

# The Economic Value of Connecticut State Community College

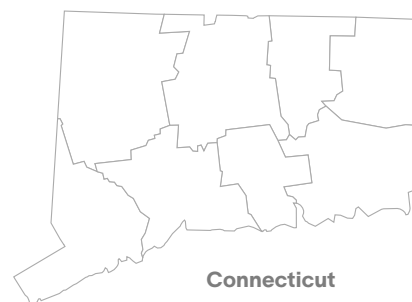




**C**ONNECTICUT CONNECTICUT STATE COMMUNITY COLLEGE (CT State) creates value in many ways. The college plays a key role in helping students increase their employability and achieve their individual potential. The college draws students to the state, generating new dollars and opportunities for Connecticut. CT State provides students with the education, training, and skills they need to have fulfilling and prosperous careers. Furthermore, CT State is a place for students to meet new people, increase their self-confidence, and promote their overall health and well-being.

CT State influences both the lives of its students and the state economy. The college supports a variety of industries in Connecticut, serves state businesses, and benefits society as a whole in Connecticut from an expanded economy and improved quality of life. Additionally, the benefits created by CT State extend to the state and local government through increased tax revenues and public sector savings.

This study measures the economic impacts created by CT State on the business community and the benefits the college generates in return for the investments made by its key stakeholder groups—students, taxpayers, and society. The following two analyses are presented:



CT State influences both the **lives of its students** and the **state economy**.

## **Economic impact analysis**

## **Investment analysis**

All results reflect employee, student, and financial data, provided by the college, for fiscal year (FY) 2022–23. Impacts on the Connecticut 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 Connecticut are reported under the investment analysis.



# Economic impact analysis



*CT State promotes economic growth in Connecticut through its direct expenditures and the resulting expenditures of students and state businesses. The college serves as an employer and buyer of goods and services for its day-to-day operations. The college's activities attract students from outside Connecticut, whose expenditures benefit state vendors. In addition, CT State is one of the primary sources of higher education to Connecticut residents and a supplier of trained workers to state industries, enhancing overall productivity in the state workforce.*

## Total impact

CT State added \$3.0 billion in income to the Connecticut economy during the analysis year, equal to the sum of the operations spending impact, the student spending impact, and the alumni impact. For context, the \$3.0 billion impact was equal to approximately 1.0% of the total gross state product (GSP) of Connecticut. This contribution that the college provided on its own is larger than the entire Arts, Entertainment, & Recreation industry in the state.

CT State's total impact can also be expressed in terms of jobs supported. The \$3.0 billion impact supported 29,777 state jobs, using the jobs-to-sales ratios specific to each industry in the state. This means that one out of every 82 jobs in Connecticut is supported by the activities of CT State and its students. In addition, the \$3.0 billion, or 29,777 supported jobs, stemmed from different industry sectors. For instance, among non-education industry sectors, the spending of CT State and its students and the activities of its alumni in the Health Care & Social Assistance industry sector supported 5,819 jobs in FY 2022-23. If the college did not exist, these impacts would not have been generated in Connecticut.

## Alumni impact



The education and training CT State provides for state residents has the greatest impact. Since the establishment of the college, students have studied at CT State and entered the state workforce with greater knowledge and new skills. Today, hundreds of thousands of former CT State students are employed in Connecticut. As a result of their education from CT State, the students receive higher earnings and increase the productivity of the businesses that employ them. In FY 2022-23, CT State alumni generated \$2.6 billion in added income for the state economy, which is equivalent to supporting 24,053 jobs.

Impacts created by  
CT State in FY 2022-23



Operations spending impact

**\$379.9 million**

+



Student spending impact

**\$64.0 million**

+



Alumni impact

**\$2.6 billion**



Total economic impact

**\$3.0 billion**

OR



Jobs supported

**29,777**



## Operations spending impact



CT State adds economic value to Connecticut as an employer of state residents and a large-scale buyer of goods and services. In FY 2022-23, the college employed a total of 6,700 full-time and part-time faculty and staff, 97% of whom lived in Connecticut. Total payroll at CT State was \$354.1 million, much of which was spent in the state for groceries, mortgage and rent payments, dining out, and other household expenses. In addition, the college spent \$115.8 million on expenses related to facilities, supplies, and professional services.

