

The Economic Value of Spokane Colleges





SPOKANE COLLEGES* creates value in many ways. The colleges play a key role in helping students increase their employability and achieve their individual potential. The colleges draw students to the region, generating new dollars and opportunities for District 17.** The colleges provide students with the education, training, and skills they need to have fulfilling and prosperous careers. Furthermore, the colleges are places for students to meet new people, increase their self-confidence, and promote their overall health and well-being.

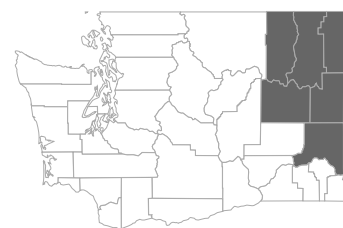
Spokane Colleges influences both the lives of students and the regional economy. The colleges support a variety of industries in District 17, serve regional businesses, and benefit society as a whole in Washington from an expanded economy and improved quality of life. Additionally, the benefits created by Spokane Colleges extend to the state and local government through increased tax revenues and public sector savings.

This study measures the economic impacts created by Spokane Colleges on the business community and the benefits the colleges generate in return for the investments made by their 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 colleges, for fiscal year (FY) 2022-23. Impacts on District 17 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 Washington are reported under the investment analysis.



District 17, Washington

Spokane Colleges influences both the lives of its students and the regional economy.

* Spokane Colleges consists of Spokane Community College and Spokane Falls Community College.

** For the purposes of this analysis, District 17 comprises Ferry, Lincoln, Pend Oreille, Spokane, Stevens, and Whitman Counties.



Economic impact analysis



Spokane Colleges promotes economic growth in District 17 through its direct expenditures and the resulting expenditures of students and regional businesses. The colleges serve as employers and buyers of goods and services for their day-to-day operations. The colleges' activities attract students from outside District 17, whose expenditures benefit regional vendors. In addition, the colleges are primary sources of higher education to District 17 residents and suppliers of trained workers to regional industries, enhancing overall productivity in the regional workforce.

Operations spending impact



Spokane Colleges adds economic value to District 17 as an employer of regional residents and a large-scale buyer of goods and services. In FY 2022-23, the colleges employed 1,708 full-time and part-time faculty and staff, 90% of whom lived in District 17. Total payroll at Spokane Colleges was \$109.3 million, much of which was spent in the region for groceries, mortgage and rent payments, dining out, and other household expenses. In addition, the colleges spent \$101.5 million on expenses related to facilities, supplies, and professional services.

Spokane Colleges operations spending added \$182.4 million in income to the region during the analysis year. This figure represents the colleges' payroll, the multiplier effects generated by the in-region spending of the colleges and their employees, and a downward adjustment to account for funding that the colleges received from regional sources. The \$182.4 million in added income is equivalent to supporting 2,351 jobs in the region.

Student spending impact



Around 28% of students attending Spokane Colleges originated from outside the region in FY 2022-23, and some of these students relocated to District 17 to attend the colleges. These students may not have come to the region if the colleges did not exist. In addition, some in-region students, referred to as retained students, would have left District 17 if not for the existence of Spokane Colleges. While attending the colleges, these relocated and retained students spent money on groceries, accommodation, transportation, and other household expenses. This spending generated \$50.8 million in added income for the regional economy in FY 2022-23, which supported 726 jobs in District 17.

Impacts created by
Spokane Colleges in FY 2022-23



Operations spending impact

\$182.4 million



Student spending impact

\$50.8 million



Alumni impact

\$1.0 billion



Total economic impact

\$1.26 billion

OR



Jobs supported

15,592



Alumni impact



The education and training the colleges provide for regional residents has the greatest impact. Since the colleges were established, students have studied at Spokane Colleges and entered the regional workforce with greater knowledge and new skills. Today, hundreds of thousands of former Spokane Colleges students are employed in District 17. As a result of their education from Spokane Colleges, the students receive higher earnings and increase the productivity of the businesses that employ them. In FY 2022-23, Spokane Colleges alumni generated \$1.0 billion in added income for the regional economy, which is equivalent to supporting 12,515 jobs.

