

The Economic Value of Aurora University to Illinois





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

AU 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. Additionally, the benefits created by AU extend to the state and local government through increased tax revenues and public sector savings.

This study measures the economic impacts created by AU on the business community and evaluates the return on investment to the university's primary stakeholders—students and the Illinois society—as well as the benefits received by state and local taxpayers from AU. 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) 2022-23. 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 and Illinois society, along with benefits to state and local taxpayers, are reported under the investment analysis.



Illinois

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





Economic impact analysis

AU 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 operations. The university's reputation and activities attract students from outside Illinois, whose expenditures benefit state vendors. In addition, AU is a primary 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



AU adds economic value to Illinois as an employer of state residents and a large-scale buyer of goods and services. In FY 2022-23, payroll at AU was \$47.7 million, 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 \$37.4 million on expenses related to facilities, supplies, and professional services.

AU's operations spending added \$45.2 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 \$45.2 million in added income is equivalent to supporting 854 jobs in the state.

Student spending impact



Approximately 13% of students attending AU originated from outside the state in FY 2022-23, and some of these students relocated to Illinois to attend AU.

These students may not have come to the state if 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 AU. While attending the university, these relocated and retained students spent money on groceries, accommodation, transportation, and other household expenses. This spending generated \$4.8 million in added income for the state economy in FY 2022-23, which supported 64 jobs in Illinois.

Impacts created by AU in FY 2022-23



Operations spending impact

\$45.2 million

+



Student spending impact

\$4.8 million

+



Alumni impact

\$1.2 billion



Total economic impact

\$1.3 billion

OR



Jobs supported

17,215



Alumni impact



The education and training AU provides for state residents has the greatest impact. Since the establishment of the university, students have studied at AU and entered the state workforce with greater knowledge and new skills. Today, thousands of former AU students are employed in Illinois. As a result of their education from AU, the students receive higher earnings and increase the productivity of the businesses that employ them. In FY 2022-23, AU alumni generated \$1.2 billion in added income for the state economy, which is equivalent to supporting 16,297 jobs.

Total impact

AU added \$1.3 billion in income to the Illinois economy during the analysis year, equal to the sum of the operations spending impact, the student spending impact, and the alumni impact.

AU's total impact can also be expressed in terms of jobs supported. The \$1.3 billion impact supported 17,215 state jobs, using the jobs-to-sales ratios specific to each industry in the state. In addition, the \$1.3 billion, or 17,215 supported jobs, stemmed from different industry sectors. For instance, among non-education industry sectors, the activities of AU and its alumni in the Health Care & Social Assistance industry sector supported 5,398 jobs in FY 2022-23. If the university did not exist, these impacts would not have been generated in Illinois.

AU impacts by industry (jobs supported)



5,398

Health Care & Social Assistance



2,392

Other Services (except Public Administration)



2,229

Government, Education



1,179

Arts, Entertainment, & Recreation



945

Government, Non-Education



571

Professional & Technical Services

The **\$1.3 billion** impact supported **17,215 jobs** in the state.



Investment analysis



An investment analysis evaluates the costs associated with a proposed venture against its expected benefits. The analysis presented here evaluates AU as an investment from the perspectives of students and society in Illinois. In addition, the benefits received by state taxpayers are measured. As with the economic impact analysis, this analysis considers only FY 2022-23 activities.

Student perspective



In FY 2022-23, AU served 6,819 credit and 189 non-credit 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 AU's students in FY 2022-23 amounted to a present value of \$171.0 million, equal to \$88.6 million in out-of-pocket expenses (including future principal and interest on student loans) and \$82.4 million in forgone time and money.

In return for their investment, AU's students will receive a stream of higher future earnings that will continue to grow throughout their working lives. For example, the average AU bachelor's degree graduate from FY 2022-23 will see annual earnings that are \$31,700 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 \$1.2 million in higher earnings per graduate. The present value of the cumulative higher future earnings that AU's FY 2022-23 students will receive over their working careers is \$795.5 million.

The students' benefit-cost ratio is 4.7. In other words, for every dollar students invest in AU in the form of out-of-pocket expenses and forgone time and money, they will receive a cumulative value of \$4.70 in higher future earnings. Annually, the students'

Students see a high rate of return for their investment in AU



Average annual return for AU students
20.2%



Stock market 30-year average annual return
10.1%

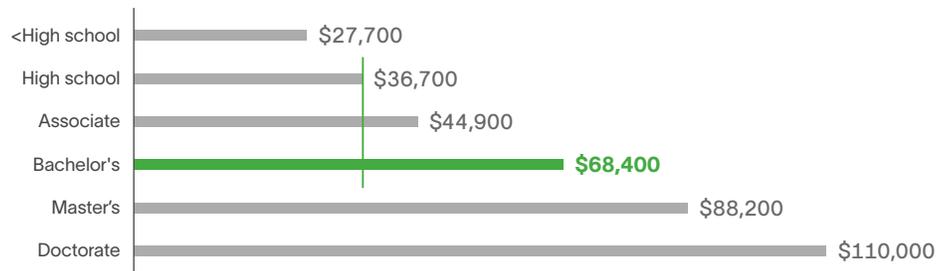


Interest earned on savings account (national deposit rate)
0.5%

Source: Forbes' S&P 500, 1994-2023; FDIC.gov, March 2023

Average earnings by education level at career midpoint

The average bachelor's degree graduate from AU will see an increase in earnings of **\$31,700** each year compared to a person with a high school diploma or equivalent working in Illinois.



