



The Economic Value of Onondaga Community College

EXECUTIVE SUMMARY



ONONDAGA Community College (OCC) 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 Central New York. OCC provides students with the education, training, and skills they need to have fulfilling and prosperous careers. Furthermore, OCC is a place for students to meet new people, increase their self-confidence, and promote their overall health and well-being.

OCC influences both the lives of its students and the regional economy. The college supports a variety of industries in Central New York,¹ serves regional businesses, and benefits society as a whole in New York from an expanded economy and improved quality of life. The benefits created by OCC even extend to the state and local government through increased tax revenues and public sector savings.

This study measures the economic impacts created by OCC 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 Central New York 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 New York are reported under the investment analysis.

¹ For the purposes of this analysis, Central New York is comprised Cayuga, Cortland, Madison, Onondaga, and Oswego Counties.

*The value of OCC influences both the **lives of its students** and the **regional economy**.*



Economic impact analysis

OCC promotes economic growth in Central New York 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 Central New York, whose expenditures benefit regional vendors. In addition, OCC is a primary source of higher education to Central New York residents and a supplier of trained workers to regional industries, enhancing overall productivity in the regional workforce.

Operations Spending Impact



OCC adds economic value to Central New York as an employer of regional residents and a large-scale buyer of goods and services. In FY 2017-18, the college employed 2,002 full-time and part-time faculty and staff, 100% of whom lived in Central New York. Total payroll at OCC was \$74.8 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 \$24 million on day-to-day expenses related to facilities, supplies, and professional services.

OCC's day-to-day operations spending added \$103 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 \$103 million in added income is equivalent to supporting 2,317 jobs in the region.

Construction Spending Impact



OCC commissioned contractors to build or renovate its facilities in FY 2017-18. The quick infusion of income and jobs that occurred in the regional economy as a result of this construction spending is considered short-term due to the one-time nature of such projects. Nonetheless, the college's construction spending had a substantial impact on the regional economy in FY 2017-18, equal to \$1.1 million in added income and equivalent to supporting 16 jobs.

Student Spending impact



Around 8% of credit students attending OCC originated from outside the region in FY 2017-18, and all of these students relocated to Central New York to attend OCC. These students may not have

IMPACTS CREATED BY OCC
IN FY 2017-18



\$103 million
Operations Spending Impact



\$1.1 million
Construction Spending Impact



\$18.6 million
Student Spending Impact



\$496.6 million
Alumni Impact



\$619.3 million
TOTAL IMPACT

- OR -

8,506
JOBS SUPPORTED

come to the region if the college did not exist. In addition, some in-region students, referred to as retained students, would have left Central New York if not for the existence of OCC. While attending the college, these relocated and retained students spent money on groceries, accommodation, transportation, and other household expenses. This spending generated \$18.6 million in added income for the regional economy in FY 2017-18, which supported 323 jobs in Central New York.

Alumni Impact



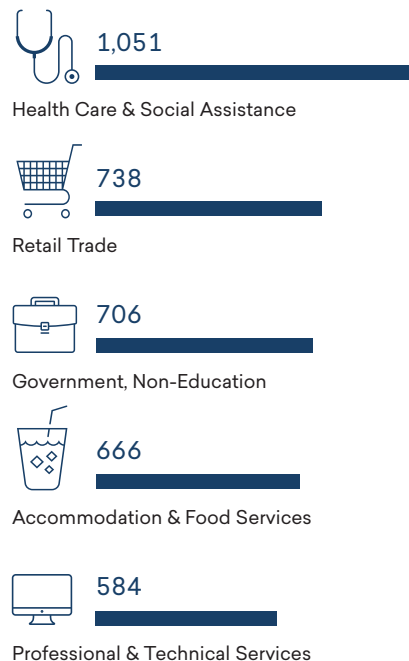
The education and training OCC provides for regional residents has the greatest impact. Since its establishment, students have studied at OCC and entered the regional workforce with greater knowledge and new skills. Today, hundreds of thousands of former OCC students are employed in Central New York. As a result of their OCC educations, the students receive higher earnings and increase the productivity of the businesses that employ them. In FY 2017-18, OCC alumni generated \$496.6 million in added income for the regional economy, which is equivalent to supporting 5,851 jobs.

Total Impact

OCC added \$619.3 million in income to the Central New York 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 \$619.3 million impact was equal to approximately 1.4% of the total gross regional product (GRP) of Central New York. This contribution that the college provided on its own was about half the entire Accommodation & Food Services industry in the region.

OCC's total impact can also be expressed in terms of jobs supported. The \$619.3 million impact supported 8,506 regional jobs, using the jobs-to-sales ratios specific to each industry in the region. This means that one out of every 52 jobs in Central New York is supported by the activities of OCC and its students. In addition, the \$619.3 million, or 8,506 supported jobs, impacted regional industries in different ways. Among non-education industry sectors, OCC supported the most jobs in the Health Care & Social Assistance industry sector – supporting 1,051 jobs in FY 2017-18. These are impacts that would not have been generated without the college's presence in Central New York.

TOP INDUSTRIES IMPACTED BY OCC (JOBS SUPPORTED)



One out of every 52 jobs in Central New York is supported by the activities of OCC 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 OCC as an investment from the perspectives of students, taxpayers, and society in New York.

Student perspective



In FY 2017-18, OCC served 13,419 credit and 2,099 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 OCC's students in FY 2017-18 amounted to a present value of \$56 million, equal to \$20.9 million in out-of-pocket expenses (including future principal and interest on student loans) and \$35.1 million in forgone time and money.

