



The Economic Value of
Southwest Virginia Community College

EXECUTIVE SUMMARY

SOUTHWEST Virginia Community College (SWCC) creates 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, boosting spending in the SWCC Service Area.* SWCC provides students with the education, training, and skills they need to have fulfilling and prosperous careers. SWCC's athletics program generates additional benefits for the regional economy through the spending of student athletes and visitors attracted to the region for athletic events. Furthermore, SWCC is a place for students to meet new people, increase their self-confidence, and promote their overall health and well-being.

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

This study measures the economic impacts created by SWCC 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 three analyses are presented:



Annual economic impact analysis



Athletics program economic impact analysis



Investment analysis

All results reflect employee and student data, provided by the college, for fiscal year (FY) 2018-19, as well as projected athletics data for FY 2019-20. Financial data for FY 2017-18 was used as a proxy for FY 2018-19 data. Impacts on the SWCC Service Area economy are reported under the economic impact analyses and are measured in terms of added income. The returns on investment to students, taxpayers, and society in Virginia are reported under the investment analysis.

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

* For the purposes of this analysis, the SWCC Service Area is comprised of Dickenson, Buchanan, Russell, and Tazewell Counties.



Current annual economic impact analysis

SWCC promotes economic growth in the SWCC Service Area 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 operations. The college’s activities retain students in the SWCC Service Area, whose expenditures benefit regional vendors. In addition, SWCC is a primary source of higher education to the SWCC Service Area residents and a supplier of trained workers to regional industries, enhancing overall productivity in the regional workforce.

Operations spending impact



SWCC adds economic value to the SWCC Service Area as an employer of regional residents and a large-scale buyer of goods and services. In FY 2018-19, the college employed 375 full-time and part-time faculty and staff, 79% of whom lived in the SWCC Service Area. Total payroll at SWCC was \$12.7 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 \$8.2 million on day-to-day expenses related to facilities, supplies, and professional services.

SWCC’s day-to-day operations spending added \$15.7 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 \$15.7 million in added income is equivalent to supporting 414 jobs in the region.

Student spending impact



Some in-region students, referred to as retained students, would have left the SWCC Service Area if not for the existence of SWCC. While attending the college, these retained students spent money on groceries, accommodation, transportation, and other household expenses. This spending generated \$748.4 thousand in added income for the regional economy in FY 2018-19, which supported 18 jobs in the SWCC Service Area.

IMPACTS CREATED
BY SWCC IN FY 2018-19



\$15.7 million
Operations Spending Impact



\$748.4 thousand
Student Spending Impact



\$149.2 million
Alumni Impact



\$165.6 million
TOTAL IMPACT

- OR -

2,832
JOBS SUPPORTED

Alumni impact



The education and training SWCC provides for regional residents has the greatest impact. Since its establishment, students have studied at SWCC and entered the regional workforce with greater knowledge and new skills. Today, thousands of former SWCC students are employed in the SWCC Service Area. As a result of their SWCC educations, the students receive higher earnings and increase the productivity of the businesses that employ them. In FY 2018-19, SWCC alumni generated \$149.2 million in added income for the regional economy, which is equivalent to supporting 2,400 jobs.

Total impact

SWCC added \$165.6 million in income to the SWCC Service Area 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 \$165.6 million impact was equal to approximately 4.9% of the total gross regional product (GRP) of the SWCC Service Area. This contribution that the college provided on its own was slightly larger than the entire Manufacturing industry in the region.

SWCC's total impact can also be expressed in terms of jobs supported. The \$165.6 million impact supported 2,832 regional jobs, using the jobs-to-sales ratios specific to each industry in the region. This means that one out of every 15 jobs in the SWCC Service Area is supported by the activities of SWCC and its students. In addition, the \$165.6 million, or 2,832 supported jobs, stemmed from different industry sectors. Among non-education industry sectors, SWCC's spending and alumni in the Health Care & Social Assistance industry sector supported 635 jobs in FY 2018-19. These are impacts that would not have been generated without the college's presence in the SWCC Service Area.

SWCC IMPACTS BY INDUSTRY (JOBS SUPPORTED)



One out of every 15 jobs in the SWCC Service Area is supported by the activities of SWCC and its students.

The value of the SWCC Educational Foundation

The Southwest Virginia Community College Educational Foundation, Inc. was incorporated in 1981 as a Virginia non-profit corporation. The mission of the Foundation is "to support the mission of the College and to help meet the needs and provide opportunities for students, faculty, and staff by striving to provide economic stability by assisting the College in meeting the needs of today and the challenges of tomorrow." Although the Foundation's economic value is not fully captured in the scope of this analysis, it provides significant value for the community, the college, and students.

The Foundation administers more than 200 annual scholarships, assists with many special events for the College and fundraising, and holds an annual Tennis Tournament and a Golf Classic to raise funds for scholarships. In addition, the Foundation provides the College with nearly \$1 million to assist with travel, salaries, programming and other college needs each year. The Foundation currently has approximately \$29 million in assets, which includes scholarship and program funding, as well as properties, and is currently in the beginning phases of the third campaign in the 52-year history of Southwest. The Building Legacies Campaign hopes to raise \$10 million to further support the College and its programs.



