

Socioeconomic Impact Analysis: Measuring the Role of Your College in the State and Local Economy

Why Impact Studies Are Important

Community colleges play a substantial role in the economic development of their service regions, not only through their own daily operations, but also through the added skills that they provide to their students. The benefits of community colleges are many, making them a valuable resource to all education stakeholders – students, taxpayers, as well as businesses. Measuring these benefits in quantitative terms, however, can be a challenge, and, in the vast majority of cases, the advantages of community colleges are often treated anecdotally or even overlooked. Many surveys indicate that citizens are more likely to act in support of community colleges once they are informed of the benefits they generate, which is why it is important for colleges to be able to measure, using hard data, their significant contributions to the community.

Basic Approach

Measuring the impacts of your college can be outlined in three basic steps:

1. Identify who your targeted audiences are. Your students? State legislators? Economic development agencies?
2. Gather the relevant data. You'll need information on your student body, college budget, and the economic profile of your region.
3. Develop an economic impact model: The complexity of your model depends on what and how much you want to measure.

Data Sources

Impact studies require data inputs both from your college and from regional economic data software systems that supply information on the economic profile of your region.

<i>Data Sources and Models</i>	<i>Role Summary</i>
Community College	Provide data on college budget and student body demographics
Economic modeling systems	Provide data on the earnings per worker, major industries, employment opportunities, workforce demand, etc. in the area

Best Practices for Conducting an Impact Study

Your approach to conducting an impact study for your college depends on the audience you are trying to reach and what you want to measure.

Identify target audiences.

In any impact study, you need to know who stands to benefit from the economic event you are analyzing. With community colleges, the beneficiaries are numerous: students benefit from higher earnings and better job opportunities; taxpayers benefit from an expanded tax base and higher tax collections; and

businesses benefit from added productivity and increased worker efficiency. Each group requires a different approach to the analysis. Students, for example, are largely interested in learning whether or not the monies they put up for their education (whether in the form of tuition or foregone earnings) are a worthwhile investment. Taxpayers want to know if the financial support they give to your college yields a positive return. And businesses are concerned about whether or not the college-trained workers they employ will increase their output and enhance their productivity.

Gather your data.

Impact studies come in many different forms, so you need to know exactly what you want to measure before you start gathering data. The two most common forms of impact studies are: (1) economic growth analysis, and (2) benefit-cost analysis. Economic growth analysis measures how the shifting use of resources increases the production of goods and services in an economy. Benefit-cost analysis measures the feasibility of a project by weighing total benefits against total costs to determine whether or not the proposed project will be profitable.

Looking at your college in particular, you can conduct a simple economic growth analysis by determining how many people your college employs, what they are earning, and how their expenditures are impacting local business and industry. In addition, you'll want to examine how much of your college's annual spending occurs locally, as this too contributes to the growth and development of area businesses that provide the goods and services your college requires in order to operate. The associated ripple effects (also known as indirect or "multiplier" effects) can be derived using a regional input-output (IO) model, discussed in greater detail below. IO models are also useful in providing you the region-specific data that you need to identify the major industries and employment opportunities in your area, all of which is important background data when estimating the relative contribution of your college to economic growth.

Benefit-cost analyses are also common ways of measuring college impacts. To conduct such a benefit-cost analysis you'll need to know who your stakeholders are and to what extent they are supporting your college. If you're focusing on your students, for example, you can determine whether or not their investment in education is worthwhile by weighing their costs (i.e., tuition and fees plus earnings foregone), against the benefits they receive in return, usually measured in terms of the higher annual earnings they can expect to receive as they achieve higher levels of education and obtain better-paying jobs. Less common, though equally valuable, are benefit-cost analyses from the taxpayer perspective, which focus on the added tax revenue that accrues to state and local government due to the higher earnings of students and increased output of businesses. These benefits are weighed against the government costs of supporting your college, whether in the form of grants, contracts, or appropriations.

Develop your model.

As with any impact study, you'll need to have an economic model that combines your college's data with information on the economic profile of your region (e.g., average earnings per worker, workforce demands, etc.). Impact models are available from economic consulting firms that can either develop a customized version for your college or provide you with the background data that you need to build one on your own. The primary advantage of an economic impact model is that it can simulate the relationship between an economic event (in this case, the presence of your college in the region) and the growth of the economy, often measured in terms of jobs and income. Results are presented in the form of multiplier impacts that allow you to see how a dollar turns over in the economy and how the activities of your college contribute to the growth of that dollar in other industries in the area. Purchases of supplies and services, for example, support other local businesses, while the higher earnings of students who study at the college and enter the workforce further serve to expand the region's economy and the local tax base. All of these benefits can be captured and quantified by a reliable economic impact model.

For greater accuracy, you can add more complex socioeconomic effects to your analysis. For example, instead of focusing solely on the growth effects of college operations, you can also include the impacts generated by student spending and past student productivity. For student spending effects you'll want to focus on the number of students your college attracts from outside the area, as their expenditures represent new monies that would not have otherwise entered the economy. By far the greatest impact of

your college, however, lies in the educational opportunities that it provides to area residents, enabling more students to receive an affordable, high-quality education and obtain high-paying, high demand jobs in the area. The cumulative impacts of these students over time translate into greater business productivity and added regional income that continues to grow over time and as more and more students enter the workforce. Your benefit-cost analysis can also be expanded to include a wide variety of external, social benefits that are often overlooked in standard impact studies. For example, students who achieve higher levels of education are statistically proven to lead better quality lives in terms of improved health, fewer welfare and unemployment claims, and lower crime rates. These are indirect benefits that are rarely acknowledged but are still significant contributions that your college provides to the community.

Next Steps: Beyond the Data

Once the study is completed, the college can use it in multiple ways for the various audiences that the study was intended to target. A solid study can pay excellent returns in consolidating support for the college among stakeholders and attracting students with the prospect of better jobs. Some sample uses:

- Legislators can be made aware of the college's role as a public investment.
- The community can learn that their education-related taxes actually return more than the original investment.
- Local business leaders can learn how they benefit from the college's local spending and how a more skilled workforce increases their productivity.
- College leaders and decision makers can use the study as a benchmarking and performance accounting tool.

References & Further Reading

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About EMSI

Economic Modeling Specialists Inc. (EMSI) is a professional services firm that offers integrated regional data, web-based analysis tools, data-driven reports, and custom consulting services. EMSI's Socioeconomic Impact (SEIM) Study, developed by its well-known sister company CCbenefits, has quantified the impact of nearly 600 colleges. EMSI has served thousands of workforce, education, economic development, and other policy professionals in the U.S., Canada, and the United Kingdom, and



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