

EXECUTIVE
SUMMARY



Economic Contribution of

VALENCIA COLLEGE

Analysis of **Investment Effectiveness** and **Economic Growth**





Investment Analysis

- For every dollar students invest in Valencia, they receive a cumulative \$5.60 in higher future income (discounted) over the course of their working careers.
- Florida benefits from improved health and reduced welfare, unemployment, and crime, saving the public some \$11.3 million per year.
- Taxpayers see a rate of return of 8.9% on their investment in Valencia.

Economic Growth Analysis

- The net added income generated by Valencia operations (\$122.9 million) and the spending of non-local students (\$16 million) contributes a total of \$139 million in income to the Valencia College Service Area economy each year.
- The accumulated credits achieved by former Valencia students over the past 30 years translate to \$781.7 million in added regional income each year due to the higher earnings of students and increased output of businesses.

Valencia College Service Area



Introduction

How do the Valencia College Service Area economy and the state of Florida benefit from the presence of Valencia College (Valencia)?

In this study, 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:

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.

Economic Growth Analysis: Measures added income in the region 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 college.

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 \$11,200 more per year, on average, over the course of a working lifetime (undiscounted).

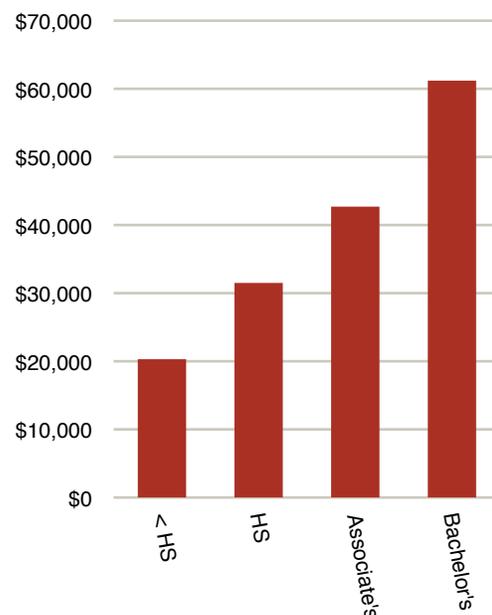
From an investment standpoint, Valencia students enjoy a 15.1% rate of return on their investments of time and money. This compares favorably with returns on other investments, e.g., long-term return on stocks and bonds.

The corresponding benefit/cost ratio is 5.6, i.e., for every dollar students invest in Valencia education, they receive a cumulative of \$5.60 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 10.2 years.

Social Perspective

From the perspective of society as a whole, the benefits of education accrue to different publics. For example,

**Average Earnings by Education Level
in Valencia College Service Area**



Valencia students 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 \$196.5 million in taxable income to the Florida economy each year.

As they achieve higher levels of education, Valencia students 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 \$11.3 million annually. These are benefits that are incidental to the operations of Valencia and accrue for years into the future, for as long as students remain active in the workforce.

To compare benefits to costs, we project benefits into the future, discount them back to the present, and weigh them against the \$106 million that state taxpayers spent in FY 2010-11 to support the college. Following this procedure, it is estimated that Valencia provides a benefit/cost ratio of 25.1, i.e. every dollar of state tax money invested in the college today yields a cumulative of \$25.10 in benefits that accrue to all Florida residents, in terms of added taxable income and avoided social costs.

Taxpayer Perspective

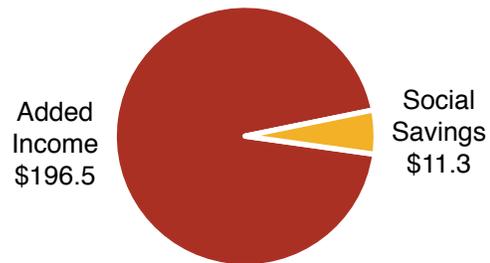
Under the taxpayer perspective, only benefits that accrue to state government are counted, namely, increased tax collections and reduced government expenditures. For example, in place of increased income, the taxpayer perspective includes only the increased state tax receipts from those higher incomes.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

Valencia Investment Analysis at a Glance

Stakeholder	Rate of Return	Benefit/Cost	Payback (Years)
Student perspective	15.1%	5.6	10.2
Social perspective	NA	25.1	NA
Taxpayer perspective	8.9%	2.8	14.7

Annual Benefits to Florida Public Due To Valencia Students (\$ Millions)



equal to or greater than the 3% discount rate used in the taxpayer investment analysis) would be a favorable outcome.

For Valencia, the results indicate positive returns: a rate of return of 8.9% and a benefit/cost ratio of 2.8 (every dollar of state tax money invested in Valencia today returns \$2.80).

Economic Growth Analysis

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

College Operations Effect

Valencia creates income through the earnings of its faculty and staff, as well as through its own operating and capital expenditures. Adjusting for monies withdrawn from the local economy in support of Valencia, it is estimated that the Valencia College Service Area economy receives a net of \$122.9 million in added

labor and non-labor income due to Valencia operations each year.

Student Spending Effect

Students from outside the region 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 Valencia's non-local students generates approximately \$16 million in added income in the Valencia College Service Area economy each year.

Student Productivity Effect

Every year students leave Valencia and join or rejoin the regional workforce. Their added skills translate to higher income and a more robust Valencia College Service Area economy. Based on Valencia's historical enrollment and credit production over the past 30-year period, it is estimated that the accumulated contribution of Valencia instruction received by former students (both completers and non-completers) annually adds some \$781.7 million in income to the Valencia College Service Area.

Transfer Student Effect

In addition to the measures described above, we also quantify the effect of Valencia students who transfer to the University of Central Florida (UCF). Arguably the education students receive at UCF would not have

Valencia Economic Impact Analysis at a Glance

Added Income	
College operations effect	\$122,925,000
Student spending effect	\$16,045,000
Student productivity effect	\$781,685,000
Transfer student effect	\$126,365,000
Total Effect	\$1,047,019,000
Job Equivalents	22,700

been generated if it were not for their prior academic involvement at Valencia. Note that this measure is distinct from the others because it reflects the symbiotic relationship between two institutions. Valencia ensures students have the requisite knowledge and skills to enter and be successful at UCF, while UCF in turn delivers credits and credentials that will ultimately result in additional earning increases for transfer students. The effect of the relationship between these two institutions generates an additional \$126.4 million¹ in income in the regional economy.

Total Effect

Altogether, the average annual added income due to the activities of Valencia and its former students equals \$1,047 million.

¹ This value is distinct from the other impact metrics in that it is the result of a cooperative agreement between Valencia and UCF. Both institutions might rightly claim this impact.

Conclusion

The results of this study demonstrate that Valencia 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 Study

This report summarizes the results from “The Economic Contributions of Valencia 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, 2010-11 academic and financial reports from the college, industry and employment data from the U.S. Bureau of Labor Statistics, earnings and demographic data from the U.S. Census Bureau, and a variety of studies and surveys relating education to social behavior.

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