Projected athletics program economic impact analysis

In addition to the impact of its operations, student spending, and alumni, SWCC provides a positive economic impact on its region through the activity of its athletics program. SWCC's athletics program, which began in FY 2019-20, includes a variety of NJCAA programs; its teams are the SWCC Flying Eagles. Men's sports at SWCC include baseball, basketball, cross-country, golf, soccer, tennis, and wrestling, while women have their choice of basketball, cross-country, golf, soccer, softball, tennis, and volleyball. SWCC's athletics program creates an economic impact by attracting students to and retaining students in the SWCC Service Area, as well as attracting visitors to the region.

Student athlete spending impact



SWCC is serving 171 student athletes in FY 2019-20. Of those student athletes, 83 are from outside the SWCC Service Area and relocated to the region to attend SWCC. The remaining students, who are originally from the SWCC Service Area, are retained in the region due to SWCC's athletics program. These students' living expenses provide an economic boost for the SWCC Service Area that is attributable to SWCC. This economic boost reflects new activity external to the college; the student athletes' tuition will provide an additional impact, but is not included here as it impacts the SWCC Service Area through SWCC's operations spending. It is estimated that student athletes' spending in FY 2019-20 will generate \$509.6 thousand in income for the SWCC Service Area economy, which is equivalent to supporting 12 jobs.

Visitor spending impact



Out-of-region visitors attracted to the SWCC Service Area for athletic events at SWCC bring new dollars to the economy through their spending at hotels, restaurants, gas stations, and other regional businesses. The spending from these visitors is estimated to add at least \$81 thousand in income for the SWCC Service Area economy in FY 2019-20, which is equivalent to supporting two jobs.

Total athletics program impact

The total impact created by the athletics program is estimated to be at least \$590.7 thousand in added income in FY 2019-20, equivalent to supporting 14 jobs. This impact is expected to increase throughout the rest of FY 2019-20, as well as in subsequent years as SWCC expands its athletics program.

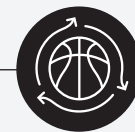
IMPACTS CREATED BY SWCC'S
ATHLETICS PROGRAM IN FY 2019-20



\$509.6 thousand
Student Athlete Spending Impact



\$81 thousand
Visitor Spending Impact



\$590.7 thousand
TOTAL IMPACT*

- OR -

14
JOBS SUPPORTED

*This impact should not be added to SWCC's total impact in FY 2018-19, as the two economic impacts reflect different years of activity.



Investment analysis

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 SWCC as an investment from the perspectives of students, taxpayers, and society in Virginia.

Student perspective



In FY 2018-19, SWCC served 3,056 credit and 708 non-credit students. In order to attend the college, the students paid for tuition, fees, books, and supplies. They also gave up money they would have otherwise earned had they been working instead of attending college. The total investment made by SWCC's students in FY 2018-19 amounted to \$18.1 million, equal to \$4.3 million in out-of-pocket expenses and \$13.7 million in forgone time and money.

In return for their investment, SWCC's students will receive a stream of higher future earnings that will continue to grow throughout their working lives. For example, the average SWCC associate degree graduate from FY 2018-19 will see annual earnings that are \$7,200 higher than a person with a high school diploma or equivalent working in Virginia. Over a working lifetime, the benefits of the associate degree over a high school diploma will amount to an undiscounted value of \$309.6 thousand in higher earnings per graduate. The present value of the cumulative higher future earnings that SWCC's FY 2018-19 students will receive over their working careers is \$79.7 million.

STUDENTS SEE A HIGH RATE OF RETURN FOR THEIR INVESTMENT IN SWCC



16.5%

Average annual return for SWCC students



9.9%

Stock market 30-year average annual return

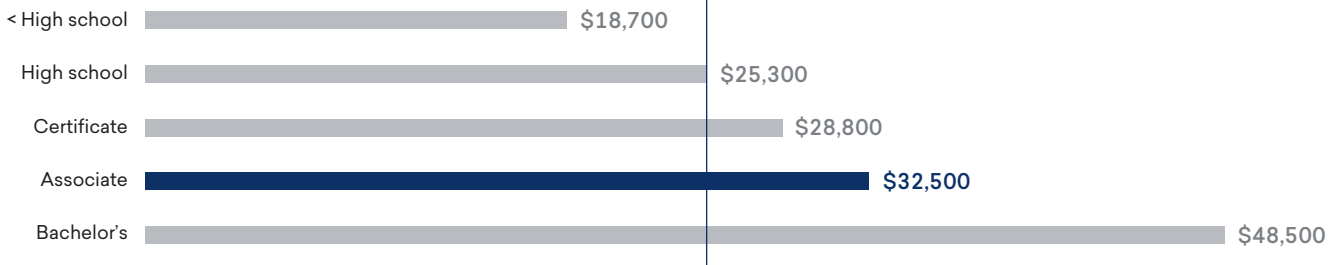


0.8%

Interest earned on savings account (National Rate Cap)

Source: Forbes' S&P 500, 1989-2018. FDIC.gov, 6-2019.

