



NORCO COLLEGE

The Economic Value of Norco College

EXECUTIVE SUMMARY



NORCO College (NC) 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 NC Service Area. NC provides students with the education, training, and skills they need to have fulfilling and prosperous careers. Furthermore, NC is a place for students to meet new people, increase their self-confidence, and promote their overall health and well-being.

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

This study measures the economic impacts created by NC 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 district, for fiscal year (FY) 2016-17. Impacts on the NC 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.

¹ For the purposes of this analysis, the NC Service Area consists of 18 ZIP codes primarily located in the northwest portion of Riverside County in California.

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



Economic impact analysis

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

Operations Spending Impact



NC adds economic value to the NC Service Area as an employer of regional residents and a large-scale buyer of goods and services. In FY 2016-17, the college employed 422 full-time and part-time faculty and staff, 48% of whom lived in the NC Service Area. Total payroll at NC was \$36.2 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 \$27.3 million on day-to-day expenses related to facilities, supplies, and professional services.

NC's day-to-day operations spending added \$42.7 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 \$42.7 million in added income is equivalent to supporting 513 jobs in the region.

Student Spending Impact



Some in-region students, referred to as retained students, would have left the NC Service Area if not for the existence of NC. While attending the college, these retained students spent money on groceries, accommodation, transportation, and other household expenses. This spending generated \$13.4 million in added income for the regional economy in FY 2016-17, which supported 275 jobs in the NC Service Area.

Alumni Impact



The education and training NC provides for regional residents has the greatest impact. Since its establishment, students have studied at

IMPACTS CREATED BY NC
IN FY 2016-17



\$42.7 million
Operations Spending Impact



\$13.4 million
Student Spending Impact



\$104 million
Alumni Impact



\$160.1 million
TOTAL IMPACT

- OR -

2,287
JOBS SUPPORTED

NC and entered the regional workforce with greater knowledge and new skills. Today, thousands of former NC students are employed in the NC Service Area. As a result of their NC educations, the students receive higher earnings and increase the productivity of the businesses that employ them. In FY 2016-17, NC alumni generated \$104 million in added income for the regional economy, which is equivalent to supporting 1,499 jobs.

Total Impact

NC added \$160.1 million in income to the NC 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 \$160.1 million impact was equal to approximately 0.4% of the total gross regional product (GRP) of the NC Service Area. This contribution that the college provided on its own was slightly larger than the entire Utilities industry in the region.

NC's total impact can also be expressed in terms of jobs supported. The \$160.1 million impact supported 2,287 regional jobs, using the jobs-to-sales ratios specific to each industry in the region. In addition, the \$160.1 million, or 2,287 supported jobs, impacted regional industries in different ways. Among non-education industry sectors, NC supported the most jobs in the Health Care & Social Assistance industry sector – supporting 273 jobs in FY 2016-17. These are impacts that would not have been generated without the college's presence in the NC Service Area.

TOP INDUSTRIES IMPACTED BY NC (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 NC as an investment from the perspectives of students, taxpayers, and society in California.

Student perspective



In FY 2016-17, NC served 14,935 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 NC's students in FY 2016-17 amounted to a present value of \$38.2 million, equal to \$13 million in out-of-pocket expenses (including future principal and interest on student loans) and \$25.2 million in forgone time and money.

In return for their investment, NC's students will receive a stream of higher future earnings that will continue to grow throughout their working lives. For example, the average NC associate degree graduate from FY 2016-17 will see an increase in earnings of \$9,600 each year compared to 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 \$412.8 thousand in higher earnings per graduate. Altogether, NC's FY 2016-17 students will receive \$271.1 million in higher future earnings over their working lives, as a result of their education and training at NC.

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



21.5%

Average annual return for NC students



10.1%

Stock market 30-year average annual return

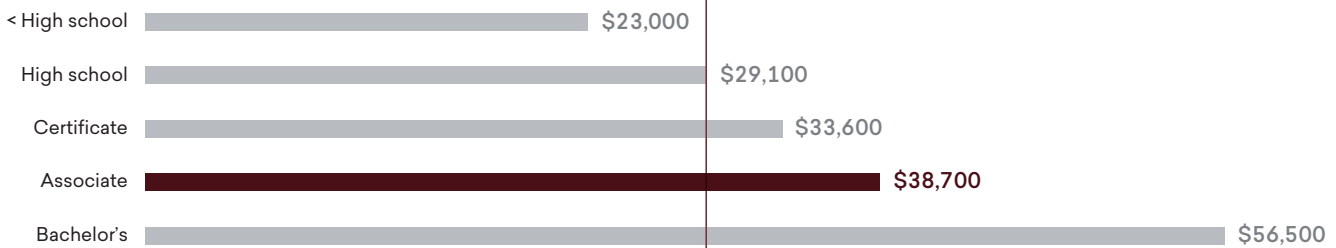


0.8%

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 NC will see an increase in earnings of **\$9,600** each year compared to a person with a high school diploma or equivalent working in California.



