



Executive Summary

The **Economic Contribution** *of*

Halifax Community College
State of North Carolina



Economic Growth Analysis
Investment Analysis

emsi

October 2011



Socioeconomic Impact Study

STUDY HIGHLIGHTS

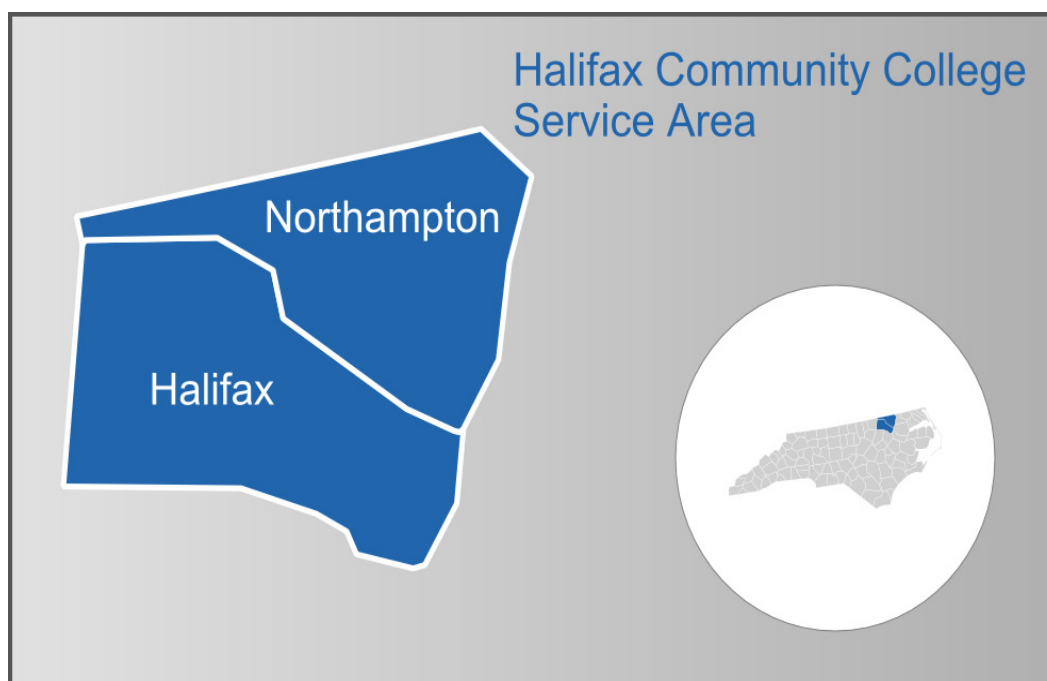
INVESTMENT ANALYSIS

- For every dollar students invest in HCC, they receive a cumulative **\$2.60** in higher future income (discounted) over the course of their working careers.
- North Carolina benefits from improved health and reduced welfare, unemployment, and crime, saving the public some **\$497,700** per year.

ECONOMIC GROWTH ANALYSIS

- The net added income generated by HCC operations (**\$10.7 million**) and the spending of non-local students (**\$2.8 million**) contributes a total of **\$13.5 million** in income to the Eastern North Carolina, Roanoke Valley Region economy each year.
- The accumulated credits achieved by former HCC students over the past 30 years translated to **\$30.5 million** in added regional income in 2009-10 due to the higher earnings of students and increased output of businesses.

EASTERN NORTH CAROLINA, ROANOKE VALLEY REGION MAP



Executive Summary

INTRODUCTION

How do the Eastern North Carolina, Roanoke Valley Region economy and the state of North Carolina benefit from the presence of Halifax Community College (HCC)?

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

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

2. **Economic Growth Analysis:** Measures added income in the region due to college operations, student spending, 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

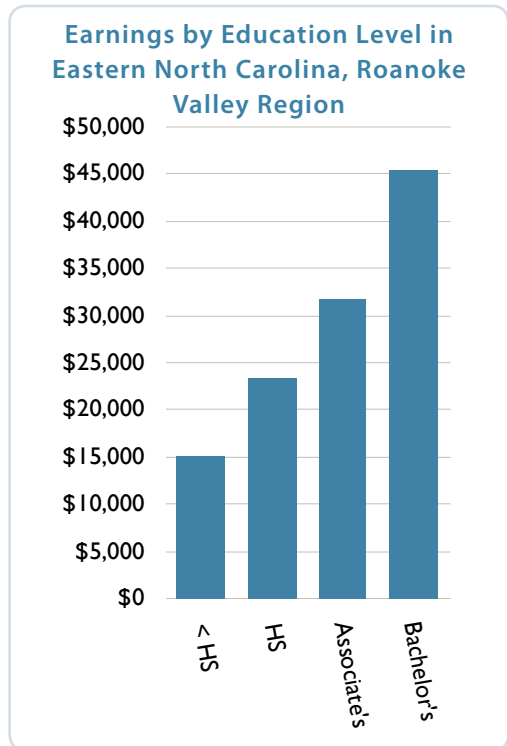
Investment Analysis

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 \$8,300 more per year, on average, over the course of a working lifetime (undiscounted).

