



SAN DIEGO
COMMUNITY COLLEGE
DISTRICT

The Economic Value of the
San Diego Community College District

EXECUTIVE SUMMARY



SAN DIEGO COUNTY, CA

THE San Diego Community College District* (SDCCD) creates value in many ways. The colleges play a key role in helping students increase their employability and achieve their individual potential. The colleges retain students in the county, generating new dollars and opportunities for San Diego County. The colleges provide students with the education, training, and skills they need to have fulfilling and prosperous careers. Furthermore, the colleges are places for students to meet new people, increase their self-confidence, and promote their overall health and well-being.

The SDCCD influences both the lives of students and the county economy. The colleges support a variety of industries in San Diego County, serve county businesses, and benefit society as a whole in California from an expanded economy and improved quality of life. The benefits created by the SDCCD even extend to the state and local government through increased tax revenues and public sector savings.

This study measures the economic impacts created by the SDCCD on the business community and the benefits the colleges generate in return for the investments made by their key stakeholder groups—students, taxpayers, and society. The following two analyses are presented:



Economic impact analysis



Investment analysis

All results reflect employee, student, and financial data, provided by the district, for fiscal year (FY) 2019-20. Impacts on the San Diego County economy are reported under the economic impact analysis and are measured in terms of added income. The returns on investment to students, taxpayers, and society in California are reported under the investment analysis.

* The San Diego Community College District consists of San Diego City College, San Diego Mesa College, San Diego Miramar College, and seven campuses of San Diego Continuing Education.

The SDCCD influences both the lives of its students and the county economy.



Economic impact analysis

The SDCCD promotes economic growth in San Diego County through its direct expenditures and the resulting expenditures of students and county businesses. The colleges serve as employers and buyers of goods and services for their day-to-day and construction operations. The colleges' activities retain students in San Diego County, whose expenditures benefit county vendors. In addition, the colleges are primary sources of higher education to San Diego County residents and suppliers of trained workers to county industries, enhancing overall productivity in the county workforce.

Operations Spending Impact



The SDCCD adds economic value to San Diego County as an employer of county residents and a large-scale buyer of goods and services. In FY 2019-20, the district employed 5,400 full-time and part-time faculty and staff, 97% of whom lived in San Diego County. Total payroll at the SDCCD was \$331.7 million, much of which was spent in the county for groceries, mortgage and rent payments, dining out, and other household expenses. In addition, the district spent \$193.6 million on day-to-day expenses related to facilities, supplies, and professional services.

The SDCCD's day-to-day operations spending added \$479.9 million in income to the county during the analysis year. This figure represents the colleges' payroll, the multiplier effects generated by the in-county spending of the district and its employees, and a downward adjustment to account for funding that the district received from county sources. The \$479.9 million in added income is equivalent to supporting 6,653 jobs in the county.

Construction Spending Impact



The SDCCD invests in construction each year to maintain facilities, create additional capacities, and meet its growing educational demands. While the amount varies from year to year, these quick infusions of income and jobs have a substantial impact on the county economy. In FY 2019-20, the SDCCD's construction spending generated \$6.6 million in added income, which is equivalent to supporting 77 jobs.

Student Spending Impact



Some in-county students, referred to as retained students, would have left San Diego County if not for the existence of the SDCCD. While attending the colleges, these retained students spent money

IMPACTS CREATED BY THE SDCCD
IN FY 2019-20



\$479.9 million
Operations Spending Impact



\$6.6 million
Construction Spending Impact



\$93.8 million
Student Spending Impact



\$3.5 billion
Alumni Impact



\$4.1 billion
TOTAL IMPACT

- OR -

42,133
JOBS SUPPORTED

on groceries, accommodation, transportation, and other household expenses. This spending generated \$93.8 million in added income for the county economy in FY 2019-20, which supported 1,731 jobs in San Diego County.

Alumni Impact



The education and training the colleges provide for county residents has the greatest impact. Since the colleges were established, students have studied at the SDCCD and entered the county workforce with greater knowledge and new skills. Today, hundreds of thousands of former SDCCD students are employed in San Diego County. As a result of their SDCCD educations, the students receive higher earnings and increase the productivity of the businesses that employ them. In FY 2019-20, SDCCD alumni generated \$3.5 billion in added income for the county economy, which is equivalent to supporting 33,672 jobs.

Total Impact

The SDCCD added \$4.1 billion in income to the San Diego County economy during the analysis year, equal to the sum of the operations and construction spending impacts, the student spending impact, and the alumni impact. For context, the \$4.1 billion impact was equal to approximately 1.6% of the total gross regional product (GRP) of San Diego County. This contribution that the colleges provided on their own was larger than the entire Arts, Entertainment, & Recreation industry in the county.

