



## The Economic Value of San José-Evergreen Community College District

# EXECUTIVE SUMMARY



**S**AN José–Evergreen Community College District (SJECCD) creates 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 county, generating new dollars and opportunities for Santa Clara County. 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.

SJECCD influences both the lives of students and the county economy. The colleges support a variety of industries in Santa Clara County, serve county businesses, and benefit society as a whole in California from an expanded economy and improved quality of life. The benefits created by SJECCD even extend to the state and local government through increased tax revenues and public sector savings.

This study measures the economic impacts created by SJECCD 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:



### Economic impact analysis



### Investment analysis

All results reflect employee, student, and financial data provided by SJECCD for fiscal year (FY) 2018–19. Impacts on the Santa Clara County 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 California are reported under the investment analysis.

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# Economic impact analysis

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

## Operations spending impact



SJECCD adds economic value to Santa Clara County as an employer of county residents and a large-scale buyer of goods and services. In FY 2018-19, the colleges employed 1,038 full-time and part-time faculty and staff, 53% of whom lived in Santa Clara County. Total payroll at SJECCD was \$115.8 million, much of which was spent in the county for groceries, mortgage and rent payments, dining out, and other household expenses. In addition, the colleges spent \$36.7 million on day-to-day expenses related to facilities, supplies, and professional services.

SJECCD's day-to-day operations spending added \$114.6 million in income to the county during the analysis year. This figure represents the colleges' payroll, the multiplier effects generated by the in-county spending of the colleges and their employees, and a downward adjustment to account for funding that the colleges received from county sources. The \$114.6 million in added income is equivalent to supporting 984 jobs in the county.

## Construction spending impact



SJECCD invests in construction each year to maintain facilities, create additional capacities, and meet growing educational demands. On average over the previous five fiscal years SJECCD spent \$46.3 million annually on construction projects. These projects ranged from updating labs for nursing, science, technology, and engineering to upgrading facilities to improve energy efficiency and reduce operating costs. On average, SJECCD's construction spending generates \$17.3 million in added income, which is equivalent to supporting 170 jobs. Over the next five years, SJECCD expects to average \$80 million in construction expenditures annually from the proceeds of Measure X bonds.

IMPACTS CREATED  
BY SJECCD IN FY 2018-19



**\$114.6 million**  
Operations Spending Impact



**\$17.3 million**  
Construction Spending Impact



**\$37.7 million**  
Student Spending Impact



**\$726 million**  
Alumni Impact



**\$895.7 million**  
TOTAL IMPACT

- OR -

**6,917**  
JOBS SUPPORTED



## Student spending impact



Around 19% of students attending SJECCD originated from outside the county in FY 2018-19, and some of these students relocated to Santa Clara County to attend the colleges. These students may not have come to the county if the colleges did not exist. In addition, some in-county students, referred to as retained students, would have left Santa Clara County if not for the existence of SJECCD. While attending the colleges, these relocated and retained students spent money on groceries, accommodation, transportation, and other household expenses. This spending generated \$37.7 million in added income for the county economy in FY 2018-19, which supported 554 jobs in Santa Clara County.

## Alumni impact



The education and training the colleges provide for county residents has the greatest impact. Since the colleges were established, students have studied at them and entered the county workforce with greater knowledge and new skills. Today, thousands of former SJECCD students are employed in Santa Clara County. As a result of their SJECCD educations, the students receive higher earnings and increase the productivity of the businesses that employ them. In FY 2018-19, SJECCD alumni generated \$726 million in added income for the county economy, which is equivalent to supporting 5,209 jobs.

## Total impact

SJECCD added \$895.7 million in income to the Santa Clara County economy during the analysis year, equal to the sum of operations and construction spending impacts, the student spending impact, and the alumni impact. This contribution that the colleges provided on their own is nearly as large as the entire Utilities industry in the county.

SJECCD's total impact can also be expressed in terms of jobs supported. The \$895.7 million impact supported 6,917 county jobs, using the jobs-to-sales ratios specific to each industry in the county. In addition, the \$895.7 million, or 6,917 supported jobs, stemmed from different industry sectors. Among non-education industry sectors, SJECCD's spending and alumni in the Other Services (except Public Administration) industry sector supported 1,010 jobs in FY 2018-19. These are impacts that would not have been generated without the colleges' presence in Santa Clara County.

