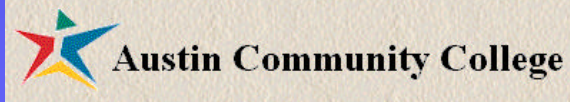


THE SOCIOECONOMIC BENEFITS OF
Austin Community College

Presenting the Main Results



Two Perspectives on Economic Impacts

1. Local Economic Development Perspective:

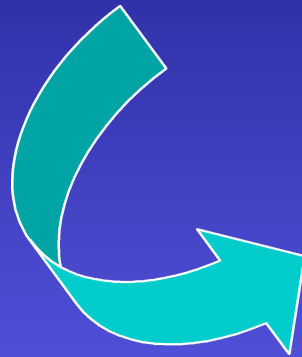
- How much larger is the local economy because of the college?
- What is the college contribution to local economic growth?

2. Investment Perspective:

- Return to Students
 - Return to Taxpayers
-

Local Economic Development Perspective


1. College Operations Spending



Most economic impact studies look at the operations spending only – there is no difference, in this sense, between the college and other local industries that spend money and employ people.

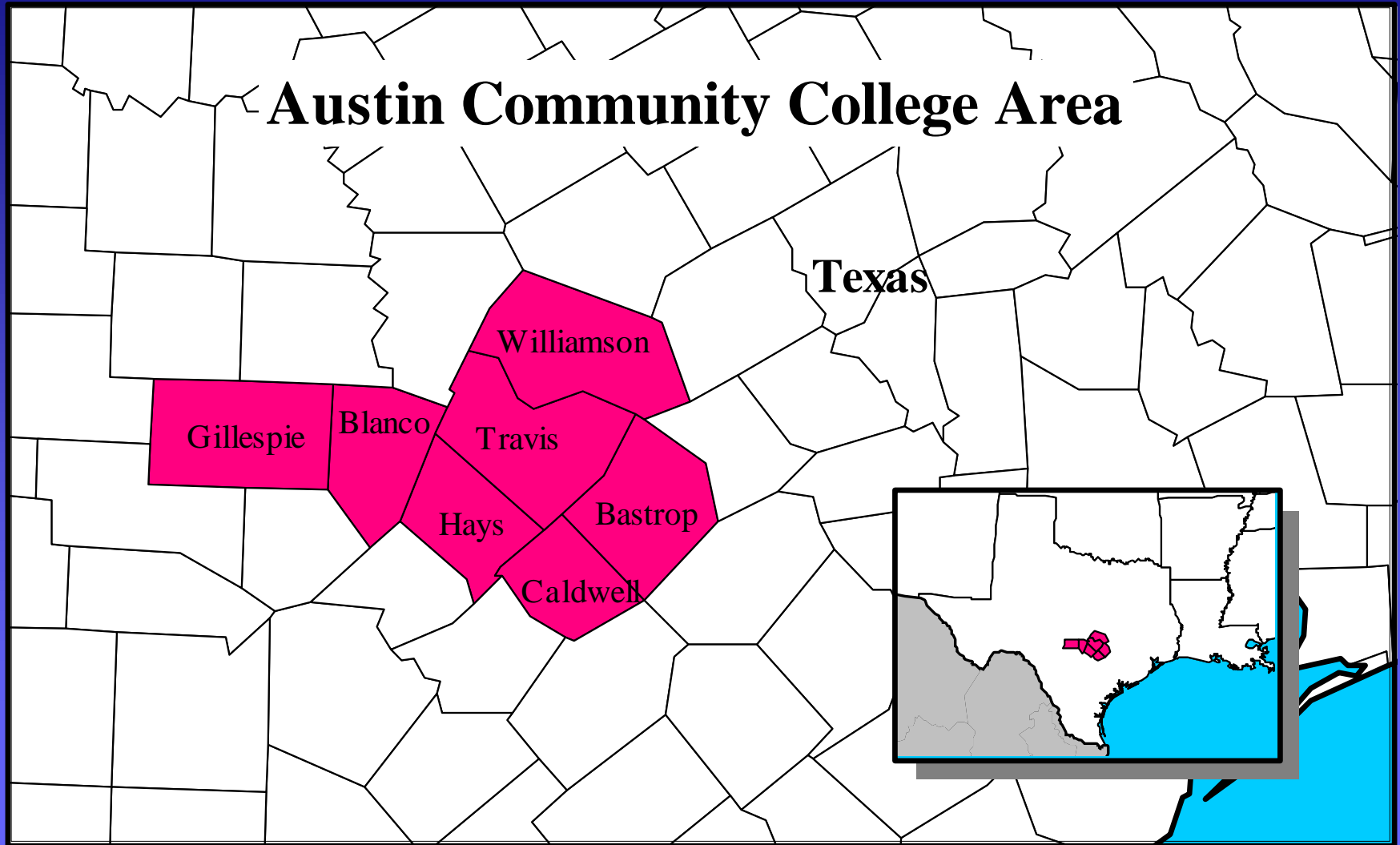
Local Economic Development Perspective

1. College Operations Spending
2. Past-Student Productivity Effects



We added the impacts (higher earnings) associated with students who have obtained their education at our college and are still active in the local workforce.

Defining the Economic Region



Earnings Linked to College Spending

	<u>Earnings</u> <u>\$1,000</u>	<u>% of</u> <u>Total</u>
College district or service area	\$35,559,384	100%

This comprises all of the earnings in the defined economic region, and provides the backdrop for expressing the relative role of the college.

Earnings Linked to College Spending

	<u>Earnings</u> <u>\$1,000</u>	<u>% of</u> <u>Total</u>
College district or service area	\$35,559,384	100%
College salaries and wages	\$70,877	0.20%

