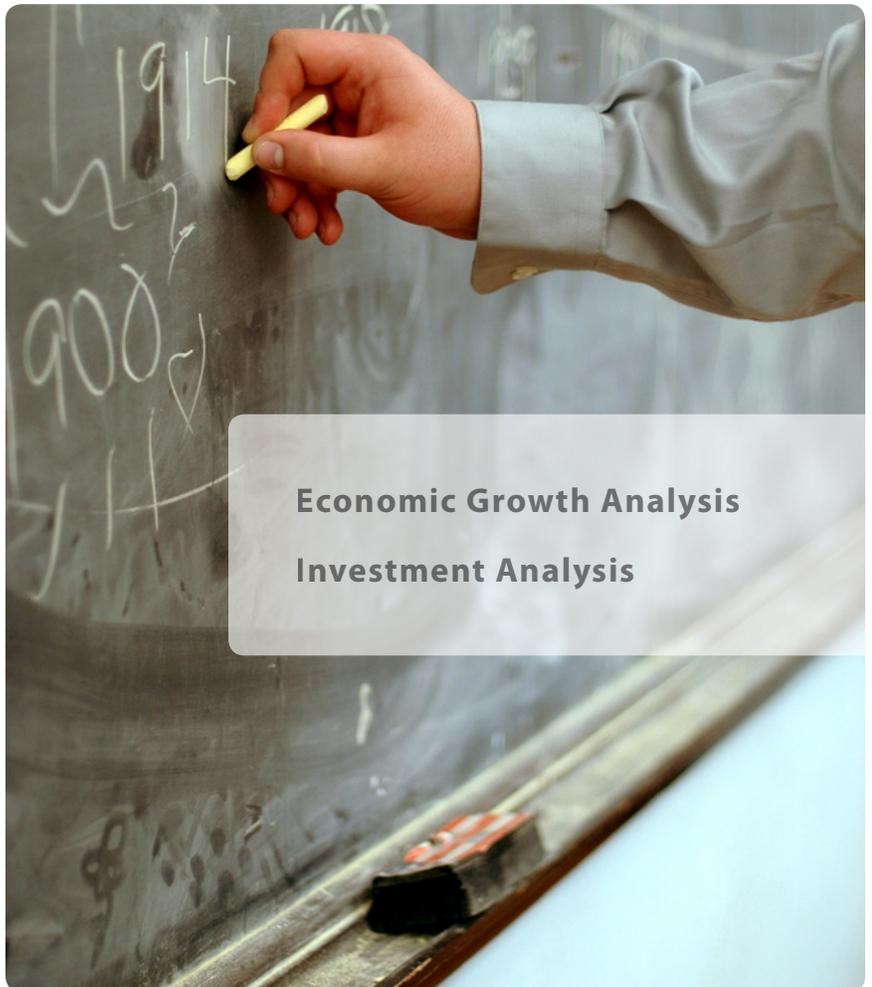




Executive Summary

The **Economic Contribution** *of the*

Florida College System
State of Florida



Economic Growth Analysis
Investment Analysis

emsi

March 2013



Socioeconomic Impact Study

STUDY HIGHLIGHTS

INVESTMENT ANALYSIS

- For every dollar students invest in the Florida College System, they receive a cumulative **\$6.00** 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 **\$158.6 million** per year.
- Taxpayers see a rate of return of **9.4%** on their investment in the Florida College System.

ECONOMIC GROWTH ANALYSIS

- The net added income generated by the operations of the Florida College System (**\$1.3 billion**) and the spending of out-of-state students (**\$24.9 million**) contributes a total of **\$1.4 billion** in income to the Florida economy each year.
- The accumulated credits achieved by former students of the Florida College System over the past 30 years translate to **\$25.2 billion** in added state income in 2011-12 due to the higher earnings of students and increased output of businesses.

COLLEGES IN THE FLORIDA COLLEGE SYSTEM AND TOTAL ENROLLMENTS (CREDIT AND NON-CREDIT), FY 2011-12

College	Enrollments	College	Enrollments
Brevard Community College	27,350	Miami Dade College	139,994
Broward College	66,762	North Florida Community College	2,240
College of Central Florida	15,445	Northwest Florida State College	14,397
Chipola College	3,664	Palm Beach State College	47,856
Daytona State College	31,000	Pasco-Hernando Community College	17,965
Edison State College	24,522	Pensacola State College	21,396
Florida Gateway College	5,439	Polk State College	16,487
Florida Keys Community College	2,413	Santa Fe College	25,175
Florida State College at Jacksonville	66,013	Seminole State College of Florida	31,820
Gulf Coast State College	12,846	South Florida State College	6,160
Hillsborough Community College	45,803	St. Johns River State College	10,753
Indian River State College	29,684	St. Petersburg College	59,317
Lake-Sumter State College	7,775	Tallahassee Community College	37,088
State College of Florida, Manatee-Sarasota	21,316	Valencia College	64,861
		Florida College System total	855,541

Executive Summary

INTRODUCTION

How does the economy of the state of Florida benefit from the presence of the Florida College System?

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:

1. **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.

2. **Economic Growth Analysis:** Measures added income in the state 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 Florida College System.

