The Economic Value of Mott Community College

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

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

This study measures the economic impacts created by MCC 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 Genesee 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 Michigan are reported under the investment analysis.
Economic impact analysis

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

Operations Spending Impact

MCC adds economic value to Genesee County as an employer of county residents and a large-scale buyer of goods and services. In FY 2017-18, the college employed 893 full-time and part-time faculty and staff, 67% of whom lived in Genesee County. Total payroll at MCC was $52.2 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 $32.7 million on day-to-day expenses related to facilities, supplies, and professional services.

MCC’s day-to-day operations spending added $60.2 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 $60.2 million in added income is equivalent to supporting 1,054 jobs in the county.

Student Spending Impact

Around 32% of students attending MCC originated from outside the county in FY 2017-18, and some of these students relocated to Genesee County to attend MCC. 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 Genesee County if not for the existence of MCC. While attending the college, these relocated and retained students spent money on groceries, accommodation, transportation, and other household expenses. This spending generated $5.5 million in added income for the county economy in FY 2017-18, which supported 99 jobs in Genesee County.

**IMPACTS CREATED BY MCC IN FY 2017-18**

- **$60.2 million**
  Operations Spending Impact

- **$5.5 million**
  Student Spending Impact

- **$374 million**
  Alumni Impact

**$439.7 million**
TOTAL IMPACT

- OR -

**6,806**
JOBS SUPPORTED
Alumni Impact

The education and training MCC provides for county residents has the greatest impact. Since its establishment, students have studied at MCC and entered the county workforce with greater knowledge and new skills. Today, thousands of former MCC students are employed in Genesee County. As a result of their MCC educations, the students receive higher earnings and increase the productivity of the businesses that employ them. In FY 2017-18, MCC alumni generated $374 million in added income for the county economy, which is equivalent to supporting 5,653 jobs.

Total Impact

MCC added $439.7 million in income to the Genesee 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 $439.7 million impact was equal to approximately 2.7% of the total gross regional product (GRP) of Genesee County. This contribution that the college provided on its own is larger than the entire Accommodation & Food Services industry in the county.

MCC’s total impact can also be expressed in terms of jobs supported. The $439.7 million impact supported 6,806 county jobs, using the jobs-to-sales ratios specific to each industry in the county. This means that one out of every 27 jobs in Genesee County is supported by the activities of MCC and its students. In addition, the $439.7 million, or 6,806 supported jobs, impacted county industries in different ways. Among non-education industry sectors, MCC supported the most jobs in the Retail Trade industry sector – supporting 2,093 jobs in FY 2017-18. These are impacts that would not have been generated without the college’s presence in Genesee County.
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 MCC as an investment from the perspectives of students, taxpayers, and society in Michigan.

**Student perspective**

In FY 2017-18, MCC served 10,504 credit and 1,777 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 MCC’s students in FY 2017-18 amounted to a present value of $62 million, equal to $25.1 million in out-of-pocket expenses (including future principal and interest on student loans) and $37 million in forgone time and money.

In return for their investment, MCC’s students will receive a stream of higher future earnings that will continue to grow throughout their working lives. For example, the average MCC associate degree graduate from FY 2017-18 will see an increase in earnings of $8,900 each year compared to a person with a high school diploma or equivalent working in Michigan. Over a working lifetime, the benefits of the associate degree over a high school diploma will amount to an undiscounted value of $382.7 thousand in higher earnings per graduate. Altogether, MCC’s FY 2017-18 students will receive $320 million in higher future earnings over their working lives, as a result of their education and training at MCC.

"The average associate degree graduate from MCC will see an increase in earnings of $8,900 each year compared to a person with a high school diploma or equivalent working in Michigan."

Source: Emsi complete employment data.

The average associate degree graduate from MCC will see an increase in earnings of $8,900 each year compared to a person with a high school diploma or equivalent working in Michigan.

<table>
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<th>Degree Level</th>
<th>Average Earnings</th>
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<tr>
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Source: Emsi complete employment data.
The students’ benefit-cost ratio is 5.2. In other words, for every dollar students invest in MCC, in the form of out-of-pocket expenses and forgone time and money, they will receive a cumulative value of $5.20 in higher future earnings. Annually, the students’ investment in MCC has an average annual internal rate of return of 19.6%, which is impressive compared to the U.S. stock market’s 30-year average rate of return of 10.1%.

**Taxpayer perspective**

MCC 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 MCC 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 $133.4 million in added taxes.

Benefits to taxpayers will also consist of savings generated by the improved lifestyles of MCC students and the corresponding reduced government services. Education is statistically correlated with a variety of lifestyle changes. Students’ MCC 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. MCC 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 MCC education will generate $8 million in savings to state and local taxpayers.

Total taxpayer benefits amount to $141.3 million, the present value sum of the added taxes and public sector savings. Taxpayer costs are $48.7 million, equal to the amount of state and local government funding MCC received in FY 2017-18. These benefits and costs yield a benefit-cost ratio of 2.9. This
means that for every dollar of public money invested in MCC in FY 2017-18, 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 6.8%, which compares favorably to other long-term investments in the public and private sectors.

