

COMMUNITY COLLEGES

SAN DIEGO & IMPERIAL COUNTIES

CAREER EDUCATION

EXECUTIVE SUMMARY

MAY 2022



The Economic Value of Career and Technical Education at San Diego & Imperial Counties Community Colleges



CAREER AND TECHNICAL EDUCATION¹ (CTE) at San Diego & Imperial Counties Community Colleges² (SDICCC) creates value in many ways. The colleges play a key role in helping CTE students increase their employability and achieve their individual potential. The colleges draw CTE students to the county, generating new dollars and opportunities for San Diego County. The colleges' CTE provides students with the training and skills they need to have fulfilling and prosperous careers. Furthermore, the colleges are places for CTE students to meet new people, increase their self-confidence, and promote their overall health and well-being.

SDICCC's CTE influences both the lives of students and the county economy. The colleges' CTE supports a variety of industries in San Diego County, serves county businesses, and benefits society as a whole in California from an expanded economy and improved quality of life. Additionally, the benefits created by SDICCC's CTE extend to the state and local government through increased tax revenues and public sector savings.

This study measures the economic impacts created by SDICCC's CTE on the business community and the benefits the colleges' CTE 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 colleges, for fiscal year (FY) 2019-20. Impacts on the San Diego 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.

- 1 Career and Technical Education (CTE) is defined at the course level and includes courses coded A-C (Apprenticeship, Advanced Occupational, and Clearly Occupational).
- 2 San Diego & Imperial Counties Community Colleges consist of San Diego City College, San Diego College of Continuing Education, Cuyamaca College, Grossmont College, San Diego Mesa College, MiraCosta College, San Diego Miramar College, Palomar College, and Southwestern College. Though also part of SDICCC, Imperial Valley College is not included in this analysis.

SDICCC's CTE influences both the **lives of its students** and the **county economy**.





SDICCC's CTE promotes economic growth in San Diego County through its direct expenditures and the resulting expenditures of students and county businesses. The colleges' CTE serves as an employer and buyer of goods and services for its day-to-day and construction operations. The colleges' CTE course offerings retain students in San Diego County, whose expenditures benefit county vendors. In addition, the colleges' CTE is an important source of higher education to San Diego County residents and a supplier of trained workers to county industries, enhancing overall productivity in the county workforce.

Operations spending impact



SDICCC's CTE adds economic value to San Diego County as an employer of county residents and a large-scale buyer of goods and services. In FY 2019-20, the colleges employed 4,399 full-time and part-time CTE faculty and staff, 94% of whom lived in San Diego County.³ Payroll amounted to \$298.2 million, much of which was spent in the county for groceries, mortgage and rent payments, dining out, and other household expenses. In addition, the colleges' CTE spent \$160 million on day-to-day expenses related to facilities, supplies, and professional services.⁴

SDICCC's CTE day-to-day operations spending added \$416.6 million in income to the county during the analysis year. This figure represents the colleges' CTE payroll, the multiplier effects generated by the in-county spending of CTE and its employees, and a downward adjustment to account for funding received from county sources. The \$416.6 million in added income is equivalent to supporting 5,084 jobs in the county.

Construction spending impact



The 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 2019-20, SDICCC's CTE construction spending generated \$2.4 million in added income, which is equivalent to supporting 26 jobs.

IMPACTS CREATED BY SDICCC'S CTE IN FY 2019-20



Operations spending impact

\$416.6 million



Construction spending impact

\$2.4 million



Student spending impact

\$179.8 million



Alumni impact

\$2.2 billion



TOTAL ECONOMIC IMPACT

\$2.8 billion

OR

Jobs supported

33,145

³ Due to data limitations, the number of faculty and staff was estimated using a proportion based on CTE headcount.

⁴ Due to data limitations, revenue and expenditure data were estimated using a proportion based on CTE headcount.

Student spending impact



Around 8% of CTE students attending the colleges originated from outside the county in FY 2019-20, and some of these students relocated to San Diego County. These students may not have come to the county if SDICCC CTE did not exist. In addition, some in-county CTE students, referred to as retained students, would have left San Diego County if not for the existence of the colleges' CTE. While attending the colleges, these relocated and retained CTE students spent money on groceries, accommodation, transportation, and other household expenses. This spending generated \$179.8 million in added income for the county economy in FY 2019-20, which supported 2,793 jobs in San Diego County.

