



The Economic Value of Los Angeles County's Community Colleges

COVID-19 disclaimer: The data used to generate the findings within this report reflect extraordinary circumstances caused by the national COVID-19 Pandemic. From a financial perspective, the colleges may have seen an increase in expenditures related to quickly transitioning to online or hybrid education and spending on equipment and staff related to the health and welfare of faculty and students. One-time funding may have been received by the colleges through the CARES Act which included the Higher Education Emergency Relief Fund grant. Additionally, students were directly impacted over this period. Rapid changes in the modality of the colleges' programs can have an impact on students' persistence and completion rates. Changes in income and employment can have adverse effects on a student's ability to maintain enrollment or their choice to enroll in college. Childcare availability, health, and safety considerations may have also had adverse effects on enrollment. Lastly, a number of economic indicators used within this report may be reflective of broader changes to the economy during this time, such as unemployment rates and changes in wages.

LOS ANGELES COUNTY'S COMMUNITY COLLEGES (LA's Community Colleges) create value in many ways. The colleges play a key role in helping students increase their employability and achieve their individual potential. The colleges draw students to the county, generating new dollars and opportunities for Los Angeles County. The colleges provide students with the education, training, and skills they need to have fulfilling and prosperous careers. Furthermore, the colleges are places for students to meet new people, increase their self-confidence, and promote their overall health and well-being.

LA's Community Colleges influence both the lives of students and the county economy. The colleges support a variety of industries in Los Angeles County, serve county businesses, and benefit society as a whole in California from an expanded economy and improved quality of life. Additionally, the benefits created by LA's Community Colleges extend to the state and local government through increased tax revenues and public sector savings.

This study measures the economic impacts created by LA's Community Colleges on the business community and the benefits the colleges generate in return for the investments made by their 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 colleges, for fiscal year (FY) 2021-22. Impacts on the Los Angeles 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 California are reported under the investment analysis.



Los Angeles County, California

LA's Community Colleges influence both the **lives of students** and the **county economy**.

Economic impact analysis



LA's Community Colleges promote economic growth in Los Angeles County through their direct expenditures and the resulting expenditures of students and county businesses. The colleges serve as employers and buyers of goods and services for their day-to-day and construction operations. The colleges' activities attract students from outside Los Angeles County, whose expenditures benefit county vendors. In addition, the colleges are primary sources of higher education to Los Angeles County residents and suppliers of trained workers to county industries, enhancing overall productivity in the county workforce.

Operations spending impact



LA's Community Colleges add economic value to Los Angeles County as employers of county residents and large-scale buyers of goods and services. In FY 2021-22, the colleges employed 22,532 full-time and part-time faculty and staff, 83% of whom lived in Los Angeles County. Total payroll at LA's Community Colleges was \$1.9 billion, much of which was spent in the county for groceries, mortgage and rent payments, dining out, and other household expenses. In addition, the colleges spent \$1.3 billion on day-to-day expenses related to facilities, supplies, and professional services (excluding construction).

LA's Community Colleges' day-to-day operations spending added \$2.9 billion in income to the county during the analysis year. This figure represents the colleges' payroll, the multiplier effects generated by the in-county spending of the colleges and their employees, and a downward adjustment to account for funding that the colleges received from county sources. The \$2.9 billion in added income is equivalent to supporting 28,384 jobs in the county.

Construction spending impact



LA's Community Colleges invest in construction each year to maintain facilities, create additional capacities, and meet growing educational demands. While the amount varies from year to year, these quick infusions of income and jobs have a substantial impact on the county economy. In FY 2021-22, the construction spending of LA's Community Colleges generated \$189.5 million in added income, which is equivalent to supporting 2,376 jobs.

