



EXECUTIVE SUMMARY

FEBRUARY 2022



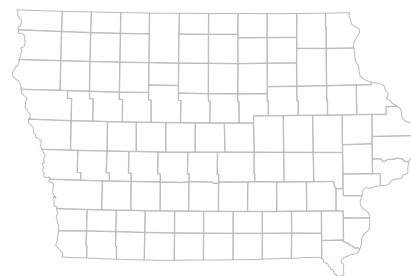
The Economic Value of Iowa's Community Colleges



IOWA'S COMMUNITY COLLEGES create value in many ways. The colleges play a key role in helping students increase their employability and achieve their individual potential. The colleges draw students to the state, generating new dollars and opportunities for Iowa. The colleges provide students with the education, training, and skills they need to have fulfilling and prosperous careers. Furthermore, the colleges are places for students to meet new people, increase their self-confidence, and promote their overall health and well-being.

Iowa's community colleges influence both the lives of students and the state economy. The colleges support a variety of industries in Iowa, serve state businesses, and benefit society as a whole in Iowa from an expanded economy and improved quality of life. Additionally, the benefits created by Iowa's community colleges extend to the state and local government through increased tax revenues and public sector savings.

This study measures the economic impacts created by Iowa's community colleges on the business community and the benefits the colleges generate in return for the investments made by their key stakeholder groups—students, taxpayers, and society. The following two analyses are presented:



IOWA

Iowa's community colleges influence both the **lives of students** and the **state economy**.



Economic impact analysis



Investment analysis

All results reflect employee, student, and financial data, provided by the colleges, for fiscal year (FY) 2019-20. Impacts on the Iowa economy are reported under the economic impact analysis and are measured in terms of added income. The returns on investment to students, taxpayers, and society in Iowa are reported under the investment analysis.

Cover photo: Des Moines Area Community College.
Above photo: Hawkeye Community College.



Iowa's community colleges promote economic growth in Iowa through their direct expenditures and the resulting expenditures of students and state businesses. The colleges serve as employers and buyers of goods and services for their day-to-day and construction operations. The colleges' activities attract students from outside Iowa, whose expenditures benefit state vendors. In addition, the colleges are primary sources of higher education to Iowa residents and suppliers of trained workers to state industries, enhancing overall productivity in the state workforce.

Operations spending impact



Iowa's community colleges add economic value to Iowa as employers of state residents and large-scale buyers of goods and services. In FY 2019-20, the colleges employed 11,744 full-time and part-time faculty and staff, 91% of whom lived in Iowa. Total payroll at Iowa's community colleges was \$508.6 million, much of which was spent in the state for groceries, mortgage and rent payments, dining out, and other household expenses. In addition, the colleges spent \$339.4 million on day-to-day expenses related to facilities, supplies, and professional services.

Iowa's community colleges' day-to-day operations spending added \$519 million in income to the state during the analysis year. This figure represents the colleges' payroll, the multiplier effects generated by the in-state spending of the colleges and their employees, and a downward adjustment to account for funding that the colleges received from state and local sources. The \$519 million in added income is equivalent to supporting 11,631 jobs in the state.

Construction spending impact



Iowa's community colleges invest in construction each year to maintain facilities, create additional capacities, and meet growing educational demands. While the amount varies from year to year, these quick infusions of income and jobs have a substantial impact on the state economy. In FY 2019-20, the community colleges' construction spending generated \$23.9 million in added income, which is equivalent to supporting 352 jobs.

IMPACTS CREATED BY IOWA'S COMMUNITY COLLEGES IN FY 2019-20



Operations spending impact

\$519 million



Construction spending impact

\$23.9 million



Student spending impact

\$181.2 million



Alumni impact

\$4.8 billion



TOTAL ECONOMIC IMPACT

\$5.5 billion

OR

Jobs supported

87,149

Student spending impact



Around 4% of students attending Iowa's community colleges originated from outside the state in FY 2019-20, and some of these students relocated to Iowa to attend the colleges. These students may not have come to the state if the colleges did not exist. In addition, some in-state students, referred to as retained students, would have left Iowa if not for the existence of Iowa's community colleges. While attending the colleges, these relocated and retained students spent money on groceries, accommodation, transportation, and other household expenses. This spending generated \$181.2 million in added income for the state economy in FY 2019-20, which supported 3,936 jobs in Iowa.

