



EXECUTIVE SUMMARY

The Economic Contribution of

Manchester Community College

State of Connecticut

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Economic Growth Analysis
Investment Analysis



May-08



SOCIOECONOMIC IMPACT (SEIM) STUDY

Study Highlights

- Students enjoy an attractive **22%** annual return on their investment of time and money.
- For every \$1 students invest in MCC, they receive a cumulative **\$8.80** in higher future income over the course of their working careers.
- Taxpayers see a real money return of **9%** on their annual investments in MCC.
- The State of Connecticut benefits from improved health and reduced welfare, unemployment, and crime, saving the public some **\$2.1 million** per year each year that students are in the work force.
- The MCC impact region economy receives roughly **\$679.8 million** in regional income each year due to MCC and its students. This figure amounts to roughly 1.6% of the area's total annual income.

MCC Impact Region



EXECUTIVE SUMMARY

Introduction

How do the MCC impact region economy and the State of Connecticut benefit from the presence of Manchester Community College (MCC)?

In this study, EMSI applies a comprehensive economic 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. **Regional Economic Growth Analysis:** Measures added regional income due to the daily activities of the college, student spending, and the cumulative effects of the college's past students in the work force.

2. **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.

The economic impact model has been subjected to peer review and field-tested to generate more than 800 studies for community and technical colleges in the United States, Canada, and the United Kingdom. Model results are based on solid economic theory, carefully drawn functional relationships, and a wealth of national and local education-related data.

The Results

For an in-depth discussion of the results, the reader is encouraged to consult the Main Report, "The Economic Contribution of Manchester Community College."

Economic Growth Analysis

MCC affects the local economy in three ways: 1) through its local purchases and wages paid to faculty and staff, 2) through the spending of students who come from outside the region, and 3) through a productivity effect stemming from an increase in the skill base of the local work force. These effects break down as follows:

MCC Operations Spending

MCC creates regional income through the earnings of its faculty and staff, as well as through its own operating and capital expenditures. Adjusting for taxes and other monies withdrawn from the local economy in support of MCC, it is estimated that the present-day MCC impact region economy receives roughly \$31.6 million in labor and non-labor income each year due to MCC operations and capital spending.

Student Spending

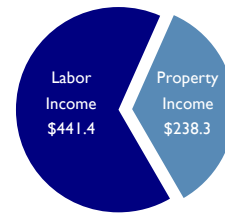
MCC students who commute to the MCC impact region from outside the area purchase books

Economic Growth Results at a Glance

Added Regional Income

College Operations Effect	\$31,581,700
Student Spending Effect	\$74,800
Past Student Productivity Effect	\$648,103,400
TOTAL INCOME	\$679,759,900

Total Regional Income Due to MCC



Source: See "Volume 1: Main Report" and "Volume 2: Detailed Results."

and supplies, thereby bringing monies that would not have otherwise entered the local economy. These expenditures create jobs and income for local businesses. After adjusting for leakage, it is estimated that the spending of MCC's out-of-region students generates around \$74,800 in added regional income in the MCC impact region each year.

Past Student Productivity

Each year students leave MCC and join or rejoin the local work force. Their added skills translate to higher income and a more robust MCC impact region economy. Based on current enrollment, turnover, and the growth of instruction over time, the regional work force embodies an estimated 1.6 million credits of past and present instruction. The accumulated contribution of MCC instruction adds approximately \$648.1 million in regional income to the current economy of the MCC impact region.

In sum, MCC contributes a total of \$679.8 million in regional labor and non-labor income to the MCC impact region economy each year.

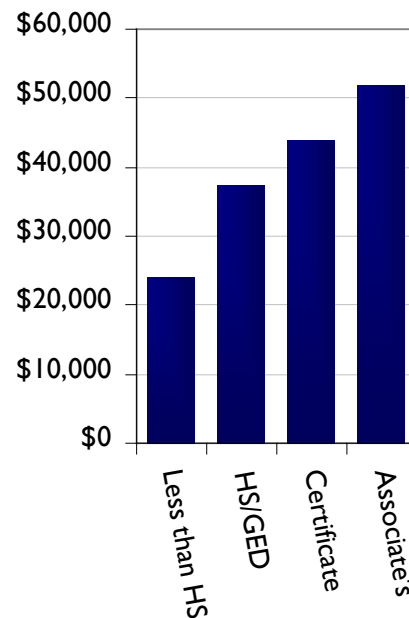
Investment Analysis

Student Perspective

Benefits of higher education are most obvious from the student perspective: students sacrifice current earnings (as well as money to pay for college expenses) in return for a lifetime of higher earnings. For every credit completed, MCC stu-

dents earn, on average, \$216 more per year each year they are in the work force. Compared to someone with high school diploma, Associate Degree graduates see an increase in income of approximately \$565,900 over the course of a working lifetime. Aggregate higher income for exiting students amount to some \$25.7 million per year for each year they remain in the work force.