Impacts created by LA's Community Colleges in FY 2021-22



Operations spending impact
\$2.9 billion

+



Construction spending impact
\$189.5 million

+



Student spending impact
\$1.4 billion

+



Alumni impact
\$18.7 billion



Total economic impact
\$23.2 billion

OR

Jobs supported
242,154



Student spending impact



Around 12% of students attending LA's Community Colleges originated from outside the county in FY 2021-22, and some of these students relocated to Los Angeles County to attend the colleges. These students may not have come to the county if the colleges did not exist. In addition, some in-county students, referred to as retained students, would have left Los Angeles County if not for the existence of LA's Community Colleges. While attending the colleges, these relocated and retained students spent money on groceries, accommodation, transportation, and other household expenses. This spending generated \$1.4 billion in added income for the county economy in FY 2021-22, which supported 17,749 jobs in Los Angeles County.



Alumni impact



The education and training the colleges provide for county residents has the greatest impact. Since the colleges were established, students have studied at LA's Community Colleges and entered the county workforce with greater knowledge and new skills. Today, hundreds of thousands of former students from LA's Community Colleges are employed in Los Angeles County. As a result of their education from LA's Community Colleges, the students receive higher earnings and increase the productivity of the businesses that employ them. In FY 2021-22, alumni from LA's Community Colleges generated \$18.7 billion in added income for the county economy, which is equivalent to supporting 193,644 jobs.

Total impact

LA's Community Colleges added \$23.2 billion in income to the Los Angeles County economy during the analysis year, equal to the sum of operations and construction spending impacts; the student spending impact; and the alumni impact. For context, the \$23.2 billion impact was equal to approximately 2.6% of the total gross regional product (GRP) of Los Angeles County. This contribution that the colleges provided on their own was larger than the entire Construction industry in the county.

LA's Community Colleges' total impact can also be expressed in terms of jobs supported. The \$23.2 billion impact supported 242,154 county jobs, using the jobs-to-sales ratios specific to each industry in the county. This means that one out of every 29 jobs in Los Angeles County is supported by the activities of the colleges and their students. In addition, the \$23.2 billion, or 242,154 supported jobs, stemmed from different industry sectors. For instance, among non-education industry sectors, the spending of LA's Community Colleges and their students and the activities of their alumni in the Health Care & Social Assistance industry sector supported 29,692 jobs in FY 2021-22. If the colleges did not exist, these impacts would not have been generated in Los Angeles County.

LA's Community Colleges' impact by industry (jobs supported)



29,692

Health Care & Social Assistance



23,278

Retail Trade



22,510

Other Services (except Public Administration)



20,556

Professional & Technical Services



15,074

Accommodation & Food Services

One out of every 29 jobs in Los Angeles County is supported by the activities of the colleges and their 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 evaluates LA's Community Colleges as an investment from the perspectives of students, taxpayers, and society in California.

Student perspective



In FY 2021-22, LA's Community Colleges served 402,181 credit and 78,406 non-credit students. In order to attend the colleges, 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 students who attended LA's Community Colleges in FY 2021-22 amounted to a present value of \$1.1 billion, equal to \$331.5 million in out-of-pocket expenses (including future principal and interest on student loans) and \$805.1 million in forgone time and money.

In return for their investment, students who attended LA's Community Colleges in FY 2021-22 will receive a stream of higher future earnings that will continue to grow throughout their working lives. For example, the average associate degree graduate from LA's Community Colleges in FY 2021-22 will see annual earnings \$10,100 higher than a person with a high school diploma or equivalent working in California. Over a working lifetime, the benefits of the associate degree over a high school diploma will amount to an undiscounted value of \$414.1 thousand in higher earnings per graduate. The present value of the cumulative higher future earnings that FY 2021-22 students who attended LA's Community Colleges will receive over their working careers is \$7.8 billion.

