



OAKLAND COMMUNITY COLLEGE®

The Economic Value of Oakland Community College

EXECUTIVE SUMMARY



OAKLAND Community College (OCC) 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 Oakland County. OCC provides students with the education, training, and skills they need to have fulfilling and prosperous careers. OCC educates students for life-changing careers; as the number one transfer institution in the state, OCC provides unique transfer opportunities to degrees at four-year institutions in business, science, and liberal arts. Furthermore, OCC is a place for students to meet new people, increase their self-confidence, and promote their overall health and well-being.

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

This study measures the economic impacts created by OCC 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 Oakland 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 Michigan are reported under the investment analysis. Results of the analysis reflect fiscal year (FY) 2017-18 and are available at the OCC website: oaklandcc.edu/transparency.

The value of OCC influences both the lives of its students and the county economy through its degree, certificate offerings, and workforce training as well as through its university transfer degrees.



Economic impact analysis

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

Operations spending impact



OCC adds economic value to Oakland County as an employer of county residents and a large-scale buyer of goods and services.

In FY 2017-18, the College employed 1,493 full-time and part-time faculty and staff, 70% of whom lived in Oakland County. For the operations spending impact we focus on the allocated payroll for faculty and staff across instruction, instructional support, institutional administration, and student services among other expense categories essential to the day-to-day operations of all services at the College. Total payroll at OCC was \$101.5 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 \$38.8 million on day-to-day expenses related to facilities, supplies, and professional services.

OCC's day-to-day operations spending added \$103.5 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 the College received from county sources. The \$103.5 million in added income is equivalent to supporting 1,560 jobs in the county.

Capital spending impact



OCC commissioned contractors to build or renovate its facilities in FY 2017-18. The quick infusion of income and jobs that occurred in the county economy as a result of this capital

spending is considered short-term due to the one-time nature of such projects. Nonetheless, the College's capital spending had a substantial impact on the county economy in FY 2017-18, equal to \$6 million in added income and equivalent to supporting 76 jobs.

IMPACTS CREATED BY OCC
IN FY 2017-18



\$103.5 million
Operations Spending Impact



\$6.0 million
Capital Spending Impact



\$41.5 million
Student Spending Impact

\$151.0 million
Total OCC Spending Impact



\$2.0 billion
Alumni Impact

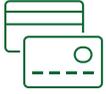


\$2.1 billion
GRAND TOTAL IMPACT

- OR -

24,529
JOBS SUPPORTED

Student spending impact



Around 16% of credit students attending OCC originated from outside the county in FY 2017-18, and some of these students relocated to Oakland County to attend OCC. 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 Oakland County if not for the existence of OCC. While attending the College, these relocated and retained students spent money on groceries, housing, transportation, and other household expenses. This spending generated \$41.5 million in added income for the county economy in FY 2017-18, which supported 958 jobs in Oakland County.

Alumni impact



The education and training OCC provides for county residents has the greatest impact. Since its establishment, students have studied at OCC and entered the county workforce with greater knowledge and new skills. Today, hundreds of thousands of former OCC students are employed in Oakland County. As a result of their OCC educations, the students receive higher earnings and increase the productivity of the businesses that employ them. In FY 2017-18, OCC alumni generated \$2 billion in added income for the county economy, which is equivalent to supporting 21,935 jobs.

Total impact

OCC added \$151 million in income through its spending impacts, and an additional \$2.0 billion in income from its alumni, generating a grand total impact of \$2.1 billion in income to the Oakland County economy during the analysis year. For context, the \$2.1 billion impact was equal to approximately 2.0% of the total gross regional product (GRP) of Oakland County. This contribution the College provided on its own was as large as the entire Accommodation & Food Services industry in the county.

OCC's total impact can also be expressed in terms of jobs supported. The \$2.1 billion impact supported 24,529 county jobs, using the jobs-to-sales ratios specific to each industry in the county. This means one out of every 41 jobs in Oakland County is supported by the activities of OCC and its students. In addition, the \$2.1 billion, or 24,529 supported jobs, stemmed from different industry sectors. Among non-education industry sectors, OCC's spending and alumni in the Retail Trade industry sector generated an impact of \$370.3 million in FY 2017-18. These are impacts that would not have been generated without the College's presence in Oakland County.

OCC IMPACTS BY INDUSTRY (JOBS SUPPORTED)



6,371

Retail Trade



2,988

Professional & Technical Services



2,941

Health Care & Social Assistance



1,826

Administrative & Waste Services



1,347

Accommodation & Food Services

**One out of every 41 jobs in
Oakland County is supported
by the activities of OCC and
its students.**



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 OCC as an investment from the perspectives of students, taxpayers, and society in Michigan.

Student perspective



In FY 2017-18, OCC served 27,113 credit and 6,266 non-credit students. To attend the College, 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 OCC's students in FY 2017-18 amounted to a present value of \$202.8 million, equal to \$40.9 million in out-of-pocket expenses (including future principal and interest on student loans) and \$161.9 million in forgone time and money.

In return for their investment, OCC's students, on average, will receive a stream of higher future earnings that will continue to grow throughout their working lives. For example, the annual income of the average OCC associate degree graduate will be \$10,900 higher than that of a person with a high school diploma or equivalent working in Michigan. Over a working lifetime, the benefits of the associate degree over a high school diploma will amount to an undiscounted value of \$403.3 thousand in higher earnings per graduate. The present value of the cumulative higher future earnings that OCC's FY 2017-18 students will receive over their working careers is \$856 million.