Source: Emsi complete employment data.

The students' benefit-cost ratio is 7.1. In other words, for every dollar students invest in NC, in the form of out-of-pocket expenses and forgone time and money, they will receive a cumulative value of \$7.10 in higher future earnings. Annually, the students' investment in NC has an average annual internal rate of return of 21.5%, which is impressive compared to the U.S. stock market's 30-year average rate of return of 10.1%.

Taxpayer perspective



NC 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 NC 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 2016-17 students' working lives, the state and local government will have collected a present value of \$111.9 million in added taxes.

Benefits to taxpayers will also consist of savings generated by the improved lifestyles of NC students and the corresponding reduced government services. Education is statistically correlated with a variety of lifestyle changes. Students'

NC 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. NC 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 NC education will generate \$15.7 million in savings to state and local taxpayers.

Total taxpayer benefits amount to \$127.6 million, the present value sum of the added taxes and public sector savings. Taxpayer costs are \$48 million, equal to the amount of state and local government funding NC received in FY 2016-17. These benefits and costs yield a benefit-cost ratio of 2.7. This means that for

*For every dollar of public money invested in NC, taxpayers will receive a cumulative value of **\$2.70** over the course of the students' working lives.*



STUDENT PERSPECTIVE

\$271.1 million
Present value benefits

\$38.2 million
Present value costs

\$232.9 million
Net present value

Benefit-cost Ratio Rate of Return

7.1

21.5%



TAXPAYER PERSPECTIVE

\$127.6 million
Present value benefits

\$48 million
Present value costs

\$79.6 million
Net present value

Benefit-cost Ratio Rate of Return

2.7

6.3%



SOCIAL PERSPECTIVE

\$1.6 billion
Present value benefits

\$105.3 million
Present value costs

\$1.5 billion
Net present value

Benefit-cost Ratio Rate of Return

15.6

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.

every dollar of public money invested in NC in FY 2016-17, taxpayers will receive a cumulative value of \$2.70 over the course of the students' working lives. The average annual internal rate of return for taxpayers is 6.3%, 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 NC 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 NC 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.

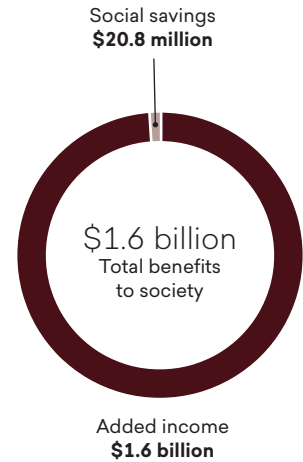
Altogether, the social benefits of NC equal a present value of \$1.6 billion. These benefits include \$1.6 billion in added income through students' increased lifetime earnings and increased business output, as well as \$20.8 million in social savings related to health, crime, and income assistance in California. People in California invested a present value total of \$105.3 million in NC in FY 2016-17. The cost includes all the college and student costs.

The benefit-cost ratio for society is 15.6, equal to the \$1.6 billion in benefits divided by the \$105.3 million in costs. In other words, for every dollar invested in NC, people in California will receive a cumulative value of \$15.60 in benefits. The benefits of this investment will occur for as long as NC's FY 2016-17 students remain employed in the state workforce.

Summary of investment analysis results

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

SOCIAL BENEFITS IN CALIFORNIA FROM NC



Conclusion

The results of this study demonstrate that NC 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. NC 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, NC 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 2016-17 academic and financial reports on NC provided by the district, 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 NC creates value from
multiple perspectives.



Emsi is a leading provider of economic impact studies and labor market data to educational institutions, workforce planners, and regional developers in the U.S. and internationally. Since 2000, Emsi has completed over 1,800 economic impact studies for educational institutions in four countries. Visit www.economicmodeling.com for more information about Emsi's products and services.