THE RESULTS

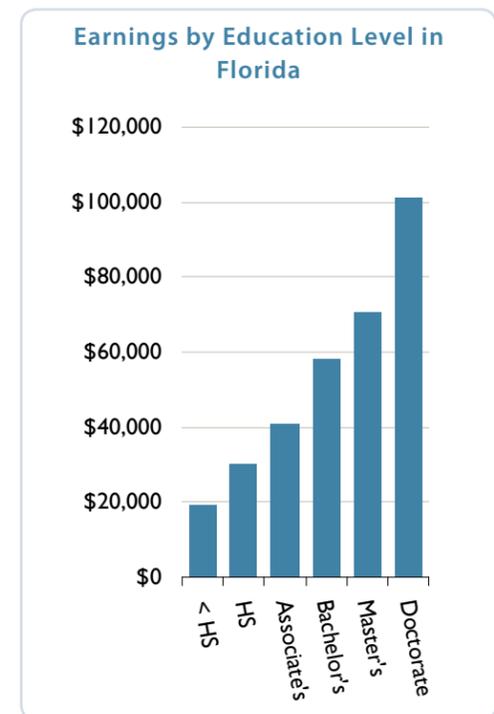
Investment Analysis

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 \$10,600 more per year, on average, over the course of a working lifetime (undiscounted).

From an investment standpoint, students of the Florida College System enjoy a 16.8% 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 6.0, i.e., for every dollar students invest in education, they receive a cumulative of \$6.00 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 9.1 years.



INVESTMENT ANALYSIS AT A GLANCE

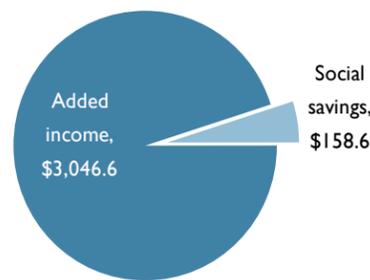
Stakeholder	Rate of Return	Benefit/Cost	Payback (Years)
Student perspective	16.8%	6.0	9.1
Social perspective	NA	26.2	NA
Taxpayer perspective	9.4%	2.9	13.8

Social Perspective

From the perspective of society as a whole, the benefits of education accrue to different publics. For example, students from the Florida College System 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 \$3.0 billion in taxable income to the Florida economy each year.

Studies have also shown that, as students achieve higher levels of education, they are 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 \$158.6 million annually. These are benefits that are incidental to the operations of the Florida College System and accrue for years into the future, for as long as students remain active in the workforce.

Total Annual Benefits to the Florida Public Due to the Florida College System (\$ Millions)



To compare benefits to costs, we project benefits into the future, discount them back to the present,

and weigh them against the \$1.2 billion that state taxpayers spent in FY 2011-12 to support the Florida College System. Following this procedure, it is estimated that the Florida College System provides a benefit/cost ratio of 26.2, i.e. every dollar of state tax money invested in the Florida College System today yields a cumulative of \$26.20 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 the 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 equal to or greater than the 3% discount rate used in the taxpayer investment analysis) would be a favorable outcome.

For the Florida College System, the results indicate positive returns: a rate of return of 9.4% and a benefit/cost ratio of 2.9 (every dollar of state tax money invested in the Florida College System today returns \$2.90).

Economic Growth Analysis

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

College Operations Effect

The Florida College System creates income through the earnings of its faculty and staff, as well as through its own operating and capital expenditures. Adjusting for taxes and other monies withdrawn from the state economy in support of the Florida College System, it is estimated that the state economy receives a net of \$1.3 billion in added labor and non-labor income due to the operations of the Florida College System each year.

Student Spending Effect

Students from outside the state spend money for room and board, transportation, entertainment, and other miscellaneous personal expenses. These expenditures

create jobs and incomes for businesses. The spending of out-of-state students attending the Florida College System generates approximately \$24.9 million in added income in the Florida economy each year.

Student Productivity Effect

Every year students leave the Florida College System and join or rejoin the state workforce. Their added skills translate to higher income and a more robust state economy. Based on the historical enrollment and credit production of the Florida College System over the past 30-year period, it is estimated that the accumulated contribution of instruction received by former students at the Florida College System (both completers and non-completers) annually adds some \$25.2 billion in income to Florida.

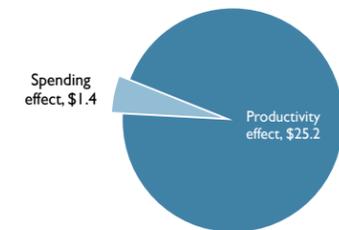
Total Effect

Altogether, the average annual added income due to the activities of the Florida College System and its former students equals \$26.6 billion. This is approximately equal to 4.0% of the total Florida economy.

ECONOMIC IMPACT ANALYSIS AT A GLANCE

Added Income	
College operations effect	\$1,345,166,000
Student spending effect	\$24,854,000
Total spending effect	\$1,370,020,000
Student productivity effect	\$25,201,180,000
GRAND TOTAL	\$26,571,201,000

Total Added Income in Florida (\$ Billions)



CONCLUSION

The results of this study demonstrate that the Florida College System is a sound investment from multiple perspectives. It 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 the Florida College System” detailing the role that the Florida College System plays in promoting economic development, enhancing students’ careers, and improving quality of life. Data sources include, but are not limited to, 2011-12 academic and financial reports from the Florida College System, 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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