



**CHABOT
LAS POSITAS**
COMMUNITY COLLEGE DISTRICT

The Economic Value of Chabot-Las Positas
Community College District

EXECUTIVE SUMMARY



C HABOT-LAS POSITAS Community College District (CLPCCD) creates value in many ways. The district plays a key role in helping students increase their employability and achieve their individual potential. The district draws students to the region, generating new dollars and opportunities for the CLPCCD Service Area.* The district provides students with the education, training, and skills they need to have fulfilling and prosperous careers. Furthermore, the Colleges are places for students to make new connections, increase their self-confidence, and promote their overall health and well-being.

This study measures two primary economic impacts created by CLPCCD. The following analyses are presented:



Economic impact analysis: benefit to the business community and region.



Investment analysis: return on investments to students, taxpayers, and society.

All results reflect employee, student, and financial data, provided by the district, for fiscal year (FY) 2018-19. Impacts on the CLPCCD 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 California are reported under the investment analysis.

* For the purposes of this analysis, the CLPCCD Service Area is comprised of Alameda County.

CLPCCD influences both the lives of its students and the regional economy.



Economic impact analysis

CLPCCD promotes economic growth in the CLPCCD Service Area through direct expenditures and the resulting expenditures of students and regional businesses. The district serves as an employer and buyer of goods and services for their day-to-day operations. The district's activities attract students from outside the CLPCCD Service Area, whose expenditures benefit the region. In addition, Chabot College and Las Positas College are primary sources of higher education to area residents and suppliers of skilled workers to regional industries, enhancing overall productivity in the workforce.

Operations Spending Impact



CLPCCD adds economic value to the CLPCCD Service Area as an employer of regional residents and a large-scale buyer of goods and services. In FY 2018-19, the district employed 1,867 full-time and part-time faculty and staff, 63% of whom lived in the CLPCCD Service Area. Total payroll at CLPCCD was \$161.6 million, much of which was spent in the region for groceries, mortgage and rent payments, dining out, and other household expenses. In addition, the district spent \$118 million on day-to-day expenses related to facilities, supplies, and professional services.

CLPCCD's day-to-day operations spending added \$229.5 million in income to the region during the analysis year. This figure represents the district's payroll, the multiplier effects generated by the in-region spending of the district and its employees, and a downward adjustment to account for funding that the district received from regional sources. The \$229.5 million in added income is equivalent to supporting 2,183 jobs in the region.

Construction Spending Impact



CLPCCD invests in construction each year to maintain facilities, create additional capacities, and meet growing educational demands. While the amount varies from year to year, these quick infusions of income and jobs have a substantial impact on the regional economy. In FY 2018-19, CLPCCD's construction spending generated \$122.2 million in sales across the CLPCCD Service Area which supported \$33.4 million in added income, equivalent to 290 jobs.

Student Spending Impact



Around 26% of students attending the colleges originated from outside the region in FY 2018-19, and some of these students relocated to the CLPCCD Service Area to attend Chabot and Las

IMPACTS CREATED BY
CLPCCD IN FY 2018-19



\$229.5 million
Operations Spending Impact



\$33.4 million
Construction Spending Impact



\$33.5 million
Student Spending Impact



\$398.2 million
Alumni Impact



\$694.6 million
TOTAL IMPACT

- OR -

6,851
JOBS SUPPORTED

Positas Colleges. These students may not have come to the region if the district did not exist. In addition, some in-region students, referred to as retained students, would have left the CLPCCD Service Area if not for the existence of CLPCCD. While attending the Colleges, these relocated and retained students spent money on groceries, accommodation, transportation, and other household expenses. This spending generated \$33.5 million in added income for the regional economy in FY 2018-19, which supported 538 jobs in the CLPCCD Service Area.

Alumni Impact



The education and training the district provides for regional residents has the greatest impact. Since the district's first college, Chabot College, was established in 1961, students have studied and entered the regional workforce with greater knowledge and new skills. Today, thousands of former CLPCCD students are employed in the CLPCCD Service Area. As a result of their CLPCCD educations, the students receive higher earnings and increase the productivity of the businesses that employ them. In FY 2018-19, CLPCCD alumni generated \$398.2 million in added income for the regional economy, which is equivalent to supporting 3,840 jobs.

Total Impact

CLPCCD added \$694.6 million in income to the CLPCCD Service Area economy during the analysis year, equal to the sum of operations and construction spending impacts, the student spending impact, and the alumni impact. For context, the \$694.6 million impact was equal to approximately 0.5% of the total gross regional product (GRP) of the CLPCCD Service Area.

