



# **The Socioeconomic Benefits Generated by Del Mar College**

*State of Texas*

## **Executive Summary**

5-Apr-2002

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# Executive Summary

## HIGHLIGHTS

- Del Mar College pays \$31.0 million in direct faculty and staff wages and salaries, and explains an additional \$349 million in wages and salaries off campus.
- Taxpayers see a real money “book” return on their annual investments in Del Mar College of 13.0% and recover all investments in 9.6 years.
- Students enjoy an attractive 32% annual return on their investment of time and money – for every \$1 the student invests in DMC, he or she will receive a cumulative \$11.41 in higher future earnings over the next 30 years.
- The State of Texas benefits from improved health and reduced welfare, unemployment, and crime, saving the public some \$7.7 million per year.

translates these into common sense benefit-cost and investment terms. It has been subjected to peer review, field tested on over 50 different CCs throughout the nation, and is now applied to DMC. Model results are based on solid economic theory, carefully drawn functional relationships, and a wealth of national and local education-related data. The model provides relief from the all-too-common “advocacy analyses” that inflate benefits, understate costs, and thus discredit the process of higher education impact assessment.



## INTRODUCTION

**How do the Greater Corpus Christi Economic Region economy and the State of Texas benefit from the presence of Del Mar College (DMC)?** An obvious question often asked, but rarely answered with more than anecdotes. In this study, CCbenefits, Inc. applied a comprehensive economic model they have developed to capture and quantify the economic and social benefits of community colleges (CCs). The model took over a year to develop with funding from the Association for Community College Trustees (ACCT), it relies on data collected from individual CCs, and

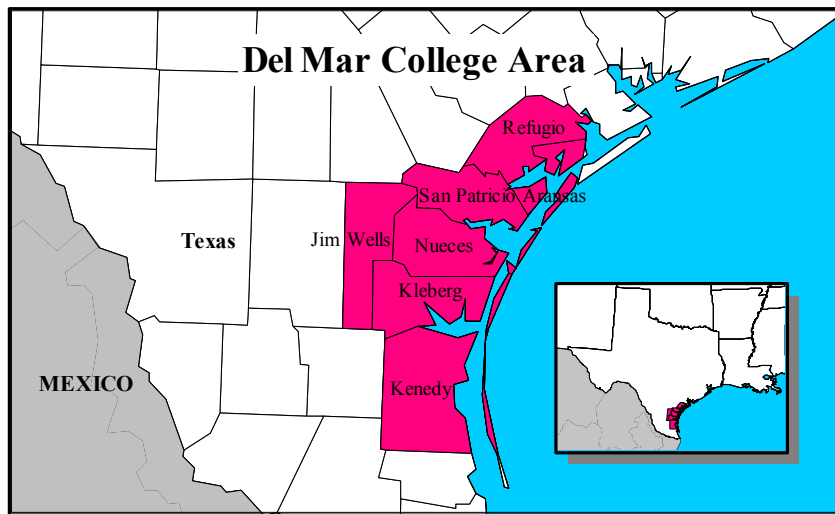
Four types of benefits are tracked: (1) contributions to local job and income formation (regional economic benefits); (2) higher earnings captured by exiting students; (3) a broad collection of social benefits (improved health, reduced crime, and lower welfare and unemployment); and (4) the return to taxpayers for their CC support.

## THE RESULTS

For a more in depth exploration of this topic, the reader is encouraged to consult the main report “The Socioeconomic Benefits Generated by Del Mar College”

containing the detailed assumptions, their context, and the computation procedures.

more robust Greater Corpus Christi Economic Region economy. Based on current enrollment, turnover, and the



growth of instruction over time, the local region workforce embodies an estimated 5.0 million credits of past instruction (credit and non-credit hours). The accumulated contribution of past DMC instruction adds some \$336.0 million in annual earnings to the Greater Corpus Christi Economic Region economy (equal to that of 10,706 jobs).

➤ **Regional Perspective – the Del Mar College Economy**

The existence of DMC explains \$379.7 million of all annual earnings in the Greater Corpus Christi Economic Region economy (see map). The earnings explained by DMC are equal to that of roughly 12,101 jobs. The earnings and job effects break down as follows:

- *DMC Operations and Capital Spending*

DMC pays wages and salaries, which generate additional incomes as they are spent. Likewise, DMC operating and capital expenditures generate still further earnings. Altogether, these earnings account for \$43.8 million annually in the Greater Corpus Christi Economic Region economy (equal to that of 1,395 jobs).