Social perspective

Society as a whole in Michigan benefits from the presence of MCC 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 Michigan.

Benefits to society also consist of the savings generated by the improved lifestyles of MCC 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 MCC equal a present value of $1.7 billion. These benefits include $1.7 billion in added income through students’ increased lifetime earnings and increased business output, as well as $23.8 million in social savings related to health, crime, and income assistance in Michigan. People in Michigan invested a present value total of $138.9 million in MCC in FY 2017-18. The cost includes all the college and student costs.

The benefit-cost ratio for society is 12.3, equal to the $1.7 billion in benefits divided by the $138.9 million in costs. In other words, for every dollar invested in MCC, people in Michigan will receive a cumulative value of $12.30 in benefits. The benefits of this investment will occur for as long as MCC’s FY 2017-18 students remain employed in the state workforce.

Summary of investment analysis results

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

The results of this study demonstrate that MCC 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. MCC 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, MCC benefits society as a whole in Michigan 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 MCC, 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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**FACT SHEET**

**MOTT** Community College (MCC) creates a significant positive impact on the business community and generates a return on investment to its major stakeholder groups—students, taxpayers, and society. Using a two-pronged approach that involves an economic impact analysis and an investment analysis, this study calculates the benefits received by each of these groups. Results of the analysis reflect fiscal year (FY) 2017-18.

**Economic impact analysis**

In FY 2017-18, MCC added **$439.7 million** in income to the Genesee County economy, a value approximately equal to **2.7%** of the county’s total gross regional product (GRP). Expressed in terms of jobs, MCC’s impact supported **6,806** county jobs. For perspective, the activities of MCC and its students support **one out of every 27 jobs** in Genesee County.

**OPERATIONS SPENDING IMPACT**

- MCC employed 893 full-time and part-time faculty and staff. Payroll amounted to $52.2 million, much of which was spent in the county for groceries, mortgage and rent payments, dining out, and other household expenses. The college spent another $32.7 million on day-to-day expenses related to facilities, supplies, and professional services.

- The net impact of the college’s operations spending added **$60.2 million** in income to the county economy.

**STUDENT SPENDING IMPACT**

- Around 32% of students attending MCC originated from outside the county. Some of these students relocated to Genesee County. In addition, some in-county students would have left Genesee County for other educational opportunities if not for MCC. These relocated and retained students spent money on groceries, mortgage and rent payments, and so on at county businesses.

- The expenditures of relocated and retained students in FY 2017-18 added **$5.5 million** in income to the Genesee County economy.
ALUMNI IMPACT

- Over the years, students have studied at MCC and entered or re-entered the workforce with newly-acquired knowledge and skills. Today, thousands of these former students are employed in Genesee County.

- The net impact of MCC's former students currently employed in the county workforce amounted to $374 million in added income in FY 2017-18.

Investment analysis

STUDENT PERSPECTIVE

- MCC’s FY 2017-18 students paid a present value of $25.1 million to cover the cost of tuition, fees, supplies, and interest on student loans. They also forwent $37 million in money that they would have earned had they been working instead of attending college.

- In return for their investment, students will receive $320 million in increased earnings over their working lives. This translates to a return of $5.20 in higher future earnings for every dollar students invest in their education. Students' average annual rate of return is 19.6%.

TAXPAYER PERSPECTIVE

- Taxpayers provided MCC with $48.7 million of funding in FY 2017-18. In return, they will benefit from added tax revenue, stemming from students’ higher lifetime earnings and increased business output, amounting to $133.4 million. A reduced demand for government-funded services in Michigan will add another $8 million in benefits to taxpayers.

- For every dollar of public money invested in MCC, taxpayers will receive $2.90 in return, over the course of students’ working lives. The average annual rate of return for taxpayers is 6.8%.

SOCIAL PERSPECTIVE

- In FY 2017-18, Michigan invested $138.9 million to fully support MCC. In turn, the Michigan economy will grow by $1.7 billion, over the course of students’ working lives. Society will also benefit from $23.8 million of public and private sector savings.

- For every dollar invested in MCC educations in FY 2017-18, people in Michigan will receive $12.30 in return, for as long as MCC’s FY 2017-18 students remain active in the state workforce.

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

| Students gain | $5.20 in lifetime earnings |
| Taxpayers gain | $2.90 in added tax revenue and public sector savings |
| Society gains | $12.30 in added income and social savings |

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**ECONOMIC IMPACT ANALYSIS**

### MCC TOTAL ANNUAL IMPACT

- **$439.7 million** Added income
- **6,806** Jobs supported

### Alumni impact

Impact of the increased earnings of MCC alumni and the businesses they work for:

- **$374 million** Added income
- **5,653** Jobs supported

### Operations spending impact

Impact of annual payroll and other spending:

- **$60.2 million** Added income
- **1,054** Jobs supported

### Student spending impact

Impact of the daily spending of MCC students attracted to or retained in the county:

- **$5.5 million** Added income
- **99** Jobs supported

**Genesee County, MI**

**Sources:**
- Emsi Economic Impact Study (http://www.economicimpact.com)
- http://www.usatoday.com/story/news/nation/2013/05/01/grocery-costs-for-family/2104165/