In return for their investment, OCC's students will receive a stream of higher future earnings that will continue to grow throughout their working lives. For example, the average OCC associate degree graduate from FY 2017-18 will see an increase in earnings of \$7,500 each year compared to a person with a high school diploma or equivalent working in New York. Over a working lifetime, the benefits of the associate degree over a high school diploma will amount to an undiscounted value of \$337.5 thousand in higher earnings per graduate. Altogether, OCC's FY 2017-18 students will receive \$375.8 million in higher future earnings over their working lives, as a result of their education and training at OCC.

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



21.7%

Average annual return for OCC students



10.1%

Stock market 30-year average annual return

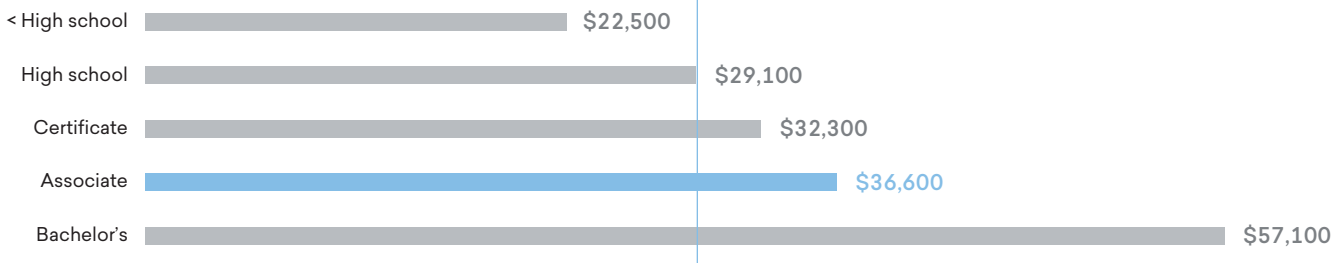


0.8%

Interest earned on savings account (National Rate Cap)

Source: Forbes' S&P 500, 1987-2016. FDIC.gov, 7-2016.

The average associate degree graduate from OCC will see an increase in earnings of **\$7,500** each year compared to a person with a high school diploma or equivalent working in New York.



Source: Emsi complete employment data.

The students' benefit-cost ratio is 6.7. In other words, for every dollar students invest in OCC, in the form of out-of-pocket expenses and forgone time and money, they will receive a cumulative value of \$6.70 in higher future earnings. Annually, the students' investment in OCC has an average annual internal rate of return of 21.7%, which is impressive compared to the U.S. stock market's 30-year average rate of return of 10.1%.

Taxpayer perspective



OCC 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 OCC 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 \$194.6 million in added taxes.

Benefits to taxpayers will also consist of savings generated by the improved lifestyles of OCC students and the corresponding reduced government services. Education is statistically correlated with a variety of lifestyle changes. Students' OCC 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. OCC 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 an OCC education will generate \$15.7 million in savings to state and local taxpayers.

Total taxpayer benefits amount to \$210.3 million, the present value sum of the added taxes and public sector savings. Taxpayer costs are \$54 million, equal to the amount of state and local government funding OCC received in FY 2017-18. These benefits and costs yield a benefit-cost ratio of 3.9. This

*For every dollar of public money invested in OCC, taxpayers will receive a cumulative value of **\$3.90** over the course of the students' working lives.*



STUDENT PERSPECTIVE

\$375.8 million
Present value benefits

\$56 million
Present value costs

\$319.8 million
Net present value

| Benefit-cost Ratio | Rate of Return |
|--------------------|----------------|
| 6.7 | 21.7% |



TAXPAYER PERSPECTIVE

\$210.3 million
Present value benefits

\$54 million
Present value costs

\$156.3 million
Net present value

| Benefit-cost Ratio | Rate of Return |
|--------------------|----------------|
| 3.9 | 9.3% |



SOCIAL PERSPECTIVE

\$2.1 billion
Present value benefits

\$152.5 million
Present value costs

\$2 billion
Net present value

| Benefit-cost Ratio | Rate of Return |
|--------------------|----------------|
| 14.1 | n/a* |

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

means that for every dollar of public money invested in OCC in FY 2017-18, taxpayers will receive a cumulative value of \$3.90 over the course of the students' working lives. The average annual internal rate of return for taxpayers is 9.3%, which compares favorably to other long-term investments in the public and private sectors.

Social perspective



Society as a whole in New York benefits from the presence of OCC 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 New York.

Benefits to society also consist of the savings generated by the improved lifestyles of OCC 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.

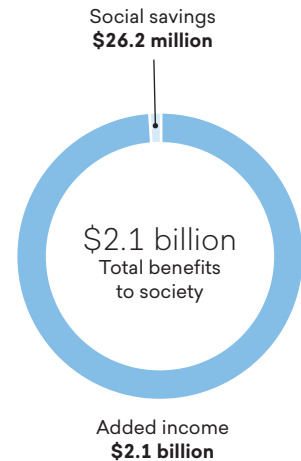
Altogether, the social benefits of OCC equal a present value of \$2.1 billion. These benefits include \$2.1 billion in added income through students' increased lifetime earnings and increased business output, as well as \$26.2 million in social savings related to health, crime, and income assistance in New York. People in New York invested a present value total of \$152.5 million in OCC in FY 2017-18. The cost includes all the college and student costs.

The benefit-cost ratio for society is 14.1, equal to the \$2.1 billion in benefits divided by the \$152.5 million in costs. In other words, for every dollar invested in OCC, people in New York will receive a cumulative value of \$14.10 in benefits. The benefits of this investment will occur for as long as OCC's FY 2017-18 students remain employed in the state workforce.

Summary of investment analysis results

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

SOCIAL BENEFITS IN NEW YORK FROM OCC



Conclusion

The results of this study demonstrate that OCC 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. OCC 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, OCC benefits society as a whole in New York 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 OCC, 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.

The results of this study demonstrate that OCC creates value from
multiple perspectives.



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