

FACT SHEET: ECONOMIC IMPACT OF THE COMMUNITY COLLEGES OF MICHIGAN

What role do the Michigan community colleges play in the state economy? In this study we aggregate results from 22 participating colleges in Michigan to determine the benefits generated by the colleges in the state. As shown, the colleges are a sound investment from multiple perspectives. Students benefit from improved lifestyles and increased earnings. Taxpayers benefit from an enlarged economy and lower social costs. And the community as a whole benefits from increased job and investment opportunities, higher business revenues, greater availability of public funds, and an eased tax burden.

Stimulating the state economy

- The economy of the State of Michigan receives roughly **\$385.3 million in regional income** annually due to the operations and capital spending of the colleges.
- College activities encourage new business, assist existing business, and create long-term economic growth. The colleges enhance worker skills and provide customized training to local business and industry. It is estimated that the present-day workforce in the State of Michigan embodies around **79.3 million credit and non-credit hours** of past and present training from the participating colleges.
- College skills embodied in the workforce of the State of Michigan where the former students are employed **increase regional income by \$12.5 billion**. Associated indirect effects increase income by **another \$3.3 billion**.
- Altogether, the state economy annually receives roughly **\$16.2 billion in income** due to the past and present efforts of the participating colleges. Clearly it is accurate to describe the colleges as engines of economic growth.

The state economy is \$16.2 billion stronger due to the actions of the colleges.

Leveraging taxpayer dollars

- The state will see **avoided social costs amounting to \$16 per year for every credit earned** by the students, including savings associated with improved health, reduced crime, and fewer welfare and unemployment claims. This translates to **\$55.3 million worth of social savings** to the State of Michigan each year as long as students are in the workforce.
- Students benefit from higher earnings, thereby expanding the tax base and reducing the tax burden on state and local taxpayers. When aggregated together, students generate about **\$548.2 million annually in higher earnings** due to the education received at the Michigan community colleges.

Generating a return on government investment

- State and local government allocated around **\$591.9 million in support of the participating colleges** in fiscal year 2005.
- For every dollar appropriated by state and local government, taxpayers will see a **cumulative return of \$3.30** over the course of the students' working career (in the form of higher tax receipts and avoided social costs).

Taxpayers will see a return of \$3.30 for every dollar of financial support.

- State and local government will see a **rate of return of 13%** on their college support, which compares very favorably with private sector rates of return on similar long-term investments.

Increasing students' earning potential

- A total of **318,300 credit and non-credit students** attended the colleges in academic year 2004-2005. As many as **94% of these students stay in the region** initially after they leave college and contribute to the state economy.
- Studies demonstrate that education increases lifetime earnings. **The average annual earnings of a student with a one-year certificate are \$39,132**, or 84% more than someone without a high school diploma or GED, and 16% more than a student with a high school diploma. **The average earnings of a student with an Associate Degree are \$46,161**, or 117% more than someone without a high school diploma or GED, and 37% more than a student with a high school diploma or GED.
- Students will see their annual income increase, on average, by about **\$160 per year for every credit completed** at the colleges during the analysis year.
- Throughout his or her working career, the average student's discounted lifetime earnings (i.e., future values expressed in present value terms) will increase **\$6.00 for every education dollar invested** (in the form of tuition, fees, books, and foregone earnings from employment).
- Students enjoy an attractive **19% annual rate of return** on their educational investment, and recover all costs (including wages foregone while attending) in **8 years**.

Students see their annual income increase by \$160 per year for every credit completed.