Alumni impact



The education and training the colleges provide for state residents has the greatest impact. Since the colleges were established, students have studied at Iowa's community colleges and entered the state workforce with greater knowledge and new skills. Today, hundreds of thousands of former students of Iowa's community colleges are employed in Iowa. As a result of their education from Iowa's community colleges, the students receive higher earnings and increase the productivity of the businesses that employ them. In FY 2019-20, alumni from Iowa's community colleges generated \$4.8 billion in added income for the state economy, which is equivalent to supporting 71,230 jobs.

Total impact

Iowa's community colleges added \$5.5 billion in income to the Iowa economy during the analysis year, equal to the sum of operations and construction spending impacts, the student spending impact, and the alumni impact. For context, the \$5.5 billion impact was equal to approximately 3.2% of the total gross state product (GSP) of Iowa. This contribution that the colleges provided on their own was larger than the Accommodation & Food Services industry in the state.

The community colleges' total impact can also be expressed in terms of jobs supported. The \$5.5 billion impact supported 87,149 state jobs, using the jobs-to-sales ratios specific to each industry in the state. This means that one out of every 23 jobs in Iowa is supported by the activities of the colleges and their students. In addition, the \$5.5 billion, or 87,149 supported jobs, stemmed from different industry sectors. Among non-education industry sectors, Iowa's community colleges' spending and alumni in the Health Care & Social Assistance industry sector supported 13,484 jobs in FY 2019-20. If the colleges did not exist, these impacts would not have been generated in Iowa.

IOWA'S COMMUNITY COLLEGES IMPACTS BY INDUSTRY (JOBS SUPPORTED)



One out of every 23 jobs in Iowa is supported by the activities of the colleges and their students.



An investment analysis evaluates the costs associated with a proposed venture against its expected benefits. If the benefits outweigh the costs, then the investment is financially worthwhile. The analysis presented here considers Iowa's community colleges as an investment from the perspectives of students, taxpayers, and society in Iowa.

Student perspective



In FY 2019-20, Iowa's community colleges served 127,013 credit and 145,814 non-credit students. In order to attend the colleges, the students paid for tuition, fees, books, and supplies. They also took out loans and will incur interest on those loans. Additionally, students gave up money they would have otherwise earned had they been working instead of attending college. The total investment made by students attending Iowa's community colleges in FY 2019-20 amounted to a present value of \$626.2 million, equal to \$273.3 million in out-of-pocket expenses (including future principal and interest on student loans) and \$352.9 million in forgone time and money.

In return for their investment, Iowa's community colleges' students will receive a stream of higher future earnings that will continue to grow throughout their working lives. For example, the average associate degree graduate from Iowa's community colleges from FY 2019-20 will see annual earnings \$7,900 higher than a person with a high school diploma or equivalent working in Iowa. Over a working lifetime, the benefits of the associate degree over a high school diploma will amount to an undiscounted value of \$347.6 thousand in higher earnings per graduate. The present value of the cumulative higher future earnings that the colleges' FY 2019-20 students will receive over their working careers is \$4 billion.

The students' benefit-cost ratio is 6.3. In other words, for every dollar students invest in an education at Iowa's community colleges in the form of out-of-pocket expenses and forgone time and money, they will receive a cumulative value of \$6.30

