

Economic Growth Analysis  
Investment Analysis



SPARTANBURG  
COMMUNITY  
COLLEGE

Executive Summary

# Economic Contribution

Spartanburg, Cherokee & Union Counties  
South Carolina • July 2010



## About Spartanburg Community College

### MISSION STATEMENT

Spartanburg Community College (SCC) provides affordable access to high-quality technical, transfer and lifelong professional and personal development programs in a teaching and learning environment that prepares students for success. The College is a key community partner in advancing the Upstate's economy.

### VISION

To change the lives and build the futures of our students and to be a catalyst for economic development through innovation, collaboration and excellence in educational programs and services.

### ABOUT SCC

Spartanburg Community College takes pride in having provided quality educational and training programs since 1963. As we continue our fifth decade of service to the people of Spartanburg, Cherokee and Union counties, we are committed to providing a high-quality, affordable education and training that leads to high-growth, high-demand jobs. Although growth has been rapid, we have never forgotten our core mission to educate tomorrow's workforce.

SCC offers a wealth of certificate and associate degree programs that lead to rewarding employment opportunities and/or baccalaureate transfer. We also provide continuing education classes and contract training services for individuals and companies seeking to enhance workplace skills. Dedicated to student access and success, SCC provides access through affordable tuition and we have locations in Spartanburg, Cherokee and Union counties. We also offer online learning through SCCOnline and conveniently scheduled day, evening and weekend classes. While our students are diverse in age, ethnicity, academic background and academic goals, they share the common goal of seeking educational programs at SCC that lead to rewarding employment and financial stability for them and their families.

Our dedicated faculty and staff provide a superior educational experience through excellence, innovation and collaboration. That means classroom and career success. They provide students with the academic and technical skills necessary for success on the job and in future educational endeavors. Thanks to the hundreds of professionals serving on the College's program of study advisory boards and the expertise they provide, SCC graduates are well equipped and ready for opportunities in the workplace.

Education and career success begins at Spartanburg Community College. SCC remains committed to serving students, residents and industries of the Upstate.



## Socioeconomic Impact Study

### STUDY HIGHLIGHTS

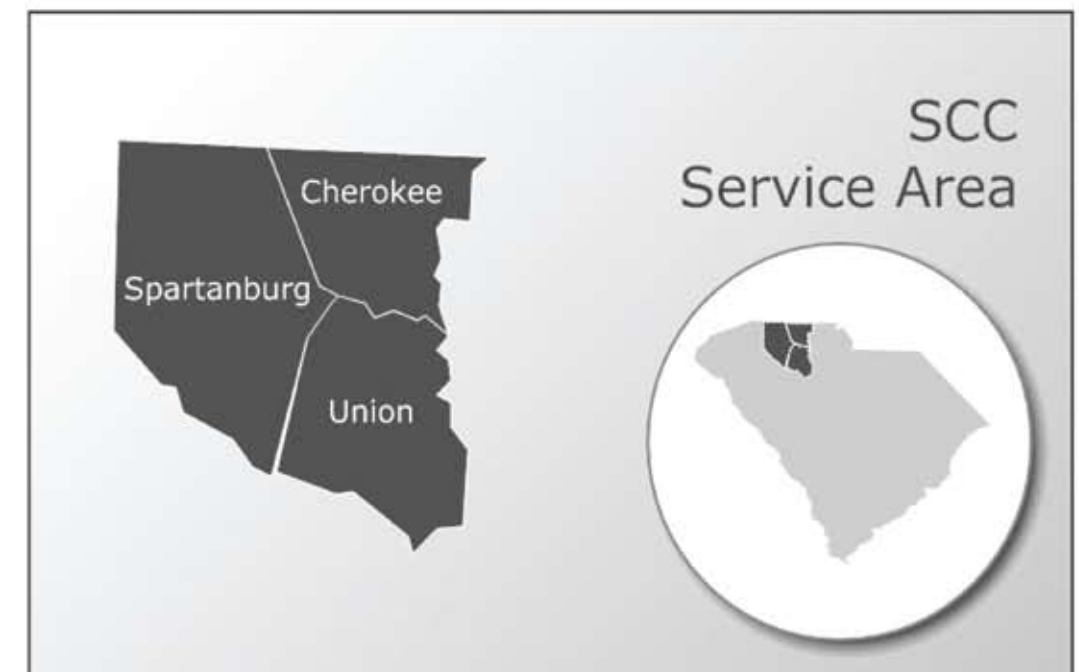
#### INVESTMENT ANALYSIS

- For every dollar students invest in SCC, they receive a cumulative **\$5.00** in higher future income (discounted) over the course of their working careers.
- South Carolina benefits from improved health and reduced welfare, unemployment, and crime, saving the public some **\$1.3 million** per year.
- Taxpayers see a rate of return of **5.4%** on their investment in SCC.

#### ECONOMIC GROWTH ANALYSIS

- The SCC Service Area economy receives approximately **\$23.5 million** in net added income each year due to SCC payroll and operations spending.
- The accumulated credits achieved by former SCC students over the past 30 years translated to **\$84.9 million** in added regional income in 2008-09 due to the higher earnings of students and increased output of businesses.

