

THE ECONOMIC VALUE

Of Owens Community College Findlay Campus



JANUARY 2016

ANALYSIS OF THE ECONOMIC IMPACT & RETURN ON INVESTMENT OF EDUCATION

Owens Community College Findlay Campus (Findlay Campus) creates value in many ways. The campus plays a key role in helping students increase their employability and achieve their individual potential. It provides students with the skills they need to have a fulfilling and prosperous career. Further, it supplies an environment for students to meet new people, increase their self-confidence, and promote their overall health and well-being.

The value of Findlay Campus influences both the lives of students and also the county economy. The campus serves a range of industries in Hancock County, supports local businesses, and benefits society as a whole in Ohio from an expanded economy and improved quality of life. The benefits created by Findlay Campus even extend to the state government through increased tax revenues and public sector savings.

The purpose of this study is to investigate the economic impacts created by Findlay Campus on the business community and the benefits that the campus generates in return for the investments made by its key stakeholder groups—students, taxpayers, and society. The following two analyses are presented:

- **ECONOMIC IMPACT ANALYSIS**
- **INVESTMENT ANALYSIS**

All results reflect student and financial data for Fiscal Year (FY) 2013-14. Impacts on the county business community are reported under the economic impact analysis. Results are measured in terms of added income. The return on investment to students, taxpayers, and society are reported under the investment analysis. Both analyses are described more fully in the following sections.

ECONOMIC IMPACT ANALYSIS

Findlay Campus promotes economic growth in Hancock County in a variety of ways. The campus is an employer and buyer of goods and services, and the living expenses of students benefit local businesses. In addition, Findlay Campus is a primary source of education to Hancock County residents and a supplier of trained workers to Hancock County industries.

TABLE 1. IMPACTS CREATED BY FINDLAY CAMPUS IN FY 2013-14

ADDED INCOME	JOBS
\$10.1 MILLION	209
Operations spending impact	
\$213.4 THOUSAND	4
Student spending impact	
\$67.4 MILLION	993
Alumni impact	
\$77.7 MILLION	1,206
Total impact	

OPERATIONS SPENDING IMPACT

Findlay Campus is an important employer in Hancock County. In FY 2013-14, the campus employed 200 full-time and part-time faculty and staff. Of these, 44% lived in Hancock County. Total payroll at Findlay Campus was \$9.5 million, much of which was spent in the county for groceries, rent, dining out, clothing, and other household expenses.

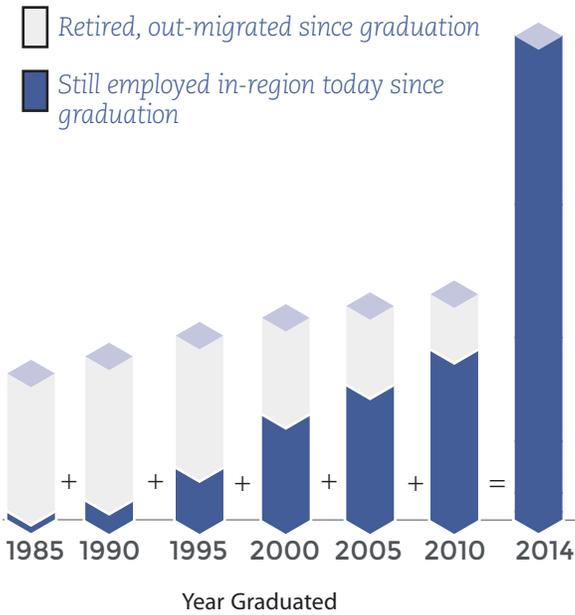
Findlay Campus is itself a large-scale buyer of goods and services. In FY 2013-14 the campus spent \$3.4 million to cover its expenses for facilities, professional services, and supplies.

Findlay Campus added \$10.1 million in added income to the county during the analysis year as a result of its day-to-day operations. This figure represents the campus's payroll, the multiplier effects generated by the spending of the campus and its employees, and a downward adjustment to account for funding that the campus received from state sources.

IMPACT OF STUDENT SPENDING

A number of in-county students would have left the area for other education opportunities if not for the existence of Findlay Campus. While attending the campus, these retained students spent \$1.3 million to purchase groceries, rent accommodation, pay for transportation, and so on. A significant portion of these expenditures occurred in the county, generating \$213.4 thousand in added income in the county economy during the analysis year.

FIGURE 1. FINDLAY CAMPUS ALUMNI WORKING IN-COUNTY TODAY



ALUMNI IMPACT

The education and training Findlay Campus provides for county residents results in the greatest impact. As shown in Figure 1, since the campus was established, students have studied at Findlay Campus and entered the county workforce with new skills. Today, thousands of former students are employed in Hancock County.