STUDENTS SEE A HIGH RATE OF RETURN FOR THEIR INVESTMENT IN IOWA'S COMMUNITY COLLEGES



Average annual return for Iowa's community college students
24.9%



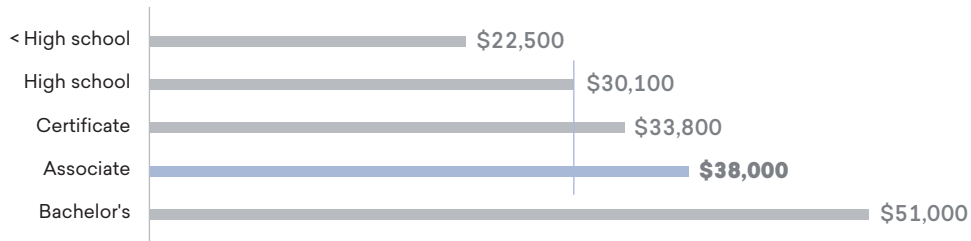
Stock market 30-year average annual return
10.6%



Interest earned on savings account (National Rate Cap)
0.8%

Source: Forbes' S&P 500, 1991-2020. FDIC.gov, 6-2021.

The average associate degree graduate from Iowa's community colleges will see an increase in earnings of **\$7,900** each year compared to a person with a high school diploma or equivalent working in Iowa.



Source: Emsi Burning Glass employment data.

in higher future earnings. Annually, the students' investment in Iowa's community colleges has an average annual internal rate of return of 24.9%, which is impressive compared to the U.S. stock market's 30-year average rate of return of 10.6%.

Taxpayer perspective



Iowa's community colleges generate more in tax revenue than they take. These benefits to taxpayers consist primarily of taxes that the state and local government will collect from the added revenue created in the state. As students from the community colleges will earn more, they will make higher tax payments throughout their working lives. Students' employers will also make higher tax payments as they increase their output and purchases of goods and services. By the end of the FY 2019-20 students' working lives, the state and local government will have collected a present value of \$978.1 million in added taxes.

Benefits to taxpayers will also consist of savings generated by the improved lifestyles of the community colleges' students and the corresponding reduced government services. Education is statistically correlated with a variety of lifestyle changes. Students' educations from the community colleges will generate savings in three main categories: 1) healthcare, 2) justice system, and 3) income assistance. Improved health will lower students' demand for national health care services. In addition, costs related to the justice system will decrease. Iowa's community colleges' students will be more employable, so their reduced demand for income assistance such as welfare and unemployment benefits will benefit taxpayers. For a list of study references, contact Iowa's community colleges for a copy of the main report. Altogether, the present value of the benefits associated with the educations provided by Iowa's community colleges will generate \$93.4 million in savings to state and local taxpayers.

Total taxpayer benefits amount to \$1.1 billion, the present value sum of the added taxes and public sector savings. Taxpayer costs are \$424.6 million, equal to the amount of state and local government funding Iowa's community colleges received in FY 2019-20. These benefits and costs yield a benefit-cost ratio of 2.5. This means that for every dollar of public money invested in Iowa's community colleges in FY 2019-20, taxpayers will receive a cumulative present value of \$2.50 over the course of the students' working lives. The average annual internal rate of return for taxpayers is 6.2%, which compares favorably to other long-term investments in the public and private sectors.

Social perspective



Society as a whole in Iowa benefits from the presence of Iowa's community colleges in two major ways. Primarily, society benefits from an increased economic base in the state. This is attributed to the added income from students' increased lifetime earnings (added student income) and increased business output (added business income), which raise economic prosperity in Iowa.

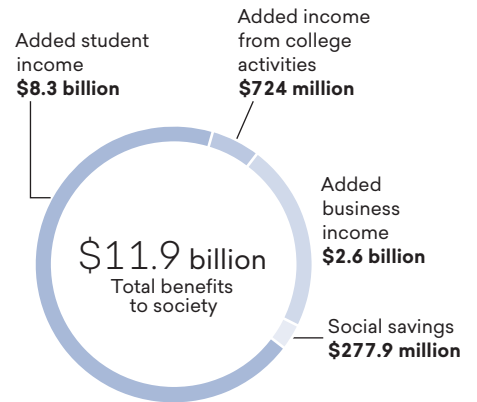
For every dollar of public money invested in Iowa's community colleges, taxpayers will receive a cumulative value of **\$2.50** over the course of the students' working lives.

