The Economic Value of Lane Community College

EXECUTIVE SUMMARY
LANE Community College (Lane) 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 county, generating new dollars and opportunities for Lane County. Lane provides students with the education, training, and skills they need to have fulfilling and prosperous careers. Furthermore, Lane is a place for students to meet new people, increase their self-confidence, and promote their overall health and well-being.

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

This study measures the economic impacts created by Lane 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) 2018-19. Impacts on the Lane 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 Oregon are reported under the investment analysis.
Economic impact analysis

Lane promotes economic growth in Lane County through its direct expenditures and the resulting expenditures of students and county 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 Lane County, whose expenditures benefit county vendors. In addition, Lane is a primary source of higher education to Lane County residents and a supplier of trained workers to county industries, enhancing overall productivity in the county workforce.

Operations spending impact

Lane adds economic value to Lane County as an employer of county residents and a large-scale buyer of goods and services. In FY 2018-19, the college employed 1,331 full-time and part-time faculty and staff, 95% of whom lived in Lane County. Total payroll at Lane was $88.8 million, much of which was spent in the county for groceries, mortgage and rent payments, dining out, and other household expenses. In addition, the college spent $37 million on day-to-day expenses related to facilities, supplies, and professional services.

Lane’s day-to-day operations spending added $109.1 million in income to the county during the analysis year. This figure represents the college’s payroll, the multiplier effects generated by the in-county spending of the college and its employees, and a downward adjustment to account for funding that the college received from county sources. The $109.1 million in added income is equivalent to supporting 1,542 jobs in the county.

Student spending impact

Around 10% of students attending Lane originated from outside the county in FY 2018-19, and some of these students relocated to Lane County to attend Lane. These students may not have come to the county if the college did not exist. In addition, some in-county students, referred to as retained students, would have left Lane County if not for the existence of Lane. While attending the college, these relocated and retained students spent money on groceries, accommodation, transportation, and other household expenses. This spending generated $29.1 million in added income for the county economy in FY 2018-19, which supported 698 jobs in Lane County.
Alumni impact

The education and training Lane provides for county residents has the greatest impact. Since its establishment, students have studied at Lane and entered the county workforce with greater knowledge and new skills. Today, hundreds of thousands of former Lane students are employed in Lane County. As a result of their Lane educations, the students receive higher earnings and increase the productivity of the businesses that employ them. In FY 2018-19, Lane alumni generated $583.1 million in added income for the county economy, which is equivalent to supporting 8,537 jobs.

Total impact

Lane added $721.3 million in income to the Lane County 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 $721.3 million impact was equal to approximately 4.2% of the total gross regional product (GRP) of Lane County. This contribution that the college provided on its own was as large as the entire Professional & Technical Services industry in the county.

One out of every 20 jobs in Lane County is supported by the activities of Lane and its students.

Lane’s total impact can also be expressed in terms of jobs supported. The $721.3 million impact supported 10,777 county jobs, using the jobs-to-sales ratios specific to each industry in the county. This means that one out of every 20 jobs in Lane County is supported by the activities of Lane and its students. In addition, the $721.3 million, or 10,777 supported jobs, stemmed from different industry sectors. Among non-education industry sectors, Lane’s spending and alumni in the Retail Trade industry sector supported 1,918 jobs in FY 2018-19. These are impacts that would not have been generated without the college’s presence in Lane County.
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 Lane as an investment from the perspectives of students, taxpayers, and society in Oregon.

Student perspective

In FY 2018-19, Lane served 15,391 credit and 9,012 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 Lane’s students in FY 2018-19 amounted to a present value of $101.6 million, equal to $43.9 million in out-of-pocket expenses (including future principal and interest on student loans) and $57.7 million in forgone time and money.

In return for their investment, Lane’s students will receive a stream of higher future earnings that will continue to grow throughout their working lives. For example, the average Lane associate degree graduate from FY 2018-19 will see annual earnings that are $8,100 higher than a person with a high school diploma or equivalent working in Oregon. Over a working lifetime, the benefits of the associate degree over a high school diploma will amount to an undiscounted value of $291.6 thousand in higher earnings per graduate. The present value of the cumulative higher future earnings that Lane’s FY 2018-19 students will receive over their working careers is $411.7 million.

Source: Emsi employment data.

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

19.7%
Average annual return for Lane students

9.9%
Stock market 30-year average annual return

0.8%
Interest earned on savings account (National Rate Cap)


The average associate degree graduate from Lane will see an increase in earnings of $8,100 each year compared to a person with a high school diploma or equivalent working in Oregon.

<table>
<thead>
<tr>
<th>Education Level</th>
<th>Annual Earnings</th>
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<tbody>
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<td>$35,900</td>
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<tr>
<td>Bachelor’s</td>
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Source: Emsi employment data.
The students’ benefit-cost ratio is 4.1. In other words, for every dollar students invest in Lane, in the form of out-of-pocket expenses and forgone time and money, they will receive a cumulative value of $4.10 in higher future earnings. Annually, the students’ investment in Lane has an average annual internal rate of return of 19.7%, which is impressive compared to the U.S. stock market’s 30-year average rate of return of 9.9%.

**Taxpayer perspective**

Lane 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 Lane 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 2018-19 students’ working lives, the state and local government will have collected a present value of $153.6 million in added taxes.

Benefits to taxpayers will also consist of savings generated by the improved lifestyles of Lane students and the corresponding reduced government services. Education is statistically correlated with a variety of lifestyle changes. Students’ Lane 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. Lane 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 Lane education will generate $12.4 million in savings to state and local taxpayers.

Total taxpayer benefits amount to $166 million, the present value sum of the added taxes and public sector savings. Taxpayer costs are $56.9 million, equal to the amount of state and local government funding Lane received in FY 2018-19. These benefits and costs yield a benefit-cost ratio of 2.9. This means that for
every dollar of public money invested in Lane in FY 2018-19, taxpayers will receive a cumulative value of $2.90 over the course of the students’ working lives. The average annual internal rate of return for taxpayers is 10.9%, which compares favorably to other long-term investments in the public and private sectors.

Social perspective

Society as a whole in Oregon benefits from the presence of Lane 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 Oregon.

Benefits to society also consist of the savings generated by the improved lifestyles of Lane 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 Lane equal a present value of $1.6 billion. These benefits include $1.6 billion in added income through students’ increased lifetime earnings and increased business output, as well as $34.5 million in social savings related to health, crime, and income assistance in Oregon. People in Oregon invested a present value total of $191 million in Lane in FY 2018-19. The cost includes all the college and student costs.

The benefit-cost ratio for society is 8.4, equal to the $1.6 billion in benefits divided by the $191 million in costs. In other words, for every dollar invested in Lane, people in Oregon will receive a cumulative value of $8.40 in benefits. The benefits of this investment will occur for as long as Lane’s FY 2018-19 students remain employed in the state workforce.

Summary of investment analysis results

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

The results of this study demonstrate that Lane creates value from multiple perspectives. The college benefits county businesses by increasing consumer spending in the county and supplying a steady flow of qualified, trained workers to the workforce. Lane 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, Lane benefits society as a whole in Oregon 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 2018-19 academic and financial reports from Lane, 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.

Emsi

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