



The Economic Value of Ohlone College



OHLONE COLLEGE 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 region, generating new dollars and opportunities for the Ohlone Community College District.* Ohlone College provides students with the education, training, and skills they need to have fulfilling and prosperous careers. Furthermore, Ohlone College is a place for students to meet new people, increase their self-confidence, and promote their overall health and well-being.

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

This study measures the economic impacts created by Ohlone College 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:



Economic impact analysis



Investment analysis

All results reflect employee, student, and financial data, provided by the college, for fiscal year (FY) 2019-20. Impacts on the Ohlone Community College District 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.

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



THE OHLONE
COMMUNITY
COLLEGE
DISTRICT

*For the purposes of this analysis, the Ohlone Community College District is comprised of the following ZIP codes in Alameda county: 94536, 94537, 94538, 94539, 94555, 94560, and 94587.

ECONOMIC IMPACT ANALYSIS



Ohlone College promotes economic growth in the Ohlone Community College District 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 attract students from outside the Ohlone Community College District, whose expenditures benefit regional vendors. In addition, Ohlone College is a primary source of higher education to the Ohlone Community College District residents and a supplier of trained workers to regional industries, enhancing overall productivity in the regional workforce.

Operations spending impact



Ohlone College adds economic value to the Ohlone Community College District as an employer of regional residents and a large-scale buyer of goods and services. In FY 2019-20, the college employed 635 full-time and part-time faculty and staff, 28% of whom lived in the Ohlone Community College District. Total payroll at Ohlone College was \$69.2 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 \$21 million on day-to-day expenses related to facilities, supplies, and professional services.

Ohlone College's day-to-day operations spending added \$70.6 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 \$70.6 million in added income is equivalent to supporting 637 jobs in the region.

Construction Spending Impact



Ohlone College 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 2019-20, Ohlone College's construction spending generated \$8.1 million in added income, which is equivalent to supporting 73 jobs.

IMPACTS CREATED BY OHLONE COLLEGE IN FY 2019-20



Operations spending impact

\$70.6 million



Construction spending impact

\$8.1 million



Student spending impact

\$5.1 million



Alumni impact

\$231.4 million



TOTAL ECONOMIC IMPACT

\$315.2 million

OR

Jobs supported

2,689

Student spending impact



Around 45% of students attending Ohlone College originated from outside the region in FY 2019-20, and some of these students relocated to the Ohlone Community College District to attend Ohlone College. These students may not have come to the region if the college did not exist. In addition, some in-region students, referred to as retained students, would have left the Ohlone Community College District if not for the existence of Ohlone College. While attending the college, these relocated and retained students spent money on groceries, accommodation, transportation, and other household expenses. This spending generated \$5.1 million in added income for the regional economy in FY 2019-20, which supported 88 jobs in the Ohlone Community College District.

Alumni impact



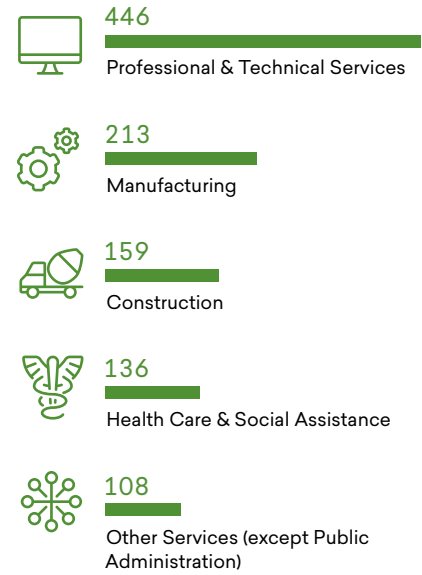
The education and training Ohlone College provides for regional residents has the greatest impact. Since its establishment, students have studied at Ohlone College and entered the regional workforce with greater knowledge and new skills. Today, thousands of former Ohlone College students are employed in the Ohlone Community College District. As a result of their Ohlone College educations, the students receive higher earnings and increase the productivity of the businesses that employ them. In FY 2019-20, Ohlone College alumni generated \$231.4 million in added income for the regional economy, which is equivalent to supporting 1,891 jobs.

