



The Economic Value of Mercer County Community College



MERCER COUNTY COMMUNITY COLLEGE (MCCC) creates value in many ways. The college plays a key role in helping students increase their employability and achieve their individual potential. The college retains students in the county, generating new dollars and opportunities for Mercer County. MCCC provides students with the education, training, and skills they need to have fulfilling and prosperous careers. Furthermore, MCCC is a place for students to meet new people, increase their self-confidence, and promote their overall health and well-being.

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

This study measures the economic impacts created by MCCC 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:

MCCC influences both the **lives of its students** and the **county economy**.



MERCER COUNTY, NJ



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 Mercer 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 New Jersey are reported under the investment analysis.

ECONOMIC IMPACT ANALYSIS



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

Operations spending impact



MCCC adds economic value to Mercer County as an employer of county residents and a large-scale buyer of goods and services. In FY 2018-19, the college employed 1,024 full-time and part-time faculty and staff, 58% of whom lived in Mercer County. Total payroll at MCCC was \$54.6 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 \$28.3 million on day-to-day expenses related to facilities, supplies, and professional services.

MCCC's day-to-day operations spending added \$58.9 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 \$58.9 million in added income is equivalent to supporting 1,048 jobs in the county.

Student spending impact



Some in-county students, referred to as retained students, would have left Mercer County if not for the existence of MCCC. While attending the college, these retained students spent money on groceries, accommodation, transportation, and other household expenses. This spending generated \$6.1 million in added income for the county economy in FY 2018-19, which supported 105 jobs in Mercer County.

IMPACTS CREATED BY MCCC IN FY 2018-19



Operations spending impact

\$58.9 million



Student spending impact

\$6.1 million



Alumni impact

\$166.1 million



TOTAL ECONOMIC IMPACT

\$231 million

OR

Jobs supported

3,002

Alumni impact



The education and training MCCC provides for county residents has the greatest impact. Since its establishment, students have studied at MCCC and entered the county workforce with greater knowledge and new skills. Today, thousands of former MCCC students are employed in Mercer County. As a result of their MCCC educations, the students receive higher earnings and increase the productivity of the businesses that employ them. In FY 2018-19, MCCC alumni generated \$166.1 million in added income for the county economy, which is equivalent to supporting 1,849 jobs.

Total impact

MCCC added \$231 million in income to the Mercer County economy during the analysis year, equal to the sum of the operations spending impact, the student spending impact, and the alumni impact. MCCC's total impact can also be expressed in terms of jobs supported. The \$231 million impact supported 3,002 county jobs, using the jobs-to-sales ratios specific to each industry in the county. In addition, the \$231 million, or 3,002 supported jobs, stemmed from different industry sectors. Among non-education industry sectors, MCCC's spending and alumni in the Government, Non-Education industry sector supported 335 jobs in FY 2018-19. These are impacts that would not have been generated without the college's presence in Mercer County.

MCCC IMPACTS BY INDUSTRY (JOBS SUPPORTED)





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 MCCC as an investment from the perspectives of students, taxpayers, and society in New Jersey.

Student perspective



In FY 2018-19, MCCC served 10,448 credit and 4,955 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 MCCC's students in FY 2018-19 amounted to a present value of \$80.4 million, equal to \$29.6 million in out-of-pocket expenses (including future principal and interest on student loans) and \$50.7 million in forgone time and money.

In return for their investment, MCCC's students will receive a stream of higher future earnings that will continue to grow throughout their working lives. For example, the average MCCC associate degree graduate from FY 2018-19 will see annual earnings that are \$11,200 higher than a person with a high school diploma or equivalent working in New Jersey. Over a working lifetime, the benefits of the associate degree over a high school diploma will amount to an undiscounted value of \$425.6 thousand in higher earnings per graduate. The present value of the cumulative higher future earnings that MCCC's FY 2018-19 students will receive over their working careers is \$228.4 million.

The students' benefit-cost ratio is 2.8. In other words, for every dollar students invest in MCCC, in the form of out-of-pocket expenses and forgone time and money, they will receive a cumulative value of \$2.80 in higher future earnings.

