The Economic Value of the University of Wisconsin-Stout
The University of Wisconsin-Stout (UW-Stout) 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 region, generating new dollars and opportunities for the UW-Stout Service Area.¹ UW-Stout provides students with the education, training, and skills they need to have fulfilling and prosperous careers. Furthermore, UW-Stout is a place for students to meet new people, increase their self-confidence, and promote their overall health and well-being.

UW-Stout influences both the lives of its students and the regional economy. The university supports a variety of industries in the UW-Stout Service Area, serves regional businesses, and benefits society as a whole in Wisconsin from an expanded economy and improved quality of life. Additionally, the benefits created by UW-Stout extend to the state government through increased tax revenues and public sector savings.

This study measures the economic impacts created by UW-Stout 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) 2019-20. Impacts on the UW-Stout Service Area 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 Wisconsin are reported under the investment analysis.

¹ For the purposes of this analysis, the UW-Stout Service Area is comprised of Barron, Chippewa, Dunn, Eau Claire, Pierce, Polk, and St. Croix Counties.
UW-Stout promotes economic growth in the UW-Stout Service Area through its direct expenditures and the resulting expenditures of students and regional businesses. The university serves as an employer and buyer of goods and services for its day-to-day and construction operations. The university’s reputation and activities attract students from outside the UW-Stout Service Area, whose expenditures benefit regional vendors. In addition, UW-Stout is a primary source of higher education to the UW-Stout Service Area residents and a supplier of trained workers to regional industries, enhancing overall productivity in the regional workforce.

**Operations spending impact**

UW-Stout adds economic value to the UW-Stout Service Area as an employer of regional residents and a large-scale buyer of goods and services. In FY 2019-20, the university employed 1,174 full-time and part-time faculty and staff, 84% of whom lived in the UW-Stout Service Area. Total payroll at UW-Stout was $90.8 million, much of which was spent in the region for groceries, mortgage and rent payments, dining out, and other household expenses. In addition, the university spent $54.2 million on day-to-day expenses related to facilities, supplies, and professional services.

UW-Stout’s day-to-day operations spending added $99.2 million in income to the region during the analysis year. This figure represents the university’s payroll, the multiplier effects generated by the in-region spending of the university and its employees, and a downward adjustment to account for funding that the university received from regional sources. The $99.2 million in added income is equivalent to supporting 1,232 jobs in the region.

**Construction spending impact**

UW-Stout invests in construction each year to maintain its facilities, create additional capacities, and meet its growing educational demands. 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 2019-20, UW-Stout’s construction spending generated $10.2 million in added income, which is equivalent to supporting 142 jobs.
Student spending impact

Around 71% of credit students attending UW-Stout originated from outside the region in FY 2019-20, and some of these students relocated to the UW-Stout Service Area to attend UW-Stout. These students may not have come to the region if the university did not exist. In addition, some in-region students, referred to as retained students, would have left the UW-Stout Service Area if not for the existence of UW-Stout. While attending the university, these relocated and retained students spent money on groceries, accommodation, transportation, and other household expenses. This spending generated $10.6 million in added income for the regional economy in FY 2019-20, which supported 210 jobs in the UW-Stout Service Area.²

Alumni impact

The education and training UW-Stout provides for regional residents has the greatest impact. Since its establishment, students have studied at UW-Stout and entered the regional workforce with greater knowledge and new skills. Today, thousands of former UW-Stout students are employed in the UW-Stout Service Area. As a result of their education from UW-Stout, the students receive higher earnings and increase the productivity of the businesses that employ them. In FY 2019-20, UW-Stout alumni generated $186.3 million in added income for the regional economy, which is equivalent to supporting 3,025 jobs.

Total impact

UW-Stout added $306.2 million in income to the UW-Stout Service Area economy during the analysis year, equal to the sum of the operations and construction spending impacts, the student spending impact, and the alumni impact. For context, the $306.2 million impact was equal to approximately 1.5% of the total gross regional product (GRP) of the UW-Stout Service Area. This contribution that the university provided on its own constitutes half of the entire Professional & Technical Services industry in the region.

UW-Stout’s total impact can also be expressed in terms of jobs supported. The $306.2 million impact supported 4,609 regional jobs, using the jobs-to-sales ratios specific to each industry in the region. This means that one out of every 53 jobs in the UW-Stout Service Area is supported by the activities of UW-Stout and its students. In addition, the $306.2 million, or 4,609 supported jobs, stemmed from different industry sectors. For instance, UW-Stout’s spending and alumni in the Government, Education and Health Care & Social Assistance industry sectors supported 1,334 and 543 jobs, respectively, in FY 2019-20. If the university did not exist, these impacts would not have been generated in the UW-Stout Service Area.

² Note that many student activities and expenses associated with these activities were affected by COVID-19 in spring 2020, reducing the student spending impact.
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 UW-Stout as an investment from the perspectives of students, taxpayers, and society in Wisconsin.

