

The Economic Value of Career and Technical Education at Southwestern College



Career and Technical Education¹ (CTE) at Southwestern College (SWC) creates a significant positive impact on the business community and generates a return on investment to its 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) 2019-20.



ECONOMIC IMPACT ANALYSIS

In FY 2019-20, SWC's CTE added **\$184.5 million** in income to the SWCCD Service Region² economy, a value approximately equal to **0.7%** of the region's total gross regional product (GRP). Expressed in terms of jobs, SWC's CTE impact supported **2,293 jobs**.³ For perspective, the activities of SWC's CTE and its students support **one out of every 94 jobs** in the SWCCD Service Region.

- 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 For the purposes of this analysis, the SWCCD Service Region is comprised of the following 14 zip codes in San Diego County: 91902, 91910, 91911, 91913, 91914, 91915, 91932, 91950, 92118, 92135, 92136, 92154, 92155, and 92173.
- 3 In addition to added income, impacts are also stated in terms of jobs, a measure of the number of full-and part-time jobs that would be required to support the change in income created by SWC's CTE.

OPERATIONS SPENDING IMPACT

- SWC employed 733 full-time and part-time CTE-related faculty and staff.⁴ Payroll amounted to \$37.1 million, much of which was spent in the region for groceries, mortgage and rent payments, dining out, and other household expenses. SWC's CTE spent another \$28.7 million on day-to-day expenses related to facilities, supplies, and professional services.⁵
- The net impact of the college's CTE operations spending added **\$39.5 million** in income to the regional economy in FY 2019-20.

CONSTRUCTION SPENDING IMPACT

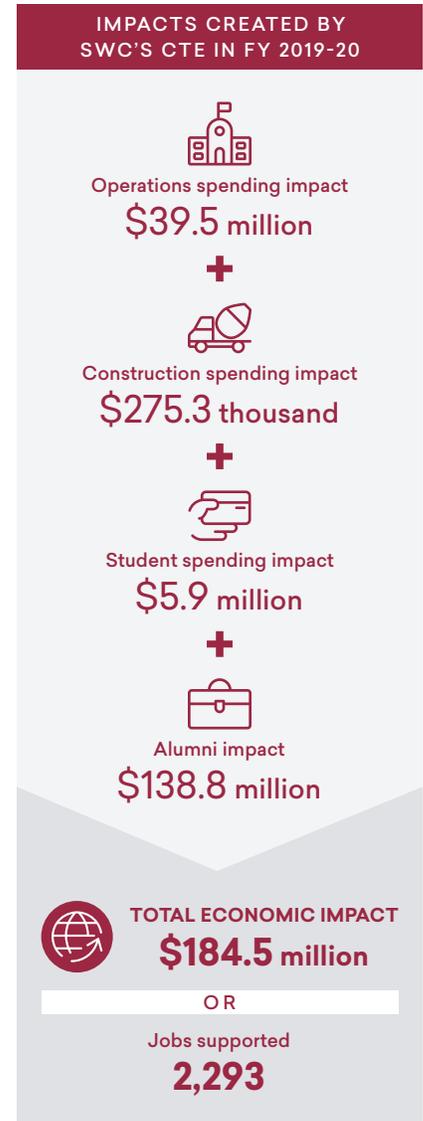
- SWC invests in construction each year to maintain its facilities, create additional capacities, and meet its growing educational demands, generating a short-term infusion of spending and jobs in the regional economy.⁶
- The net impact of SWC's CTE construction spending in FY 2019-20 was **\$275,300** in added income for the SWCCD Service Region.

STUDENT SPENDING IMPACT

- Around 25% of CTE students attending SWC originated from outside the region. Some of these students relocated to the SWCCD Service Region. In addition, some in-region CTE students, referred to as retained students, would have left the SWCCD Service Region for other educational opportunities if not for SWC's CTE programs. These relocated and retained students spent money on groceries, mortgage and rent payments, and other living expenses at regional businesses.
- The expenditures of relocated and retained CTE students in FY 2019-20 added **\$5.9 million** in income to the SWCCD Service Region economy.

ALUMNI IMPACT

- Over the years, students have enrolled in SWC's CTE programs and entered or re-entered the workforce with newly-acquired knowledge and skills. Today, hundreds of these former students are employed in the SWCCD Service Region.
- The net impact of SWC's former CTE students currently employed in the regional workforce amounted to **\$138.8 million** in added income in FY 2019-20.



⁴ Due to data limitations, the faculty and staff count was estimated using a proportion based on CTE headcount.

⁵ Due to data limitations, revenue and expenditure data are estimated using a proportion based on CTE headcount.

⁶ Due to data limitations, construction expenditure data were estimated using a proportion based on CTE headcount.



INVESTMENT ANALYSIS

STUDENT PERSPECTIVE

- SWC's FY 2019-20 CTE students paid a present value of **\$12.6 million** to cover the cost of tuition, fees, supplies, and interest on student loans. They also forwent **\$35.2 million** in money that they would have earned had they been working instead of attending college.
- In return for their investment, CTE students will receive a cumulative present value **\$334.6 million** in increased earnings over their working lives. This translates to a return of **\$7.00** in higher future earnings for every dollar students invest in their education. Students' average annual rate of return is **23.6%**.

TAXPAYER PERSPECTIVE

- Taxpayers provided SWC's CTE with **\$53.1 million** of funding in FY 2019-20. In return, they will benefit from added tax revenue, stemming from CTE students' higher lifetime earnings and increased business output, amounting to **\$108.9 million**. A reduced demand for government-funded services in California will add another **\$15.3 million** in benefits to taxpayers.
- For every dollar of public money invested in SWC's CTE, taxpayers will receive **\$2.30** in return, over the course of CTE students' working lives. The average annual rate of return for taxpayers is **5.5%**.

SOCIAL PERSPECTIVE

- In FY 2019-20, California invested **\$113.1 million** to support SWC's CTE. In turn, the California economy will grow by **\$1.5 billion**, over the course of CTE students' working lives. Society will also benefit from **\$22.7 million** of public and private sector savings.
- For every dollar invested in SWC's CTE in FY 2019-20, people in California will receive **\$13.50** in return, for as long as SWC's FY 2019-20 CTE students remain active in the state workforce.

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



Average annual return for SWC CTE students

23.6%



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.

For every \$1...



Students gain in lifetime earnings

\$7.00



Taxpayers gain in added tax revenue and public sector savings

\$2.30



Society gains in added income and social savings

\$13.50