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



18.1%

Average annual return for OCC students



9.9%

Stock market 30-year average annual return

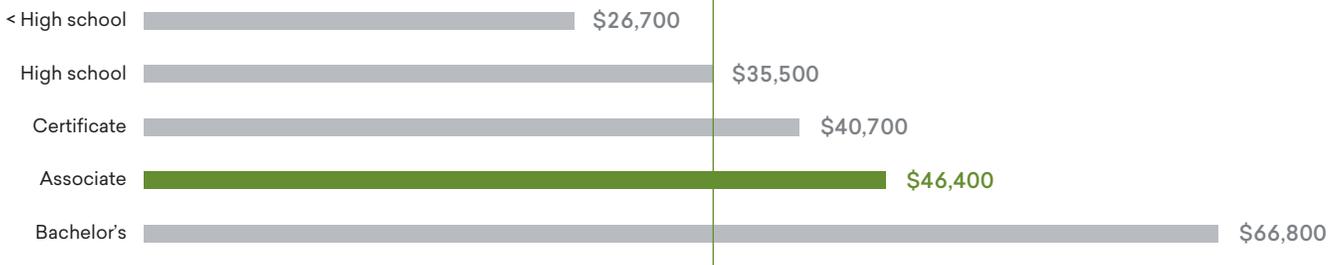


0.8%

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 OCC will see an increase in earnings of **\$10,900** each year compared to a person with a high school diploma or equivalent working in Michigan.



Source: Emsi employment data.

The students' benefit-cost ratio is 4.2. In other words, for every dollar students invest in OCC, in the form of out-of-pocket expenses and forgone time and money, they will receive a cumulative mean value of \$4.20 in higher future earnings. Annually, the students' investment in OCC has an average annual internal rate of return of 18.1%, which is impressive compared to the U.S. stock market's 30-year average rate of return of 9.9%.

Taxpayer perspective



When considering the benefits OCC generates – \$387.1 million – compared to the cost to Michigan taxpayers – \$122.5 million – it is evident that through its quality education and services to the community, OCC generates more in tax revenue than it takes. These benefits to taxpayers consist primarily of taxes the state and local government will collect from the added revenue created in the state. As OCC students 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 \$361.2 million in added taxes.

Benefits to taxpayers will also consist of savings generated by the improved lifestyles of OCC students and the corresponding reduced government services. Higher education is statistically correlated with a variety of lifestyle changes. Education 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. OCC students will be more employable, so their reduced demand for income assistance such as welfare and unemployment benefits will benefit taxpayers. Altogether, the present value of the benefits associated with an OCC education will generate \$26 million in savings to state and local taxpayers.

Total taxpayer benefits amount to \$387.1 million, the present value sum of the added taxes and public sector savings. Taxpayer costs are \$122.5 million, equal to the amount of state and local government funding OCC received

*For every dollar of public money invested in OCC, taxpayers will receive a cumulative value of **\$3.20** over the course of the students' working lives.*



STUDENT PERSPECTIVE

\$856 million
Present value benefits

\$202.8 million
Present value costs

\$653.2 million
Net present value

Benefit-cost Ratio	Rate of Return
4.2	18.1%



TAXPAYER PERSPECTIVE

\$387.1 million
Present value benefits

\$122.5 million
Present value costs

\$264.6 million
Net present value

Benefit-cost Ratio	Rate of Return
3.2	9.5%



SOCIAL PERSPECTIVE

\$4.5 billion
Present value benefits

\$329.1 million
Present value costs

\$4.2 billion
Net present value

Benefit-cost Ratio	Rate of Return
13.6	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.

in FY 2017-18. These benefits and costs yield a benefit-cost ratio of 3.2. This means that for every dollar of public money invested in OCC in FY 2017-18, taxpayers will receive a cumulative value of \$3.20 over the course of the students' working lives. The average annual internal rate of return for taxpayers is 9.5%, which compares favorably to other long-term investments in the public and private sectors.

Social perspective



Society as a whole in Michigan benefits from the presence of OCC 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 Michigan.

Benefits to society also consist of the savings generated by the improved lifestyles of OCC students. As discussed in the previous section, education is statistically correlated with a variety of lifestyle changes that generate social savings. Note 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.

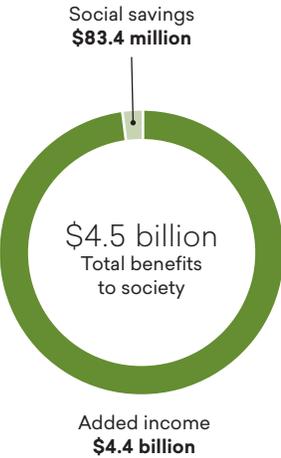
Altogether, the social benefits of OCC equal a present value of \$4.5 billion. These benefits include \$4.4 billion in added income through students' increased lifetime earnings and increased business output, as well as \$83.4 million in social savings related to health, crime, and income assistance in Michigan. People in Michigan invested a present value total of \$329.1 million in OCC in FY 2017-18. The cost includes all the College and student costs.

The benefit-cost ratio for society is 13.6, equal to the \$4.5 billion in benefits divided by the \$329.1 million in costs. In other words, for every dollar invested in OCC, people in Michigan will receive a cumulative value of \$13.60 in benefits. The benefits of this investment will occur for as long as OCC's FY 2017-18 students remain employed in the state workforce.

Summary of investment analysis results

The results of the analysis demonstrate OCC is a strong investment for all three major stakeholder groups—students, taxpayers, and society. As shown, students receive a great return for their investments with an OCC education. At the same time, taxpayers' investment in OCC returns more to government budgets than it costs and creates a wide range of social benefits throughout Michigan.

SOCIAL BENEFITS IN MICHIGAN FROM OCC



Conclusion

The results of this study demonstrate that OCC 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. OCC 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, OCC benefits society as a whole in Michigan 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 OCC, 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.

The results of this study demonstrate that OCC creates value from
multiple perspectives.



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