Source: Lightcast employment data

investment in AU has an average annual internal rate of return of 20.2%, which is impressive compared to the U.S. stock market's 30-year average rate of return of 10.1%.

Taxpayer perspective



AU is a private university and receives very little state government funding, yet Illinois taxpayers still receive a substantial amount of benefits from the university. 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 AU students 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 2022-23 students' working lives, the state and local government will have collected a present value of \$281.8 million in added taxes.

Benefits to taxpayers will also consist of savings generated by the improved lifestyles of AU students and the corresponding reduced government services. Education is statistically correlated with a variety of lifestyle changes. The education that AU students receive will generate savings in three main categories: 1) health care, 2) justice system, and 3) income assistance. Improved health will lower students' demand for national health care services. In addition, costs related to the justice system will decrease. AU 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 an education from AU will generate \$68.6 million in savings to state and local taxpayers. Total taxpayer benefits amount to \$350.4 million, the present value sum of the added tax revenue and public sector savings.

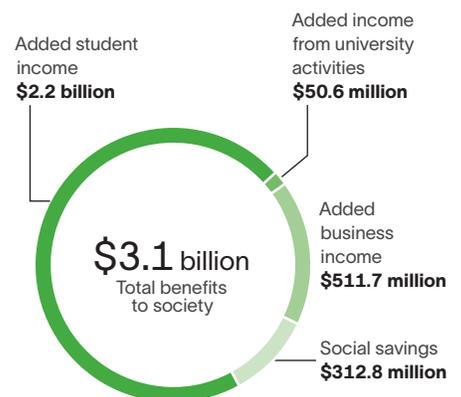
Social perspective



Society as a whole in Illinois benefits from the presence of AU in two major ways. Primarily, society benefits from an increased economic base in the state. This is attributed to the added income from students' increased lifetime earnings (added student income) and increased business output (added business income), which raise economic prosperity in Illinois.

Benefits to society also consist of the savings generated by the improved lifestyles of AU 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. Health care savings include avoided medical costs associated with smoking, obesity, substance abuse, and depression. Justice system savings include avoided costs to the government and society due to less judicial activity. 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 AU



Source: Lightcast impact model

Altogether, the social benefits of AU equal a present value of \$3.1 billion. These benefits include \$2.2 billion in added student income, \$511.7 million in added business income, \$50.6 million in added income from university activities, as well as \$312.8 million in social savings related to health, the justice system, and income assistance in Illinois. People in Illinois invested a present value total of \$182.5 million in AU in FY 2022-23. The cost includes all the university expenditures, student expenses and student opportunity costs, which together represent social costs.

The benefit-cost ratio for society is 16.7, equal to the \$3.1 billion in benefits divided by the \$182.5 million in costs. In other words, for every dollar invested in AU, people in Illinois will receive a cumulative value of \$16.70 in benefits. The benefits of this investment will occur for as long as AU's FY 2022-23 students remain employed in the state workforce.



Summary of investment analysis results

The results of the analysis demonstrate that AU is a strong investment for students and society. They also show that substantial benefits are conveyed to taxpayers through AU's existence. As shown, students receive a great return for their investments in an education from AU. At the same time, AU provides significant benefits to state budgets and creates a wide range of social benefits throughout Illinois.

Summary of investment analysis results



Student perspective

Present value benefits
\$795.5 million

Present value costs
\$171.0 million

Net present value
\$624.5 million

Benefit-cost ratio	Rate of return
4.7	20.2%



Taxpayer perspective

Present value benefits
\$350.4 million



Social perspective

Present value benefits
\$3.1 billion

Present value costs
\$182.5 million

Net present value
\$2.9 billion

Benefit-cost ratio	Rate of return
16.7	n/a*

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

Conclusion

*The results of this study demonstrate that AU 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. AU 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, AU 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.

About the study

Data and assumptions used in the study are based on several sources, including the FY 2022-23 academic and financial reports from AU, industry and employment data from the U.S. Bureau of Labor Statistics and U.S. Census Bureau, outputs of Lightcast'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.



Lightcast provides colleges and universities with labor market data that help create better outcomes for students, businesses, and communities. Our data, which cover more than 99% of the U.S. workforce, are compiled from a wide variety of government sources, job postings, and online profiles and résumés. Hundreds of institutions use Lightcast to align programs with regional needs, drive enrollment, connect students with in-demand careers, track their alumni's employment outcomes, and demonstrate their institution's economic impact on their region. Visit lightcast.io/solutions/education to learn more or connect with us.