During the analysis year, past and present students of Findlay Campus generated \$67.4 million in added income for the county. This figure represents the higher earnings that students earned during the year, the increased output of the businesses that employed the students, and the multiplier effects that occurred as students and their employers spent money at other businesses.

TABLE 2. FINDLAY CAMPUS IMPACT BY INDUSTRY

INDUSTRY	ADDED INCOME (THOUSANDS)	JOBS
Manufacturing	\$12,974	106
Health Care and Social Assistance	\$7,885	166
Professional and Technical Services	\$2,409	48

TOTAL IMPACT

The overall impact of Findlay Campus on the local business community during the analysis year amounted to \$77.7 million in added income, equal to the sum of the operations spending impact, the student spending impact, and the alumni impact. The \$77.7 million in added income was equal to approximately 1.8% of the GRP of Hancock County. By comparison, this contribution that the campus provides on its own is twice as large as the county’s entire Agriculture, Forestry, Fishing, & Hunting industry.

The total impact is also expressed in terms of the jobs supported by the added income; they are calculated by jobs-to-sales ratios specific to each industry. Overall, the \$77.7 million impact supports 1,206 jobs.

A portion of the total \$77.7 million is broken out into an industry-by-industry impact ordered by added income. Table 2 outlines the top industries impacted by Findlay Campus. Because industries have different jobs-to-sales ratios, the associated jobs supported by the Findlay Campus impact differ by industry. Nonetheless, these are impacts that would not have been generated without the campus presence.

INVESTMENT ANALYSIS

Investment analysis is the process of evaluating total costs and measuring these against total benefits to determine whether or not a proposed venture will be profitable. If benefits outweigh costs, then the investment is worthwhile. If costs outweigh benefits, then the investment will lose money and is considered unprofitable. This study considers Findlay Campus as an investment from the perspectives of students, taxpayers, and society. The backdrop for the analysis is the entire Ohio economy.

STUDENT PERSPECTIVE

In FY 2013-14, Findlay Campus served 2,933 credit students. In order to attend college, students paid for tuition, fees, books, and supplies. They also gave up money that they would have otherwise earned had they been working instead of attending college. The total investment made by Findlay Campus's students in FY 2013-14 amounted to \$27.7 million, equal to \$5.9 million in out-of-pocket expenses plus \$21.8 million in forgone time and money.

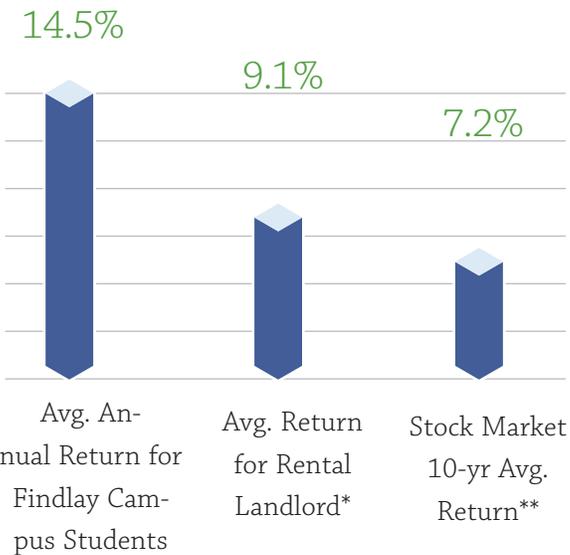
In return for their investment, Findlay Campus's students will receive a stream of higher future earnings that will continue to grow through their working lives. As shown in Figure 2, mean earnings levels at the midpoint of the average-aged worker's career increase as people achieve higher levels of education. For example, the average associate's degree completer from Findlay Campus will see an increase in earnings of \$10,700 each year compared to someone with a high school diploma or equivalent.

FIGURE 2. HIGHER EARNINGS BY EDUCATION LEVEL AT CAREER MIDPOINT IN HANCOCK COUNTY



Source: EMSI complete employment data.

FIGURE 3. STUDENT RATE OF RETURN



*RealtyTrac's Q3 2014
**Forbes's S&P 500, 1994-2014.

The present value of the higher future earnings that Findlay Campus's students will receive over their working careers is \$101 million. Dividing this value by the \$27.7 million in student costs yields a benefit-cost ratio of 3.7. In other words, for every \$1 students invest in Findlay Campus in the form of out-of-pocket expenses and forgone time and money, they receive a cumulative of \$3.70 in higher future earnings. The average annual rate of return for students is 14.5%. This is an impressive return, especially when compared to the 10-year average 7.2% return to the US stock market (Figure 3).