**Student perspective**

In FY 2019-20, UW-Stout served 9,128 credit and 1,313 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 not attended college: non-working students forewent the entire amount of potential earnings, whereas working students sacrificed a part of the earnings while holding jobs that paid less than a full-time job could have provided. The total investment made by UW-Stout’s students in FY 2019-20 amounted to a present value of $150.9 million, equal to $45.8 million in out-of-pocket expenses (including future principal and interest on student loans) and $105.1 million in forgone time and money.

In return for their investment, UW-Stout’s students will receive a stream of higher future earnings that will continue to grow throughout their working lives. For example, the average UW-Stout bachelor’s degree graduate from FY 2019-20 will see annual earnings that are $24,300 higher than a person with a high school diploma or equivalent working in Wisconsin. Over a working lifetime, the benefits of the bachelor’s degree over a high school diploma will amount to an undiscounted value of $1 million in higher earnings per graduate. The present value of the cumulative higher future earnings that UW-Stout’s FY 2019-20 students will receive over their working careers is $605.8 million.

### Students See a High Rate of Return for Their Investment in UW-Stout

**Average annual return for UW-Stout students**

15.2%

**Stock market 30-year average annual return**

10.6%

**Interest earned on savings account (National Rate Cap)**

0.8%

The students’ benefit-cost ratio is 4.0. In other words, for every dollar students invest in UW-Stout in the form of out-of-pocket expenses and forgone time and money, they will receive a cumulative value of $4.00 in higher future earnings. Annually, the students’ investment in UW-Stout has an average annual internal rate of return of 15.2%, which is impressive compared to the U.S. stock market’s 30-year average rate of return of 10.6%.

**Taxpayer perspective**

UW-Stout generates more in tax revenue than it takes. These benefits to taxpayers consist primarily of taxes that the state government will collect from the added revenue created in the state. As UW-Stout 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 2019-20 students’ working lives, the state government will have collected a present value of $45.2 million in added taxes.

Benefits to taxpayers will also consist of savings generated by the improved lifestyles of UW-Stout students and the corresponding reduced government services. Education is statistically correlated with a variety of lifestyle changes. The educations that UW-Stout students receive will generate savings in three main categories: 1) healthcare, 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. UW-Stout 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 UW-Stout will generate $8.8 million in savings to state taxpayers.

Total taxpayer benefits amount to $53.9 million, the present value sum of the added taxes and public sector savings. Taxpayer costs are $34.3 million, equal to the amount of state government funding UW-Stout received in FY 2019-20. These benefits and costs yield a benefit-cost ratio of 1.6. This means that for every dollar of public money invested in UW-Stout in FY 2019-20, taxpayers will receive a cumulative present value of $1.60 over the course of the students’ working lives. The average annual internal rate of return for taxpayers is 3.2%, which compares favorably to other long-term investments in the public and private sectors.

**Social perspective**

Society as a whole in Wisconsin benefits from the presence of UW-Stout 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 Wisconsin.
Benefits to society also consist of the savings generated by the improved lifestyles of UW-Stout 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. 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.

Altogether, the social benefits of UW-Stout equal a present value of $1.2 billion. These benefits include $769.7 million in added student income, $253.6 million in added business income, $95.9 million in added income from university activities, as well as $63.7 million in social savings related to health, crime, and income assistance in Wisconsin. People in Wisconsin invested a present value total of $287.6 million in UW-Stout in FY 2019-20. The cost includes all the university and student costs.

The benefit-cost ratio for society is 4.1, equal to the $1.2 billion in benefits divided by the $287.6 million in costs. In other words, for every dollar invested in UW-Stout, people in Wisconsin will receive a cumulative value of $4.10 in benefits. The benefits of this investment will occur for as long as UW-Stout’s FY 2019-20 students remain employed in the state workforce.

**Summary of investment analysis results**

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

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<thead>
<tr>
<th>STUDENT PERSPECTIVE</th>
<th>TAXPAYER PERSPECTIVE</th>
<th>SOCIAL PERSPECTIVE</th>
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<tbody>
<tr>
<td>Present value benefits</td>
<td>$605.8 million</td>
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<td>Present value costs</td>
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<td>Benefit-cost ratio</td>
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<tr>
<td>Rate of return</td>
<td>15.2%</td>
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* 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.
CONCLUSION

The results of this study demonstrate that UW-Stout creates value from multiple perspectives. The university benefits regional businesses by increasing consumer spending in the region and supplying a steady flow of qualified, trained workers to the workforce. UW-Stout enriches the lives of students by raising their lifetime earnings and helping them achieve their individual potential. The university benefits state taxpayers through increased tax receipts and a reduced demand for government-supported social services. Finally, UW-Stout benefits society as a whole in Wisconsin 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 2019-20 academic and financial reports from UW-Stout, industry and employment data from the U.S. Bureau of Labor Statistics and U.S. Census Bureau, outputs of Emsi Burning Glass’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 Burning Glass 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 Emsi Burning Glass 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 economicmodeling.com/higher-education to learn more or connect with us.