The Economic Value of Jackson College

EXECUTIVE SUMMARY
JACKSON College (JC) creates value in many ways. The college plays a key role in helping students increase their employability and achieve their individual potential. The college draws students to the region, generating new dollars and opportunities for the JC Service Area. JC provides students with the education, training, and skills they need to have fulfilling and prosperous careers. Furthermore, JC is a place for students to meet new people, increase their self-confidence, and promote their overall health and well-being.

JC influences both the lives of its students and the regional economy. The college supports a variety of industries in the JC Service Area, serves regional businesses, and benefits society as a whole in Michigan from an expanded economy and improved quality of life. The benefits created by JC even extend to the state and local government through increased tax revenues and public sector savings.

This study measures the economic impacts created by JC on the business community and the benefits the college generates in return for the investments made by its 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 college, for fiscal year (FY) 2017-18. Impacts on the JC Service Area 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 Michigan are reported under the investment analysis.

1 For the purposes of this study, the JC Service Area is comprised of Jackson, Hillsdale, and Lenawee Counties.
Economic impact analysis

JC promotes economic growth in the JC Service Area through its direct expenditures and the resulting expenditures of students and regional businesses. The college serves as an employer and buyer of goods and services for its day-to-day operations. The college’s activities attract students from outside the JC Service Area, whose expenditures benefit regional vendors. In addition, JC is a primary source of higher education to the JC Service Area residents and a supplier of trained workers to regional industries, enhancing overall productivity in the regional workforce.

Operations Spending Impact

JC adds economic value to the JC Service Area as an employer of regional residents and a large-scale buyer of goods and services. In FY 2017-18, the college employed 597 full-time, part-time, and adjunct faculty and staff, 75% of whom lived in the JC Service Area. Total payroll at JC was $30.3 million, much of which was spent in the region for groceries, mortgage and rent payments, dining out, and other household expenses. In addition, the college spent $8.2 million on day-to-day expenses related to facilities, supplies, and professional services.

JC’s day-to-day operations spending added $34.5 million in income to the region during the analysis year. This figure represents the college’s payroll, the multiplier effects generated by the in-region spending of the college and its employees, and a downward adjustment to account for funding that the college received from regional sources. The $34.5 million in added income is equivalent to supporting 662 jobs in the region.

Student Spending Impact

Around 22% of students attending JC originated from outside the region in FY 2017-18, and some of these students relocated to the JC Service Area to attend JC. These students may not have come to the region if the college did not exist. In addition, some in-region students, referred to as retained students, would have left the JC Service Area if not for the existence of JC. While attending the college, these relocated and retained students spent money on groceries, accommodation, transportation, and other household expenses. This spending generated $2.3 million in added income for the regional economy in FY 2017-18, which supported 50 jobs in the JC Service Area.

IMPACTS CREATED BY JC IN FY 2017-18

<table>
<thead>
<tr>
<th>Impact</th>
<th>Amount</th>
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<tbody>
<tr>
<td><strong>Operations Spending Impact</strong></td>
<td>$34.5 million</td>
</tr>
<tr>
<td><strong>Student Spending Impact</strong></td>
<td>$2.3 million</td>
</tr>
<tr>
<td><strong>Alumni Impact</strong></td>
<td>$239.6 million</td>
</tr>
<tr>
<td><strong>Total Impact</strong></td>
<td>$276.4 million</td>
</tr>
</tbody>
</table>

3,517 JOBS SUPPORTED
Alumni Impact

The education and training JC provides for regional residents has the greatest impact. Since its establishment, students have studied at JC and entered the regional workforce with greater knowledge and new skills. Today, thousands of former JC students are employed in the JC Service Area. As a result of their JC educations, the students receive higher earnings and increase the productivity of the businesses that employ them. In FY 2017-18, JC alumni generated $239.6 million in added income for the regional economy, which is equivalent to supporting 2,805 jobs.

Total Impact

JC added $276.4 million in income to the JC Service Area economy during the analysis year, equal to the sum of the operations spending impact, the student spending impact, and the alumni impact. For context, the $276.4 million impact was equal to approximately 2.4% of the total gross regional product (GRP) of the JC Service Area. This contribution that the college provided on its own is nearly as large as the entire Real Estate & Rental & Leasing industry in the region.

JC's total impact can also be expressed in terms of jobs supported. The $276.4 million impact supported 3,517 regional jobs, using the jobs-to-sales ratios specific to each industry in the region. This means that one out of every 38 jobs in the JC Service Area is supported by the activities of JC and its students. In addition, the $276.4 million, or 3,517 supported jobs, impacted regional industries in different ways. Among non-education industry sectors, JC supported the most jobs in the Health Care & Social Assistance industry sector – supporting 599 jobs in FY 2017-18. These are impacts that would not have been generated without the college's presence in the JC Service Area.

One out of every 38 jobs in the JC Service Area is supported by the activities of JC and its students.
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 JC as an investment from the perspectives of students, taxpayers, and society in Michigan.

