

## The Economic Value of Tacoma Community College

# EXECUTIVE SUMMARY



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

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

This study measures the economic impacts created by TCC 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 Pierce 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 Washington are reported under the investment analysis.

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# Economic impact analysis

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

## Operations spending impact



TCC adds economic value to Pierce County as an employer of county residents and a large-scale buyer of goods and services. In FY 2017-18, the college employed 970 full-time and part-time faculty and staff, 83% of whom lived in Pierce County. Total payroll at TCC was \$45.5 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 \$26.4 million on day-to-day expenses related to facilities, supplies, and professional services.

TCC’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 1,174 jobs in the county.

## Student spending impact



Around 12% of students attending TCC originated from outside the county in FY 2017-18, and some of these students relocated to Pierce County to attend TCC. 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 Pierce County if not for the existence of TCC. While attending the college, these relocated and retained students spent money on groceries, accommodation, transportation, and other household expenses. This spending generated \$8 million in added income for the county economy in FY 2017-18, which supported 160 jobs in Pierce County.

IMPACTS CREATED  
BY TCC IN FY 2017-18



**\$60.2 million**  
Operations Spending Impact



**\$8 million**  
Student Spending Impact



**\$243.3 million**  
Alumni Impact



**\$311.6 million**  
TOTAL IMPACT

- OR -

**4,175**  
JOBS SUPPORTED

## Alumni impact



The education and training TCC provides for county residents has the greatest impact. Since its establishment, students have studied at TCC and entered the county workforce with greater knowledge and new skills. Today, thousands of former TCC students are employed in Pierce County. As a result of their TCC educations, the students receive higher earnings and increase the productivity of the businesses that employ them. In FY 2017-18, TCC alumni generated \$243.3 million in added income for the county economy, which is equivalent to supporting 2,841 jobs.

## Total impact

TCC added \$311.6 million in income to the Pierce 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 \$311.6 million impact was equal to approximately 0.7% of the total gross regional product (GRP) of Pierce County. This contribution that the college provided on its own was larger than the entire Utilities industry in the county.

TCC's total impact can also be expressed in terms of jobs supported. The \$311.6 million impact supported 4,175 county jobs, using the jobs-to-sales ratios specific to each industry in the county. In addition, the \$311.6 million, or 4,175 supported jobs, stemmed from different industry sectors. Among non-education industry sectors, TCC's spending and alumni in the Retail Trade industry sector supported 892 jobs in FY 2017-18. These are impacts that would not have been generated without the college's presence in Pierce County.

### TCC TOP IMPACTS BY INDUSTRY (JOBS SUPPORTED)





# Investment analysis

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 TCC as an investment from the perspectives of students, taxpayers, and society in Washington.

## Student perspective



In FY 2017-18, TCC served 10,583 credit and 1,772 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 TCC's students in FY 2017-18 amounted to a present value of \$72 million, equal to \$24.8 million in out-of-pocket expenses (including future principal and interest on student loans) and \$47.2 million in forgone time and money.

In return for their investment, TCC's students will receive a stream of higher future earnings that will continue to grow throughout their working lives. For example, the average TCC associate degree graduate from FY 2017-18 will see annual earnings that are \$6,900 higher than a person with a high school diploma or equivalent working in Washington. Over a working lifetime, the benefits of the associate degree over a high school diploma will amount to an undiscounted value of \$262.2 thousand in higher earnings per graduate. The present value of the cumulative higher future earnings that TCC's FY 2017-18 students will receive over their working careers is \$266 million.

### STUDENTS SEE A HIGH RATE OF RETURN FOR THEIR INVESTMENT IN TCC



16.3%

Average annual return for TCC students



9.9%

Stock market 30-year average annual return

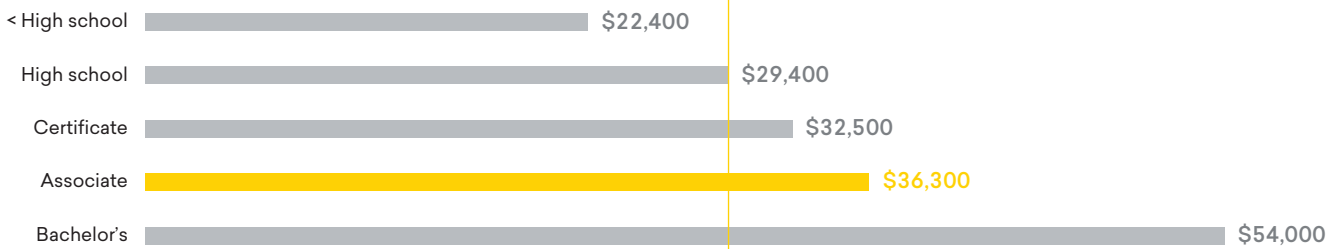


0.8%

Interest earned on savings account (National Rate Cap)