This is simply the salaries and wages of the college, expressed as a fraction of the region's total earnings.

Earnings Linked to College Spending

	<u>Earnings</u> <u>\$1,000</u>	<u>% of</u> <u>Total</u>
College district or service area	\$35,559,384	100%
College salaries and wages	\$70,877	0.20%
Indirect earnings	\$28,675	0.08%
Total	\$99,552	0.28%

Indirect earnings stem from the action of multiplier effects and occur as college salaries and operating expenditures ripple through the regional economy.

The Value of Past Students

Next, we add the value associated with past students who already apply their skills in the current workforce.

To do this we need to know:

1. the # of credits embodied in the current workforce, going back in time

8,254,058

2. the *net* \$ value per credit in terms of regional earnings growth

\$63.78

To arrive at the total value of past instruction (including multiplier effect):

Grand total value
\$526.4 million

Total Earnings Explained by the College

	<u>Earnings</u> <u>\$1,000</u>	<u>% of</u> <u>Total</u>
College district or service area	\$35,559,384	100%
College salaries and wages	\$70,877	0.20%
Indirect earnings	\$28,675	0.08%
Increment Accruing to Past Students	\$272,418	0.77%
Increment Accruing to Indirect Effects	\$254,023	0.71%
Total	\$625,992	1.76%

The total shows the extent to which the activities of the college explain, or account for, the total earnings in the regional economy.

Roadmap: The Socio-Economic Impacts

The annual flow of private and public benefits

- *Higher earnings*
- *Medical savings*
- *Crime savings*
- *Welfare and unemployment savings*

