

THE ECONOMIC VALUE

Of Asnuntuck Community College



NOVEMBER 2015

ANALYSIS OF THE ECONOMIC IMPACT & RETURN ON INVESTMENT OF EDUCATION

Asnuntuck Community College (ACC) creates value in many ways. The college plays a key role in helping students increase their employability and achieve their individual potential. It provides students with the skills they need to have a fulfilling and prosperous career. Further, it supplies an environment for students to meet new people, increase their self-confidence, and promote their overall health and well-being.

The value of ACC influences both the lives of students and also the regional economy. The college serves a range of industries in the ACC service region, supports local businesses, and benefits society as a whole in Connecticut from an expanded economy and improved quality of life. The benefits created by ACC even extend to the Connecticut state government through increased tax revenues and public sector savings.

The purpose of this study is to investigate the economic impacts created by ACC on the business community and the benefits that the college generates in return for the investments made by its key stakeholder groups—students, taxpayers, and society. The region the college serves is defined as the ACC service region and contains Hartford and Tolland counties in Connecticut and Hampden County in Massachusetts. The following two analyses are presented:

- **ECONOMIC IMPACT ANALYSIS**
- **INVESTMENT ANALYSIS**

All results reflect student and financial data for Fiscal Year (FY) 2013-14. Impacts on the regional business community are reported under the economic impact analysis. Results are measured in terms of added income. The return on investment to students, taxpayers, and society are reported under the investment analysis. Both analyses are described more fully in the following sections.

ECONOMIC IMPACT ANALYSIS

ACC promotes economic growth in the ACC service region in a variety of ways. The college is an employer and buyer of goods and services, and the living expenses of students benefit local businesses. In addition, ACC is a primary source of education to ACC service region residents and a supplier of trained workers to ACC service region industries.

**TABLE 1. IMPACTS CREATED BY ACC
IN FY 2013-14**

ADDED INCOME	JOBS
\$18 MILLION	243
Operations spending impact	
\$2.5 MILLION	54
Student spending impact	
\$187.1 MILLION	1,943
Alumni impact	
\$207.5 MILLION	2,240
Total impact	

OPERATIONS SPENDING IMPACT

ACC is an important employer in the ACC service region. In FY 2013-14, the college employed 207 full-time and part-time faculty and staff. Of these, 82% lived in the ACC service region. Total payroll at ACC was \$14.7 million, much of which was spent in the region for groceries, rent, dining out, clothing, and other household expenses.

ACC is itself a large-scale buyer of goods and services. In FY 2013-14 the college spent \$4.9 million to cover its expenses for facilities, professional services, and supplies.

ACC added \$18 million in added income to the region during the analysis year as a result of its day-to-day operations. This figure represents the college's payroll, the multiplier effects generated by the spending of the college and its employees, and a downward adjustment to account for funding that the college received from state sources.

IMPACT OF STUDENT SPENDING

Around 4% of students attending ACC originated from outside the region in FY 2013-14. Some of these students relocated to the ACC service region. These students would not have come to the region if the college did not exist. In addition, a number of in-region students would have left the area for other education opportunities if not for the existence of ACC. While attending the college, these relocators and retained students spent \$7.4 million to purchase groceries, rent accommodation, pay for transportation, and so on. A significant portion of these expenditures occurred in the region, generating \$2.5 million in added income in the regional economy during the analysis year.