The SDCCD's total impact can also be expressed in terms of jobs supported. The \$4.1 billion impact supported 42,133 county jobs, using the jobs-to-sales ratios specific to each industry in the county. This means that one out of every 52 jobs in San Diego County is supported by the activities of the colleges and their students. In addition, the \$4.1 billion, or 42,133 supported jobs, stemmed from different industry sectors. Among non-education industry sectors, the SDCCD's spending and alumni in the Government, Non-Education industry sector supported 8,062 jobs in FY 2019-20. These are impacts that would not have been generated without the colleges' presence in San Diego County.

SDCCD IMPACT BY INDUSTRY (JOBS SUPPORTED)



One out of every 52 jobs in San Diego County is supported by the activities of the SDCCD and its students.



Investment analysis

An investment analysis evaluates the costs associated with a proposed venture against its expected benefits. If the benefits outweigh the costs, then the investment is financially worthwhile. The analysis presented here considers the SDCCCD as an investment from the perspectives of students, taxpayers, and society in California.

Student Perspective



In FY 2019-20, the SDCCCD served 61,603 credit and 29,844 non-credit students. In order to attend the colleges, the students paid for tuition, fees, books, and supplies. They also gave up money they would have otherwise earned had they been working instead of attending college. The total investment made by SDCCCD students in FY 2019-20 amounted to a present value of \$472.8 million, equal to \$77 million in out-of-pocket expenses and \$395.8 million in forgone time and money.

In return for their investment, the SDCCCD's students will receive a stream of higher future earnings that will continue to grow throughout their working lives. For example, the average SDCCCD associate degree graduate from FY 2019-20 will see annual earnings that are \$10,000 higher than a person with a high school diploma or equivalent working in California. Over a working lifetime, the benefits of the associate degree over a high school diploma will amount to an undiscounted value of \$380 thousand in higher earnings per graduate. The present value of the cumulative higher future earnings that the SDCCCD's FY 2019-20 students will receive over their working careers is \$1.8 billion.

STUDENTS SEE A HIGH RATE OF RETURN FOR THEIR INVESTMENT IN SDCCCD



17.7%

Average annual return for SDCCCD students



9.9%

Stock market 30-year average annual return

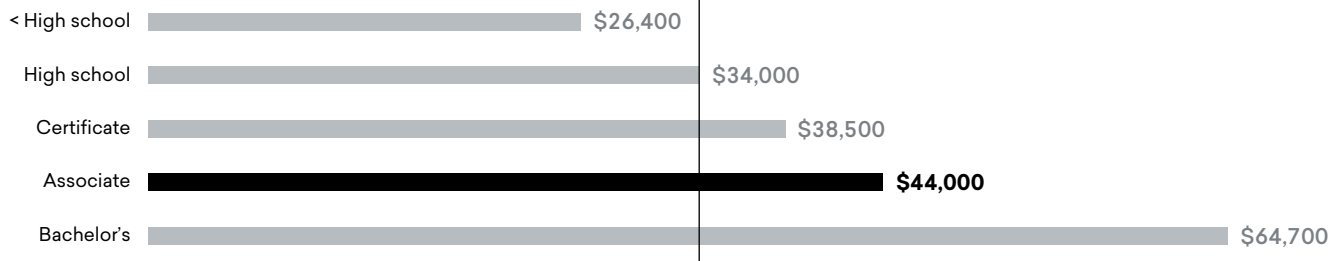


0.8%

Interest earned on savings account (National Rate Cap)

Source: Forbes' S&P 500, 1989-2018. FDIC.gov, 6-2019.

The average associate degree graduate from the SDCCCD will see an increase in earnings of **\$10,000** each year compared to a person with a high school diploma or equivalent working in California.



Source: Emsi employment data.

The students' benefit-cost ratio is 3.7. In other words, for every dollar students invest in an education at the SDCCD, in the form of out-of-pocket expenses and forgone time and money, they will receive a cumulative value of \$3.70 in higher future earnings. Annually, the students' investment in the SDCCD has an average annual internal rate of return of 17.7%, which is impressive compared to the U.S. stock market's 30-year average rate of return of 9.9%.

Taxpayer Perspective



The SDCCD generates more in tax revenue than it takes. These benefits to taxpayers consist primarily of taxes that the state and local government will collect from the added revenue created in the state.

As the SDCCD's students will earn more, they will make higher tax payments throughout their working lives. Students' employers will also make higher tax payments as they increase their output and purchases of goods and services. By the end of the FY 2019-20 students' working lives, the state and local government will have collected a present value of \$569.5 million in added taxes.

Benefits to taxpayers will also consist of savings generated by the improved lifestyles of the SDCCD's students and the corresponding reduced government services. Education is statistically correlated with a variety of lifestyle changes.

Students' SDCCD educations will generate savings in three main categories: 1) healthcare, 2) crime, and 3) income assistance. Improved health will lower students' demand for national health care services. In addition, students will be less likely to interact with the criminal justice system, resulting in a reduced demand for law enforcement and victim costs. The SDCCD's students will be more employable, so their reduced demand for income assistance such as welfare and unemployment benefits will benefit taxpayers. For a list of study references, contact the SDCCD for a copy of the main report. Altogether, the present value of the benefits associated with an SDCCD education will generate \$85.7 million in savings to state and local taxpayers.