The future flow of private and public benefits: the investment analysis

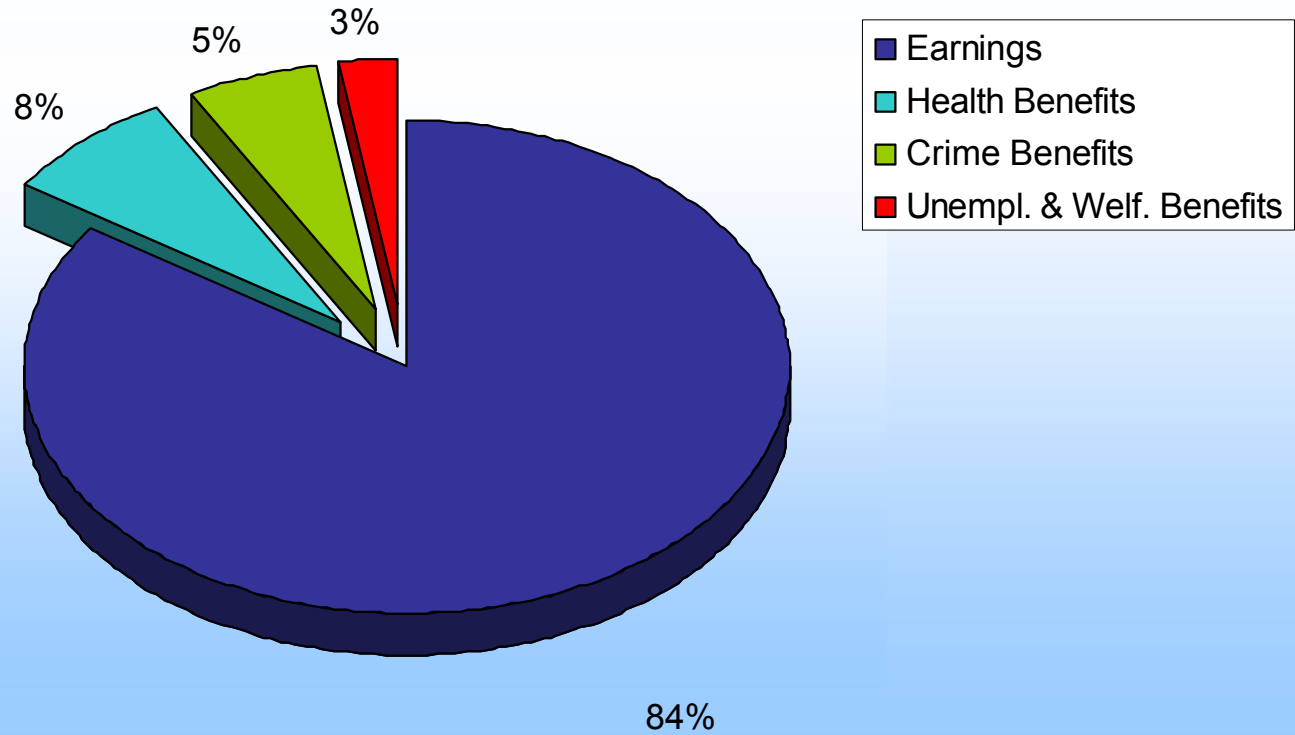
- *How the students benefit*
 - *How the taxpayers benefit*
 - *How the business community benefits*
-

Annual Benefits

	<u>Per Credit</u>	<u>Per Full Year of Study</u>	<u>Aggregate</u>
Higher earnings	\$124	\$3,871	\$82 million
Medical savings	\$11	\$375	\$7 million
Crime savings	\$8	\$679	\$5 million
Welfare/unemployment savings	\$4	\$287	\$3 million
Total	\$147	\$5,212	\$97.7 million

The medical, crime and welfare/unemployment savings are avoided costs—or, the reduced burdens on employers and taxpayers as the education level of the workforce increases.

% Breakdown: Relative Contributions

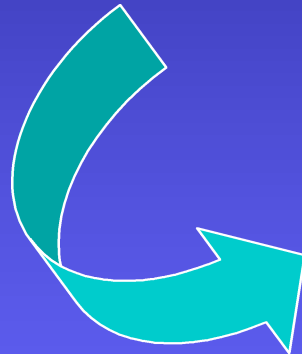


Investment Perspective: Student

Private Benefits = Higher earnings

Private Costs = Tuition + Opportunity cost of time

Benefit/Cost Ratio: 9.0



B/C ratio: The ratio of benefits over costs. A 1.5 ratio, for example, means that every dollar invested will return a cumulative \$1.50 to the investor over the time period analyzed.

Criterion for feasibility: The B/C ratio must be greater than or equal to 1.

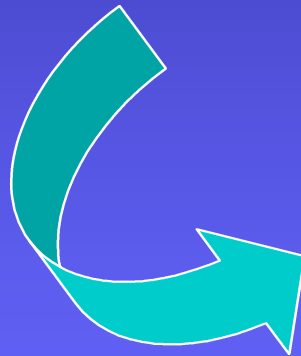
Investment Perspective: Student

Private Benefits = Higher earnings

Private Costs = Tuition + Opportunity cost of time

Benefit/Cost Ratio: 9.0

Rate of Return: 26%



Rate of return: a measure of the average earning power of the money used over the life of the investment. A 15% rate of return, for example, means that the revenues collected over time will just equal the costs, plus generate a 15% return. If the 15% exceeds the returns from alternative uses of the same money, then the investment is attractive.

