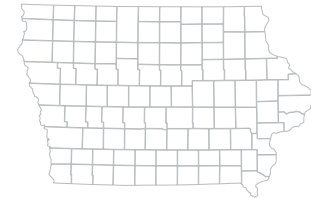




The Economic Value of Iowa's Community Colleges

Iowa's community colleges create a significant positive impact on the business community and generate a return on investment to their 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) 2019-20.



IOWA



ECONOMIC IMPACT ANALYSIS

In FY 2019-20, Iowa's community colleges added **\$5.5 billion** in income to the Iowa economy, a value approximately equal to **3.2%** of the state's total gross state product (GSP). Expressed in terms of jobs, the community colleges' impact supported **87,149 jobs**. For perspective, the activities of the colleges and their students support **one out of every 23 jobs** in Iowa.

OPERATIONS SPENDING IMPACT

- Iowa's community colleges employed 11,744 full-time and part-time faculty and staff. Payroll amounted to \$508.6 million, much of which was spent in the state for groceries, mortgage and rent payments, dining out, and other household expenses. The colleges spent another \$339.4 million on day-to-day expenses related to facilities, supplies, and professional services.
- The net impact of the colleges' operations spending added **\$519 million** in income to the state economy in FY 2019-20.

CONSTRUCTION SPENDING IMPACT

- Iowa's community colleges invest in construction each year to maintain their facilities, create additional capacities, and meet their growing educational demands, generating a short-term infusion of spending and jobs in the state economy.
- The net impact of the colleges' construction spending in FY 2019-20 was **\$23.9 million** in added income for Iowa.

STUDENT SPENDING IMPACT

- Around 4% of students attending the colleges originated from outside the state. Some of these students relocated to Iowa. In addition, some in-state

IMPACTS CREATED BY IOWA'S COMMUNITY COLLEGES IN FY 2019-20



Operations spending impact

\$519 million



Construction spending impact

\$23.9 million



Student spending impact

\$181.2 million



Alumni impact

\$4.8 billion



TOTAL ECONOMIC IMPACT

\$5.5 billion

OR

Jobs supported

87,149

students, referred to as retained students, would have left Iowa for other educational opportunities if not for the community colleges. These relocated and retained students spent money on groceries, mortgage and rent payments, and other living expenses at state businesses.

- The expenditures of relocated and retained students in FY 2019-20 added **\$181.2 million** in income to the Iowa economy.

ALUMNI IMPACT

- Over the years, students have studied at the community colleges and entered or re-entered the workforce with newly-acquired knowledge and skills. Today, hundreds of thousands of these former students are employed in Iowa.
- The net impact of the community colleges' former students currently employed in the state workforce amounted to **\$4.8 billion** in added income in FY 2019-20.



INVESTMENT ANALYSIS

STUDENT PERSPECTIVE

- Iowa's community colleges' FY 2019-20 students paid a present value of **\$273.3 million** to cover the cost of tuition, fees, supplies, and interest on student loans. They also forwent **\$352.9 million** in money that they would have earned had they been working instead of attending college.
- In return for their investment, students will receive a cumulative present value **\$4 billion** in increased earnings over their working lives. This translates to a return of **\$6.30** in higher future earnings for every dollar students invest in their education. Students' average annual rate of return is **24.9%**.

TAXPAYER PERSPECTIVE

- Taxpayers provided Iowa's community colleges with **\$424.6 million** of funding in FY 2019-20. In return, they will benefit from added tax revenue, stemming from students' higher lifetime earnings and increased business output, amounting to **\$978.1 million**. A reduced demand for government-funded services in Iowa will add another **\$93.4 million** in benefits to taxpayers.
- For every dollar of public money invested in the community colleges, taxpayers will receive **\$2.50** in return, over the course of students' working lives. The average annual rate of return for taxpayers is **6.2%**.

SOCIAL PERSPECTIVE

- In FY 2019-20, Iowa invested **\$1.4 billion** to support its community colleges. In turn, the Iowa economy will grow by **\$11.6 billion**, over the course of students' working lives. Society will also benefit from **\$277.9 million** of public and private sector savings.
- For every dollar invested in educations provided by Iowa's community colleges during the analysis year, people in Iowa will receive **\$8.60** in return, for as long as the colleges' FY 2019-20 students remain active in the state workforce.

STUDENTS SEE A HIGH RATE OF RETURN FOR THEIR INVESTMENT IN IOWA'S COMMUNITY COLLEGES



Average annual return for Iowa's community college students
24.9%



Stock market 30-year average annual return
10.6%



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

Source: Forbes' S&P 500, 1991-2020. FDIC.gov, 6-2021.

For every \$1...



Students gain in lifetime earnings
\$6.30



Taxpayers gain in added tax revenue and public sector savings
\$2.50



Society gains in added income and social savings
\$8.60