- *Higher Earnings due to Past Instruction*

Each year students leave DMC and join or rejoin the local workforce. Their added skills translate to higher earnings and a

➤ **Student Perspective**

The student’s perspective on the benefits of higher education is the most obvious: he or she sacrifices tuition and current earnings for a lifetime of higher earnings. For every credit completed DMC students will, on average, earn \$119 more per year, every year they are in the workforce. Alternatively, for every full-time year they attend they will earn an additional \$3,984 per year. In the aggregate (all exiting students), the higher earnings amount to some \$26.7 million per year, every year they remain in the workforce.

From an investment standpoint, DMC students will enjoy a 32% rate of return on their investments of time and money, which compares favorably with the returns on other investments, e.g., the long-term return on US stocks and bonds. The corresponding B/C ratio (the sum of the discounted future benefits divided by the sum of the discounted costs) is 11.4, i.e., for every \$1 the student invests in DMC education, he or she will receive a

cumulative of \$11.41 in higher future earnings over the next 30 years or so. The payback period (the time needed to recover all costs) is 4.8 years.

➤ **Taxpayer Perspectives**

State and local government spent \$43,407,919 in support of DMC during the analysis year. Is this a good use of taxpayer money? Our analysis indicates that the answer is a resounding yes: returns far outweigh the costs, particularly when a collection of social savings is included in the assessment. For example, persons with higher education are less likely to smoke or abuse alcohol, draw welfare or unemployment benefits, or commit crimes. This translates into associated dollar savings (avoided costs) amounting to some \$52 per credit per year, counted as an indirect benefit of DMC education. When aggregated across all exiting students, the State of Texas will benefit from \$7.7 million worth of avoided costs per year, broken down as follows:

• *Improved Health*

Greater Corpus Christi Economic Region area employers will see health-related absenteeism decline by 14,920 days per year, with a corresponding annual dollar savings of \$1.2 million. The state will benefit from the health-related savings of 424 fewer smokers and 105 fewer alcohol abusers. The corresponding dollar savings are \$1,257,445 and \$836,489 per year, now and into the future (these savings include insurance premiums, co-payments and deductibles, and withholding for Medicare and Medicaid).

• *Reduced Crime*

Studies show that incarceration drops with each year of higher education. In the Greater Corpus Christi Economic Region, 182 fewer individuals will be incarcerated per year, resulting in annual savings of \$2,207,853 (combined savings from reduced arrest, prosecution, jail, and reform costs). Reductions in victim costs (e.g., property damage, legal expenses, lost workdays, etc.) result in savings of \$463,672 per year. Finally, people employed rather than incarcerated add \$617,176 of earnings per year to the economy.

• *Reduced Welfare/Unemployment*

There will be 162 fewer people on welfare, and 144 fewer drawing unemployment benefits per year, respectively, saving some \$17,037 and \$1,139,906 per year in the state.

➤ **Taxpayer Return on Investment**

The return on a year's worth of state and local government investment in DMC is obtained by projecting the associated educational benefits into the future, discounting them back to the present, and weighing these against the \$43,407,919 state and local taxpayers spent during the analysis year to support the college. The analysis assumes that without the state and local government support (75% of the budget) DMC would have to shut its doors. Two investment perspectives are possible, one broad and one narrow.

• *Broad Perspective*

Taxpayers expect their annual investment in DMC to result in higher lifetime earnings for students and social savings from lifestyle changes (reduced crime,

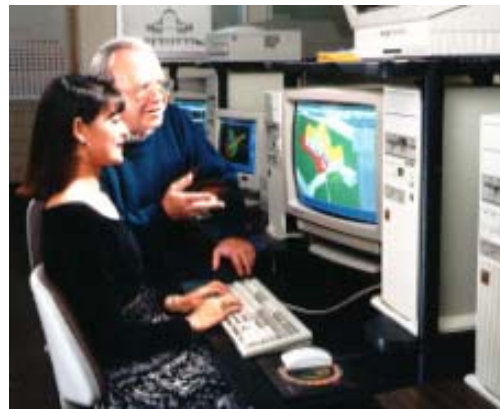
welfare and unemployment, and improvements in health). From a broad investment perspective, the value of *all* future earnings and associated social savings is compared to the year's worth of state and local taxpayer support that made the benefits possible. Following this procedure, it is estimated that DMC provides a B/C ratio of 14.6, i.e., every dollar of state or local tax money invested in DMC today returns a cumulative of \$15 over the next 30 years.

