

# EXECUTIVE SUMMARY

*Demonstrating the Economic Value of the Kansas Independent College Association*

APRIL 2014

*The 18 member institutions of the Kansas Independent College Association (KICA) positively impact the state economy and create lifelong benefits for their students. The institutions further benefit society as a whole through the added income and social savings generated by students who remain in the state. The benefits of education extend as far as the state and local government, in the form of increased tax revenues and reduced government expenditures. This summary presents the results of the analysis for the 2012-13 Fiscal Year.*

The Kansas Independent College Association (KICA) supports the individual missions of its 18 independent, regionally-accredited, degree-granting member colleges and universities in the state of Kansas. Each of KICA's member institutions have an important impact on the students they serve, helping them achieve their individual potential and develop skills for a fulfilling and prosperous career. In addition to influencing the lives of students, the institutions support the state economy by increasing consumer spending and supplying employers with trained workers. Kansas residents further benefit from the added income and social savings that occur across the state, and these benefits in turn translate to increased tax revenues and reduced expenditures to state and local government.

The purpose of this summary report is to present the key findings from the following two analyses: (1) the impact of KICA's member institutions on the state economy and (2) the benefits that the institutions generate for students, society, and taxpayers. All results reflect student and financial data for Fiscal Year (FY) 2012-13.

## **KICA'S MEMBER COLLEGES AND UNIVERSITIES**

Baker University	Manhattan Christian College
Benedictine College	McPherson College
Bethany College	MidAmerica Nazarene University
Bethel College	Newman University
Central Christian College	Ottawa University
Donnelly College	Southwestern College
Friends University	Sterling College
Hesston College	Tabor College
Kansas Wesleyan College	University of Saint Mary

# IMPACT ON STATE ECONOMY

*KICA's member institutions promote economic growth in Kansas in a variety of ways. The institutions are employers and buyers of goods and services, and students and visitors who come from outside Kansas benefit state vendors through their expenditures. In addition, the institutions provide education opportunities to state residents and supply trained workers to Kansas employers.*

The economic impact analysis examines the impact of KICA's member institutions on the business community in the state through increased consumer spending and enhanced business productivity. Results are measured in terms of added income and are organized according to the following four effects: (1) impact of the institutions' operations; (2) impact of the spending of out-of-state students; (3) impact of the spending of out-of-state visitors, and; (4) impact of the increased productivity of former students employed in the state workforce.

## OPERATIONS EFFECT

In FY 2012-13, KICA's member institutions employed 4,392 full-time and part-time faculty and staff. Of these, 89% lived in Kansas. Total payroll at the institutions was \$177.6 million, much of which was spent in the state for groceries, eating out, clothing, and other household expenses. The institutions are themselves large-scale buyers of goods and services, spending \$181.1 million in FY 2012-13 to cover their expenses for facilities, professional services, and supplies.

The total income that KICA's member institutions created during the analysis year as a result of their day-to-day operations was \$223.9 million. This figure represents the institutions' payroll, the multiplier effects generated by the spending of the institutions and their employees, and a downward adjustment to account for funding that the institutions received from resident students and other in-state sources.

## STUDENT SPENDING EFFECT

An estimated 2,356 out-of-state students lived in the state but off-campus while attending KICA's member institutions in FY 2012-13. These students would not have come to the state if the institutions did not exist. While going to college, out-of-state students generated \$26.7 million in off-campus expenditures to

## JOB EQUIVALENTS BASED ON INCOME

Job equivalents are a measure of the average-wage jobs that a given amount of income can potentially support. They are calculated by dividing income by the average income per worker in the state. Based on the added income created by KICA's member institutions, the job equivalents are as follows:

Operations effect = **5,015** job equivalents

Student spending effect = **349** job equivalents

Visitor spending effect = **273** job equivalents

Student productivity effect = **16,127** job equivalents

Overall, the added income created by the institutions and their students supported **21,763** job equivalents.

purchase groceries, rent accommodation, pay for transportation, and so on. The net effect of these expenditures was \$15.6 million in new income in the state economy during the analysis year.

## VISITOR SPENDING EFFECT

KICA's member institutions attracted thousands of visitors during the analysis year who came from outside the state to attend commencement, sports events, and other activities sponsored by the institutions. While in the state, visitors spent money for lodging, food, transportation, and other personal expenses. The off-campus expenditures of the institutions' out-of-state visitors generated a net effect of \$12.2 million in new income in the state economy in FY 2012-13.

**TABLE 1. INCOME CREATED BY KICA'S MEMBER INSTITUTIONS IN FY 2012-13 (ADDED INCOME)**

<p><b>\$223.9 MILLION</b></p> <p>Operations effect</p>
<p><b>\$15.6 MILLION</b></p> <p>Student spending effect</p>
<p><b>\$12.2 MILLION</b></p> <p>Visitor spending effect</p>
<p><b>\$720 MILLION</b></p> <p>Student productivity effect</p>
<p><b>\$971.6 MILLION</b></p> <p>Total effect</p>

## STUDENT PRODUCTIVITY EFFECT

The greatest impact of KICA's member institutions results from the education and training they provide. Since the institutions were established, students have entered the state workforce with new skills. Today, thousands of former students are employed in Kansas.