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



Average annual return for MCCC students
14.1%



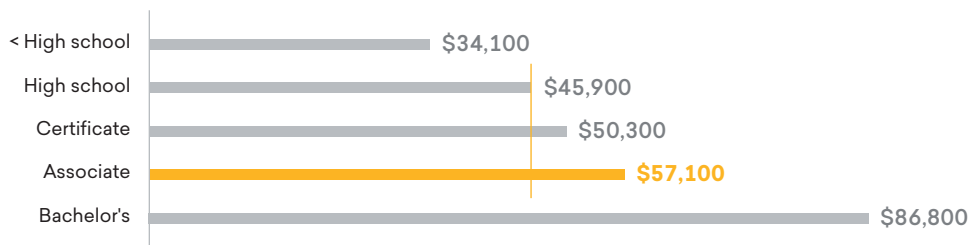
Stock market 30-year average annual return
9.9%



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

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

The average associate degree graduate from MCCC will see an increase in earnings of **\$11,200** each year compared to a person with a high school diploma or equivalent working in New Jersey.



Source: Emsi employment data.

Annually, the students' investment in MCCC has an average annual internal rate of return of 14.1%, which is impressive compared to the U.S. stock market's 30-year average rate of return of 9.9%.

Taxpayer perspective



MCCC 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 MCCC 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 \$60.7 million in added taxes.

Benefits to taxpayers will also consist of savings generated by the improved lifestyles of MCCC students and the corresponding reduced government services. Education is statistically correlated with a variety of lifestyle changes. Students' MCCC 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. MCCC 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 MCCC education will generate \$10 million in savings to state and local taxpayers.

Total taxpayer benefits amount to \$70.7 million, the present value sum of the added taxes and public sector savings. Taxpayer costs are \$29.1 million, equal to the amount of state and local government funding MCCC received in FY 2018-19. These benefits and costs yield a benefit-cost ratio of 2.4. This means that for every dollar of public money invested in MCCC in FY 2018-19, taxpayers will receive a cumulative value of \$2.40 over the course of the students' working lives. The average annual internal rate of return for taxpayers is 9.0%, which compares favorably to other long-term investments in the public and private sectors.

For every dollar of public money invested in MCCC, taxpayers will receive a cumulative value of **\$2.40** over the course of the students' working lives.

Social perspective



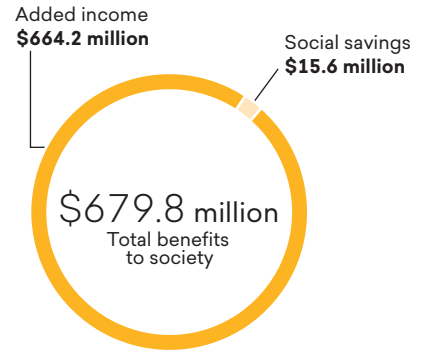
Society as a whole in New Jersey benefits from the presence of MCCC in two major ways. Primarily, society benefits from an increased economic base in the state. This is attributed to higher student earnings and increased business output, which raise economic prosperity in New Jersey.

Benefits to society also consist of the savings generated by the improved lifestyles of MCCC 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 MCCC equal a present value of \$679.8 million. These benefits include \$664.2 million in added income through students' increased lifetime earnings and increased business output, as well as \$15.6 million in social savings related to health, crime, and income assistance in New Jersey. People in New Jersey invested a present value total of \$136.9 million in MCCC in FY 2018-19. The cost includes all the college and student costs.

The benefit-cost ratio for society is 5.0, equal to the \$679.8 million in benefits divided by the \$136.9 million in costs. In other words, for every dollar invested in MCCC, people in New Jersey will receive a cumulative value of \$5.00 in benefits. The benefits of this investment will occur for as long as MCCC's FY 2018-19 students remain employed in the state workforce.

SOCIAL BENEFITS IN NEW JERSEY FROM MCCC



Source: Emsi impact model.

Summary of investment analysis results

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

STUDENT PERSPECTIVE		TAXPAYER PERSPECTIVE		SOCIAL PERSPECTIVE	
Present value benefits \$228.4 million		Present value benefits \$70.7 million		Present value benefits \$679.8 million	
Present value costs \$80.4 million		Present value costs \$29.1 million		Present value costs \$136.9 million	
Net present value \$148 million		Net present value \$41.6 million		Net present value \$542.8 million	
Benefit-cost ratio	Rate of return	Benefit-cost ratio	Rate of return	Benefit-cost ratio	Rate of return
2.8	14.1%	2.4	9.0%	5.0	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.

CONCLUSION

The results of this study demonstrate that MCCC 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. MCCC 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, MCCC benefits society as a whole in New Jersey 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 MCCC, 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 MCCC creates value from **multiple perspectives.**



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