CLPCCD's total impact can also be expressed in terms of jobs supported. The \$694.6 million impact supported 6,851 regional jobs, using the jobs-to-sales ratios specific to each industry in the region. In addition, the \$694.6 million, or 6,851 supported jobs, stemmed from different industry sectors. Among non-education industry sectors, CLPCCD's spending and alumni in the Health Care & Social Assistance industry sector supported 864 jobs in FY 2018-19. These are impacts that would not have been generated without the district's presence in the CLPCCD Service Area.

CLPCCD IMPACTS BY INDUSTRY (JOBS SUPPORTED)





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 CLPCCD as an investment from the perspectives of students, taxpayers, and society in California.

Student Perspective



In FY 2018-19, CLPCCD served 31,172 credit and 304 non-credit students. In order to attend the colleges, students paid for tuition, fees, books, and supplies. Some students 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 CLPCCD students in FY 2018-19 amounted to a present value of \$116.7 million, equal to \$40.7 million in out-of-pocket expenses (including future principal and interest on student loans) and \$76 million in forgone time and money.

In return for their investment, CLPCCD's students will receive a stream of higher future earnings that will continue to grow throughout their working lives. For example, the average CLPCCD associate degree graduate from FY 2018-19 will see annual earnings \$11,900 higher than a person with a high school diploma or equivalent working in California. Over a working lifetime, the benefits of the associate degree over a high school diploma will amount to an undiscounted value of \$487.9 thousand in higher earnings per graduate. The present value of the cumulative higher future earnings that CLPCCD's FY 2018-19 students will receive over their working careers is \$750.4 million.

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



21.0%

Average annual return for CLPCCD students



9.9%

Stock market 30-year average annual return

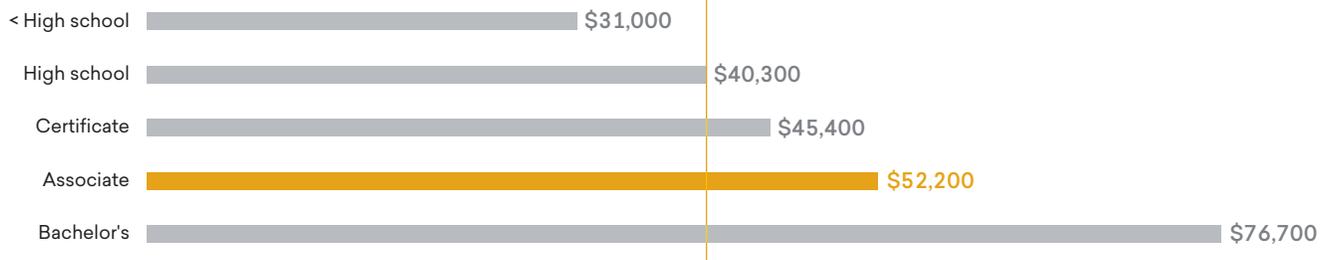


0.8%

Interest earned on savings account (national rate cap)

Source: Forbes' S&P 500, 1989-2018. FDIC.gov, 6-2019.

The average associate degree graduate from CLPCCD will see an increase in earnings of **\$11,900** each year compared to a person with a high school diploma or equivalent working in California.



Source: Emsi employment data.

The students' benefit-cost ratio is 6.4. In other words, for every dollar students invest in an education at CLPCCD, in the form of out-of-pocket expenses and forgone time and money, they will receive a cumulative value of \$6.40 in higher future earnings. Annually, the students' investment in CLPCCD has an average annual internal rate of return of 21.0%, which is impressive compared to the U.S. stock market's 30-year average rate of return of 9.9%.

Taxpayer Perspective



CLPCCD 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 CLPCCD 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 \$270.8 million in added taxes.

Benefits to taxpayers will also consist of savings generated by the improved lifestyles of CLPCCD students and the corresponding reduced government services. Education is statistically correlated with a variety of lifestyle changes. Students' CLPCCD 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. CLPCCD 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 CLPCCD for a copy of the main report. Altogether, the present value of the benefits associated with a CLPCCD education will generate \$28.7 million in savings to state and local taxpayers.

Total taxpayer benefits amount to \$299.5 million, the present value sum of the added taxes and public sector savings. Taxpayer costs are \$274.1 million, equal to the amount of state and local government funding CLPCCD received in FY 2018-19. These benefits and costs yield a benefit-cost ratio of 1.1. This means

For every dollar of public money invested in CLPCCD, taxpayers will receive a cumulative value of \$1.10 over the course of the students' working lives.



