Texas A&M Health Science Center (HSC) 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 to each of these groups. Results of the analysis reflect Fiscal Year (FY) 2014-15.

IMPACT ON BUSINESS COMMUNITY

- During the analysis year, Texas A&M HSC and its entrepreneurial activities, students, and visitors added $508.1 million in total income to the Texas economy. The economic impacts of Texas A&M HSC break down as follows:

OPERATIONS SPENDING IMPACT

- Texas A&M HSC employed 1,221 full-time and part-time employees in FY 2014-15 (less research). Payroll amounted to $117.7 million, much of which was spent in Texas to purchase groceries, clothing, and other household goods and services. The center spent another $133.6 million to support its day-to-day operations (less research).

- The net impact of center payroll and expenses (less research) in Texas during the analysis year was approximately $172.2 million in total income. This is equivalent to supporting 2,007 jobs.

RESEARCH SPENDING IMPACT

- Research activities at Texas A&M HSC impact the state economy by employing people and making purchases for equipment, supplies, and services. They also facilitate new knowledge creation in Texas through inventions, patent applications, and licenses. In FY 2014-15, Texas A&M HSC spent $36 million on payroll to support research activities.

- Texas A&M HSC’s research spending generated $86.2 million in total income for the Texas economy, which is equivalent to supporting 1,062 jobs.
START-UP COMPANY IMPACT

- Texas A&M HSC creates an exceptional environment that fosters innovation and entrepreneurship, evidenced by the number of start-up companies created by the center.
- In FY 2014-15, Texas A&M HSC’s start-up companies generated $27.1 million in total income for the Texas economy, which is equivalent to supporting 124 jobs.

STUDENT SPENDING IMPACT

- Around 5% of students attending Texas A&M HSC originated from outside the state. Some of these students relocated to Texas. In addition, a number of students would have left the state if not for Texas A&M HSC. These relocator and retained students spent money on groceries, transportation, rent, and so on at state businesses.
- The expenditures of relocator and retained students during the analysis year added approximately $14.6 million in total income to the Texas economy. This is equivalent to supporting 403 jobs.

VISITOR SPENDING IMPACT

- Out-of-state visitors attracted to Texas for activities at Texas A&M HSC brought new dollars to the economy through their spending at hotels, restaurants, gas stations, and other state businesses.
- Visitor spending added approximately $165,700 in total income for the Texas economy, which is equivalent to supporting 3 jobs.

FORMER STUDENT IMPACT

- Over the years, students have studied at Texas A&M HSC and entered or re-entered the workforce with newly-acquired skills. Today, thousands of these former students are employed in Texas.
- The accumulated contribution of former students currently employed in the state workforce amounted to $207.9 million in total income during the analysis year. This is equivalent to supporting 2,262 jobs.

TOTAL IMPACT

- The overall impact of Texas A&M HSC on the state business community during the analysis year amounted to $508.1 million in total income, equal to the sum of the operations spending impact, the research spending impact, the start-up company impact, the student spending impact, the visitor spending impact, and the former student impact.

IMPACTS CREATED BY TEXAS A&M IN FY 2014-15

<table>
<thead>
<tr>
<th></th>
<th>Total Income</th>
<th>Jobs</th>
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<tbody>
<tr>
<td>OPERATIONS SPENDING IMPACT</td>
<td>$172.2 million</td>
<td>2,007</td>
</tr>
<tr>
<td>RESEARCH SPENDING IMPACT</td>
<td>$86.4 million</td>
<td>1,062</td>
</tr>
<tr>
<td>START-UP COMPANY IMPACT</td>
<td>$27.1 million</td>
<td>124</td>
</tr>
<tr>
<td>STUDENT SPENDING IMPACT</td>
<td>$14.6 million</td>
<td>403</td>
</tr>
<tr>
<td>VISITOR SPENDING IMPACT</td>
<td>$165.7 thousand</td>
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</tr>
<tr>
<td>FORMER STUDENT IMPACT</td>
<td>$207.9 million</td>
<td>2,262</td>
</tr>
<tr>
<td>TOTAL IMPACT</td>
<td>$508.1 million</td>
<td>5,861</td>
</tr>
</tbody>
</table>
RETURN ON INVESTMENT TO STUDENTS, TAXPAYERS, & SOCIETY

STUDENT PERSPECTIVE

- Texas A&M HSC’s 2014-15 students paid a total of $37.2 million to cover the cost of tuition, fees, books, and supplies. They also forwent $116.9 million in money that they would have earned had they been working instead of learning.

- In return for the monies invested in the center, students will receive a present value of $475.6 million in increased earnings over their working lives. This translates to a return of $3.09 in higher future earnings for every $1 that students invest in their education. The average annual return for students is 14.5%.

TAXPAYER PERSPECTIVE

- In FY 2014-15, state and local taxpayers in Texas paid $142.1 million to support the operations of Texas A&M HSC. The net present value of the added tax revenue stemming from the students’ higher lifetime earnings and the increased output of businesses amounts to $110.6 million in benefits to taxpayers. Savings to the public sector add another $35.1 million in benefits due to a reduced demand for government-funded services in Texas.

- Dividing benefits to taxpayers by the associated costs yields a 1.0 benefit-cost ratio, i.e., every $1 in costs returns $1.00 in benefits. The average annual return on investment for taxpayers is 1.4%.

SOCIAL PERSPECTIVE

- Society as a whole in Texas will receive a present value of $1.5 billion in added state revenue over the course of the students’ working lives. Society will also benefit from $222.3 million in present value social savings related to reduced crime, lower unemployment, and increased health and well-being across the state.

- For every dollar that society spent on educations obtained at Texas A&M HSC during the analysis year, society will receive a cumulative value of $3.91 in benefits, for as long as the FY 2014-15 student population at Texas A&M HSC remains active in the state workforce.

STUDENT RATE OF RETURN

<table>
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<tr>
<td>14.5%</td>
<td>9.1%</td>
<td>7.2%</td>
</tr>
</tbody>
</table>

FOR EVERY $1 SPENT BY...

- Students: $3.09
  - Gained in lifetime earnings for STUDENTS

- Taxpayers: $1.00
  - Gained in added state revenue and social savings for TAXPAYERS

- Society: $3.91
  - Gained in added taxes and public sector savings for SOCIETY

* RealityTrac’s Q3 2014 study of 586 counties nationwide.