

# The Economic Value of Western Kentucky University to Kentucky



Western Kentucky University (WKU) creates a significant positive impact on the business community and generates a return on investment to its major stakeholder groups—students, taxpayers, and society. Using a two-pronged approach that involves an economic impact analysis and an investment analysis, this study calculates the benefits received by each of these groups. Results of the analysis reflect fiscal year (FY) 2022-23.

## Economic impact analysis

In FY 2022-23, WKU added **\$1.6 billion** in income to the Kentucky economy, a value approximately equal to **0.7%** of the state’s total gross state product (GSP). Expressed in terms of jobs, WKU’s impact supported **23,996 jobs**.

### Operations spending impact

- WKU employed 2,501 full-time and part-time faculty and staff. Payroll amounted to \$135.4 million, much of which was spent in the state for groceries, mortgage and rent payments, dining out, and other household expenses. The university spent another \$139.0 million on its day-to-day and construction expenses related to facilities, supplies, and professional services.<sup>1</sup>

<sup>1</sup> Research employees and their payroll as well as non-pay expenses for research are excluded from this impact as they are measured in the following impact.

- The net impact of the university's operations spending added **\$140.3 million** in income to the state economy in FY 2022-23.

### Research spending impact

- Research activities at WKU impact the state economy by employing people and making purchases for equipment, supplies, and services. They also facilitate new knowledge creation in Kentucky. In FY 2022-23, WKU spent \$4.3 million on payroll and \$3.7 million on other expenses<sup>2</sup> to support research activities.
- WKU's research spending generated **\$6.3 million** in added income for the Kentucky economy in FY 2022-23.

### Visitor spending impact

- Tens of thousands of out-of-state visitors attracted to Kentucky for activities at WKU brought new dollars to the economy through their spending at hotels, restaurants, gas stations, and other state businesses.
- Visitor spending added approximately **\$5.3 million** in income to the Kentucky economy.

### Student spending impact

- Around 20% of students attending WKU originated from outside the state. More than half of them relocated to Kentucky. In addition, some in-state students, referred to as retained students, would have left Kentucky for other educational opportunities if not for WKU. These relocated and retained students spent money on groceries, mortgage and rent payments, and other living expenses at state businesses.
- The expenditures of relocated and retained students in FY 2022-23 added **\$24.3 million** in income to the Kentucky economy.

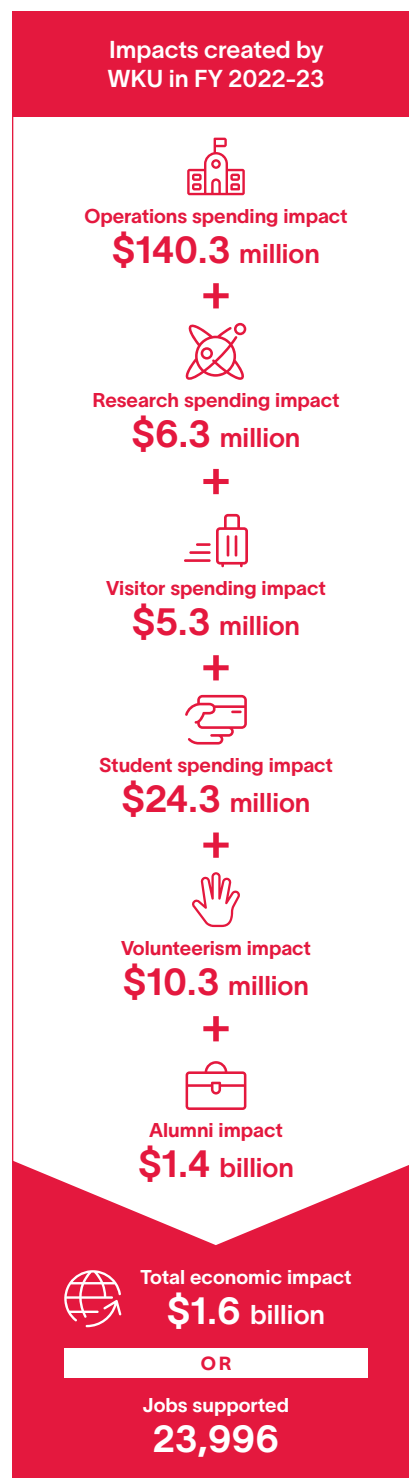
### Volunteerism impact

- The work of WKU's student and employee volunteers allows businesses and organizations to grow, increasing their output and impacting the economy at large. Using the value per volunteer hour for Kentucky, the work of WKU student and employee volunteers is equivalent to \$11.8 million in earnings.
- In terms of actual impact to the regional economy, WKU student and employee volunteers generated an impact of **\$10.3 million** in added income in FY 2022-23.

### Alumni impact

- Over the years, students have studied at WKU and entered or re-entered the workforce with newly acquired knowledge and skills. Today, thousands of these former students are employed in Kentucky.
- The net impact of WKU's former students currently employed in the state workforce amounted to **\$1.4 billion** in added income in FY 2022-23.

<sup>2</sup> Excludes indirect costs because indirect costs are not necessarily spent during the analysis year.



# Investment analysis

## Student perspective

- WKU's FY 2022-23 students paid a present value of **\$103.8 million** to cover the cost of tuition, fees, supplies, and interest on student loans. They also forwent a value of **\$142.5 million** in time and money had they been working instead of attending college.
- In return for their investment, students will receive a cumulative present value of **\$951.3 million** in increased earnings over their working lives. This translates to a return of **\$3.90** in higher future earnings for every dollar students invest in their education. Students' average annual rate of return is **14.7%**.

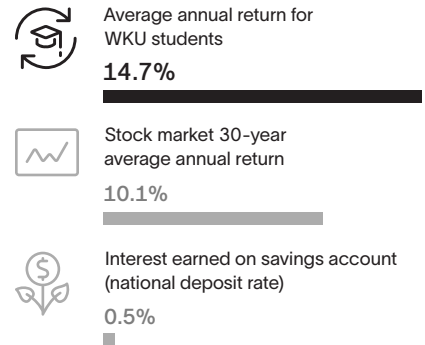
## Taxpayer perspective

- Taxpayers provided WKU with **\$119.3 million** of funding in FY 2022-23. In return, they will benefit from added tax revenue, stemming from students' higher lifetime earnings and increased business output, amounting to **\$206.5 million**. A reduced demand for government-funded services in Kentucky will add another **\$51.5 million** in benefits to taxpayers.
- Total taxpayer benefits amount to **\$258.0 million**, the present value sum of the added tax revenue and public sector savings. For every dollar of public money invested in WKU, taxpayers will receive **\$2.20** in return over the course of students' working lives. The average annual rate of return for taxpayers is **5.1%**.

## Social perspective

- In FY 2022-23, Kentucky invested **\$452.5 million** to support WKU. In turn, the Kentucky economy will grow by **\$2.5 billion**, over the course of students' working lives. Society will also benefit from **\$210.3 million** of public and private sector savings.
- For every dollar invested in WKU in FY 2022-23, people in Kentucky will receive **\$5.90** in return, for as long as WKU's FY 2022-23 students remain active in the state workforce.

## Students see a high rate of return for their investment in WKU



Source: Forbes' S&P 500, 1992-2021. FDIC.gov, 2-2022.