Benefits to society also consist of the savings generated by the improved lifestyles of Iowa's community colleges' students. As discussed in the previous section, education is statistically correlated with a variety of lifestyle changes that generate social savings. Note that these costs are avoided by the consumers but are distinct from the costs avoided by the taxpayers outlined above. Healthcare savings include avoided medical costs associated with smoking, alcohol dependence, obesity, drug abuse, and depression. Justice system savings include avoided costs to the government and society due to less judicial activity. Income assistance savings include reduced welfare and unemployment claims. For a list of study references, contact Iowa's community colleges for a copy of the main report.

Altogether, the social benefits of Iowa's community colleges equal a present value of \$11.9 billion. These benefits include \$8.2 billion in added student income, \$2.6 billion in added business income, \$724.0 million in added income from the colleges' activities, as well as \$277.9 million in social savings related to health, crime, and income assistance in Iowa. People in Iowa invested a present value total of \$1.4 billion in Iowa's community colleges in FY 2019-20. The cost includes all the colleges' expenditures and student costs.

The benefit-cost ratio for society is 8.6, equal to the \$11.9 billion in benefits divided by the \$1.4 billion in costs. In other words, for every dollar invested in Iowa's community colleges, people in Iowa will receive a cumulative value of \$8.60 in benefits. The benefits of this investment will occur for as long as Iowa's community colleges' FY 2019-20 students remain employed in the state workforce.

SOCIAL BENEFITS IN IOWA FROM IOWA'S COMMUNITY COLLEGES



Source: Emsi Burning Glass impact model.

Summary of investment analysis results

The results of the analysis demonstrate that Iowa's community colleges are a strong investment for all three major stakeholder groups—students, taxpayers, and society. As shown, students receive a great return for their investments in an education at any of Iowa's community colleges. At the same time, taxpayers' investment in Iowa's community colleges returns more to government budgets than it costs and creates a wide range of social benefits throughout Iowa.

STUDENT PERSPECTIVE		TAXPAYER PERSPECTIVE		SOCIAL PERSPECTIVE	
Present value benefits \$4 billion		Present value benefits \$1.1 billion		Present value benefits \$11.9 billion	
Present value costs \$626.2 million		Present value costs \$424.6 million		Present value costs \$1.4 billion	
Net present value \$3.3 billion		Net present value \$646.9 million		Net present value \$10.5 billion	
Benefit-cost ratio 6.3	Rate of return 24.9%	Benefit-cost ratio 2.5	Rate of return 6.2%	Benefit-cost ratio 8.6	Rate of return n/a*

*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.

CONCLUSION

The results of this study demonstrate that Iowa's community colleges create value from multiple perspectives. The colleges benefit state businesses by increasing consumer spending in the state and supplying a steady flow of qualified, trained workers to the workforce. Iowa's community colleges enrich the lives of students by raising their lifetime earnings and helping them achieve their individual potential. The colleges benefit state and local taxpayers through increased tax receipts and a reduced demand for government-supported social services. Finally, Iowa's community colleges benefit society as a whole in Iowa 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 2019-20 academic and financial reports from Iowa's community colleges, industry and employment data from the U.S. Bureau of Labor Statistics and U.S. Census Bureau, outputs of Emsi Burning Glass's Multi-Regional Social Accounting Matrix 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 economic impact and investment effectiveness. For a full description of the data and approach used in the study, please contact the system for a copy of the main report.

The results of this study demonstrate that Iowa's community colleges create value from **multiple perspectives.**



Photo: Iowa Valley Community College District.



Emsi Burning Glass provides colleges and universities with labor market data that help create better outcomes for students, businesses, and communities. Our data, which cover more than 99% of the U.S. workforce, are compiled from a wide variety of government sources, job postings, and online profiles and résumés. Hundreds of institutions use Emsi Burning Glass to align programs with regional needs, drive enrollment, connect students with in-demand careers, track their alumni's employment outcomes, and demonstrate their institution's economic impact on their region. Visit economicmodeling.com/higher-education to learn more or connect with us.