



Executive Summary

The **Economic Contribution** *of*

Herkimer County Community College
State of New York



Economic Growth Analysis
Investment Analysis

emsi

August-10



Socioeconomic Impact Study

STUDY HIGHLIGHTS

INVESTMENT ANALYSIS

- Taxpayers see a rate of return of **6.5%** on their investment in HCCC.
- For every dollar students invest in HCCC, they receive a cumulative **\$5.10** in higher future income (discounted) over the course of their working careers.
- New York benefits from improved health and reduced welfare, unemployment, and crime, saving the public some **\$952,900** per year.

ECONOMIC GROWTH ANALYSIS

- HCCC's total impact amounts to an estimated **\$75 million** in added income in Herkimer County each year. This impact breaks down as follows:
 - The accumulated credits achieved by former HCCC students over the past thirty years translate to **\$48.9 million** in added regional income each year due to the higher earnings of students and increased output of businesses.
 - The Herkimer County economy receives approximately **\$26.1 million** in net added income each year due to HCCC operations and the spending of non-local students.

HERKIMER COUNTY MAP



Executive Summary

INTRODUCTION

How do the Herkimer County economy and the state of New York benefit from the presence of Herkimer County Community College (HCCC)?

In this study, EMSI applies a comprehensive model designed to quantify the economic benefits of community and technical colleges and translate these into common sense benefit/cost and investment terms. The study includes two major analyses:

- 1. **Investment Analysis:** Treats education funding as an investment, calculating all measurable returns and comparing them to costs, from the perspec-

tives of students, taxpayers, and society as a whole.

- 2. **Economic Growth Analysis:** Measures added income in the region due to college operations, student spending, and the accumulated skills of past and present students still in the workforce.

The economic impact model has been field-tested to generate more than 900 studies for community, technical, and further education colleges in the US, Canada, the UK, and Australia. To see the full documentation of the study, please contact the college.

THE RESULTS

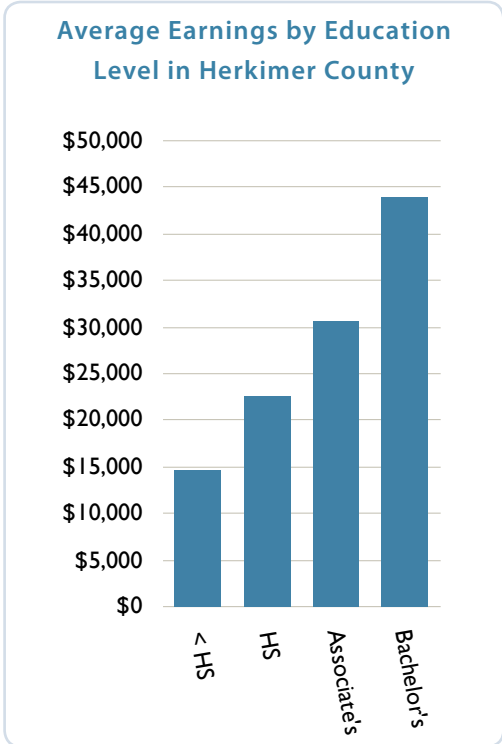
Investment Analysis

Student Perspective

Benefits of higher education are most obvious from the student perspective: students sacrifice current earnings (as well as money to pay for tuition) in return for a lifetime of higher income. Compared to someone with a high school diploma, associate’s degree graduates earn \$8,000 more per year, on average, over the course of a working lifetime (undiscounted).

From an investment standpoint, HCCC students enjoy a 14.2% rate of return on their investments of time and money. This compares favorably with returns on other investments, e.g., long-term return on stocks and bonds.

The corresponding benefit/cost ratio is 5.1, i.e., for every dollar students invest in HCCC education, they receive a cumulative of \$5.10 in higher future income over their working careers. This is a real return that accounts for any discounting that occurs during the entire period. The payback period is 10.7 years.



HCCC INVESTMENT ANALYSIS AT A GLANCE

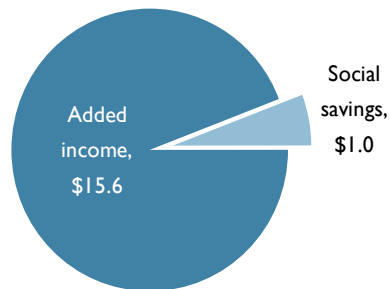
| Stakeholder | Rate of Return | Benefit/Cost | Payback (Years) |
|----------------------|----------------|--------------|-----------------|
| Student Perspective | 14.2% | 5.1 | 10.7 |
| Social Perspective* | NA | 17.3 | NA |
| Taxpayer Perspective | 6.5% | 2.0 | 18.4 |

* Under the social perspective, investors and beneficiaries are not necessarily the same individuals, so measures common to standard investment analyses such as the rate of return and payback period no longer apply.

Social Perspective

From the perspective of society as a whole, the benefits of education accrue to different publics. For example, HCCC students expand the state's economic base through their higher incomes, while the businesses that employ them also become more productive through the students' added skills. These benefits, together with the associated ripple effects, contribute an estimated \$15.6 million in taxable income to the New York economy each year.