Investment Perspective: Student

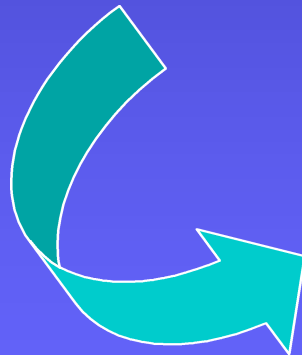
Private Benefits = Higher earnings

Private Costs = Tuition + Opportunity cost of time

Benefit/Cost Ratio: 9.0

Rate of Return: 26%

Payback Period: 6 years



Payback period: This is the length of time needed from the beginning of the investment before the cumulative future revenues return all of the investments made.

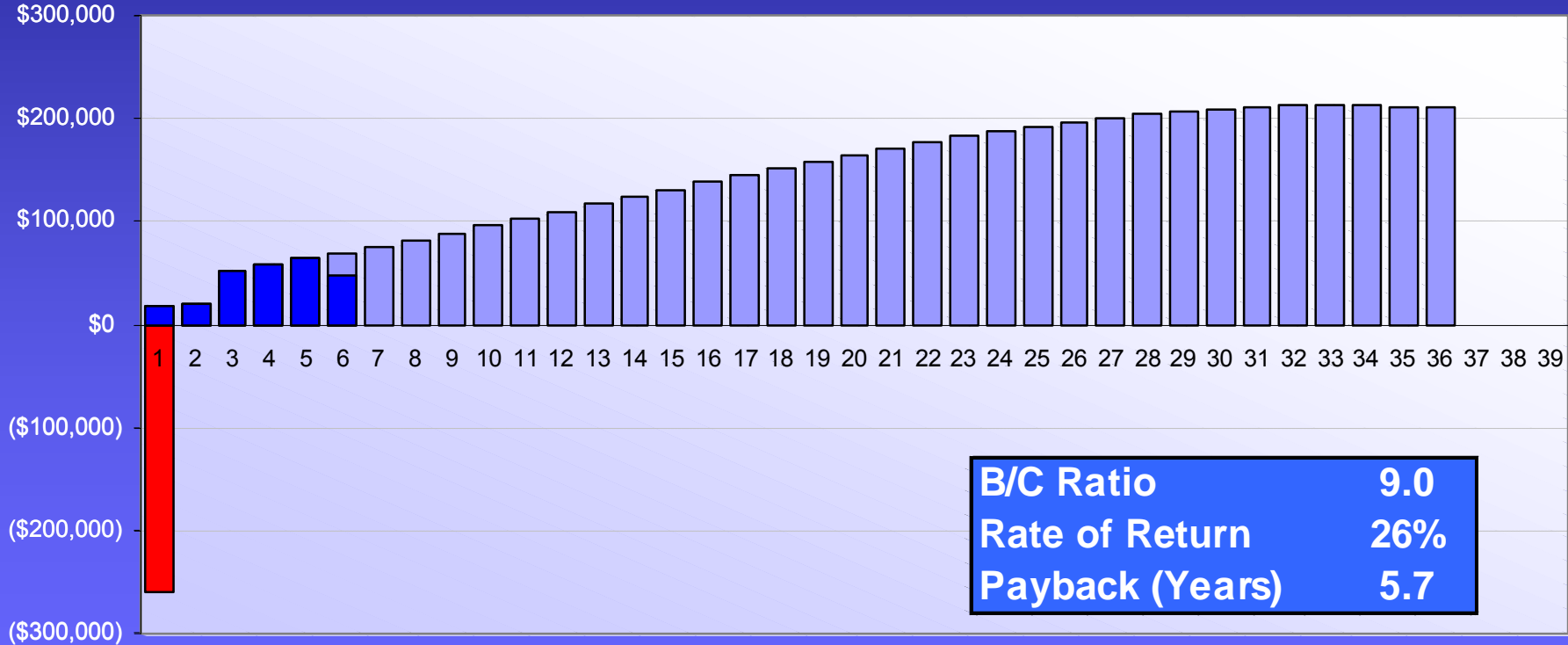
Investment Perspective: Student

Private Benefits = Higher earnings

Private Costs = Tuition + Opportunity cost of time

(\$1,000)