- *Narrow Perspective*

The narrow perspective limits the benefit stream to state and local government budgets, namely increased tax collections and expenditure savings. For example, in place of total increased student earnings, the narrow perspective includes only the increased state and local tax receipts from those higher earnings. Similarly, in place of overall crime, welfare, unemployment and health savings, the narrow perspective includes only those portions that translate to actual reductions in state and local government expenditures.

Note here that it is normal for the state government to undertake activities wanted by the public, which are unprofitable in the marketplace. This means that positive economic returns are generally not expected from government investments. From the narrow taxpayer perspective, therefore, even a small

positive return (a B/C ratio equal to just greater than 1, and/or a rate of return equal to or just greater than the 4.0% discount rate used in this analysis) would be a most favorable outcome, certainly one that justifies continued taxpayer support of the college. For DMC, the narrow perspective results greatly exceed the minimum expectations. The results indicate strong and positive returns: a RR of 13.0%, a B/C ratio of 2.5 (every dollar of state or local tax money invested in DMC today returns \$2.47), and a short payback period of only 9.6 years.

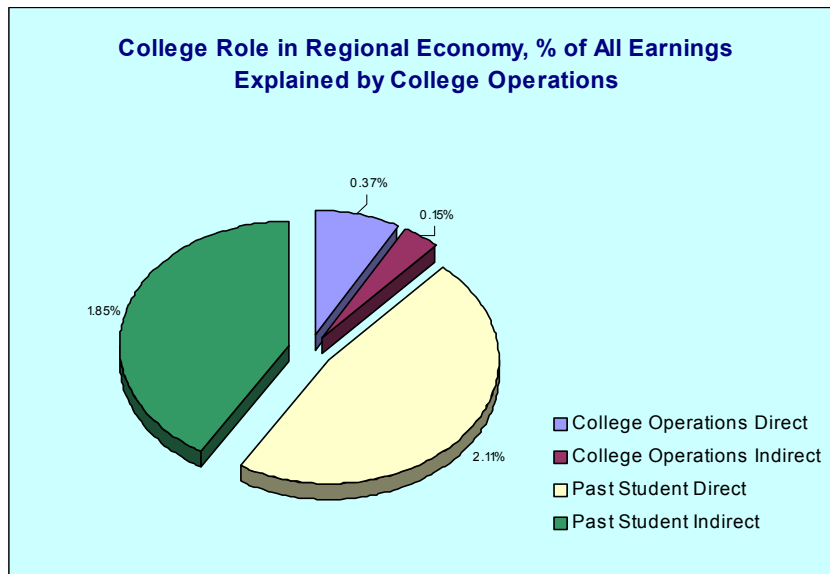


## CONCLUSION

The results of this study demonstrate that DMC is a sound investment from a multiple of perspectives. It enriches the lives of students while reducing the demand for taxpayer-supported social services. Finally, it contributes to the vitality of both the local and state economies.

Benefits at a Glance

Regional Analysis	Regional Impact		
<b>Regional Economic Development</b>			
Increment from college operations			\$43,774,000
Increment from past student productivity			\$335,951,000
<b>Total</b>			<b>\$379,725,000</b>
Job equivalent			12,101
<b>Annual Benefits</b>			
<i>Higher earnings</i>			
Aggregate (all student)			\$26,738,277
Per Credit			\$119
Per year full time equivalent student			\$3,984
<i>Social savings</i>			
Aggregate (all students)			\$7,722,834
Per Credit			\$52
Per year full time equivalent student			\$1,569
Investment Analysis	RR	B/C Ratio	Payback (Years)
Students	32%	11.4	4.8
Taxpayers: Broad Perspective	NA	14.6	NA
Taxpayers: Narrow Perspective	13.0%	2.5	9.6



In sum, the graph shows that the college explains a total of 4.5% of all earnings (\$8.48 billion) generated from all sources in the economic region.

This short summary report is one of four products generated for this impact study. In addition, one long report intended for economists and CC institutional researchers (65 pp) lays out the detailed assumptions and analysis. Another report (10 pp) provides detailed tabular results by gender, ethnicity, and entry levels of education. Lastly, a PowerPoint presentation is developed showing the main results for CC Presidents to adapt and use in speeches before state legislators and other education stakeholders.