CT State's operations spending added \$379.9 million in income to the state during the analysis year. This figure represents the college's payroll, the multiplier effects generated by the in-state spending of the college and its employees, and a downward adjustment to account for funding that the college received from state sources. The \$379.9 million in added income is equivalent to supporting 4,937 jobs in the state.

## Student spending impact



Around 2% of students attending CT State originated from outside the state in FY 2022-23, and some of these students relocated to Connecticut to attend CT State. These students may not have come to the state if the college did not exist. In addition, some in-state students, referred to as retained students, would have left Connecticut if not for the existence of CT State. While attending the college, these relocated and retained students spent money on groceries, accommodation, transportation, and other household expenses. This spending generated \$64.0 million in added income for the state economy in FY 2022-23, which supported 787 jobs in Connecticut.

### CT State impacts by industry (jobs supported)



5,819

Health Care & Social Assistance



2,346

Retail Trade



2,054

Professional & Technical Services



1,561

Manufacturing



1,522

Real Estate & Rental & Leasing

**One out of every 82 jobs** in Connecticut is supported by the activities of CT State and its students.





# Investment analysis



*An investment analysis evaluates the costs associated with a proposed venture against its expected benefits. The analysis presented here evaluates CT State as an investment from the perspectives of students, taxpayers, and society in Connecticut. As with the economic impact analysis, this analysis considers only FY 2022-23 activities.*

## Student perspective



In FY 2022-23, CT State served 52,195 credit and over 14,000 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 gave up money they would have otherwise earned had they been working instead of attending college. The total investment made by CT State's students in FY 2022-23 amounted to a present value of \$177.7 million, equal to \$82.5 million in out-of-pocket expenses (including future principal and interest on student loans) and \$95.1 million in forgone time and money.

In return for their investment, CT State's students will receive a stream of higher future earnings that will continue to grow throughout their working lives. For example, the average CT State associate degree graduate from FY 2022-23 will see annual earnings that are \$11,900 higher than a person with a high school diploma or equivalent working in Connecticut. Over a working lifetime, the benefits of an associate degree over a high school diploma will amount to an undiscounted value of \$476,000 in higher earnings per graduate. The present value of the cumulative higher future earnings that CT State's FY 2022-23 students will receive over their working careers is \$985.0 million.

The students' benefit-cost ratio is 5.5. In other words, for every dollar students invest in CT State in the form of out-of-pocket expenses and forgone time and money, they will receive a cumulative value of \$5.50 in higher future earnings. Annually, the students'

### Students see a high rate of return for their investment in CT State



Average annual return for CT State students

**20.3%**



Stock market 30-year average annual return

10.1%



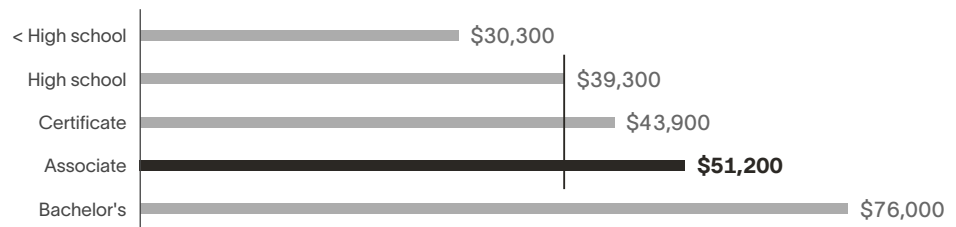
Interest earned on savings account (national deposit rate)

0.5%

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

### Average earnings by education level at career midpoint

The average associate degree graduate from CT State will see an increase in earnings of **\$11,900** each year compared to a person with a high school diploma or equivalent working in Connecticut.