Investment Perspective: Students



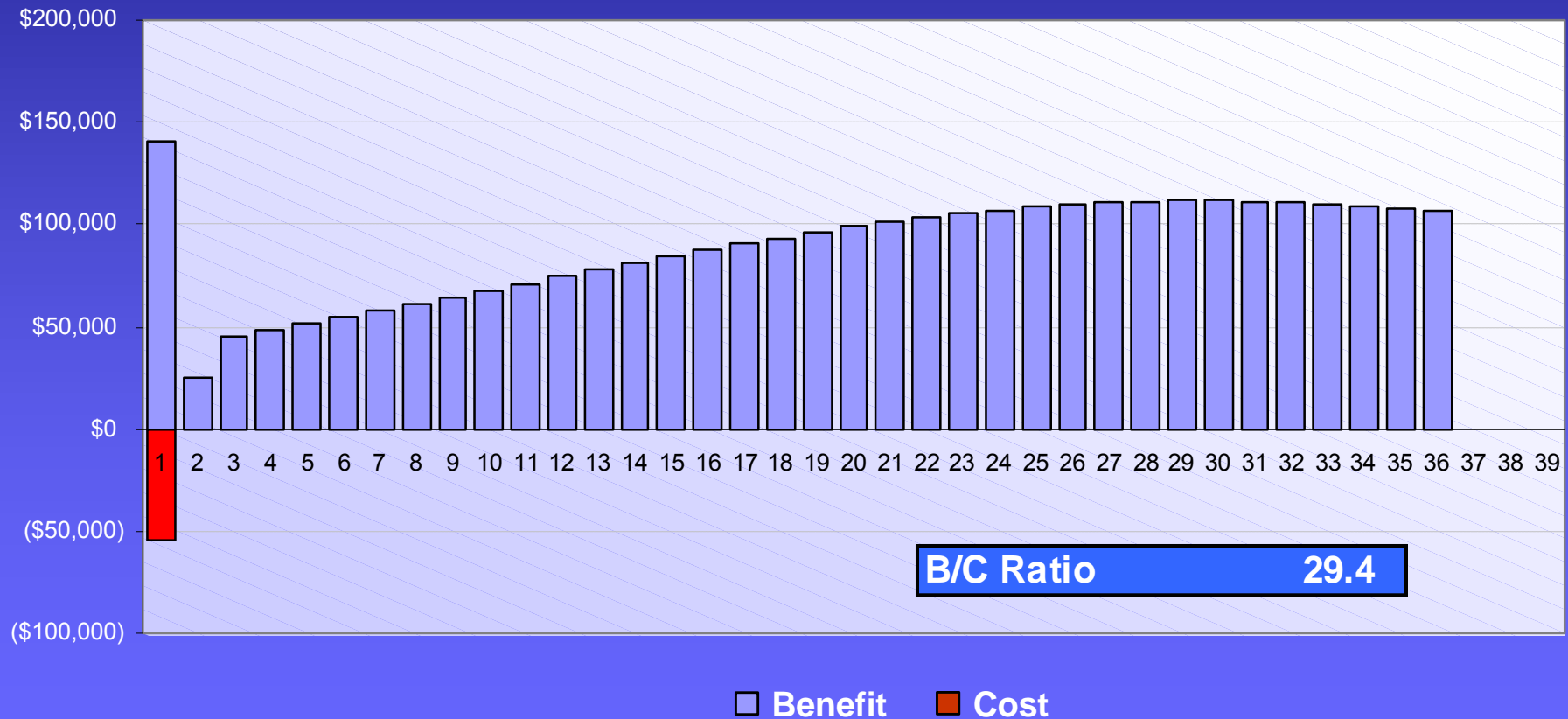
Benefit Cost Payback

Taxpayer Perspective: Broad

Taxpayer benefits = Higher earnings + cost savings from reduced crime, unemployment and welfare, and improved health.

(1,000)

Taxpayer Investment Perspective, Broad



Taxpayer Perspective: Narrow

Taxpayer benefits = Higher tax revenues + lower expenditures on crime, health, unemployment and welfare