### SJECCD IMPACTS BY INDUSTRY (JOBS SUPPORTED)



1,010

Other Services (except Public Administration)



995

Health Care & Social Assistance



717

Professional & Technical Services



648

Retail Trade



415

Construction



# Investment analysis

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 SJECCD as an investment from the perspectives of students, taxpayers, and society in California.

## Student perspective



In FY 2018-19, SJECCD served 28,703 credit and 658 non-credit students. In order to attend the colleges, the students paid for tuition, fees, books, and supplies. Some 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 SJECCD students in FY 2018-19 amounted to a present value of \$146.8 million, equal to \$25.1 million in out-of-pocket expenses (including future principal and interest on student loans) and \$121.7 million in forgone time and money.

In return for their investment, SJECCD's students will receive a stream of higher future earnings that will continue to grow throughout their working lives. For example, the average SJECCD associate degree graduate from FY 2018-19 will see annual earnings \$20,200 higher than a person with only a high school diploma or equivalent working in Santa Clara County. Over a working lifetime, the benefits of the associate degree over a high school diploma will amount to an undiscounted value of \$808,000 in higher earnings per graduate. The present value of the cumulative higher future earnings that SJECCD's FY 2018-19 students will receive over their working careers is \$901.4 million.

STUDENTS SEE A HIGH  
RATE OF RETURN FOR THEIR  
INVESTMENT IN SJECCD



**20.7%**

Average annual return for  
SJECCD students



**9.9%**

Stock market 30-year  
average annual return

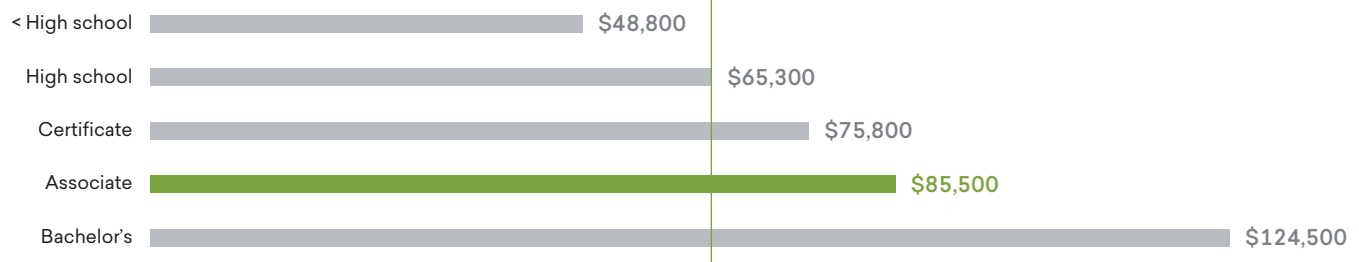


**0.8%**

Interest earned on savings account  
(National Rate Cap)

Source: Forbes' S&P 500, 1989-2018. FDIC.gov, 6-2019.

The average associate degree graduate from SJECCD will see an increase in earnings of **\$20,200** each year compared to a person with only a high school diploma or equivalent working in Santa Clara County.



Source: Emsi employment data.

The students' benefit-cost ratio is 6.1. In other words, for every dollar students invest in an education at SJECCD, in the form of out-of-pocket expenses and forgone time and money, they will receive a cumulative value of \$6.10 in higher future earnings. Annually, the students' investment in SJECCD has an average annual internal rate of return of 20.7%, which is impressive compared to the U.S. stock market's 30-year average rate of return of 9.9%.

### Taxpayer perspective



SJECCD generates more in tax revenue than it receives. 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 SJECCD students 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 2018-19 students' working lives, the state and local government will have collected a present value of \$321.5 million in added taxes.

Benefits to taxpayers will also consist of savings generated by the improved lifestyles of SJECCD students and the corresponding reduced government services. Education is statistically correlated with a variety of lifestyle changes. Students' SJECCD educations will generate savings in three main categories: 1) healthcare, 2) crime, and 3) income assistance. Improved health will lower students' demand for national health care services. In addition, students will be less likely to interact with the criminal justice system, resulting in a reduced demand for law enforcement and victim costs. SJECCD 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 SJECCD for a copy of the main report. Altogether, the present value of the benefits associated with an SJECCD education will generate \$19.4 million in savings to state and local taxpayers.