FIGURE 1. ACC ALUMNI WORKING IN-REGION TODAY

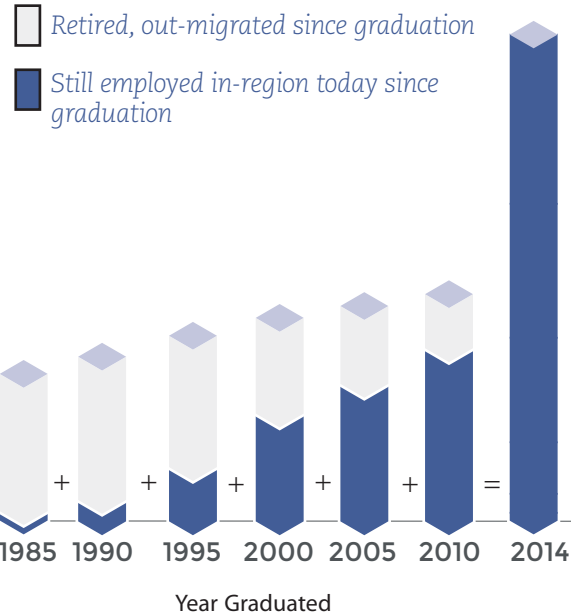


TABLE 2. ACC IMPACT BY INDUSTRY

INDUSTRY	ADDED INCOME (THOUSANDS)	JOBS
Manufacturing	\$104,879	728
Finance and Insurance	\$9,054	40
Government, Non-Education	\$7,399	70
Health Care and Social Assistance	\$6,109	176

ALUMNI IMPACT

The education and training ACC provides for region residents results in the greatest impact. As shown in Figure 1, since the college was established in 1972, students have studied at ACC and entered the regional workforce with new skills. Today, thousands of former students are employed in the ACC service region.

During the analysis year, past and present students of ACC generated \$187.1 million in added income for the region. This figure represents the higher earnings that students earned during the year, the increased output of the businesses that employed the students, and the multiplier effects that occurred as students and their employers spent money at other businesses.

TOTAL IMPACT

The overall impact of ACC on the local business community during the analysis year amounted to \$207.5 million in added income, equal to the sum of the operations spending impact, the student spending impact, and the alumni impact. The \$207.5 million in added income was equal to approximately 0.2% of the GRP of the ACC service region. By comparison, this contribution that the college provides on its own is nearly half as large as the entire Arts, Entertainment, & Recreation industry in the region.

The total impact is also expressed in terms of the jobs supported by the added income; they are calculated by jobs-to-sales ratios specific to each industry. Overall, the \$207.5 million impact supports 2,240 jobs.

A portion of the total \$207.5 million is broken out into an industry-by-industry impact ordered by added income. Table 2 outlines the top industries impacted by ACC. Because industries have different jobs-to-sales ratios, the associated jobs supported by the ACC impact differ by industry. Nonetheless, these are impacts that would not have been generated without the college’s presence.

INVESTMENT ANALYSIS

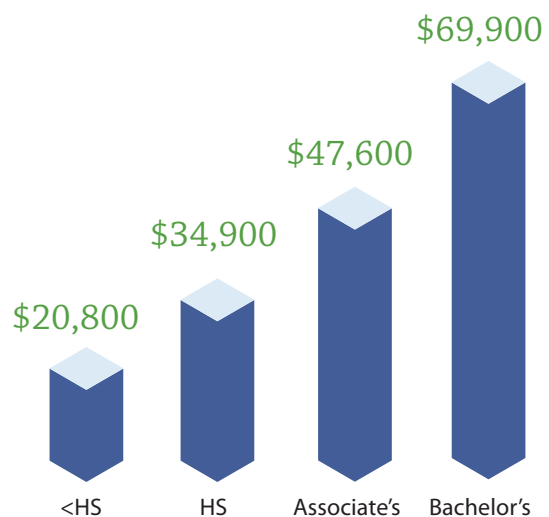
Investment analysis is the process of evaluating total costs and measuring these against total benefits to determine whether or not a proposed venture will be profitable. If benefits outweigh costs, then the investment is worthwhile. If costs outweigh benefits, then the investment will lose money and is considered unprofitable. This study considers ACC as an investment from the perspectives of students, taxpayers, and society. The backdrop for the analysis is the entire Connecticut economy.

STUDENT PERSPECTIVE

In FY 2013-14, ACC served 2,519 credit students and 1,381 non-credit students. In order to attend college, students paid for tuition, fees, books, and supplies. They also gave up money that they would have otherwise earned had they been working instead of attending college. The total investment made by ACC's students in FY 2013-14 amounted to \$34.1 million, equal to \$5.4 million in out-of-pocket expenses plus \$28.7 million in forgone time and money.