Annual Benefits to New York Public Due To HCCC Students (\$ Millions)



As they achieve higher levels of education, HCCC students are also less likely to smoke or abuse alcohol, draw welfare or unemployment benefits, or commit crimes. These external social benefits translate into associated dollar savings (i.e., avoided costs) to the public equal to approximately \$952,900 annually.

One might argue that the presence of HCCC creates a greater demand for public services such as police and fire and emergency services. Although such costs do exist, they are far outweighed by the long-term social benefits generated by HCCC students for years into the future, for as long as students remain active in the state workforce.

Higher education levels are also associated with other benefits such as volunteering and donating to charities. Due to data limitations these benefits are not quantified, although they do enhance the attractiveness of college operations.

To compare benefits to costs, we project the sum of higher taxable income and external social benefits into the future, discount them back to the present, and weigh them against the \$16 million that state and local taxpayers spent in FY 2008-09 to support the college. Following this procedure, it is estimated that HCCC provides a benefit/cost ratio of 17.3, i.e. every dollar of state and local tax money invested in the college today yields a cumulative of \$17.30 in benefits that accrue to all New York residents, in terms of added taxable income and avoided social costs.

Taxpayer Perspective

Under the taxpayer perspective, only benefits that accrue to state and local governments are counted, namely, increased tax collections and reduced government expenditures. For example, in place of increased income, the taxpayer perspective includes only the increased state and local tax receipts from those higher incomes. Similarly, in place of overall crime, welfare, unemployment and health savings, the taxpayer perspective includes only those that translate to actual reductions in state and local government expenditures.

Note here that government often undertakes activities wanted by the public, but which may be unprofitable in the marketplace. This means that positive economic returns are generally not expected from government investments. From the taxpayer perspective, therefore, even a small positive return (a benefit/cost ratio equal to or greater than 1, or a rate of return equal to or greater than the 3% discount rate used in the taxpayer investment analysis) would be a favorable outcome.

For HCCC, the results indicate positive returns: a rate of return of 6.5% and a benefit/cost ratio of 2.0 (every dollar of state or local tax money invested in HCCC today returns \$2.00).

Economic Growth Analysis

HCCC affects the local economy in three ways: (1) through its local purchases, including wages paid to faculty and staff; (2) through the spending of students who come from outside the region; and (3) through the increase in the skill base of the local workforce. These effects break down as follows:

College Operations Effect

Approximately 65% of HCCC employees live in Herkimer County. HCCC creates income through the earnings of its faculty and staff, as well as through its own operating and capital expenditures. Adjusting for taxes and other monies withdrawn from the county economy in support of HCCC, it is estimated that Herkimer County receives \$18.5 million in net added income due to HCCC operations each year.

Student Spending Effect

Students from outside the region spend money for room and board, transportation, entertainment, and other miscellaneous personal expenses. These expenditures create jobs and incomes for local businesses. The spending of HCCC's non-local students generates approximately \$7.6 million in added income in the Herkimer County economy each year.

Student Productivity Effect

Every year students leave HCCC and join or rejoin the regional workforce. Their added skills translate to higher income and a more robust Herkimer County economy. Based on HCCC's historical enrollment and credit production over the past thirty-year period, it is estimated that the accumulated contribution of HCCC instruction received by former students (both completers and non-completers) annually adds some \$48.9 million in income to Herkimer County.

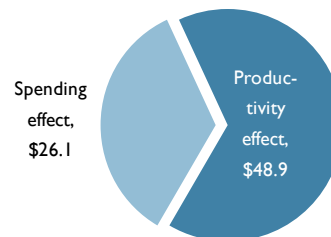
Total Effect

Altogether, the average annual added income due to the activities of HCCC and its former students equals \$75 million. This is approximately equal to 6.3% of the total Herkimer County economy.

HCCC ECONOMIC IMPACT ANALYSIS AT A GLANCE

| Added Income | |
|-----------------------------|---------------------|
| College Spending Effect | \$18,476,000 |
| Student Spending Effect | \$7,642,000 |
| Student Productivity Effect | \$48,876,000 |
| TOTAL | \$74,994,000 |

Total Added Income in Herkimer County Due to HCCC (\$ Millions)



CONCLUSION

The results of this study demonstrate that HCCC is a sound investment from multiple perspectives. The college enriches the lives of students and increases their lifetime incomes. It benefits taxpayers by generating

increased tax revenues from an enlarged economy and reducing the demand for taxpayer-supported social services. Finally, it contributes to the vitality of both the local and state economies.



ABOUT THE STUDY

This report summarizes the results from “The Economic Contributions of Herkimer County Community College” detailing the role that the college plays in promoting economic development, enhancing students’ careers, and improving quality of life. Data sources include, but are not limited to, 2008-09 academic and financial reports from the college, industry and employment data from the U.S. Bureau of Labor Statistics, earnings and demographic data from the U.S. Census Bureau, and a variety of studies and surveys relating education to social behavior.

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