



The Economic Value of Southwestern College



SOUTHWESTERN COLLEGE (SWC) creates economic value in many ways. The college plays a key role in helping students increase their employability and achieve their individual potential. The college retains students in the region, generating dollars and new opportunities for the Southwestern Community College District (SWCCD) Service Region.¹ SWC provides students with the education, training, and skills they need to have fulfilling and prosperous careers. Furthermore, SWC is a place for students to build new connections, increase their self-confidence, and promote their overall health and well-being.

SWC impacts both the lives of its students and the regional economy. The college supports a variety of industries in the SWCCD Service Region, serves regional businesses, and benefits society as a whole in California through an expanded economy and improved quality of life. Additionally, the benefits created by SWC extend to the state and local government through increased tax revenues and public sector savings.

This study measures the economic impacts created by SWC on the business community and the benefits the college generates in return for the investments made by its key parties of interest—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 the fiscal year (FY) 2021-22.² Impacts on the SWCCD Service Region 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.



The SWCCD Service Region, California

SWC influences both the **lives of its students** and the **regional economy**.

¹ 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.

² FY 2021-22 was impacted by the COVID-19 pandemic and therefore estimates may vary from a typical year.

Economic impact analysis



SWC promotes economic growth in the SWCCD Service Region through its direct expenditures and the resulting expenditures of students and regional businesses. The college serves as an employer and buyer of goods and services for its day-to-day and construction operations. The college's activities retain students in the SWCCD Service Region, whose expenditures benefit regional vendors. In addition, SWC is a primary source of higher education to the SWCCD Service Region residents and a supplier of trained workers to regional industries, enhancing overall productivity in the regional workforce.

Operations spending impact



SWC adds additional economic value to the SWCCD Service Region as an employer of regional residents and a large-scale buyer of goods and services. In FY 2021-22, the college employed 1,629 full-time and part-time faculty and staff, 47% of whom lived in the SWCCD Service Region. The total payroll at SWC was \$126.2 million, much of which was spent in the region for groceries, mortgage and rent payments, dining out, and other household expenses. In addition, the college spent \$108.7 million on day-to-day expenses related to facilities, supplies, and professional services (excluding construction expenditures).

SWC's day-to-day operations spending added \$66.2 million in income to the region during the analysis year. This figure represents the college's payroll, the multiplier effects generated by the in-region spending of the college and its employees, and a downward adjustment to account for funding that the college received from regional sources. The \$66.2 million in added income is equivalent to supporting 787 jobs in the region.

Construction spending impact



SWC invests in construction each year to maintain its facilities, create additional capacities, and meet its growing educational demands. While the amount varies from year to year, these quick infusions of income and jobs have a substantial impact on the regional economy. In FY 2021-22, SWC's construction spending generated \$5 million in added income, which is equivalent to supporting 64 jobs.

Impacts created by SWC in FY 2021-22



Operations spending impact

\$66.2 million

+



Construction spending impact

\$5.0 million

+



Student spending impact

\$14.1 million

+



Alumni impact

\$362.2 million



Total economic impact

\$447.5 million

OR

Jobs supported

4,794



Student spending impact



Students that might have chosen to pursue alternative educational options outside the SWCCD Service Region if SWC had not been available to them are designated as students retained within the local area, or retained students. While attending the college, these retained students spent money on groceries, accommodation, transportation, and other household expenses. This spending generated \$14.1 million in added income for the regional economy in FY 2021-22, which supported 200 jobs in the SWCCD Service Region.

Alumni impact



The education and training SWC provides for regional residents has the greatest impact. Since the establishment of the college, students have studied at SWC and entered the regional workforce with greater knowledge and new skills. Today, thousands of former SWC students are employed in the SWCCD Service Region. As a result of their education from SWC, the students receive higher earnings and increase the productivity of the businesses that employ them. In FY 2021-22, SWC alumni generated \$362.2 million in added income for the regional economy, which is equivalent to supporting 3,743 jobs.