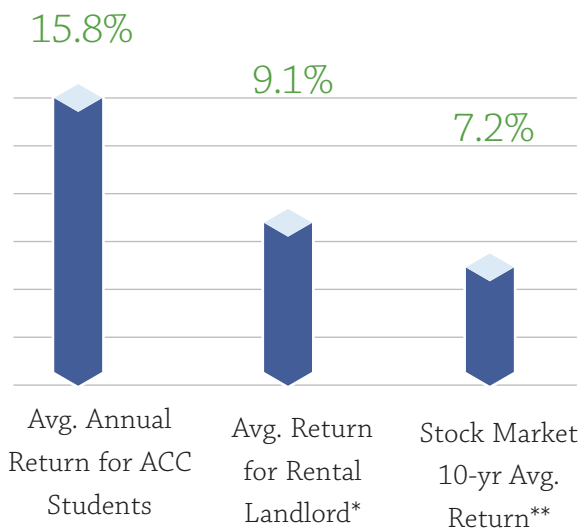
In return for their investment, ACC's students will receive a stream of higher future earnings that will continue to grow through their working lives. As shown in Figure 2, mean earnings levels at the midpoint of the average-aged worker's career increase as people achieve higher levels of education. For example, the average associate's degree completer from ACC will see an increase in earnings of \$12,700 each year compared to someone with a high school diploma or equivalent. Over a working lifetime, this increase in earnings amounts to an undiscounted value of approximately \$444,500 in higher earnings.

FIGURE 2. HIGHER EARNINGS BY EDUCATION LEVEL AT CAREER MIDPOINT IN CONNECTICUT



Source: EMSI complete employment data.

FIGURE 3. STUDENT RATE OF RETURN



*RealityTrac's Q3 2014
 **Forbes's S&P 500, 1994-2014.

The present value of the higher future earnings that ACC's students will receive over their working careers is \$118.7 million. Dividing this value by the \$34.1 million in student costs yields a benefit-cost ratio of 3.5. In other words, for every \$1 students invest in ACC in the form of out-of-pocket expenses and forgone time and money, they receive a cumulative of \$3.50 in higher future earnings. The average annual rate of return for students is 15.8%. This is an impressive return, especially when compared to the 10-year average 7.2% return to the US stock market (Figure 3).

TAXPAYER PERSPECTIVE

ACC 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 ACC students earn more, they will make higher tax payments. Employers will also make higher tax payments as they increase their output and purchase more supplies and services. By the end of the FY 2013-14 students' working careers, the state government will have collected a present value of \$28.1 million in added taxes.

Benefits to taxpayers consist of the savings generated by the improved lifestyles of students and the proportionally reduced government expenditures. Education is statistically correlated with a variety of lifestyle changes that generate taxpayer savings across three main categories: 1) health, 2) crime, and 3) unemployment. Improved health habits lower the students' demand for national health care services. Students are also less likely to commit crimes, so the demand for law enforcement and criminal justice services is reduced (study references are available in the main report). Students are also more employable, so the demand for welfare and unemployment benefits, such as earnings assistance and welfare benefits, is reduced. For a list of study references to these statistical benefits, please contact the college for a copy of the main report. All of these benefits will generate a present value of \$1.4 million in savings to state taxpayers.





Total benefits to taxpayers equal \$29.5 million, equal to the sum of the added taxes and public sector savings. Comparing this to the taxpayer costs of \$12.2 million—equal to the funding that ACC received from the state government during the analysis year—yields a benefit-cost ratio of 2.4. This means that for every \$1 of public money invested in ACC, taxpayers receive a cumulative value of \$2.40 over the course of the students’ working lives. The average annual rate of return is 8.0%, a solid investment that compares favorably with other long-term investments in both the private and public sectors (Figure 3).

SOCIAL PERSPECTIVE

Society as a whole within Connecticut benefits from the presence of ACC in two major ways. The first and largest benefit that society receives is an increased state economic base. As discussed in the previous section, the higher student earnings and increased business output occurs across the state. This raises prosperity in Connecticut and expands the economic base for society as a whole.