During the analysis year, the institutions' former students generated \$720 million in added income in the state. This figure represents the higher wages that students earned during the year, the increased output of the businesses that employed the students, and the multiplier effects that occurred as students and their employers spent money at other businesses.

## TOTAL IMPACT

The overall effect of KICA's member institutions on the state economy during the analysis year amounted to \$971.6 million, equal to the sum of the operations effect, the student spending effect, the visitor spending effect, and the student productivity effect. This added income was equal to approximately 0.8% of the state's gross state product.

# BENEFITS TO STUDENTS, SOCIETY, AND TAXPAYERS

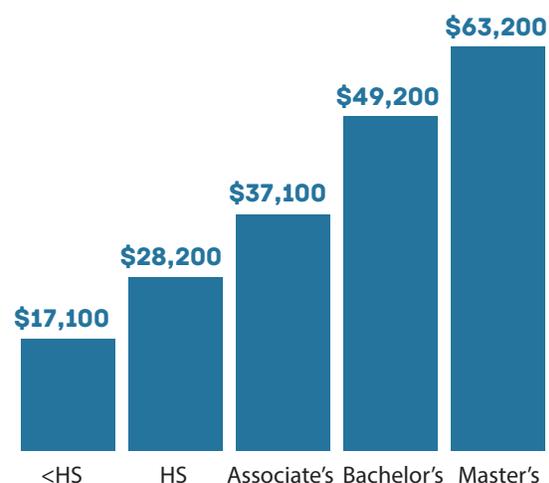
*The benefits generated by KICA's member institutions affect the lives of many people. Students benefit the most from the higher earnings and improved quality of life that they enjoy as a result of the education and training they receive from the institutions. Benefits accrue to society and to taxpayers as well, as students expand the economy through their increased productivity and generate a wide variety of social savings across the state. This section begins with an assessment of the students' return on investment, then presents the benefits that accrue to society and to taxpayers in the state of Kansas.*

## BENEFITS TO STUDENTS

In 2012-13, KICA's member institutions served 29,369 credit students and 61 non-credit students. In order to attend college, students paid for tuition, fees, books, and supplies. They also gave up money that they would have otherwise earned had they been working instead of attending college. The total investment made by the institutions' students in FY 2012-13 amounted to \$496.4 million, equal to \$201.9 million in out-of-pocket expenses plus \$294.4 million in forgone time and money.

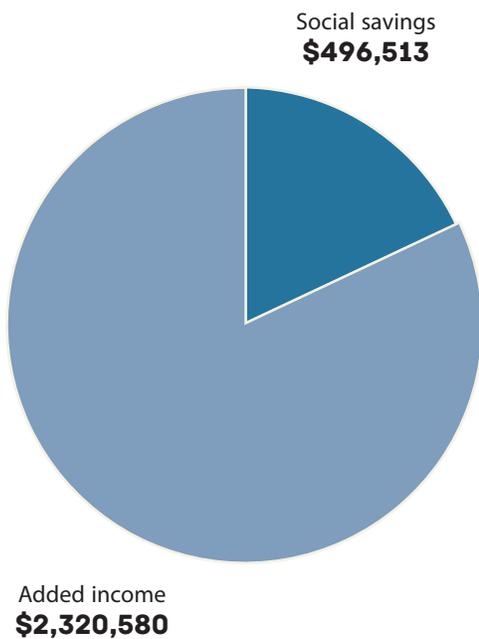
In return for their investment, students will receive a stream of higher future wages that will continue to grow through their working lives. As shown in Figure 1, mean income levels at the midpoint of the average-aged worker's career increase as people achieve higher levels of education. For example, the average associate's degree completer will see an increase in earnings of \$8,900 each year compared to someone with a high school diploma or equivalent. Over a working lifetime, this increase in earnings amounts to an undiscounted value of approximately \$837,341 in higher income.

**FIGURE 1. ANNUAL INCOME BY EDUCATION LEVEL AT CAREER MIDPOINT IN KANSAS**



The present value of the higher future wages that students of KICA's member institutions will receive over their working careers is \$1.4 billion. Dividing this value by the \$496.4 million in student costs yields a benefit-cost ratio of 2.8. In other words, for every \$1 students invest in their education in the form of out-of-pocket expenses and forgone time and money, they receive a cumulative of \$2.80 in higher future wages. The average annual rate of return for students is 12.5%. This is an impressive return compared, for example, to the less than 1% return per annum that is generally expected from saving money in today's standard bank savings accounts.