Total impact

SWC added \$447.5 million in income to the SWCCD Service Region 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 \$447.5 million impact was equal to approximately 1.5% of the total gross regional product (GRP) of the SWCCD Service Region. This contribution that the college provided on its own is more than half as large as the entire Real Estate & Rental & Leasing industry in the region.

SWC's total impact can also be expressed in terms of jobs supported. The \$447.5 million impact supported 4,794 regional jobs, using the jobs-to-sales ratios specific to each industry in the region. This means that one out of every 49 jobs in the SWCCD Service Region is supported by the activities of SWC and its students. In addition, the \$447.5 million, or 4,794 supported jobs, stemmed from different industry sectors. For instance, among non-education industry sectors, the spending of SWC and its students and the activities of its alumni in the Health Care & Social Assistance industry sector supported 674 jobs in FY 2021-22. The impact of supporting these jobs would have been lost in the SWCCD service region without the economic contribution of SWC.

SWC impacts by industry (jobs supported)



One out of every 49 jobs in the SWCCD Service Region is supported by the activities of SWC 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 evaluates SWC as an investment from the perspectives of students, taxpayers, and society in California.

Student perspective

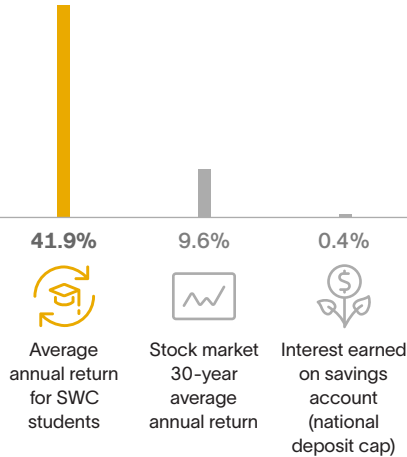


In FY 2021-22, SWC served 21,846 credit and 985 non-credit students. In order to attend the college, the students paid for tuition, fees, books, and supplies. They also took out loans and will incur interest on those loans. Additionally, students forewent earnings they would have accrued if they had been employed instead of attending college. The total investment made by SWC’s students in FY 2021-22 amounted to a present value of \$22.9 million, comprising of \$16.4 million in direct out-of-pocket expenses including future principal and interest on student loans and \$6.5 million in sacrificed time and earnings.

In return for their investment, SWC’s students will receive a stream of higher future earnings that will continue to grow throughout their working lives. For example, the average SWC associate degree graduate from FY 2021-22 will see annual earnings that are \$9,700 higher than a person with a high school diploma or equivalent working in California. Over a working lifetime, the advantage of the associate degree over a high school diploma will amount to an undiscounted value of \$407,400 in higher earnings per graduate. The present value of the cumulative higher future earnings that SWC’s FY 2021-22 students will receive over their working careers is \$435.1 million.

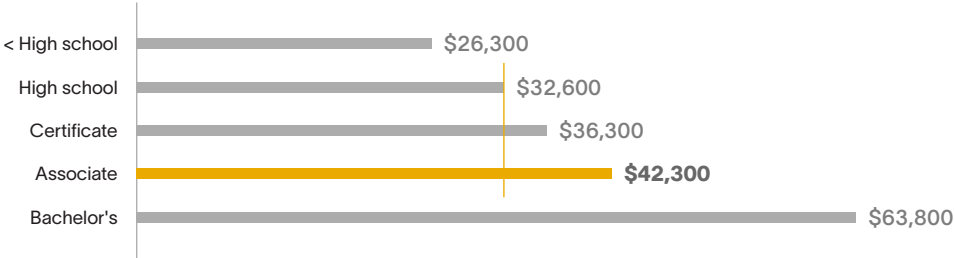
The students’ benefit-cost ratio is 19.0. In other words, for every dollar students invest in SWC in the form of out-of-pocket expenses and forgone time and money, they will receive a cumulative value of \$19.00 in higher future earnings. Annually, the students’ investment in SWC has an average annual internal rate of return of 41.9%, which is impressive compared to the U.S. stock market’s 30-year average rate of return of 9.6%.

Students see a high rate of return for their investment in SWC



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

The average associate degree graduate from SWC will see an increase in earnings of **\$9,700** each year compared to a person with a high school diploma or equivalent working in California.