TAXPAYER PERSPECTIVE

Findlay Campus generates more in tax revenue than it takes. These benefits to taxpayers consist primarily of taxes that the state government will collect from the added revenue created in the state. As Findlay Campus students earn more, they will make higher tax payments. Employers will also make higher tax payments as they increase their output and purchase more supplies and services. By the end of the FY 2013-14 students' working careers, the state government will have collected a present value of \$26.6 million in added taxes.

Benefits to taxpayers consist of the savings generated by the improved lifestyles of students and the proportionally reduced government expenditures. Education is statistically correlated with a variety of lifestyle changes that generate taxpayer savings across three main categories: 1) health, 2) crime, and 3) unemployment. Improved health habits lower the students' demand for national health care services. Students are also less likely to commit crimes, so the demand for law enforcement and criminal justice services is reduced (study references are available in the main report). Students are also more employable, so the demand for welfare and unemployment benefits, such as earnings assistance and welfare benefits, is reduced. For a list of study references to these statistical benefits, please contact the campus for a copy of the main report. All of these benefits will generate a present value of \$1.8 million in savings to state taxpayers.





Total benefits to taxpayers equal \$28.5 million, equal to the sum of the added taxes and public sector savings. Comparing this to the taxpayer costs of \$5.7 million—equal to the funding that Findlay Campus received from the state government during the analysis year—yields a benefit-cost ratio of 5.0. This means that for every \$1 of public money invested in Findlay Campus, taxpayers receive a cumulative value of \$5.00 over the course of the students’ working lives. The average annual rate of return is 13.7%, a solid investment that compares favorably with other long-term investments in both the private and public sectors (Figure 3).

SOCIAL PERSPECTIVE

Society as a whole within Ohio benefits from the presence of Findlay Campus in two major ways. The first and largest benefit that society receives is an increased state economic base. As discussed in the previous section, the higher student earnings and increased business output occurs across the state. This raises prosperity in Ohio and expands the economic base for society as a whole.

Benefits to society also consist of the savings generated by the improved lifestyles of students. Similar to the taxpayer section above, education is statistically correlated with a variety of lifestyle changes that generate social savings. Note that these costs are avoided by the consumers, and are distinct from the costs avoided by taxpayers outlined above. Health savings include avoided medical costs associated with smoking, alcoholism, obesity, drug abuse, and mental disorders. Crime savings include reduced security expenditures and insurance administration, lower victim costs, and reduced criminal justice system expenditures. Unemployment savings include the reduced employer contributions towards unemployment claims. For a list of study references to these statistical benefits, please contact the campus for a copy of the main report.

Figure 4 shows the present value of the higher earnings and social savings that will occur in Ohio over the working lifetime of the FY 2013-14 student population at Findlay Campus. Higher earnings amounts to a present value of \$365.5 million due to the increased lifetime earnings of students and associated increases in business output. Social savings amount to \$7.8 million, the sum of health, crime, and unemployment savings in Ohio. Altogether, total benefits to society equal \$373.3 million (in present value terms).

FIGURE 4. PRESENT VALUE OF HIGHER EARNINGS AND SOCIAL SAVINGS IN OHIO

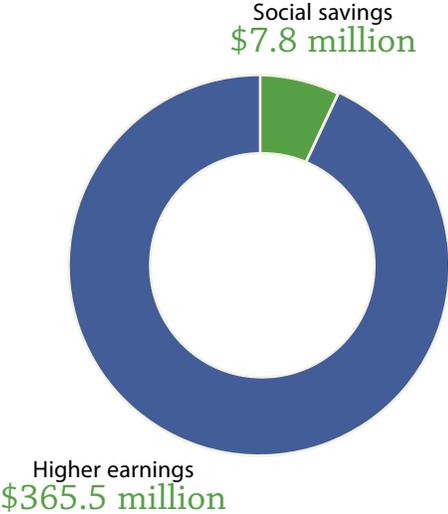


TABLE 3. SUMMARY OF INVESTMENT ANALYSIS RESULTS

STUDENT PERSPECTIVE	
\$100,982	Present value benefits (thousands)
\$27,653	Costs (thousands)
\$73,328	Net present value (thousands)
3.7	Benefit-cost ratio
14.5%	Rate of return

TAXPAYER PERSPECTIVE	
\$28,447	Present value benefits (thousands)
\$5,746	Costs (thousands)
\$22,700	Net present value (thousands)
5.0	Benefit-cost ratio
13.7%	Rate of return

SOCIAL PERSPECTIVE	
\$373,306	Present value benefits (thousands)
\$37,206	Costs (thousands)
\$336,100	Net present value (thousands)
10.0	Benefit-cost ratio
N/A	Rate of return*

* 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.