Total taxpayer benefits amount to \$655.2 million, the present value sum of the added taxes and public sector savings. Taxpayer costs are \$457.6 million, equal to the amount of state and local government funding the SDCCD received in FY 2019-20. These benefits and costs yield a benefit-cost ratio of 1.4. This means that

*For every dollar of public money invested in the SDCCD, taxpayers will receive a cumulative value of **\$1.40** over the course of the students' working lives.*



STUDENT PERSPECTIVE

\$1.8 billion
Present value benefits

\$472.8 million
Present value costs

\$1.3 billion
Net present value

Benefit-cost ratio Rate of return

3.7

17.7%



TAXPAYER PERSPECTIVE

\$655.2 million
Present value benefits

\$457.6 million
Present value costs

\$197.6 million
Net present value

Benefit-cost ratio Rate of return

1.4

3.8%



SOCIAL PERSPECTIVE

\$8.8 billion
Present value benefits

\$983.3 million
Present value costs

\$7.8 billion
Net present value

Benefit-cost ratio Rate of return

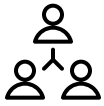
8.9

n/a*

* The rate of return is not reported for the social perspective because the beneficiaries are not necessarily the same as the original investors.

for every dollar of public money invested in the SDCCD in FY 2019-20, taxpayers will receive a cumulative value of \$1.40 over the course of the students' working lives. The average annual internal rate of return for taxpayers is 3.8%, which compares favorably to other long-term investments in the public and private sectors.

Social Perspective



Society as a whole in California benefits from the presence of the SDCCD in two major ways. Primarily, society benefits from an increased economic base in the state. This is attributed to higher student earnings and increased business output, which raise economic prosperity in California.

Benefits to society also consist of the savings generated by the improved lifestyles of SDCCD students. As discussed in the previous section, education is statistically correlated with a variety of lifestyle changes that generate social savings. Note that these costs are avoided by the consumers but are distinct from the costs avoided by the taxpayers outlined above. Healthcare savings include avoided medical costs associated with smoking, alcohol dependence, obesity, drug abuse, and depression. Savings related to crime include reduced security expenditures and insurance administration, lower victim costs, and reduced expenditures by the criminal justice system. Income assistance savings include reduced welfare and unemployment claims. For a list of study references, contact the SDCCD for a copy of the main report.

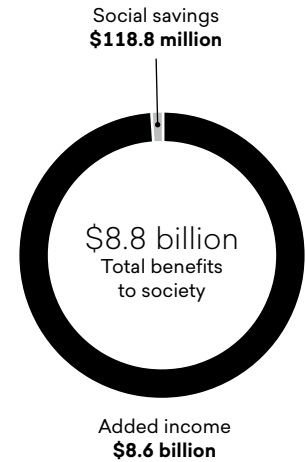
Altogether, the social benefits of the SDCCD equal a present value of \$8.8 billion. These benefits include \$8.6 billion in added income through students' increased lifetime earnings and increased business output, as well as \$118.8 million in social savings related to health, crime, and income assistance in California. People in California invested a present value total of \$983.3 million in the SDCCD in FY 2019-20. The cost includes all the colleges' expenditures and student costs.

The benefit-cost ratio for society is 8.9, equal to the \$8.8 billion in benefits divided by the \$983.3 million in costs. In other words, for every dollar invested in the SDCCD, people in California will receive a cumulative value of \$8.90 in benefits. The benefits of this investment will occur for as long as the SDCCD's FY 2019-20 students remain employed in the state workforce.

Summary of Investment Analysis Results

The results of the analysis demonstrate that the SDCCD is a strong investment for all three major stakeholder groups—students, taxpayers, and society. As shown, students receive a great return for their investments in an SDCCD education. At the same time, taxpayers' investment in the SDCCD returns more to government budgets than it costs and creates a wide range of social benefits throughout California.

SOCIAL BENEFITS IN CALIFORNIA FROM THE SDCCD



Conclusion

The results of this study demonstrate that the SDCCD creates value from multiple perspectives. The colleges benefit county businesses by increasing consumer spending in the county and supplying a steady flow of qualified, trained workers to the workforce. The SDCCD enriches the lives of students by raising their lifetime earnings and helping them achieve their individual potential. The colleges benefit state and local taxpayers through increased tax receipts and a reduced demand for government-supported social services. Finally, the SDCCD benefits society as a whole in California by creating a more prosperous economy and generating a variety of savings through the improved lifestyles of students.

*The results of this study demonstrate that the SDCCD creates value from **multiple perspectives.***

About the Study

Data and assumptions used in the study are based on several sources, including the FY 2019-20 academic and financial reports from the SDCCD, industry and employment data from the U.S. Bureau of Labor Statistics and U.S. Census Bureau, outputs of Emsi's Multi-Regional Social Accounting Matrix 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 economic impact and investment effectiveness. For a full description of the data and approach used in the study, please contact the district for a copy of the main report.



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