STUDENT PERSPECTIVE

\$750.4 million
Present value benefits

\$116.7 million
Present value costs

\$633.7 million
Net present value

Benefit-cost ratio	Rate of return
6.4	21.0%



TAXPAYER PERSPECTIVE

\$299.5 million
Present value benefits

\$274.1 million
Present value costs

\$25.4 million
Net present value

Benefit-cost ratio	Rate of return
1.1	1.5%



SOCIAL PERSPECTIVE

\$3.9 billion
Present value benefits

\$436.6 million
Present value costs

\$3.5 billion
Net present value

Benefit-cost ratio	Rate of return
9.0	n/a*

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

that for every dollar of public money invested in CLPCCD in FY 2018-19, taxpayers will receive a cumulative value of \$1.10 over the course of the students' working lives. The average annual internal rate of return for taxpayers is 1.5%, which compares favorably to other long-term investments in the public and private sectors.

Social Perspective



Society as a whole in California benefits from the presence of CLPCCD 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 California.

Benefits to society also consist of the savings generated by the improved lifestyles of CLPCCD students. Education is statistically correlated with generating social savings, including health care, public safety, reduced welfare and unemployment claims. Note that these costs are distinct from the costs saving taxpayers as outlined above. For a list of study references, contact CLPCCD for a copy of the main report.

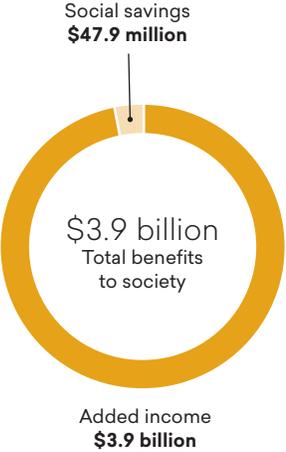
Altogether, the social benefits of CLPCCD equal a present value of \$3.9 billion. These benefits include \$3.9 billion in added income through students' increased lifetime earnings and increased business output, as well as \$47.9 million in social savings related to health, crime, and income assistance in California. People in California invested a present value total of \$436.6 million in CLPCCD in FY 2018-19. The cost includes all the district's expenditures and student costs.

The benefit-cost ratio for society is 9.0, equal to the \$3.9 billion in benefits divided by the \$436.6 million in costs. In other words, for every dollar invested in CLPCCD, people in California will receive a cumulative value of \$9.00 in benefits. The benefits of this investment will occur for as long as CLPCCD's FY 2018-19 students remain employed in the state workforce.

Summary of Investment Analysis Results

The results of the analysis demonstrate that CLPCCD is a strong investment for all three major stakeholder groups—students, taxpayers, and society. As shown, students receive a return on their investment with a CLPCCD education. At the same time, taxpayers' see investment returns and a wide range of social benefits from CLPCCD.

SOCIAL BENEFITS IN CALIFORNIA FROM CLPCCD



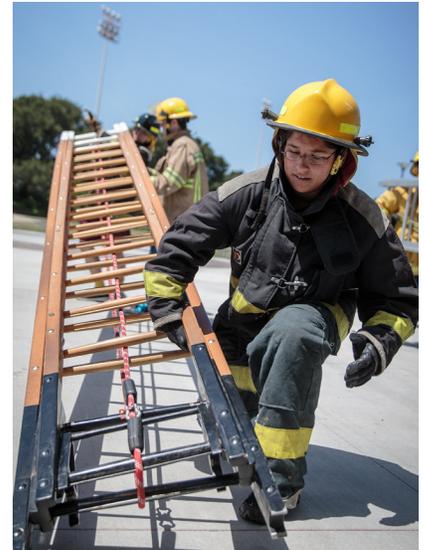
Conclusion

The results of this study demonstrate that CLPCCD creates value from multiple perspectives. The district benefits regional businesses through increased spending in the region and supplying a steady flow of qualified, skilled workers to the workforce. CLPCCD enriches the lives of students by raising their lifetime earnings and helping them achieve their individual potential. The district benefits state and local taxpayers through increased tax receipts and a reduced demand for government-supported social services. Finally, CLPCCD benefits society as a whole in California 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 CLPCCD, 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 and economic 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 CLPCCD for a copy of the main report.

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



Emsi is a labor market analytics firm that integrates data from a wide variety of sources to serve professionals in higher education, economic development, workforce development, talent acquisition, and site selection. Emsi is a leading provider of economic impact studies and labor market data to educational institutions in the U.S. and internationally. Since 2000, Emsi has completed over 2,000 economic impact studies for institutions across three countries. For more information about Emsi's products and services, visit www.economicmodeling.com.