Total impact

Ohlone College added \$315.2 million in income to the Ohlone Community College District 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 \$315.2 million impact was equal to approximately 0.9% of the total gross regional product (GRP) of the Ohlone Community College District. This contribution that the college provided on its own was nearly as large as the entire Real Estate & Rental & Leasing industry in the region.

Ohlone College's total impact can also be expressed in terms of jobs supported. The \$315.2 million impact supported 2,689 regional jobs, using the jobs-to-sales ratios specific to each industry in the region. This means that one out of every 82 jobs in the Ohlone Community College District is supported by the activities of Ohlone College and its students. In addition, the \$315.2 million, or 2,689 supported jobs, stemmed from different industry sectors. Among non-education industry sectors, Ohlone College's spending and alumni in the Professional & Technical Services industry sector supported 446 jobs in FY 2019-20. These are impacts that would not have been generated without the college's presence in the Ohlone Community College District.

OHLONE COLLEGE IMPACTS BY INDUSTRY (JOBS SUPPORTED)



One out of every 82 jobs in the Ohlone Community College District is supported by the activities of Ohlone College 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 considers Ohlone College as an investment from the perspectives of students, taxpayers, and society in California.

Student perspective



In FY 2019-20, Ohlone College served 16,625 credit and 259 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 Ohlone College's students in FY 2019-20 amounted to a present value of \$118.2 million, equal to \$19.4 million in out-of-pocket expenses (including future principal and interest on student loans) and \$98.8 million in forgone time and money.

In return for their investment, Ohlone College's students will receive a stream of higher future earnings that will continue to grow throughout their working lives. For example, the average Ohlone College associate degree graduate from FY 2019-20 will see annual earnings that are \$12,600 higher than a person with a high school diploma or equivalent working in California. Over a working lifetime, the benefits of the associate degree over a high school diploma will amount to an undiscounted value of \$478.8 thousand in higher earnings per graduate. The present value of the cumulative higher future earnings that Ohlone College's FY 2019-20 students will receive over their working careers is \$460.8 million.

STUDENTS SEE A HIGH RATE OF RETURN FOR THEIR INVESTMENT IN OHLONE COLLEGE



Average annual return for Ohlone College students
16.9%



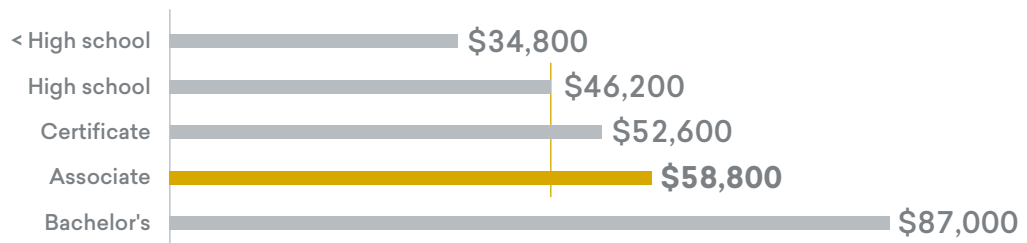
Stock market 30-year average annual return
9.9%



Interest earned on savings account (National Rate Cap)
0.8%

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

The average associate degree graduate from Ohlone College will see an increase in earnings of **\$12,600** each year compared to a person with a high school diploma or equivalent working in California.



Source: Emsi employment data.

The students' benefit-cost ratio is 3.9. In other words, for every dollar students invest in Ohlone College, in the form of out-of-pocket expenses and forgone time and money, they will receive a cumulative value of \$3.90 in higher future earnings. Annually, the students' investment in Ohlone College has an average annual internal rate of return of 16.9%, which is impressive compared to the U.S. stock market's 30-year average rate of return of 9.9%.

Taxpayer perspective



Ohlone College 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 Ohlone College 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 2019-20 students' working lives, the state and local government will have collected a present value of \$154.1 million in added taxes.