The average associate degree graduate from SWCC will see an increase in earnings of **\$7,200** each year compared to a person with a high school diploma or equivalent working in Virginia.



Source: Emsi employment data.

The students' benefit-cost ratio is 4.4. In other words, for every dollar students invest in SWCC, in the form of out-of-pocket expenses and forgone time and money, they will receive a cumulative value of \$4.40 in higher future earnings. Annually, the students' investment in SWCC has an average annual internal rate of return of 16.5%, which is impressive compared to the U.S. stock market's 30-year average rate of return of 9.9%.

Taxpayer perspective



SWCC 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 SWCC 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 2018-19 students' working lives, the state and local government will have collected a present value of \$18.3 million in added taxes.

Benefits to taxpayers will also consist of savings generated by the improved lifestyles of SWCC students and the corresponding reduced government services. Education is statistically correlated with a variety of lifestyle changes. Students'

SWCC educations will generate savings in three main categories: 1) health-care, 2) crime, and 3) income assistance. Improved health will lower students' demand for national health care services. In addition, students will be less likely to interact with the criminal justice system, resulting in a reduced demand for law enforcement and victim costs. SWCC 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 SWCC education will generate \$1.7 million in savings to state and local taxpayers.

Total taxpayer benefits amount to \$20 million, the present value sum of the added taxes and public sector savings. Taxpayer costs are \$8.8 million, equal to the amount of state and local government funding SWCC received in FY 2018-19. These benefits and costs yield a benefit-cost ratio of 2.3. This means

*For every dollar of public money invested in SWCC, taxpayers will receive a cumulative value of **\$2.30** over the course of the students' working lives.*



STUDENT PERSPECTIVE

\$79.7 million
Present value benefits

\$18.1 million
Present value costs

\$61.6 million
Net present value

Benefit-cost Ratio	Rate of Return
4.4	16.5%



TAXPAYER PERSPECTIVE

\$20 million
Present value benefits

\$8.8 million
Present value costs

\$11.2 million
Net present value

Benefit-cost Ratio	Rate of Return
2.3	6.1%



SOCIAL PERSPECTIVE

\$224.4 million
Present value benefits

\$36 million
Present value costs

\$188.4 million
Net present value

Benefit-cost Ratio	Rate of Return
6.2	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.

that for every dollar of public money invested in SWCC in FY 2018-19, taxpayers will receive a cumulative value of \$2.30 over the course of the students' working lives. The average annual internal rate of return for taxpayers is 6.1%, which compares favorably to other long-term investments in the public and private sectors.

Social perspective



Society as a whole in Virginia benefits from the presence of SWCC in two major ways. Primarily, society benefits from an increased economic base in the state. This is attributed to higher student earnings and increased business output, which raise economic prosperity in Virginia.

Benefits to society also consist of the savings generated by the improved lifestyles of SWCC 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. Savings related to crime include reduced security expenditures and insurance administration, lower victim costs, and reduced expenditures by the criminal justice system. 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.

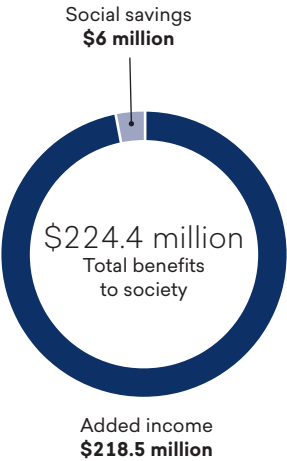
Altogether, the social benefits of SWCC equal a present value of \$224.4 million. These benefits include \$218.5 million in added income through students' increased lifetime earnings and increased business output, as well as \$6 million in social savings related to health, crime, and income assistance in Virginia. People in Virginia invested a present value total of \$36 million in SWCC in FY 2018-19. The cost includes all the college and student costs.

The benefit-cost ratio for society is 6.2, equal to the \$224.4 million in benefits divided by the \$36 million in costs. In other words, for every dollar invested in SWCC, people in Virginia will receive a cumulative value of \$6.20 in benefits. The benefits of this investment will occur for as long as SWCC's FY 2018-19 students remain employed in the state workforce.

Summary of investment analysis results

The results of the analysis demonstrate that SWCC 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 SWCC education. At the same time, taxpayers' investment in SWCC returns more to government budgets than it costs and creates a wide range of social benefits throughout Virginia.

SOCIAL BENEFITS IN VIRGINIA FROM SWCC



Conclusion

The results of this study demonstrate that SWCC creates 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. SWCC 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, SWCC benefits society as a whole in Virginia 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 2018-19 academic and financial reports from SWCC, industry and employment data from the U.S. Bureau of Labor Statistics and U.S. Census Bureau, outputs of Emsi'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 SWCC creates value from
multiple perspectives.



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