Average Income at Career Midpoint



From an investment standpoint, MCC students enjoy a 22% rate of return on their investments of time and money. This compares favorably with returns on other investments, e.g., long-term return on U.S. stocks and bonds. The corresponding benefit/cost ratio is 8.8, i.e., the cumulative

added value attached to each \$1 students invest in MCC education will have a present value of \$8.80 in higher future income by the end of their working careers. This is a real return that accounts for any discounting that occurs during the entire period. The payback period is 7 years.

Social Perspective

From the perspective of society as a whole, the benefits of education accrue to different publics, whether students, homeowners, businesses, or taxpayers. For example, students benefit from higher earnings, while the public at large enjoys benefits associated with an expanded economic base. In addition, the public benefits from a variety of external social benefits such as reduced substance abuse, lower welfare and unemployment, and reduced crime.

In terms of added income, students expand the economic base of the state economy through their added skills, which serve to make them and the businesses that employ them more productive. *It is estimated that the activities of MCC's current students contribute a sum total of \$25.3 million in taxable income to the Connecticut economy each year (in the aggregate).*

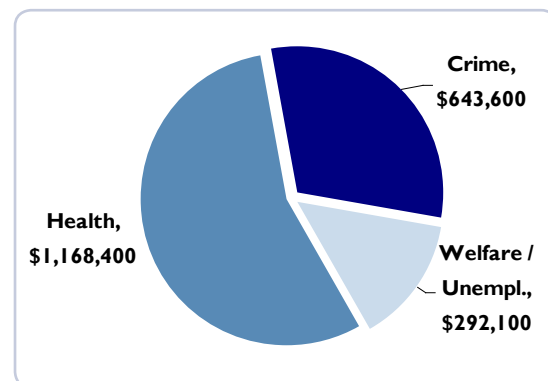
Persons with higher education are also less likely to smoke or abuse alcohol, draw welfare or unemployment benefits, or commit crimes. This translates into associated dollar savings (avoided costs) amounting to some \$18 per credit per year, counted as an indirect benefit of MCC education. *When aggregated across all exiting students, the State of Connecticut benefits from \$2.1 million worth of avoided costs per year, each year that students are in the work force.* Social savings break down as follows.

Improved Health: Employers in the State of Connecticut see health-related absenteeism decline by 2,700 days per year, with a corresponding annual dollar savings of approximately \$387,000. The state benefits from health-related savings of roughly 160 fewer smokers and 40 fewer alcohol abusers. Corresponding dollar savings are

\$486,600 and \$294,800 per year, now and into the future (these savings include insurance premiums, co-payments and deductibles, and withholding for Medicare and Medicaid).

Reduced Crime: Incarceration drops with each year of higher education. In the State of Connecticut, about 50 fewer individuals will be incarcerated, resulting in annual savings of \$311,900 (combined savings from reduced arrest, prosecution, jail, and reform costs). Reductions in victim costs (e.g., property damage, legal expenses, lost workdays, etc.) result in savings of \$100,000 per year. Finally, that people are employed rather than incarcerated adds \$231,700 of earnings per year to the economy.

Reduced Welfare/Unemployment: There will be about 150 fewer people on welfare and 50 fewer drawing unemployment benefits per year, saving approximately \$227,000 and \$65,100 per year, respectively.



Note that all benefits, whether added income or avoided social costs, occur as a result of the educational achievements of students during the single analysis year. These benefits will continue to occur year after year as long as students remain in the work force and contribute to the growth and development of the state economy. Under the social perspective, all benefits stemming from college activities are projected into the future, discounted back to the present, and weighed against the \$29.9 million that state taxpayers spent during the analysis year to support the college.