The students' benefit-cost ratio is 6.9. In other words, for every dollar students invest in an education at LA's Community Colleges in the form of out-of-pocket expenses and forgone time and money, they will receive a cumulative value of \$6.90 in higher future earnings. Annually, the students' investment in LA's Community Colleges has

Students see a high rate of return for their investment in LA's Community Colleges



Average annual return for students of LA's Community Colleges

22.9%



Stock market 30-year average annual return

9.6%

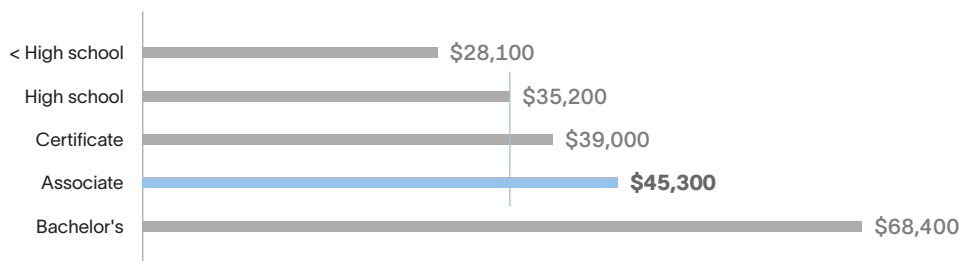


Interest earned on savings account (national deposit cap)

0.4%

Source: Forbes' S&P 500, 1992-2021. FDIC.gov, 2-2022.

The average associate degree graduate from LA's Community Colleges will see an increase in earnings of **\$10,100** each year compared to a person with a high school diploma or equivalent working in California.



Source: Lightcast employment data.



an average annual internal rate of return of 22.9%, which is impressive compared to the U.S. stock market's 30-year average rate of return of 9.6%.

Taxpayer perspective



LA's Community Colleges generate more in tax revenue than they receive.

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 students from LA's Community Colleges earn more, they 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 2021-22 students' working lives, the state and local government will have collected a present value of \$3.3 billion in added taxes.

Benefits to taxpayers will also consist of savings generated by the improved lifestyles of students who attended LA's Community Colleges and the corresponding reduced government services. Education is statistically correlated with a variety of lifestyle changes. The education that students from LA's Community Colleges receive will generate savings in three main categories: 1) healthcare, 2) justice system, and 3) income assistance. Improved health will lower students' demand for national health care services. In addition, costs related to the justice system will decrease. Students who attended LA's Community Colleges 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 LARC for a copy of the main report. Altogether, the present value of the benefits associated with an education from LA's Community Colleges will generate \$518.6 million in savings to state and local taxpayers.

Total taxpayer benefits amount to \$3.9 billion, the present value sum of the added tax revenue and public sector savings. Taxpayer costs are \$2.6 billion, equal to the amount of state and local government funding LA's Community Colleges received in FY 2021-22. These benefits and costs yield a benefit-cost ratio of 1.5. This means that for every dollar of public money invested in LA's Community Colleges in FY 2021-22, taxpayers will receive a cumulative present value of \$1.50 over the course of the students' working lives. The average annual internal rate of return for taxpayers is 2.4%, which compares favorably to other long-term investments in the public sector.

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Social perspective



Society as a whole in California benefits from the presence of LA's Community Colleges in two major ways. Primarily, society benefits from an increased economic base in the state. This is attributed to the added income from students' increased lifetime earnings (added student income) and increased business output (added business income), which raise economic prosperity in California.



Benefits to society also consist of the savings generated by the improved lifestyles of students who attended LA's Community Colleges. 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. Justice system savings include avoided costs to the government and society due to less judicial activity. Income assistance savings include reduced welfare and unemployment claims. For a list of study references, contact LARC for a copy of the main report.

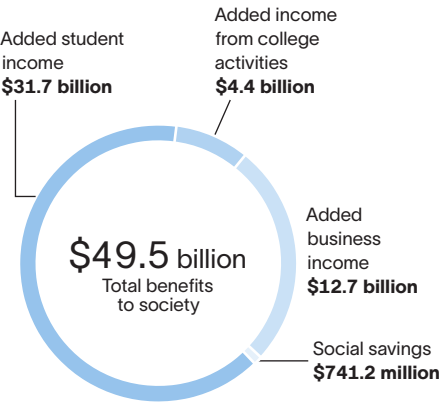
Altogether, the social benefits of LA's Community Colleges equal a present value of \$49.5 billion. These benefits include \$31.7 billion in added student income, \$12.7 billion in added business income, \$4.4 billion in added income from college activities, as well as \$741.2 million in social savings related to health, the justice system, and income assistance in California. People in California invested a present value total of \$4.7 billion in LA's Community Colleges in FY 2021-22. The cost includes all the colleges' expenditures and student costs.