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

The average associate degree graduate from TCC will see an increase in earnings of **\$6,900** each year compared to a person with a high school diploma or equivalent working in Washington.



Source: Emsi employment data.

The students' benefit-cost ratio is 3.7. In other words, for every dollar students invest in TCC, in the form of out-of-pocket expenses and forgone time and money, they will receive a cumulative value of \$3.70 in higher future earnings. Annually, the students' investment in TCC has an average annual internal rate of return of 16.3%, which is impressive compared to the U.S. stock market's 30-year average rate of return of 9.9%.

## Taxpayer perspective



TCC 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 TCC 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 \$69.1 million in added taxes.

Benefits to taxpayers will also consist of savings generated by the improved lifestyles of TCC students and the corresponding reduced government services. Education is statistically correlated with a variety of lifestyle changes. Students'

TCC 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. TCC 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 a TCC education will generate \$11.6 million in savings to state and local taxpayers.

Total taxpayer benefits amount to \$80.7 million, the present value sum of the added taxes and public sector savings. Taxpayer costs are \$39.8 million, equal to the amount of state and local government funding TCC received in FY 2017-18. These benefits and costs yield a benefit-cost ratio of 2.0. This means that for

*For every dollar of public money invested in TCC, taxpayers will receive a cumulative value of **\$2.00** over the course of the students' working lives.*



### STUDENT PERSPECTIVE

\$266 million  
Present value benefits

\$72 million  
Present value costs

\$194 million  
Net present value

Benefit-cost Ratio      Rate of Return

3.7

16.3%



### TAXPAYER PERSPECTIVE

\$80.7 million  
Present value benefits

\$39.8 million  
Present value costs

\$40.9 million  
Net present value

Benefit-cost Ratio      Rate of Return

2.0

5.8%



### SOCIAL PERSPECTIVE

\$1.2 billion  
Present value benefits

\$127.3 million  
Present value costs

\$1 billion  
Net present value

Benefit-cost Ratio      Rate of Return

9.1

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.

every dollar of public money invested in TCC in FY 2017-18, taxpayers will receive a cumulative value of \$2.00 over the course of the students' working lives. The average annual internal rate of return for taxpayers is 5.8%, which compares favorably to other long-term investments in the public and private sectors.

### Social perspective



Society as a whole in Washington benefits from the presence of TCC 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 Washington.

Benefits to society also consist of the savings generated by the improved lifestyles of TCC 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.

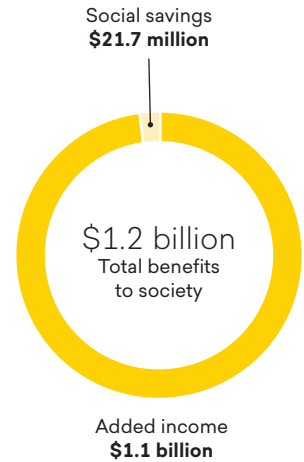
Altogether, the social benefits of TCC equal a present value of \$1.2 billion. These benefits include \$1.1 billion in added income through students' increased lifetime earnings and increased business output, as well as \$21.7 million in social savings related to health, crime, and income assistance in Washington. People in Washington invested a present value total of \$127.3 million in TCC in FY 2017-18. The cost includes all the college and student costs.

The benefit-cost ratio for society is 9.1, equal to the \$1.2 billion in benefits divided by the \$127.3 million in costs. In other words, for every dollar invested in TCC, people in Washington will receive a cumulative value of \$9.10 in benefits. The benefits of this investment will occur for as long as TCC's FY 2017-18 students remain employed in the state workforce.

### Summary of investment analysis results

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

SOCIAL BENEFITS IN WASHINGTON FROM TCC



# Conclusion

The results of this study demonstrate that TCC 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. TCC 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, TCC benefits society as a whole in Washington 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 TCC, 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.

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