

# FACT SHEET

Where Value Meets Values: The Economic Impact of Community Colleges

America's community colleges create a significant positive impact on the national economy and generate a return on investment to their major stakeholder groups—students, society, and taxpayers. Using a two-pronged approach that involves an economic impact analysis and an investment analysis, the study calculates the benefits to each of these groups.

## IMPACT ON NATIONAL ECONOMY

During the analysis year, America's community colleges and their students added **\$809 billion** in income to the U.S. economy, approximately equal to **5.4%** of the nation's Gross Domestic Product. The economic impacts of community colleges break down as follows:

### Impact of student productivity

- Over the years, students have studied at America's community colleges and entered or re-entered the workforce with newly-acquired skills. Today millions of former students are employed in the U.S. workforce.
- The accumulated contribution of the increased productivity of former students working in the U.S. amounted to **\$806.4 billion** in added income in 2012.

### Impact of international students

- About **1.3%** of students attending America's community colleges in 2012 were international students.
- In order to attend college, international students paid \$1.2 billion to cover the cost of their tuition and fees and purchase books and supplies. The net impact of these expenses was approximately **\$1.5 billion** in added income.
- International students also spent money for room and board, transportation, and other personal goods and services. These expenditures added approximately **\$1.1 billion** in income to the national economy.
- Altogether, international student spending added a total of **\$2.6 billion** in income to the U.S. economy in 2012.

## INCOME CREATED BY AMERICA'S COMMUNITY COLLEGES IN 2012

**\$806.4 billion**  
Effect of student productivity

**\$2.6 billion**  
Effect of international student spending

**\$809 billion**  
Total effect

## JOB EQUIVALENTS BASED ON INCOME

Job equivalents are a measure of the average-wage jobs that a given amount of income can potentially support. They are calculated by dividing income by the average income per worker.

Overall, the added income created in the U.S. through increased student productivity and the spending of international students supported 15.5 million job equivalents in 2012.

# RETURN ON INVESTMENT TO STUDENTS, SOCIETY, AND TAXPAYERS

## Student perspective

- The 2012 student population at America's community colleges paid **\$18.7 billion** to cover the cost of tuition, fees, books, supplies, and interest on loans. They also forwent **\$78.7 billion** in money that they would have earned had they been working instead of learning.
- In return for the monies invested in the colleges, students will receive a present value of **\$469.3 billion** in increased earnings over their working lives. This translates to a return of **\$4.80** in higher future income for every \$1 that students invest in their education.
- The students' return on investment (i.e., benefits less the cost of the original investment divided by total cost) thus comes to a net of **\$3.80** in additional benefits over and above every \$1 paid.
- The average annual internal rate of return for students is **17.8%**.

## Social perspective

- Society as a whole the U.S. will receive a present value of **\$1.1 trillion** in added income over the course of the students' working lives. Society will also benefit from **\$46.4 billion** in present value social savings related to reduced crime, lower unemployment, and increased health and well-being across the U.S.
- For every dollar that U.S. taxpayers spent on America's community colleges during the analysis year, society will receive a cumulative value of **\$25.90** in benefits, for as long as the 2012 student population remains active in the U.S. workforce.

## Taxpayer perspective

- Federal, state and local taxpayers paid **\$44.9 billion** to support the operations of America's community colleges in 2012.
- The net present value of the added tax revenue stemming from the students' higher lifetime incomes and the increased output of businesses amounts to **\$285.7 billion** in benefits to taxpayers. Savings to the public sector add another **\$19.2 billion** in benefits due to a reduced demand for government-funded services.
- Dividing benefits to taxpayers by the associated costs yields a **6.8** benefit-cost ratio, i.e., every \$1 in costs returns **\$6.80** in benefits. Subtracting the costs of the original investment yields a net return on investment of **\$5.80** over and above every \$1 in costs.
- The average annual rate of return for taxpayers is **14.3%**.

FOR EVERY \$1 SPENT...

**\$4.80**

Gained in lifetime income  
for STUDENTS

**\$25.90**

Gained in added income and  
social savings for SOCIETY

**\$6.80**

Gained in added taxes and public  
sector savings for TAXPAYERS

## ABOUT EMSI

Economic Modeling Specialists International, a CareerBuilder company, is a leading provider of economic impact studies and labor market data to educational institutions, workforce planners, and regional developers in the U.S. and internationally. Since 2000, EMSI has completed over 1,200 economic impact studies for educational institutions in four countries. For more information about EMSI and its products and services, visit [www.economicmodeling.com](http://www.economicmodeling.com).

## ABOUT AACC

Headquartered in Washington, D.C., the American Association of Community Colleges (AACC) is an advocacy organization proactively advancing the cause of more than 1,100 community colleges at the national and state level. AACC works closely with directors of state offices to inform state policy and has ongoing interaction with key federal departments and agencies including the U.S. Departments of Agriculture, Labor, Education, Energy, Homeland Security, Commerce, State, and the National Science Foundation.