Benefits to taxpayers will also consist of savings generated by the improved lifestyles of Ohlone College students and the corresponding reduced government services. Education is statistically correlated with a variety of lifestyle changes. Students' Ohlone College educations will generate savings in three main categories: 1) healthcare, 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. Ohlone College 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 Ohlone College education will generate \$11.4 million in savings to state and local taxpayers.

Total taxpayer benefits amount to \$165.5 million, the present value sum of the added taxes and public sector savings. Taxpayer costs are \$64 million, equal to the amount of state and local government funding Ohlone College received in FY 2019-20. These benefits and costs yield a benefit-cost ratio of 2.6. This means that for every dollar of public money invested in Ohlone College in FY 2019-20, taxpayers will receive a cumulative value of \$2.60 over the course of the students' working lives. The average annual internal rate of return for taxpayers is 8.3%, which compares favorably to other long-term investments in the public and private sectors.

For every dollar of public money invested in Ohlone College taxpayers will receive a cumulative value of **\$2.60** over the course of the students' working lives.

Social perspective



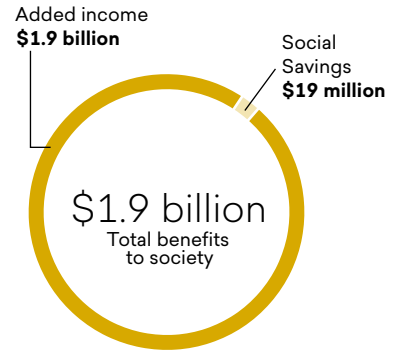
Society as a whole in California benefits from the presence of Ohlone College in two major ways. Primarily, society benefits from an increased economic base in the state. This is attributed to higher student earnings and increased business output, which raise economic prosperity in California.

Benefits to society also consist of the savings generated by the improved lifestyles of Ohlone College 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 Ohlone College equal a present value of \$1.9 billion. These benefits include \$1.9 billion in added income through students' increased lifetime earnings and increased business output, as well as \$19 million in social savings related to health, crime, and income assistance in California. People in California invested a present value total of \$234.9 million in Ohlone College in FY 2019-20. The cost includes all the college and student costs.

The benefit-cost ratio for society is 8.3, equal to the \$1.9 billion in benefits divided by the \$234.9 million in costs. In other words, for every dollar invested in Ohlone College, people in California will receive a cumulative value of \$8.30 in benefits. The benefits of this investment will occur for as long as Ohlone College's FY 2019-20 students remain employed in the state workforce.

SOCIAL BENEFITS IN CALIFORNIA FROM OHLONE COLLEGE



Source: Emsi impact model.



STUDENT PERSPECTIVE

Present value benefits
\$460.8 million

Present value costs
\$118.2 million

Net present value
\$342.6 million



TAXPAYER PERSPECTIVE

Present value benefits
\$165.5 million

Present value costs
\$64.0 million

Net present value
\$101.5 million



SOCIAL PERSPECTIVE

Present value benefits
\$1.9 billion

Present value costs
\$234.9 million

Net present value
\$1.7 billion

STUDENT PERSPECTIVE		TAXPAYER PERSPECTIVE		SOCIAL PERSPECTIVE	
Benefit-cost ratio	Rate of return	Benefit-cost ratio	Rate of return	Benefit-cost ratio	Rate of return
3.9	16.9%	2.6	8.3%	8.3	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.

SUMMARY OF INVESTMENT ANALYSIS RESULTS

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

About the study

Data and assumptions used in the study are based on several sources, including the FY 2019-20 academic and financial reports from Ohlone College, 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 Ohlone College creates value from **multiple perspectives.**



Emsi is a labor market analytics firm that integrates data from a wide variety of sources to serve professionals in higher education, economic development, workforce development, talent acquisition, and site selection. Emsi is a leading provider of economic impact studies and labor market data to educational institutions in the U.S. and internationally. Since 2000, Emsi has completed over 2,000 economic impact studies for institutions across three countries. For more information about Emsi’s products and services, visit www.economicmodeling.com.