Spokane Falls and Spokane Community College have the flexibility to allow many students to transfer their credits to many four-year universities. This option gives students a lower cost option to pursue a four-year degree. The students return on investment for the education received after transferring is not directly measured in this report, however transfer-track programs offer many significant benefits to the student and the region.

Total impact

Spokane Colleges added \$1.26 billion in income to the District 17 economy during the analysis year, equal to the sum of operations spending impact, the student spending impact, and the alumni impact. For context, the \$1.26 billion impact was equal to approximately 3.2% of the total gross regional product (GRP) of District 17. This contribution that the colleges provided on their own was nearly as large as the entire Accommodation & Food Services industry in the region.

Spokane Colleges total impact can also be expressed in terms of jobs supported. The \$1.26 billion impact supported 15,592 regional jobs, using the jobs-to-sales ratios specific to each industry in the region. This means that one out of every 26 jobs in District 17 is supported by the activities of the colleges and their students. In addition, the \$1.26 billion, or 15,592 supported jobs, stemmed from different industry sectors. For instance, among non-education industry sectors, the spending of Spokane Colleges and their students and the activities of their alumni in the Health Care & Social Assistance industry sector supported 2,222 jobs in FY 2022-23. If the colleges did not exist, these impacts would not have been generated in District 17.

Spokane Colleges impacts by industry
(jobs supported)



2,222

Retail Trade



1,783

Health Care & Social Assistance



1,483

Other Services (except Public Admin)



1,033

Real Estate & Rental & Leasing



926

Professional & Technical Services

The Other Services (except Public Administration) engaged in activities, such as equipment and machinery repairing, promoting or administering religious activities, grantmaking, advocacy, and providing drycleaning and laundry services, personal care services, death care services, pet care services, photofinishing services, temporary parking services, and dating services.

One out of every 26
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Investment analysis



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

Student perspective



In FY 2022-23, Spokane Colleges served 12,032 credit and 7,758 non-credit students.

In order to attend the colleges, 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 Spokane Colleges students in FY 2022-23 amounted to a present value of \$111.0 million, equal to \$39.0 million in out-of-pocket expenses (including future principal and interest on student loans) and \$72.1 million in forgone time and money.

In return for their investment, Spokane Colleges students will receive a stream of higher future earnings that will continue to grow throughout their working lives. For example, the average Spokane Colleges associate degree graduate from FY 2022-23 will see annual earnings \$6,300 higher than a person with a high school diploma or equivalent working in Washington. Over a working lifetime, the benefits of the associate degree over a high school diploma will amount to an undiscounted value of \$245,700 in higher earnings per graduate. The present value of the cumulative higher future earnings that Spokane Colleges FY 2022-23 students will receive over their working careers is \$413.6 million. Student benefits may be lower compared to colleges in other states because Washington does not collect individual income taxes.

The students' benefit-cost ratio is 3.7. In other words, for every dollar students invest in an education at Spokane Colleges in the form of out-of-pocket expenses and forgone time

Students see a high rate of return for their investment in Spokane Colleges



Average annual return for Spokane Colleges' students
16.2%



Stock market 30-year average annual return
10.1%

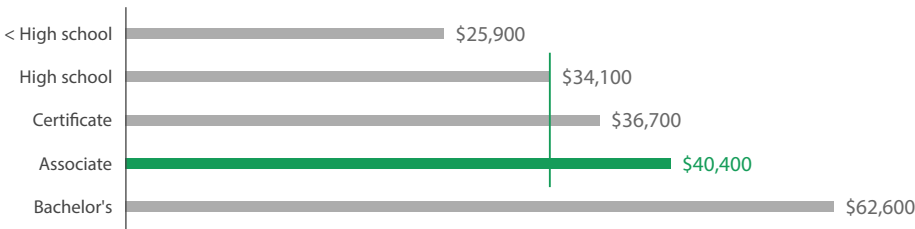


Interest earned on savings account (national deposit rate)
0.5%

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 Spokane Colleges will see an increase in earnings of \$6,300 each year compared to a person with a high school diploma or equivalent working in Washington.



