

ECONOMIC IMPACT STUDY:

Northern Virginia Community College

(Report 3 of 3)



Completed by EMSI in collaboration with:

The Office of Institutional Effectiveness and Student Success Initiatives

DEMONSTRATING THE VALUE OF



*Analysis of the economic impact and
return on investment of education*

Study components

ECONOMIC IMPACT

*on local business
community*

RETURN ON INVESTMENT

*to students, society,
and taxpayers*

ECONOMIC IMPACT ANALYSIS

Measures

impact of **COLLEGE OPERATIONS**

impact of **STUDENT SPENDING**

impact of **WORKER PRODUCTIVITY**

ECONOMIC IMPACT ANALYSIS

Approach

- Calculate **initial sales** generated in region
- Derive sales created by **multiplier effects**
- Convert results to **income**

effect of **COLLEGE OPERATIONS**

INITIAL EFFECT

College payroll

MULTIPLIER EFFECT

Income created by the
spending of the college and
its employees

\$243.5 million

effect of **STUDENT SPENDING**

INITIAL EFFECT

Income created by the
spending of out-of-region
students

MULTIPLIER EFFECT

Income created by the
spending of businesses
patronized by students

\$44.3 million

effect of **WORKER PRODUCTIVITY**

INITIAL EFFECT

Higher wages of former students + increased output of businesses

MULTIPLIER EFFECT

Income created by the spending of students and businesses

\$2.7 billion

ECONOMIC IMPACT ANALYSIS

Results

ADDED INCOME IN REGION

Effect of college operations	\$243.5 million
Effect of student spending	\$44.3 million
Effect of worker productivity	\$2.7 billion
Total effect	\$3 billion

INVESTMENT ANALYSIS

Measures

STUDENT *perspective*

SOCIAL *perspective*

TAXPAYER *perspective*

INVESTMENT ANALYSIS

Approach

- Calculate **benefits and costs** to stakeholders
- Derive the **future benefits stream**
- **Discount results** to current-year dollars
- Determine **net present value**,
benefit-cost ratio, and **rate of return**

Benefits = Greater job opportunities + higher lifetime income

Costs = Tuition and fees + books and supplies + forgone time and money

Present value of benefits

\$4.4 billion

Present value of costs

\$737.5 million

Net present value (benefits minus costs)

\$3.7 billion

Benefit-cost ratio (benefits divided by costs)

6.0

Rate of return

22.0%

Benefits = Expanded economic base + savings related to improved health, reduced crime, and reduced unemployment

Costs = All college expenditures and all student expenditures and costs

Present value of benefits

\$12.1 billion

Present value of costs

\$114.2 million

Net present value (benefits minus costs)

\$11.2 billion

Benefit-cost ratio (benefits divided by costs)

13.3

Benefits = Added tax revenues + reduced demand for government services

Costs = State and local government funding

Present value of benefits

\$1.1 billion

Present value of costs

\$114.2 million

Net present value (benefits minus costs)

\$983.1 million

Benefit-cost ratio (benefits divided by costs)

9.6

Rate of return

20.1%

UNDERSTANDING THE RESULTS

Northern Virginia Community College

- Creates **new income** in the region
- Supports **local jobs**
- Sustains a **skilled workforce**
- Increases students' **lifetime income**
- Expands the state's **economic base**
- Improves **quality of life**

THE RESULTS OF THIS STUDY
WERE PREPARED BY



IN COLLABORATION WITH



FOR A COPY OF THE REPORT, PLEASE CONTACT THE COLLEGE.