Total taxpayer benefits amount to \$341 million, the present value sum of the added taxes and public sector savings. Taxpayer costs are \$147.4 million, equal to the amount of state and local government funding SJECCD received in FY 2018-19. These benefits and costs yield a benefit-cost ratio of 2.3. This means that for every dollar of public money invested in SJECCD in FY 2018-19,

*For every dollar of public money invested in SJECCD, taxpayers will receive a cumulative value of **\$2.30** over the course of the students' working lives.*



#### STUDENT PERSPECTIVE

**\$901.4 million**  
Present value benefits

**\$146.8 million**  
Present value costs

**\$754.6 million**  
Net present value

Benefit-cost ratio	Rate of return
6.1	20.7%



#### TAXPAYER PERSPECTIVE

**\$341 million**  
Present value benefits

**\$147.4 million**  
Present value costs

**\$193.5 million**  
Net present value

Benefit-cost ratio	Rate of return
2.3	6.1%



#### SOCIAL PERSPECTIVE

**\$4 billion**  
Present value benefits

**\$335 million**  
Present value costs

**\$3.7 billion**  
Net present value

Benefit-cost ratio	Rate of return
12.0	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.

taxpayers will receive a cumulative value of \$2.30 over the course of the students' working lives. The average annual internal rate of return for taxpayers is 6.1%, which compares favorably to other long-term investments in the public and private sectors.

### Social perspective



Society as a whole in California benefits from the presence of SJECCD in two major ways. Primarily, society benefits from an increased economic base in the state. This is attributed to higher student earnings and increased business output, which raise economic prosperity in California.

Benefits to society also consist of the savings generated by the improved lifestyles of SJECCD 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. Savings related to crime include reduced security expenditures and insurance administration, lower victim costs, and reduced expenditures by the criminal justice system. Income assistance savings include reduced welfare and unemployment claims. For a list of study references, contact SJECCD for a copy of the main report.

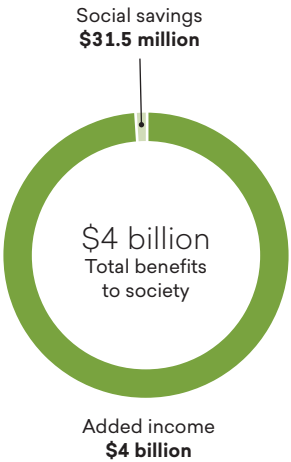
Altogether, the social benefits of SJECCD equal a present value of \$4 billion. These benefits include \$4 billion in added income through students' increased lifetime earnings and increased business output, as well as \$31.5 million in social savings related to health, crime, and income assistance in California. People in California invested a present value total of \$335 million in SJECCD in FY 2018-19. The cost includes all the colleges' expenditures and student costs.

The benefit-cost ratio for society is 12.0, equal to the \$4 billion in benefits divided by the \$335 million in costs. In other words, for every dollar invested in SJECCD, people in California will receive a cumulative value of \$12.00 in benefits. The benefits of this investment will occur for as long as SJECCD's FY 2018-19 students remain employed in the state workforce.

### Summary of investment analysis results

The results of the analysis demonstrate that SJECCD is 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 SJECCD education. At the same time, taxpayers' investment in SJECCD returns more to government budgets than it costs and creates a wide range of social benefits throughout California.

SOCIAL BENEFITS IN CALIFORNIA FROM SJECCD



# Conclusion

The results of this study demonstrate that SJECCD creates value from multiple perspectives. The colleges benefit county businesses by increasing consumer spending in the county and supplying a steady flow of qualified, trained workers to the workforce. SJECCD enriches 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, SJECCD benefits society as a whole in California 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 2018-19 academic and financial reports from SJECCD, industry and employment data from the U.S. Bureau of Labor Statistics and U.S. Census Bureau, outputs of Emsi'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 SJECCD for a copy of the main report.

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