



Executive Summary

The **Economic Contribution** *of*

Kansas Community Colleges
State of Kansas



Economic Growth Analysis
Investment Analysis

emsi

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Executive Summary

INTRODUCTION

How do the students and the economy of the state of Kansas benefit from the presence of Kansas Community Colleges?

In this study that was conducted by the Kansas Association of Community College Trustees, EMSI applies a comprehensive model designed to quantify the economic benefits of community and technical colleges and translate these into common sense benefit/cost and investment terms. The study includes 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 Growth Analysis:** Measures added income in the state due to college operations, student spending, and the accumulated skills of past and present students still 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 see the full documentation of the study, please contact the Kansas Association of Community College Trustees.

THE RESULTS

Investment Analysis

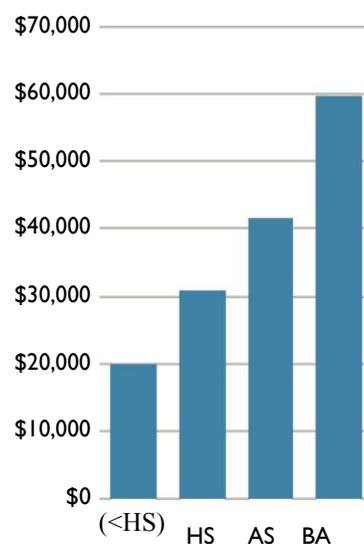
Student Perspective

Benefits of higher education are 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, associate's degree graduates earn \$10,800 more per year, on average, over the course of a working lifetime (undiscounted).

From an investment standpoint, students enjoy a 14.3% rate of return on their investments of time and money. This compares favorably with returns on other investments, e.g., long-term return on stocks and bonds.

The corresponding benefit/cost ratio is 4.9, i.e., for every dollar students invest in education, they receive a cumulative of \$4.90 in higher future income over their working careers. This is a real return that accounts for any discounting that occurs during the entire period. The payback period is 10.5 years.

Earnings by Education Level in Kansas



KANSAS COMMUNITY COLLEGES' INVESTMENT ANALYSIS AT A GLANCE

Stakeholder	Rate of Return	Benefit/Cost	Payback (Years)
Student perspective	14.3%	4.9	10.5
Social perspective	NA	14.1	NA
Taxpayer perspective	4.7%	1.4	21.3

Social Perspective

From the perspective of society as a whole, the benefits of education accrue to different publics. For example, students from Kansas Community Colleges 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, together with the associated ripple effects, contribute an estimated \$306.8 million in taxable income to the Kansas economy each year.

As they achieve higher levels of education, students of Kansas Community Colleges 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 \$13.6 million annually. These are benefits that are incidental to the operations of Kansas Community Colleges and accrue for years into the future, for as long as students remain active in the workforce.

Total Annual Benefits to the Kansas Public Due to Kansas Community Colleges (\$ Millions)



To compare benefits to costs, we project benefits into the future, discount them back to the present, and

weigh them against the \$331.4 million that state and local taxpayers spent in FY 2010- 11 to support the colleges. Following this procedure, it is estimated that Kansas Community Colleges provide a benefit/cost ratio of 14.1, i.e. every dollar of state and local tax money invested in the colleges today yields a cumulative of \$14.10 in benefits that accrue to all Kansas residents, in terms of added taxable income and avoided social costs.

Taxpayer Perspective

Under the taxpayer perspective, only benefits that accrue to state and local governments are counted, namely, increased tax collections and reduced government expenditures. For example, in place of increased income, the taxpayer perspective includes only the increased state and local tax receipts from those higher incomes. Similarly, in place of overall crime, welfare, unemployment and health savings, the taxpayer perspective includes only those that translate to actual reductions in state and local government expenditures.

Note here that government often undertakes activities wanted by the public, but which may be unprofitable in the marketplace. This means that 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 Kansas Community Colleges, the results indicate positive returns: a rate of return of 4.7% and a benefit/cost ratio of 1.4 (every dollar of state or local tax money invested in Kansas Community Colleges today returns \$1.40).

Economic Growth Analysis

Kansas Community Colleges affect the state economy in three ways: (1) through their local purchases, including wages paid to faculty and staff; (2) through the spending of students who come from outside the state; and (3) through the increase in the skill base of the workforce. These effects break down as follows:

College Operations Effect

Kansas 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 local economy in support of Kansas Community Colleges, it is estimated that the state economy receives a net of \$238.8 million in added labor and non-labor income due to the operations of Kansas Community Colleges 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 spending of Kansas Community Colleges’ non-local students generates approximately \$16.6 million in added income in the Kansas economy each year.

Student Productivity Effect

Every year students leave Kansas Community Colleges and join or rejoin the workforce. Their added skills translate to higher income and a more robust state economy. Based on Kansas Community Colleges’ historical enrollment and credit production over the past 30-year period, it is estimated that the accumulated contribution of instruction received by former students at Kansas Community Colleges (both completers and non-completers) annually adds some \$3.3 billion in income to Kansas.

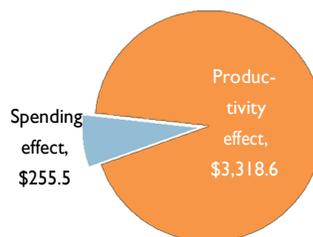
Total Effect

Altogether, the average annual added income due to the activities of Kansas Community Colleges and its former students equals \$3.6 billion. This is approximately equal to 2.9% of the total Kansas economy.

KANSAS COMMUNITY COLLEGES’ ECONOMIC IMPACT ANALYSIS AT A GLANCE

Added Income	
<i>College operations effect</i>	\$238,842,000
<i>Student spending effect</i>	\$16,617,000
Total spending effect	\$255,459,000
<i>Student productivity effect</i>	\$3,318,588,000
GRAND TOTAL	\$3,574,047,000

Total Added Income in Kansas (\$Millions)



CONCLUSION

The results of this study demonstrate that Kansas 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 local and state economies.

