

STATE OF OHIO

Executive Summary

The **Economic** Contribution of Ohio's Community Colleges



Ohio Association of Community Colleges

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Executive Summary

INTRODUCTION

How does the state of Ohio benefit from the presence of its community colleges?

In this study, Economic Modeling Specialist, Inc. applies a comprehensive model designed to quantify the economic benefits of community colleges and translate these into common sense benefit/cost and investment measures. The study includes the following two major analyses:

1. **Investment Analysis:** Treats education funding as an investment, calculating all measurable returns and comparing them to costs from the perspectives of students, taxpayers, and society as a whole.

2. **Economic Impact Analysis:** Measures added income in the state due to college operations, student spending, and the accumulated skills of past and present students who are active in the workforce.

The economic impact model has been field-tested to generate more than 900 studies for community, technical, and further education colleges in the US, Canada, the UK, and Australia. To view the full study, please visit www.ohiocommunitycolleges.org.

We ask that readers bear in mind that this report analyzes the impacts of the 23 member colleges of the Ohio Association of Community Colleges (OACC) and is not focusing on OACC's specific operational impacts, or the impacts of other educational institutions in Ohio.

STUDY HIGHLIGHTS

INVESTMENT ANALYSIS

- For every dollar students invest in an education at Ohio's community colleges, they receive an average of **\$5.30** in higher future income (discounted) over the course of their working careers.
- Ohio benefits from improved health and reduced welfare, unemployment, and crime, saving the public some **\$42.3** million per year.
- Taxpayers see an average rate of return of **7.7%** on their investment in Ohio's community colleges.

ECONOMIC GROWTH ANALYSIS

- Ohio receives approximately **\$581.3 million** in net added income each year due to college operations and the spending of out of state students.
- The accumulated credits achieved by past and present students at Ohio's community colleges translated to **\$5.9 billion** in added state income due to the higher earnings of students and increased output of businesses.

THE RESULTS

Investment Analysis

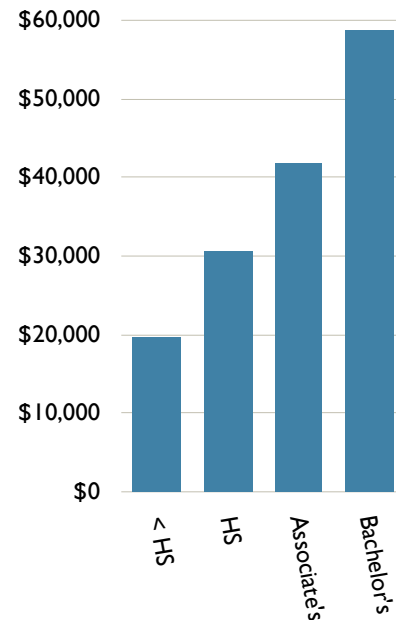
Student Perspective

Benefits of higher education are the most obvious from the student perspective; students sacrifice current earnings (as well as money to pay for tuition) in return for a lifetime of higher income. Compared to someone with a high school diploma, a student graduating with an associate's degree averages \$11,200 more per year over the course of his or her working life (undiscounted).

From an investment standpoint, Ohio community college students enjoy an average 16.2% rate of return on their investments of time and money.

The benefit/cost ratio is 5.3, i.e., for every dollar students invest in their education at Ohio's community colleges, they receive a cumulative \$5.30 in higher future income over their working careers.

Average Earnings by Education Level in Ohio



Social Perspective

Ohio community college students expand the state's economic base through their higher incomes, while the businesses that employ them also become more productive through the students' added skills. These benefits contribute an estimated \$951.3 million in taxable income to the Ohio economy each year.

As Ohio community college students achieve higher levels of education, they are also less likely to smoke or abuse alcohol, draw welfare or unemployment benefits, or commit crimes. This translates into associated dollar savings (i.e., avoided costs) to the public equal to approximately \$42.3 million annually. It is estimated that Ohio's community colleges provide a benefit/cost ratio of 23.7, i.e. every dollar of state and local tax money invested in the colleges today yields a cumulative of \$23.70 in benefits that accrue to all Ohio residents, in terms of added taxable income and avoided social costs.

Taxpayer Perspective

Positive economic returns are generally not expected from government investments. From the taxpayer perspective, therefore, even a small positive return (a benefit/cost ratio equal to or greater than 1, or a rate of return equal to or greater than the 3% discount rate used in the taxpayer investment analysis) would be a favorable outcome.

For Ohio's community colleges the results indicate positive returns - a rate of return of 7.7% and a benefit/cost ratio of 2.2 (i.e., every dollar of state or local tax money invested in Ohio's community colleges today returns \$2.20).

Economic Impact Analysis

Ohio's community colleges affect the state economy in three primary ways: (1) the colleges' in-state purchases and wages paid to faculty and staff; (2) the spending of students who come from outside the state; and (3) the increase in the skill base of the workforce. These effects break down as follows:

College Operations Effect

Ohio's community colleges create income through the earnings of their faculty and staff, as well as through their own operating and capital expenditures. Adjusting for taxes and other monies withdrawn from the state economy in support of the community colleges, it is estimated that Ohio receives a net of \$569.1 million in added labor and non-labor income due to college operations each year.

Student Spending Effect

Students from outside the state spend money for room and board, transportation, entertainment, and other miscellaneous personal expenses. These expenditures create jobs and incomes

for local businesses. The off-campus spending of out-of-state students generates approximately \$12.3 million in added income in the Ohio economy each year.

Student Productivity Effect

Every year, students leave the community colleges and join or rejoin the state workforce. Their added skills translate to higher income and a more robust Ohio economy. Based on historical enrollment and credit production at Ohio's community colleges, it is estimated that the accumulated contribution of Ohio community college students annually adds some \$5.9 billion in income to the Ohio economy.

Total Effect

Altogether, the average annual added income due to the activities of Ohio's community colleges and their past students equals \$6.5 billion. This is approximately equal to 1.6% of the total Ohio economy.

ECONOMIC GROWTH RESULTS AT A GLANCE

Added Income (\$ Thousands)	
College Spending Effect	\$569,053
Student Spending Effect	\$12,264
Student Productivity Effect	\$5,938,945
TOTAL	\$6,520,262

CONCLUSION

The results of this study demonstrate that Ohio's community colleges are a sound investment from multiple perspectives. The colleges enrich the lives of students and increase their lifetime incomes. They benefit taxpayers by generating increased tax revenues from an enlarged economy and reducing the demand for taxpayer-supported social services. Finally, they contribute to the vitality of both the state and local economies.

ABOUT THE STUDY

This report summarizes the results from "The Economic Contributions of Ohio's Community Colleges" detailing the role that the colleges play in promoting economic development, enhancing students' careers, and improving quality of life. This research was conducted by Economic Modeling Specialist, Inc. Data sources

include, but are not limited to, 2008-09 academic and financial reports from the colleges, industry and employment data from the U.S. Bureau of Labor Statistics, earnings and demographic data from the U.S. Census Bureau, and a variety of studies and surveys relating education to social behavior.