding reduced government services. Education is statistically correlated with a variety of lifestyle changes. Students' CSU educations will generate savings in three main categories: 1) healthcare, 2) crime, and 3) income assistance. 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. CSU students will be more employable, so their reduced demand for income assistance such as welfare and unemployment benefits will benefit taxpayers. For a list of study references, contact the university for a copy of the main report. Altogether, the present value of the benefits associated with a CSU education will generate $15.8 million in savings to state and local taxpayers.

Total taxpayer benefits amount to $119.3 million, the present value sum of the added taxes and public sector savings. Taxpayer costs are $40.2 million, equal to the amount of state and local government funding CSU received in FY 2018-19. These benefits and costs yield a benefit-cost ratio of 3.0. This means that for every dollar of public money invested in CSU in FY 2018-19, taxpayers will receive a cumulative value of $3.00 over the course of the students' working lives. The

**STUDENT PERSPECTIVE**

$288 million
Present value benefits

$57.8 million
Present value costs

$230.2 million
Net present value

| Benefit-cost ratio | Rate of return |
|---|---|
| 5.0 | 24.3% |

**TAXPAYER PERSPECTIVE**

$119.3 million
Present value benefits

$40.2 million
Present value costs

$79.1 million
Net present value

| Benefit-cost ratio | Rate of return |
|---|---|
| 3.0 | 11.9% |

**SOCIAL PERSPECTIVE**

$1.1 billion
Present value benefits

$150.3 million
Present value costs

$917.6 million
Net present value

| Benefit-cost ratio | Rate of return |
|---|---|
| 7.1 | 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.

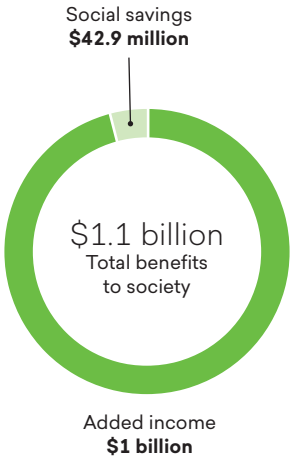
average annual internal rate of return for taxpayers is 11.9%, which compares favorably to other long-term investments in the public and private sectors.

## Social perspective

Society as a whole in Illinois benefits from the presence of CSU in two major ways. Primarily, society benefits from an increased economic base in the state. This is attributed to higher student earnings and increased business output, which raise economic prosperity in Illinois.

Benefits to society also consist of the savings generated by the improved lifestyles of CSU students. 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 distinct from the costs avoided 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 expenditures 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 university for a copy of the main report.

SOCIAL BENEFITS IN ILLINOIS FROM CSU




Altogether, the social benefits of CSU equal a present value of $1.1 billion. These benefits include $1 billion in added income through students' increased lifetime earnings and increased business output, as well as $42.9 million in social savings related to health, crime, and income assistance in Illinois. People in Illinois invested a present value total of $150.3 million in CSU in FY 2018-19. The cost includes all the university and student costs.

The benefit-cost ratio for society is 7.1, equal to the $1.1 billion in benefits divided by the $150.3 million in costs. In other words, for every dollar invested in CSU, people in Illinois will receive a cumulative value of $7.10 in benefits. The benefits of this investment will occur for as long as CSU's FY 2018-19 students remain employed in the state workforce.

## Summary of investment analysis results

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

# Conclusion

The results of this study demonstrate that CSU creates value from multiple perspectives. The university benefits state businesses by increasing consumer spending in the state and supplying a steady flow of qualified, trained workers to the workforce. CSU enriches the lives of students by raising their lifetime earnings and helping them achieve their individual potential. The university benefits state and local taxpayers through increased tax receipts and a reduced demand for government-supported social services. Finally, CSU benefits society as a whole in Illinois by creating a more prosperous economy and generating a variety of savings through the improved lifestyles of students.

*The results of this study demonstrate that CSU creates value from* **multiple perspectives.**

## About the study

Data and assumptions used in the study are based on several sources, including the FY 2018-19 academic and financial reports from CSU, 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 university for a copy of the main report.

Emsi

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