**Student perspective**

In FY 2017-18, JC served 7,182 credit and 235 non-credit students. In order to attend the college, the students paid for tuition, fees, books, and supplies. They also took out loans and will incur interest on those loans. Additionally, students gave up money they would have otherwise earned had they been working instead of attending college. The total investment made by JC’s students in FY 2017-18 amounted to a present value of $32.2 million, equal to $18.8 million in out-of-pocket expenses (including future principal and interest on student loans) and $13.5 million in forgone time and money.

In return for their investment, JC’s students will receive a stream of higher future earnings that will continue to grow throughout their working lives. For example, the average JC associate degree graduate from FY 2017-18 will see an increase in earnings of $8,900 each year compared to a person with a high school diploma or equivalent working in Michigan. Over a working lifetime, the benefits of the associate degree over a high school diploma will amount to an undiscounted value of $382.7 thousand in higher earnings per graduate. Altogether, JC’s FY 2017-18 students will receive $194.2 million in higher future earnings over their working lives, as a result of their education and training at JC.

**STUDENTS SEE A HIGH RATE OF RETURN FOR THEIR INVESTMENT IN JC**

- Average annual return for JC students: 22.0%
- Stock market 30-year average annual return: 10.1%
- Interest earned on savings account (National Rate Cap): 0.8%


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The average associate degree graduate from JC will see an increase in earnings of **$8,900** each year compared to a person with a high school diploma or equivalent working in Michigan.

<table>
<thead>
<tr>
<th>Education Level</th>
<th>Annual Earnings</th>
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<tbody>
<tr>
<td>&lt; High school</td>
<td>$21,400</td>
</tr>
<tr>
<td>High school</td>
<td>$28,200</td>
</tr>
<tr>
<td>Certificate</td>
<td>$32,300</td>
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<tr>
<td>Associate</td>
<td>$37,100</td>
</tr>
<tr>
<td>Bachelor’s</td>
<td>$52,700</td>
</tr>
</tbody>
</table>

Source: Emsi complete employment data.
The students’ benefit-cost ratio is 6.0. In other words, for every dollar students invest in JC, in the form of out-of-pocket expenses and forgone time and money, they will receive a cumulative value of $6.00 in higher future earnings. Annually, the students’ investment in JC has an average annual internal rate of return of 22.0%, which is impressive compared to the U.S. stock market’s 30-year average rate of return of 10.1%.

**Taxpayer perspective**

JC generates more in tax revenue than it takes. These benefits to taxpayers consist primarily of taxes that the state and local governments will collect from the added revenue created in the state. As JC 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 2017-18 students’ working lives, the state and local government will have collected a present value of $86.9 million in added taxes.

Benefits to taxpayers will also consist of savings generated by the improved lifestyles of JC students and the corresponding reduced government services. Education is statistically correlated with a variety of lifestyle changes. Students’ JC 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. JC 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 college for a copy of the main report. Altogether, the present value of the benefits associated with a JC education will generate $4.3 million in savings to state and local taxpayers.

Total taxpayer benefits amount to $91.1 million, the present value sum of the added taxes and public sector savings. Taxpayer costs are $21.1 million, equal to the amount of state and local government funding JC received in FY 2017-18. These benefits and costs yield a benefit-cost ratio of 4.3. This means that for every dollar of public money invested in JC in FY 2017-18, taxpayers will receive a cumulative value of $4.30 over the course of the students’ working lives. The average annual internal rate of return for taxpayers is 10.5%, which compares favorably to other long-term investments in the public and private sectors.

**Return on investment for local taxpayers**

Taxpayers in Jackson County provided 10% of JC’s funding, or $4.9 million, in FY 2017-18. In return for that investment, the county will receive a present value of $28.9 million in benefits, generated by increased tax revenues and government savings in the county. This means that that for every dollar Jackson County taxpayers invest in the college, they will receive $5.80 in return. Local taxpayers enjoy an annual rate of return of 18.5% for this investment.

For every dollar of public money invested in JC, state and local taxpayers will receive a cumulative value of $4.30 over the course of the students’ working lives.
Social perspective

Society as a whole in Michigan benefits from the presence of JC 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 Michigan.

Benefits to society also consist of the savings generated by the improved lifestyles of JC 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 college for a copy of the main report.

Altogether, the social benefits of JC equal a present value of $1.1 billion. These benefits include $1.1 billion in added income through students’ increased lifetime earnings and increased business output, as well as $13.9 million in social savings related to health, crime, and income assistance in Michigan. People in Michigan invested a present value total of $66.6 million in JC in FY 2017-18. The cost includes all the college and student costs.

The benefit-cost ratio for society is 16.4, equal to the $1.1 billion in benefits divided by the $66.6 million in costs. In other words, for every dollar invested in JC, people in Michigan will receive a cumulative value of $16.40 in benefits. The benefits of this investment will occur for as long as JC’s FY 2017-18 students remain employed in the state workforce.

Summary of investment analysis results

The results of the analysis demonstrate that JC 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 a JC education. At the same time, taxpayers’ investment in JC returns more to government budgets than it costs and creates a wide range of social benefits throughout Michigan.
Conclusion

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

About the Study

Data and assumptions used in the study are based on several sources, including the FY 2017-18 academic and financial reports from JC, 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 college for a copy of the main report.

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