Source: Lightcast employment data



investment in CT State has an average annual internal rate of return of 20.3%, which is impressive compared to the U.S. stock market's 30-year average rate of return of 10.1%.

## Taxpayer perspective



CT State 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 CT State 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 2022-23 students' working lives, the state and local government will have collected a present value of \$312.6 million in added taxes.

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

Benefits to taxpayers will also consist of savings generated by the improved lifestyles of CT State students and the corresponding reduced government services. Education is statistically correlated with a variety of lifestyle changes. The education that CT State students receive will generate savings in three main categories: 1) health care, 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. CT State students 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 the college for a copy of the main report. Altogether, the present value of the benefits associated with an education from CT State will generate \$35.3 million in savings to state and local taxpayers.

Total taxpayer benefits amount to \$347.8 million, the present value sum of the added tax revenue and public sector savings. Taxpayer costs are \$327.9 million, equal to the amount of state and local government funding CT State received in FY 2022-23. These benefits and costs yield a benefit-cost ratio of 1.1. This means that for every dollar of public money invested in CT State in FY 2022-23, taxpayers will receive a cumulative present value of \$1.10 over the course of the students' working lives. The average annual internal rate of return for taxpayers is 1.1%, which compares favorably to other long-term investments in the public sector.

## Social perspective



Society as a whole in Connecticut benefits from the presence of CT State 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 Connecticut.

Benefits to society also consist of the savings generated by the improved lifestyles of CT State students. As discussed in the previous section, education is statistically correlated with a variety of lifestyle changes that generate social savings. Note that

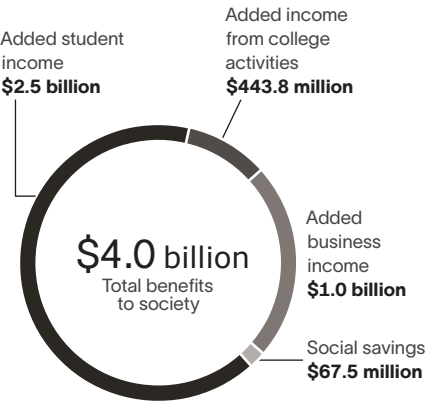


these costs are avoided by the consumers but are distinct from the costs avoided by the taxpayers outlined above. Health care savings include avoided medical costs associated with smoking, obesity, substance abuse, and depression. Justice system savings include avoided costs to the government and society 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 CT State equal a present value of \$4.0 billion. These benefits include \$2.5 billion in added student income, \$1.0 billion in added business income, \$443.8 million in added income from college activities, as well as \$67.5 million in social savings related to health, the justice system, and income assistance in Connecticut. People in Connecticut invested a present value total of \$585.2 million in CT State in FY 2022-23. The cost includes all the college and student costs.

The benefit-cost ratio for society is 6.8, equal to the \$4.0 billion in benefits divided by the \$585.2 million in costs. In other words, for every dollar invested in CT State, people in Connecticut will receive a cumulative value of \$6.80 in benefits. The benefits of this investment will occur for as long as CT State’s FY 2022-23 students remain employed in the state workforce.

Social benefits in Connecticut from CT State






Source: Lightcast impact model

### Summary of investment analysis results

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

Summary of investment analysis results

 Student perspective	 Taxpayer perspective	 Social perspective
Present value benefits \$985.0 million	Present value benefits \$347.8 million	Present value benefits \$4.0 billion
Present value costs \$177.7 million	Present value costs \$327.9 million	Present value costs \$585.2 million
Net present value \$807.3 million	Net present value \$20.0 million	Net present value \$3.4 billion
Benefit-cost ratio	Benefit-cost ratio	Benefit-cost ratio
5.5	1.1	6.8
Rate of return	Rate of return	Rate of return
20.3%	1.1%	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 CT State creates value from **multiple perspectives**.*

The college benefits state businesses by increasing consumer spending in the state and supplying a steady flow of qualified, trained workers to the workforce. CT State 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, CT State benefits society as a whole in Connecticut 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 2022-23 academic and financial reports from CT State, 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.



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