The benefit-cost ratio for society is 10.5, equal to the \$49.5 billion in benefits divided by the \$4.7 billion in costs. In other words, for every dollar invested in LA's Community Colleges, people in California will receive a cumulative value of \$10.50 in benefits. The benefits of this investment will occur for as long as LA's Community Colleges' FY 2021-22 students remain employed in the state workforce.

Summary of investment analysis results

The results of the analysis demonstrate that LA's Community Colleges are a strong investment for all three major stakeholder groups—students, taxpayers, and society. As shown, students receive a great return for their investment in an education from LA's Community Colleges. At the same time, taxpayers' investment in LA's Community Colleges returns more to government budgets than it costs and creates a wide range of social benefits throughout California.

Social benefits in California from LA's Community Colleges



Source: Lightcast impact model.

Student perspective

Present value benefits
\$7.8 billion

Present value costs
\$1.1 billion

Net present value
\$6.7 billion

Benefit-cost ratio	Rate of return
6.9	22.9%

Taxpayer perspective

Present value benefits
\$3.9 billion

Present value costs
\$2.6 billion

Net present value
\$1.3 billion

Benefit-cost ratio	Rate of return
1.5	2.4%

Social perspective

Present value benefits
\$49.5 billion

Present value costs
\$4.7 billion

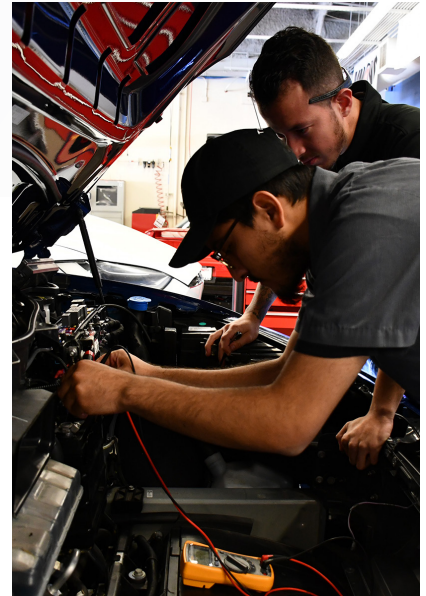
Net present value
\$44.8 billion

Benefit-cost ratio	Rate of return
10.5	n/a*

* The rate of return is not reported for the social perspective because the beneficiaries are not necessarily the same as the original investors.

Conclusion

The results of this study demonstrate that LA's Community Colleges create value from multiple perspectives. The colleges benefit county businesses by increasing consumer spending in the county and supplying a steady flow of qualified, trained workers to the workforce. LA's Community Colleges enrich the lives of students by raising their lifetime earnings and helping them achieve their individual potential. The colleges benefit state and local taxpayers through increased tax receipts and a reduced demand for government-supported social services. Finally, LA's Community Colleges benefit society as a whole in California 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 2021-22 academic and financial reports from LA's Community Colleges, industry and employment data from the U.S. Bureau of Labor Statistics and U.S. Census Bureau, outputs of Lightcast'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 LARC for a copy of the main report.

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Lightcast provides colleges and universities with labor market data that help create better outcomes for students, businesses, and communities. Our data, which cover more than 99% of the U.S. workforce, are compiled from a wide variety of government sources, job postings, and online profiles and résumés. Hundreds of institutions use Lightcast to align programs with regional needs, drive enrollment, connect students with in-demand careers, track their alumni's employment outcomes, and demonstrate their institution's economic impact on their region. Visit lightcast.io/solutions/education to learn more or connect with us.