From an investment standpoint, HCC students enjoy a 13.2% 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 2.6, i.e., for every dollar students invest in HCC education, they receive a cumulative of \$2.60 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 9.4 years.



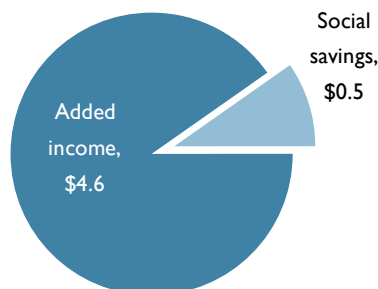
HCC INVESTMENT ANALYSIS AT A GLANCE

Stakeholder	Rate of Return	Benefit/Cost
Student perspective	13.2%	2.6
Social perspective	NA	11.0
Taxpayer perspective	2.1%	0.9

Social Perspective

From the perspective of society as a whole, the benefits of education accrue to different publics. For example, HCC 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 \$4.6 million in taxable income to the North Carolina economy each year.

As they achieve higher levels of education, HCC 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 \$497,700 annually. These are benefits that are incidental to the operations of HCC and accrue for years into the future, for as long as students remain active in the workforce.

Total Annual Benefits to North Carolina Public Due to HCC Students (\$ Millions)

To compare benefits to costs, we project benefits into the future, discount them back to the present, and weigh them against the \$10.1 million that state and

local taxpayers spent in FY 2009-10 to support the college. Following this procedure, it is estimated that HCC provides a benefit/cost ratio of 11.0, i.e. every dollar of state and local tax money invested in the college today yields a cumulative of \$11.00 in benefits that accrue to all North 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.

When analyzing government investments we apply a 3% discount rate, assuming that governments can obtain unsecured loans at a rate of 3% or receive a return of 3% if they were to invest any excess funds. For HCC, the rate of return to taxpayers is 2.1%, below the 3% threshold value. However, a 2.1% rate of return is still indicative of a good investment given that many government projects do not yield positive returns. Furthermore, the benefits generated by the college recover a significant portion of the costs borne by taxpayers through the increased incomes of students and reduced expenditures for social services.

Economic Growth Analysis

HCC affects the local economy in three ways: (1) through its local purchases, including wages paid to

faculty and staff; (2) through the spending of students who come from outside the region; and (3) through the increase in the skill base of the local workforce. These effects break down as follows:

College Operations Effect

HCC 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 HCC, it is estimated that the Eastern North Carolina, Roanoke Valley Region economy receives a net of \$10.7 million in added labor and non-labor income due to HCC operations each year.

Student Spending Effect

Students from outside the region spend money for room and board, transportation, entertainment, and other miscellaneous personal expenses. These expenditures create jobs and incomes for local businesses. The spending of HCC’s non-local students generates approximately \$2.8 million in added income in the

Eastern North Carolina, Roanoke Valley Region economy each year.

Student Productivity Effect

Every year students leave HCC and join or rejoin the regional workforce. Their added skills translate to higher income and a more robust Eastern North Carolina, Roanoke Valley Region economy. Based on HCC’s historical enrollment and credit production over the past 30-year period, it is estimated that the accumulated contribution of HCC instruction received by former students (both completers and non-completers) annually adds some \$30.5 million in income to the Eastern North Carolina, Roanoke Valley Region.

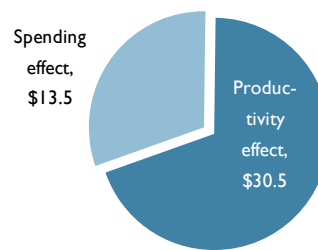
Total Effect

Altogether, the average annual added income due to the activities of HCC and its former students equals \$44.1 million. This is approximately equal to 3.0% of the total Eastern North Carolina, Roanoke Valley Region economy.

HCC ECONOMIC IMPACT ANALYSIS AT A GLANCE

Added Income	
<i>College operations effect</i>	\$10,711,000
<i>Student spending effect</i>	\$2,832,000
Total spending effect	\$13,543,000
<i>Student productivity effect</i>	\$30,507,000
GRAND TOTAL	\$44,050,000

Total Added Income in Eastern North Carolina, Roanoke Valley Region Due to HCC (\$ Millions)



CONCLUSION

The results of this study demonstrate that HCC provides an important service to students and to the public. The college enriches the lives of students and increases their lifetime incomes. It recovers a significant portion

of taxpayer costs by generating increased tax revenues 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 Halifax 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, 2009-10 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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