Benefits to society also consist of the savings generated by the improved lifestyles of students. Similar to the taxpayer section above, education is statistically correlated with a variety of lifestyle changes that generate social savings. Note that these costs are avoided by the consumers, and are distinct from the costs avoided by taxpayers outlined above. Health savings include avoided medical costs associated with smoking, alcoholism, obesity, drug abuse, and mental disorders. Crime savings include reduced security expenditures and insurance administration, lower victim costs, and reduced criminal justice system expenditures. Unemployment savings include the reduced employer contributions towards unemployment claims. For a list of study references to these statistical benefits, please contact the college for a copy of the main report.

Figure 4 shows the present value of the higher earnings and social savings that will occur in Connecticut over the working lifetime of the FY 2013-14 student population at ACC. Higher earnings amounts to a present value of \$335.3 million due to the increased lifetime earnings of students and associated increases in business output. Social savings amount to \$5 million, the sum of health, crime, and unemployment savings in Connecticut. Altogether, total benefits to society equal \$340.3 million (in present value terms).

FIGURE 4. PRESENT VALUE OF HIGHER EARNINGS AND SOCIAL SAVINGS IN CONNECTICUT

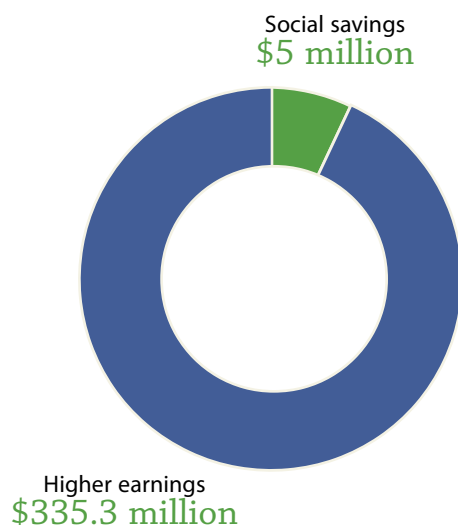


TABLE 3. SUMMARY OF INVESTMENT ANALYSIS RESULTS

STUDENT PERSPECTIVE	
\$118,727	Present value benefits (thousands)
\$34,053	Costs (thousands)
\$84,674	Net present value (thousands)
3.5	Benefit-cost ratio
15.8%	Rate of return

TAXPAYER PERSPECTIVE	
\$29,524	Present value benefits (thousands)
\$12,203	Costs (thousands)
\$17,321	Net present value (thousands)
2.4	Benefit-cost ratio
8.0%	Rate of return

SOCIAL PERSPECTIVE	
\$340,295	Present value benefits (thousands)
\$49,747	Costs (thousands)
\$290,548	Net present value (thousands)
6.8	Benefit-cost ratio
N/A	Rate of return*

* 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.

Society invested \$49.7 million in ACC educations during the analysis year. This includes all expenditures by ACC, all student expenditures, and all student opportunity costs. For every dollar of this investment, society as a whole in Connecticut will receive a cumulative value of \$6.80 in benefits, equal to the \$340.3 million in benefits divided by the \$49.7 million in costs. These benefits will occur for as long as ACC's FY 2013-14 students remain employed in the state workforce.

SUMMARY OF INVESTMENT ANALYSIS RESULTS

Table 3 presents the results of the investment analysis for all three of ACC's major stakeholder groups—students, taxpayers, and society. As shown, students receive great value for their educational investment. At the same time, the investment made by state taxpayers to the college creates a wide range of benefits to society and returns more to government budgets than it costs.

The results of this study demonstrate that ACC creates value from multiple perspectives. The college benefits local businesses by increasing consumer spending in the state and supplying a steady flow of qualified, trained workers into the workforce. It enriches the lives of students by raising their lifetime earnings and helping them achieve their individual potential. It benefits



CONCLUSION



state taxpayers through increased tax receipts across the state and a reduced demand for government-supported social services. Finally, it benefits society as a whole in Connecticut 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 2013-14 academic and financial reports from the college, industry and employment data from the U.S. Bureau of Labor Statistics and U.S. Census Bureau, outputs of EMSI's Social Accounting Matrix (SAM) 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 investment effectiveness and economic impact. For a full description of the data and approach used in the study, please contact the college for a copy of the technical report.

ABOUT EMSI

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