**FIGURE 2. PRESENT VALUE OF ADDED INCOME AND SOCIAL SAVINGS IN KANSAS (THOUSANDS)**



## BENEFITS TO SOCIETY

Society as a whole in Kansas benefits from the presence of KICA's member institutions in two major ways. The first and largest benefit that society receives is the added income created in the state. As discussed in the previous section, students earn more because of the skills they acquire while attending the institutions. Businesses also earn more because the enhanced skills of students make them more productive. Together, higher student wages and increased business output stimulate increases in income across the state, thereby raising prosperity in Kansas and expanding the economic base for society as a whole.

Benefits to society also consist of the savings generated by the improved lifestyles of students. Education is statistically correlated with a variety of lifestyle changes that generate social savings across three main categories: 1) health, 2) crime, and 3) unemployment. Health savings include avoided medical costs associated with smoking, alcoholism, obesity, drug abuse, and mental disorders. Crime savings include reduced security expenditure and insurance administration, lower victim costs, and reduced criminal justice system expenditures. Unemployment savings include the reduced demand for income assistance and welfare benefits.

Figure 2 shows the present value of the added income and social savings that will occur in Kansas over the working lifetimes of the institutions' 2012-13 student population. Added income amounts to a present value of \$2.3 billion due to the increased lifetime incomes of students and associated increases in business

**TABLE 2. SUMMARY OF BENEFITS**

<b>STUDENT PERSPECTIVE</b>	
<b>\$1,368,643</b>	Benefits (thousands)
<b>\$496,380</b>	Costs (thousands)
<b>\$872,263</b>	Net present value (thousands)
<b>2.8</b>	Benefit-cost ratio
<b>12.5%</b>	Rate of return

<b>SOCIAL PERSPECTIVE</b>	
<b>\$2,817,094</b>	Benefits (thousands)

<b>TAXPAYER PERSPECTIVE</b>	
<b>\$296,640</b>	Benefits (thousands)

output. Social savings amount to \$496.5 million, the sum of health, crime, and unemployment savings in Kansas. Altogether, total benefits to society equal \$2.8 billion (in present value terms). These benefits will occur for as long as the institutions' 2012-13 students remain employed in the state workforce.

### **BENEFITS TO TAXPAYERS**

From the taxpayer perspective, benefits consist primarily of the taxes that state and local government will collect from the added income created in the state. As the 2012-13 student population of KICA's member institutions earn more, they will make higher tax payments. Employers will also make higher tax payments as they increase their output and purchase more supplies and services. By the end of the students' working careers, state and local government will have collected a present value of \$212.6 million in added taxes.

A portion of the savings enjoyed by society also accrues to state and local taxpayers. Students are more employable, so the demand for welfare and unemployment benefits reduces. Improved health habits lower the students' demand for health care services. Students are also less likely to commit crimes, so the demand for law enforcement services reduces. All of these benefits will generate a present value of \$84.1 million in savings to state and local taxpayers. Altogether, taxpayers in Kansas receive \$296.6 million in benefits, equal to the sum of the added taxes and public sector savings.

### **SUMMARY OF BENEFITS**

Table 2 presents a summary of the benefits that accrue to students, society, and taxpayers. As shown, students receive great value for their educational investment. At the same time, the presence of the institutions in the state expands the economy and creates a wide range of positive social benefits that accrue to taxpayers and to society as a whole.

# CONCLUSION

## ABOUT EMSI

Economic Modeling Specialists International, a CareerBuilder company, is a leading provider of economic impact studies and labor market data to educational institutions, workforce planners, and regional developers in the U.S. and internationally. Since 2000, EMSI has completed over 1,200 economic impact studies for educational institutions in four countries.

## ABOUT KICA

Headquartered in Topeka, the Kansas Independent College Association develops and enhances the competitive standing of its 18 member independent, non-profit, regionally accredited, degree-granting colleges and universities and strives to assure opportunity and choice in higher education for all students. KICA was founded in 1976 and is a 501 (c) (4) not-for-profit Kansas corporation.

The results of this study demonstrate that KICA creates value from multiple perspectives. The institutions benefit state businesses by increasing consumer spending in the state and supplying a steady flow of workers into the labor force. They enrich the lives of students by raising their lifetime incomes and helping them achieve their individual potential. They benefit society as a whole in Kansas by creating a more prosperous economy and generating a variety of savings through the improved lifestyles of students. Finally, they benefit state and local taxpayers through increased tax receipts across the state and a reduced demand for government-supported social services.

## DATA SOURCES

Data and assumptions used in the study are based on several sources, including the 2012-13 academic and financial reports from the institutions, industry and employment data from the U.S. Bureau of Labor Statistics and U.S. Census Bureau, outputs of EMSI's college impact model and Social Accounting Matrix (SAM) 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 investment effectiveness and economic impact. For a full description of the data and approach used in the study, please contact KICA for a copy of the technical report.