

# RETURN ON INVESTMENT TO TAXPAYERS

Where Value Meets Values: The Economic Impact of Community Colleges

Students and society as a whole enjoy a range of benefits due to their educational investment in America's community colleges. A portion of these benefits accrues to taxpayers in the form of higher tax receipts and a reduced demand for government-supported social services.

## AMERICA'S COMMUNITY COLLEGES INCREASE TAX REVENUE IN THE U.S.

- As students earn more, they pay higher taxes. Employers also pay higher taxes through their increased output and spending.
- Federal, state, and local governments will collect a present value of **\$285.7 billion** in the form of higher tax receipts over the students' working lives.

## AMERICA'S COMMUNITY COLLEGES REDUCE GOVERNMENT COSTS

- Students who achieve higher levels of education are statistically less likely to have poor health habits, commit crimes, or claim welfare or unemployment benefits.
- The improved lifestyles of students result in a reduced demand for government-supported services. Better health leads to reduced health care costs. Reduced crime leads to a reduced burden on the criminal justice system. Further, increased employability leads to fewer claims for welfare and unemployment benefits.
- As a result, U.S. taxpayers will see a present value of **\$19.2 billion** in savings to federal, state, and local governments over the students' working careers.

## AMERICA'S COMMUNITY COLLEGES ARE A SOLID INVESTMENT

- In 2012, U.S. taxpayers paid **\$44.9 billion** to support the operations of America's community colleges.
- For every \$1 of public money spent on the colleges, taxpayers receive a cumulative return of **\$6.80** over the

course of students' working lives in the form of higher tax receipts and public sector savings. The return on investment to taxpayers (i.e., the benefit-cost ratio less the cost of the original investment) comes to **\$5.80** returned over and above every \$1 in costs.

- Taxpayers see a **14.3%** internal rate of return on their investment in America's community colleges. This return compares favorably with the 1.1% discount rate used by the federal government to appraise long-term public sector investments.

COMPARING TAXPAYER RATE OF RETURN TO DISCOUNT RATE