Following this procedure, it is estimated that MCC provides a benefit/cost ratio of 16.8, i.e.,

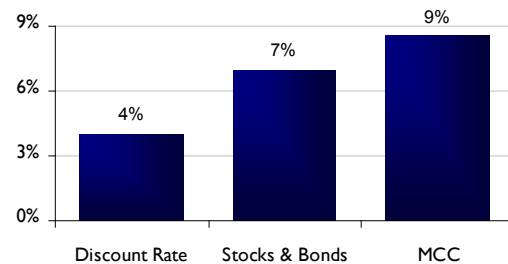
every dollar of state tax money invested in MCC today returns a cumulative of \$16.80 to the public at large over the course of the students' working careers, in terms of added income and avoided social costs. This is a "real" return, meaning that it reflects current year dollars. The unadjusted, or "nominal," return would be significantly higher.

Taxpayer Perspective

Under the taxpayer perspective, the benefits generated by the college and its students are restricted to those that accrue to state and local government budgets, namely, increased tax collections and reduced government expenditures. For example, in place of total increased income, the narrow 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 narrow perspective includes only those portions that translate to reductions in state and local government expenditures. Note here that it is normal for the state govern-

ment to undertake activities wanted by the public, but which are unprofitable in the marketplace. This means that positive economic returns are generally not expected from government investments. From the narrow taxpayer perspective, therefore, even a small positive return (a benefit/cost ratio equal to or just greater than 1, or a rate of return equal to or just greater than the 4% discount rate used in this analysis) would be a favorable outcome. For MCC, the narrow perspective results greatly exceed the minimum expectations.

The results indicate strong and positive returns: a rate of return of 9% and a benefit/cost ratio of 2.0 (every dollar of state or local tax money invested in MCC today returns \$2.00).



Investment Analysis at a Glance

Annual Benefits

Benefit Type	Annual Amount
Higher Earnings	
Aggregate (all students)	\$25,681,200
Per credit-hour equivalent (CHE)	\$216
Per full-time equivalent (FTE) student	\$6,468
Social Savings	
Aggregate (all students)	\$2,104,100
Per credit-hour equivalent (CHE)	\$18
Per full-time equivalent (FTE) student	\$530

Investment Summary

Stakeholder	Rate of Return	Benefit/Cost	Payback (Years)
Students	22.2%	8.8	6.8
Social (Broad) Perspective	NA	16.8	NA
Taxpayer (Narrow) Perspective	8.5%	2.0	14.6

Source: See "Volume 1: Main Report" and "Volume 2: Detailed Results"

Conclusion

The results of this study demonstrate that MCC is a sound investment from multiple perspectives. The college enriches the lives of students and increases their lifetime incomes. It benefits taxpayers by generating increased tax revenues from an enlarged economy and reducing the demand for taxpayer-supported social services. Finally, it contributes to the vitality of both the local and state economies.

About the Full Study

This short summary is one of ten documents that comprise the full impact study. The long report (“Volume 1: Main Report”), intended for economists and college institutional researchers, lays out the detailed assumptions and analysis. Another report (“Volume 2: Detailed Results”) provides detailed tabular results by gender, ethnicity, and entry levels of education. Several fact sheets highlight the results from key perspectives: General Overview, Business Perspective, Social Perspective, Taxpayer Perspective, Broad vs. Narrow Taxpayer Perspective, and Student Perspective. Lastly, a PowerPoint presentation shows the main results in a brief, conference-friendly format.

About EMSI

EMSI is a leading provider of socioeconomic impact and strategic planning tools to community and technical colleges in the United States and Canada. Visit us at www.economicmodeling.com for more information. To see full documentation of the study, please contact the college.



Socioeconomic Impact (SEIM) Study

What are the measurable benefits of higher education?

Is education a worthwhile public investment?

Can students increase their earning potential by taking college courses?

Who benefits more from higher education: the students or the general public?

This report summarizes the results from “The Economic Contributions of Manchester Community College” detailing the role that the college plays in promoting economic development, enhancing students’ careers, and improving quality of life. Data sources include, but are not limited to, (1) 2006-07 academic and financial reports from Manchester Community College, (2) industry and employment data from the Bureau of Labor Statistics, and (3) demographic and earnings data from the US Census Bureau. The study follows standard practice using only the most recognized indicators of investment effectiveness.

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