### SCC SERVICE AREA MAP



# Executive Summary

## INTRODUCTION

How do the SCC Service Area economy and the state of South Carolina benefit from the presence of Spartanburg Community College (SCC)?

In this study, EMSI applies a comprehensive model designed to quantify the economic benefits of community and technical colleges and translate these into common sense benefit/cost and investment terms. The study includes two major analyses:

1. **Investment Analysis:** Treats education funding as an investment, calculating all measurable returns and comparing them to costs, from the perspective of students, taxpayers, and society as a whole.

tives of students, taxpayers, and society as a whole.

2. **Economic Growth Analysis:** Measures added income in the region due to college operations and the accumulated skills of past and present students still in the workforce.

The economic impact model has been field-tested to generate more than 900 studies for community, technical, and further education colleges in the US, Canada, the UK, and Australia. To see the full documentation of the study, please contact the college.

## THE RESULTS

### Investment Analysis

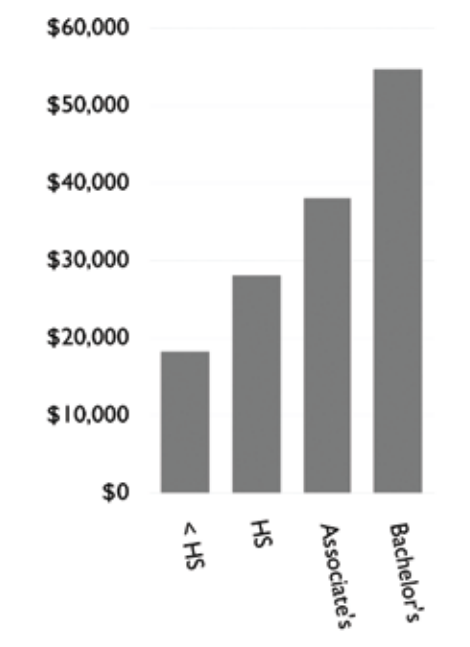
#### Student Perspective

Benefits of higher education are most obvious from the student perspective: students sacrifice current earnings (as well as money to pay for tuition) in return for a lifetime of higher income. Compared to someone with a high school diploma, associate's degree graduates earn \$10,000 more per year, on average, over the course of a working lifetime (undiscounted).

From an investment standpoint, SCC students enjoy a 14.9% rate of return on their investments of time and money. This compares favorably with returns on other investments, e.g., long-term return on stocks and bonds.

The corresponding benefit/cost ratio is 5.0, i.e., for every dollar students invest in SCC education, they receive a cumulative of \$5.00 in higher future income over their working careers. This is a real return that accounts for any discounting that occurs during the entire period. The payback period is 10.0 years.

Earnings by Education Level in SCC Service Area



### SCC INVESTMENT ANALYSIS AT A GLANCE

Stakeholder	Rate of Return	Benefit/Cost	Payback (Years)
Student perspective	14.9%	5.0	10.0
Social perspective	NA	19.2	NA
Taxpayer perspective	5.4%	1.6	19.9

#### Social Perspective

From the perspective of society as a whole, the benefits of education accrue to different publics. For example, SCC students expand the state's economic base through their higher incomes, while the businesses that employ them also become more productive through the students' added skills. These benefits, together with the associated ripple effects, contribute an estimated \$19.6 million in taxable income to the South Carolina economy each year.

As they achieve higher levels of education, SCC students are also less likely to smoke or abuse alcohol, draw welfare or unemployment benefits, or commit crimes. This translates into associated dollar savings (i.e., avoided costs) to the public equal to approximately \$1.3 million annually. These are benefits that are incidental to the operations of SCC and accrue for years into the future, for as long as students remain active in the workforce.

local taxpayers spent in FY 2008-09 to support the college. Following this procedure, it is estimated that SCC provides a benefit/cost ratio of 19.2, i.e. every dollar of state and local tax money invested in the college today yields a cumulative of \$19.20 in benefits that accrue to all South Carolina residents, in terms of added taxable income and avoided social costs.

#### Taxpayer Perspective

Under the taxpayer perspective, only benefits that accrue to state and local governments are counted, namely, increased tax collections and reduced government expenditures. For example, in place of increased income, the taxpayer perspective includes only the increased state and local tax receipts from those higher incomes. Similarly, in place of overall crime, welfare, unemployment and health savings, the taxpayer perspective includes only those that translate to actual reductions in state and local government expenditures.

Note here that government often undertakes activities wanted by the public, but which may be unprofitable in the marketplace. This means that positive economic returns are generally not expected from government investments. From the taxpayer perspective, therefore, even a small positive return (a benefit/cost ratio equal to or greater than 1, or a rate of return equal to or greater than the 3% discount rate used in the taxpayer investment analysis) would be a favorable outcome.

For SCC, the results indicate positive returns: a rate of return of 5.4% and a benefit/cost ratio of 1.6 (every dollar of state or local tax money invested in SCC today returns \$1.60).

