



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 a significant positive impact on the business community and generate a return on investment to their major stakeholder groups—students, taxpayers, and society. Using a two-pronged approach that involves an economic impact analysis and an investment analysis, this study calculates the benefits received by each of these groups. Results of the analysis reflect fiscal year (FY) 2021-22.



Los Angeles County, California



Economic impact analysis

In FY 2021-22, LA's Community Colleges added **\$23.2 billion** in income to the Los Angeles County economy, a value approximately equal to **2.6%** of the county's total gross regional product (GRP). Expressed in terms of jobs, the impact from LA's Community Colleges supported **242,154 jobs**. For perspective, the activities of the colleges and their students support **one out of every 29 jobs** in Los Angeles County.

Operations spending impact

- LA's Community Colleges employed 22,532 full-time and part-time faculty and staff. Payroll amounted to \$1.9 billion, much of which was spent in the county for groceries, mortgage and rent payments, dining out, and other household expenses. The colleges spent another \$1.3 billion (excluding construction) on day-to-day expenses related to facilities, supplies, and professional services.
- The net impact of the colleges' operations spending added **\$2.9 billion** in income to the county economy in FY 2021-22.

Construction spending impact

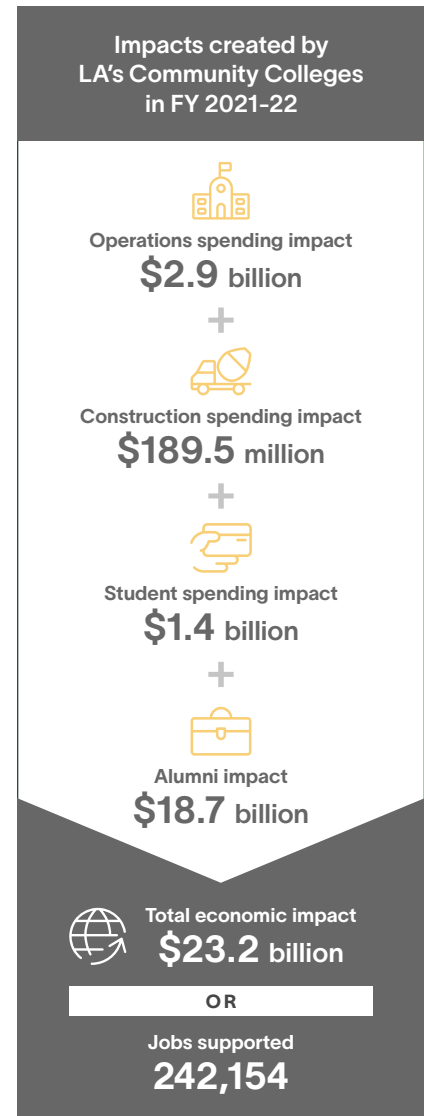
- LA's Community Colleges invest in construction each year to maintain their facilities, create additional capacities, and meet their growing educational demands, generating a short-term infusion of spending and jobs in the county economy.
- The net impact of construction spending from LA's Community Colleges in FY 2021-22 was **\$189.5 million** in added income for Los Angeles County.

Student spending impact

- Around 12% of students attending the colleges originated from outside the county. Some of these students relocated to Los Angeles County. In addition, some in-county students, referred to as retained students, would have left Los Angeles County for other educational opportunities if not for LA's Community Colleges. These relocated and retained students spent money on groceries, mortgage and rent payments, and other living expenses at county businesses.
- The expenditures of relocated and retained students in FY 2021-22 added **\$1.4 billion** in income to the Los Angeles County economy.

Alumni impact

- Over the years, students have studied at LA's Community Colleges and entered or re-entered the workforce with newly-acquired knowledge and skills. Today, hundreds of thousands of these former students are employed in Los Angeles County.
- The net impact of former students from LA's Community Colleges currently employed in the county workforce amounted to **\$18.7 billion** in added income in FY 2021-22.





Investment analysis

Student perspective

- Students who attended LA's Community Colleges in FY 2021-22 students paid a present value of **\$331.5 million** to cover the cost of tuition, fees, supplies, and interest on student loans. They also forwent **\$805.1 million** in money that they would have earned had they been working instead of attending college.
- In return for their investment, students will receive a cumulative present value of **\$7.8 billion** in increased earnings over their working lives. This translates to a return of **\$6.90** in higher future earnings for every dollar students invest in their education. Students' average annual rate of return is **22.9%**.

Taxpayer perspective

- Taxpayers provided LA's Community Colleges with \$2.6 billion of funding in FY 2021-22. In return, they will benefit from added tax revenue, stemming from students' higher lifetime earnings and increased business output, amounting to **\$3.3 billion**. A reduced demand for government-funded services in California will add another **\$518.6 million** in benefits to taxpayers.
- Total taxpayer benefits amount to **\$3.9 billion**, the present value sum of the added tax revenue and public sector savings. For every dollar of public money invested in LA's Community Colleges, taxpayers will receive **\$1.50** in return, over the course of students' working lives. The average annual rate of return for taxpayers is **2.4%**.

Social perspective

- In FY 2021-22, California invested **\$4.7 billion** to support LA's Community Colleges. In turn, the California economy will grow by **\$48.7 billion**, over the course of students' working lives. Society will also benefit from **\$737.9 million** of public and private sector savings.
- For every dollar invested in LA's Community Colleges in FY 2021-22, people in California will receive **\$10.50** in return, for as long as students who attended LA's Community Colleges in FY 2021-22 remain active in the state workforce.

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.

For every \$1...



Students gain in lifetime earnings
\$6.90



Taxpayers gain in added tax revenue and public sector savings
\$1.50



Society gains in added income and social savings
\$10.50