Alumni impact



The education and training the colleges' CTE provides for county residents has the greatest impact. Since the colleges were established, CTE students have studied at the colleges and entered the county workforce with greater knowledge and new skills. Today, thousands of SDICCC's former CTE students are employed in San Diego County. As a result of their education from the colleges' CTE, the students receive higher earnings and increase the productivity of the businesses that employ them. In FY 2019-20, the colleges' CTE alumni generated \$2.2 billion in added income for the county economy, which is equivalent to supporting 25,242 jobs.

Total impact

SDICCC's CTE added \$2.8 billion in income to the San Diego County economy during the analysis year, equal to the sum of the operations and construction spending impacts, the student spending impact, and the alumni impact. For context, the \$2.8 billion impact was equal to approximately 1.1% of the total gross regional product (GRP) of San Diego County. This contribution that SDICCC's CTE provided on its own is as large as the entire Transportation & Warehousing industry in the county.

The total impact of SDICCC's CTE can also be expressed in terms of jobs supported. The \$2.8 billion impact supported 33,145 county jobs, using the jobs-to-sales ratios specific to each industry in the county. This means that one out of every 61 jobs in San Diego County is supported by the activities of SDICCC's CTE and its students. In addition, the \$2.8 billion, or 33,145 supported jobs, stemmed from different industry sectors. Among non-education industry sectors, SDICCC's CTE spending and alumni in the Health Care & Social Assistance industry sector supported 4,875 jobs in FY 2019-20. If SDICCC's CTE did not exist, these impacts would not have been generated in San Diego County.

SDICCC'S CTE IMPACTS BY INDUSTRY (JOBS SUPPORTED)



One out of every 61 jobs in San Diego County is supported by the activities of SDICCC's CTE and its students.



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 SDICCC's CTE as an investment from the perspectives of students, taxpayers, and society in California.

Student perspective



In FY 2019-20, SDICCC's CTE served 77,251 credit and 6,892 non-credit students. In order to attend the colleges, CTE 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 CTE students in FY 2019-20 amounted to a present value of \$448.6 million, equal to \$102.3 million in out-of-pocket expenses (including future principal and interest on student loans) and \$346.3 million in forgone time and money.

In return for their investment, the colleges' CTE students will receive a stream of higher future earnings that will continue to grow throughout their working lives. For example, the average SDICCC CTE associate degree graduate from FY 2019-20 will see annual earnings that are \$12,900 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 \$477,300 in higher earnings per graduate. The present value of the cumulative higher future earnings that the colleges' FY 2019-20 CTE students will receive over their working careers is \$2.5 billion.

The CTE students' benefit-cost ratio is 5.6. In other words, for every dollar CTE students invest in their education at the colleges in the form of out-of-pocket expenses and forgone time and money, they will receive a cumulative value of

CTE STUDENTS SEE A HIGH RATE OF RETURN FOR THEIR INVESTMENT IN SDICCC



Average annual return for SDICCC CTE students
21.2%



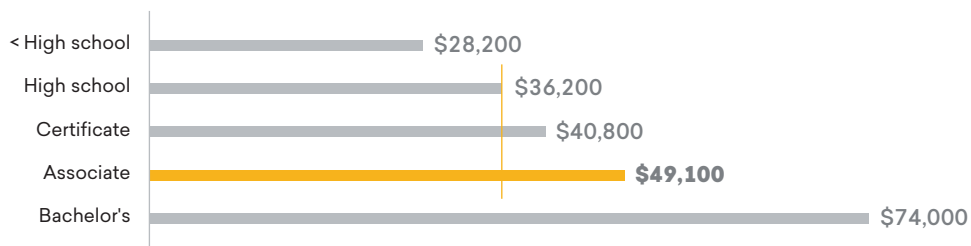
Stock market 30-year average annual return
10.6%



Interest earned on savings account (National Rate Cap)
0.8%

Source: Forbes' S&P 500, 1991-2020. FDIC.gov, 6-2021.

The average CTE associate degree graduate from the colleges will see an increase in earnings of **\$12,900** each year compared to a person with a high school diploma or equivalent working in California.



Source: Emsi Burning Glass employment data.

\$5.60 in higher future earnings. Annually, the CTE students' investment has an average annual internal rate of return of 21.2%, which is impressive compared to the U.S. stock market's 30-year average rate of return of 10.6%.

Taxpayer perspective



SDICCC's CTE 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 the colleges' CTE 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 2019-20 CTE students' working lives, the state and local government will have collected a present value of \$906.1 million in added taxes.