Total Annual Benefits to the South Carolina Public Due to SCC (\$ Millions)



To compare benefits to costs, we project benefits into the future, discount them back to the present, and weigh them against the \$18.8 million that state and

## Economic Growth Analysis

SCC affects the local economy in two ways: (1) through its local purchases, including wages paid to faculty and staff; and (2) through the increase in the skill base of the local workforce. These effects break down as follows:

### College Operations Effect

SCC creates income through the earnings of its faculty and staff, as well as through its own operating and capital expenditures. Adjusting for taxes and other monies withdrawn from the local economy in support of SCC, it is estimated that the SCC Service Area economy receives a net of \$23.5 million in added labor and non-labor income due to SCC operations each year.

### Student Productivity Effect

Every year students leave SCC and join or rejoin the regional workforce. Their added skills translate to higher income and a more robust SCC Service Area economy. Based on SCC's historical enrollment and credit production over the past 30-year period, it is estimated that the accumulated contribution of SCC instruction received by former students (both completers and non-completers) annually adds some \$84.9 million in income to the SCC Service Area.

### Total Effect

Altogether, the average annual added income due to the activities of SCC and its former students equals \$108.4 million. This is approximately equal to 1.0% of the total SCC Service Area economy.

*Spartanburg Community College plays a significant role in the local economy and is a sound investment from multiple perspectives. Students benefit from improved lifestyles and increased earnings. Taxpayers benefit from a larger economy and lower social costs. Finally, the community as a whole benefits from increased job and investment opportunities, higher business revenues, greater availability of public funds, and an eased tax burden.*

## INVESTMENT ANALYSIS

### Student Perspective

- SCC served **6,990** credit students and **4,844** non-credit students in the 2008-09 reporting year.
- Education increases lifetime income. The average income at the career midpoint of someone with an associate's degree in the SCC Service Area is **\$38,100**, 36% more than a student with a high school diploma.

Students enjoy a 14.9% rate of return on their investment in SCC.

- Throughout his or her working career, the average SCC student's discounted lifetime income increases by **\$5.00** for every dollar invested in SCC.
- Students enjoy an attractive **14.9%** average rate of return on their SCC educational investment, recovering all costs (including tuition, fees, and foregone wages) in 10.0 years.

### Social Perspective

- Higher earnings of SCC students and associated increases in business and property income expand the tax base in South Carolina by about **\$19.6 million** each year.
- South Carolina will see avoided social costs amounting to **\$1.3 million** per year due to SCC students, including savings associated with improved health, reduced crime, and reduced welfare and unemployment.

### Taxpayer Perspective

- State and local governments allocated **\$18.8 million** in support of SCC in FY 2008-09.
- For every dollar of this support, taxpayers see a cumulative return of **\$1.60** over the course of students'

working careers (in the form of higher tax receipts and avoided costs).

- State and local governments see a rate of return of **5.4%** on their support for SCC. This return compares very favorably with private sector rates of return on similar long-term investments.

## ECONOMIC GROWTH ANALYSIS

### College Operations Effect

- The SCC Service Area economy annually receives roughly **\$23.5 million** in income due to SCC operations. This is a conservative figure adjusted to account for monies that leave the economy or are withdrawn from the economy in support of the college.

Added income attributable to the accumulation of SCC skills amounts to \$84.9 million each year.

### Productivity Effect

- The current SCC Service Area economy embodies an estimated **848,400** credits that have accumulated over the past 30-year period as thousands of former SCC students (completers and non-completers) enter the workforce year after year.
- SCC skills translate to higher earnings for students and increased output of businesses. The added income attributable to the accumulation of SCC credits in the workforce amounts to **\$84.9 million** each year.

### Total Effect

- Altogether, the average annual added income due to the activities of SCC and its former students equals **\$108.4 million**. This is approximately equal to **1.0%** of the total SCC Service Area economy.

## SCC ECONOMIC GROWTH RESULTS AT A GLANCE

### Added Income

College operations effect	\$23,474,000
Student productivity effect	\$84,907,000
<b>GRAND TOTAL</b>	<b>\$108,381,000</b>

### Total Added Income in SCC Service Area Due to SCC (\$ Millions)



## CONCLUSION

The results of this study demonstrate that SCC is a sound investment from multiple perspectives. The college enriches the lives of students and increases their lifetime incomes. It benefits taxpayers by generating

increased tax revenues from an enlarged economy and reducing the demand for taxpayer-supported social services. Finally, it contributes to the vitality of both the local and state economies.



## ABOUT THE STUDY

This report summarizes the results from “The Economic Contributions of Spartanburg Community College” detailing the role that the college plays in promoting economic development, enhancing students’ careers, and improving quality of life. Data sources include, but are not limited to, 2008-09 academic and financial reports from the college, industry and employment data from the U.S. Bureau of Labor Statistics, earnings and demographic data from the U.S. Census Bureau, and a variety of studies and surveys relating education to social behavior.

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