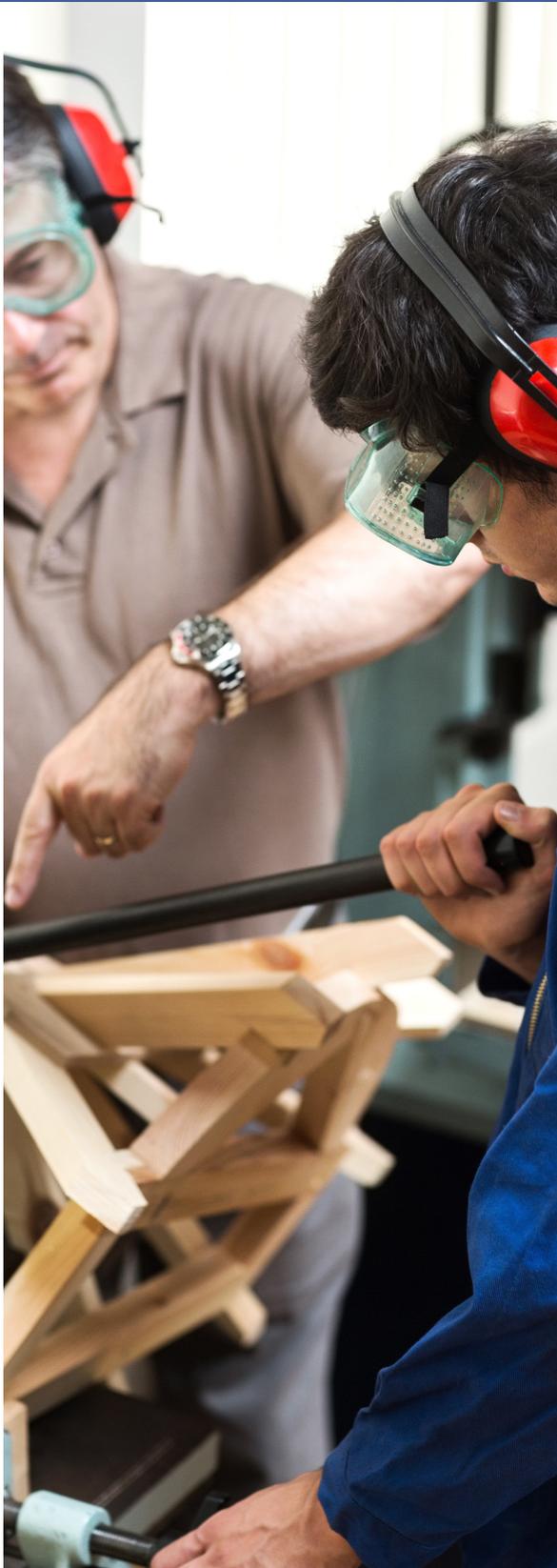
Society invested \$37.2 million in Findlay Campus educations during the analysis year. This includes all expenditures by Findlay Campus, all student expenditures, and all student opportunity costs. For every dollar of this investment, society as a whole in Ohio will receive a cumulative value of \$10.00 in benefits, equal to the \$373.3 million in benefits divided by the \$37.2 million in costs. These benefits will occur for as long as Findlay Campus’s FY 2013-14 students remain employed in the state workforce.

SUMMARY OF INVESTMENT ANALYSIS RESULTS

Table 3 presents the results of the investment analysis for all three of Findlay Campus’s major stakeholder groups—students, taxpayers, and society. As shown, students receive great value for their educational investment. At the same time, the investment made by state taxpayers to the campus creates a wide range of benefits to society and returns more to government budgets than it costs.



CONCLUSION



The results of this study demonstrate that Findlay Campus creates value from multiple perspectives. The campus benefits local businesses by increasing consumer spending in the county and supplying a steady flow of qualified, trained workers into the workforce. It enriches the lives of students by raising their lifetime earnings and helping them achieve their individual potential. It benefits state taxpayers through increased tax receipts across the state and a reduced demand for government-supported social services. Finally, it benefits society as a whole in Ohio 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 2013-14 academic and financial reports from the campus, industry and employment data from the U.S. Bureau of Labor Statistics and U.S. Census Bureau, outputs of EMSI's Social Accounting Matrix (SAM) 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 investment effectiveness and economic impact. For a full description of the data and approach used in the study, please contact the campus for a copy of the technical report.

ABOUT EMSI

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