Benefits to taxpayers will also consist of savings generated by the improved lifestyles of the colleges' CTE students and the corresponding reduced government services. Education is statistically correlated with a variety of lifestyle changes. The educations that the colleges' CTE students 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. The colleges' CTE students will be more employable, so their reduced demand for income assistance such as welfare and unemployment benefits will benefit taxpayers.⁵ Altogether, the present value of the benefits associated with an education from the colleges' CTE will generate \$98 million in savings to state and local taxpayers.

Total taxpayer benefits amount to \$1 billion, the present value sum of the added taxes and public sector savings. Taxpayer costs are \$378 million, equal to the amount of state and local government funding SDICCC's CTE received in FY 2019-20. These benefits and costs yield a benefit-cost ratio of 2.7. This means that for every dollar of public money invested in SDICCC's CTE in FY 2019-20, taxpayers will receive a cumulative present value of \$2.70 over the course of the students' working lives. The average annual internal rate of return for taxpayers is 7.0%, which compares favorably to other long-term investments in the public and private sectors.

For every dollar of public money invested in SDICCC's CTE, taxpayers will receive a cumulative value of **\$2.70** over the course of the students' working lives.

Social perspective



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

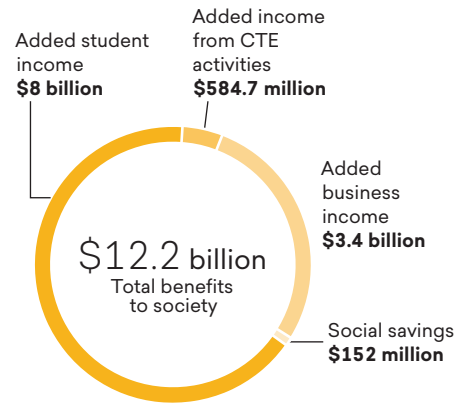
⁵ For a list of study references, contact SDICCC for a copy of the main report.

Benefits to society also consist of the savings generated by the improved lifestyles of the colleges' CTE 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. 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.

Altogether, the social benefits of SDICCC's CTE equal a present value of \$12.2 billion. These benefits include \$8.0 billion in added student income, \$3.4 billion in added business income, \$584.7 million in added income from CTE activities, as well as \$152 million in social savings related to health, crime, and income assistance in California. People in California invested a present value total of \$884.1 million in SDICCC CTE in FY 2019-20. The cost includes all the CTE and student costs.

The benefit-cost ratio for society is 13.8, equal to the \$12.2 billion in benefits divided by the \$884.1 million in costs. In other words, for every dollar invested in SDICCC's CTE, people in California will receive a cumulative value of \$13.80 in benefits. The benefits of this investment will occur for as long as the colleges' FY 2019-20 CTE students remain employed in the state workforce.

SOCIAL BENEFITS IN CALIFORNIA FROM SDICCC'S CTE



Source: Emsi Burning Glass impact model.

Summary of investment analysis results

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

STUDENT PERSPECTIVE		TAXPAYER PERSPECTIVE		SOCIAL PERSPECTIVE	
Present value benefits	\$2.5 billion	Present value benefits	\$1.0 billion	Present value benefits	\$12.2 billion
Present value costs	\$0.4 billion	Present value costs	\$0.4 billion	Present value costs	\$0.9 billion
Net present value	\$2.1 billion	Net present value	\$0.6 billion	Net present value	\$11.3 billion
Benefit-cost ratio	5.6	Benefit-cost ratio	2.7	Benefit-cost ratio	13.8
Rate of return	21.2%	Rate of return	7.0%	Rate of return	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.

CONCLUSION

The results of this study demonstrate that SDICCC's CTE creates value from multiple perspectives. The colleges' CTE benefits county businesses by increasing consumer spending in the county and supplying a steady flow of qualified, trained workers to the workforce. The colleges' CTE enriches the lives of students by raising their lifetime earnings and helping them achieve their individual potential. It benefits state and local taxpayers through increased tax receipts and a reduced demand for government-supported social services. Finally, SDICCC's CTE benefits 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 2019-20 academic and financial reports from the colleges, industry and employment data from the U.S. Bureau of Labor Statistics and U.S. Census Bureau, outputs of Emsi Burning Glass'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 SDICCC for a copy of the main report.

The results of this study demonstrate that SDICCC's CTE creates value from **multiple perspectives.**



Emsi Burning Glass 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 Emsi Burning Glass 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 economicmodeling.com/higher-education to learn more or connect with us.