Source: Lightcast employment data.

Taxpayer perspective



SWC generates more in tax revenue than it receives. 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 SWC students will earn more, their tax contributions over their professional lifetimes will increase. 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 \$150.6 million in added taxes.

Taxpayers will also benefit from potential government savings due to the improved lifestyles and well-being of SWC students. Education is statistically correlated with various improvements in lifestyle. The education and opportunities provided to SWC students will result in government savings across three key areas that could decrease government expenditures: 1) healthcare, 2) the justice system, and 3) income assistance. Improved health can lead to decreased reliance on national healthcare services. According to SWC, the elevated cost of living within SWCCD's Service Area, coupled with the fact that certain students require income assistance like welfare and unemployment benefits are a cost to taxpayers. Communities with higher-paying jobs also experience an overall lower cost in the justice system. As SWC students that needed government assistance enhance their employability and increase their earnings, their diminished reliance on income support will benefit taxpayers. For a list of study references, contact the college for a copy of the main report. Altogether, the present value of the benefits associated with an education from SWC will generate \$28.7 million in savings to state and local taxpayers.

The total taxpayer benefits amount to \$179.2 million, the present value sum of the added taxes and public sector savings. Taxpayer costs are \$162.3 million, equal to the amount of state and local government funding SWC received in FY 2021-22. These benefits and costs yield a benefit-cost ratio of 1.1. This means that for every dollar of public money invested in SWC in FY 2021-22, taxpayers will receive a cumulative present value of \$1.10 over the course of the students' working lives.

For every dollar of public money invested in SWC, taxpayers will receive a cumulative value of **\$1.10** over the course of the students' working lives.

Social perspective



California benefits economically and socially from the presence of SWC. 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 SWC 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. For a list of study references, contact the college for a copy of the main report.

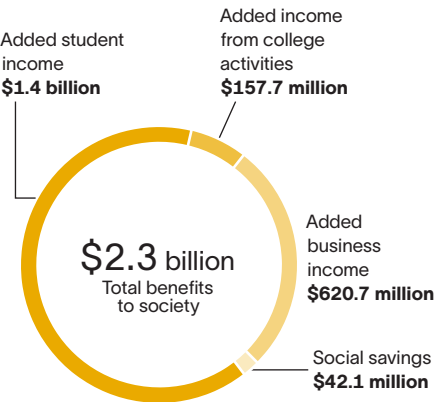
Altogether, the social benefits of SWC equal a present value of \$2.3 billion. These benefits include \$1.4 billion in added student income, \$620.7 million in added business income, \$157.7 million in added income from college activities, as well as \$42.1 million in social savings related to health, the justice system, and income assistance in California. People in California invested a present value total of \$279.5 million in SWC in FY 2021-22. The cost includes all the college and student costs.

The benefit-cost ratio for society is 8.1, equal to the \$2.3 billion in benefits divided by the \$279.5 million in costs. In other words, for every dollar invested in SWC, people in California will receive a cumulative value of \$8.10 in benefits. The benefits of this investment will occur for as long as SWC's FY 2021-22 students remain employed in the state workforce.


Summary of investment analysis results

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

Social benefits in California from SWC



Source: Lightcast impact model.



Student perspective

Present value benefits

\$435.1 million


Present value costs

\$22.9 million

Net present value

\$412.2 million

Benefit-cost ratio	Rate of return
19.0	41.9%



Taxpayer perspective

Present value benefits

\$179.2 million


Present value costs

\$162.3 million

Net present value

\$16.9 million

Benefit-cost ratio	Rate of return
1.1	0.7%



Social perspective

Present value benefits

\$2.3 billion

Present value costs

\$0.3 billion

Net present value

\$2.0 billion

Benefit-cost ratio	Rate of return
8.1	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 SWC creates economic value from multiple perspectives. The college benefits regional businesses by increasing consumer spending in the region and supplying a steady flow of qualified, trained workers to the workforce. SWC 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, SWC 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 2021-22 academic and financial reports from SWC, 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 the college for a copy of the main report.

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



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.