Source: Lightcast employment data



and money, they will receive a cumulative value of \$3.70 in higher future earnings. Annually, the students' investment in Spokane Colleges has an average annual internal rate of return of 16.2%, which is impressive compared to the U.S. stock market's 30-year average rate of return of 10.1%.

Spokane Falls and Spokane Community College have the flexibility to allow many students to transfer their credits to many four-year universities. This option gives students a lower cost option to pursue a four-year degree. The students return on investment in this scenario is not directly measured in this report, however transfer-track programs offer many obvious benefits to the student and the region.

Taxpayer perspective



Taxpayers invested \$148.9 million in the district in FY 2022-23, equal to the amount of state and local government funding. In return, the district generates substantial benefits for taxpayers. 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 Spokane Colleges 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 \$113.1 million in added taxes.

Benefits to taxpayers will also consist of savings generated by the improved lifestyles of students attending Spokane Colleges and the corresponding reduced government services. Education is statistically correlated with a variety of lifestyle changes. The education that Spokane Colleges 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. Spokane Colleges 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 Spokane Colleges for a copy of the main report. Altogether, the present value of the benefits associated with an education through Spokane Colleges will generate \$20.0 million in savings to state and local taxpayers.

Total taxpayer benefits amount to \$133.1 million, the present value sum of the added tax revenue and public sector savings. Taxpayer costs are \$148.9 million, equal to the amount of state and local government funding Spokane Colleges received in FY 2022-23.

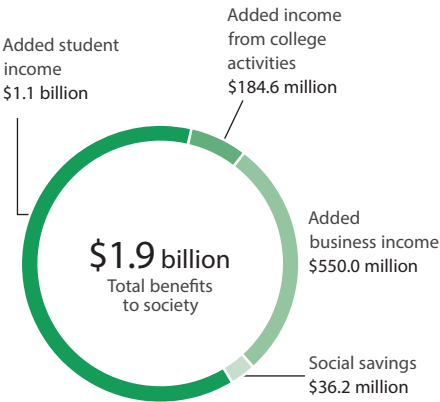
Social perspective



Society as a whole in Washington benefits from the presence of Spokane Colleges 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 Washington.

Total taxpayer benefits amount to \$133.1 million, the present value sum of the added tax revenue and public sector savings.

Social benefits in Washington from Spokane Colleges



Source: Lightcast impact model

Benefits to society also consist of the savings generated by the improved lifestyles of Spokane Colleges 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 Spokane Colleges for a copy of the main report.

Altogether, the social benefits of Spokane Colleges equal a present value of \$1.9 billion. These benefits include \$1.1 billion in added student income, \$550.0 million in added business income, \$184.6 million in added income from college activities, as well as \$36.2 million in social savings related to health, the justice system, and income assistance in Washington. People in Washington invested a present value total of \$297.2 million in Spokane Colleges in FY 2022-23. The cost includes all the colleges’ expenditures and student costs.

The benefit-cost ratio for society is 6.3, equal to the \$1.9 billion in benefits divided by the \$297.2 million in costs. In other words, for every dollar invested in Spokane Colleges, people in Washington will receive a cumulative value of \$6.30 in benefits. The benefits of this investment will occur for as long as Spokane Colleges FY 2022-23 students remain employed in the state workforce.

Summary of investment analysis results

The results of the analysis demonstrate that Spokane Colleges 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 through Spokane Colleges. At the same time, Spokane Colleges creates a wide range of social benefits throughout Washington.

Summary of investment analysis results

Student perspective	
Present value benefits	
\$413.6 million	
Present value costs	
\$111.0 million	
Net present value	
\$302.5 million	
Benefit-cost ratio	Rate of return
3.7	16.2%

Taxpayer perspective	
Present value benefits	
\$133.1 million	
Present value costs	
\$148.9 million	

Social perspective	
Present value benefits	
\$1.9 billion	
Present value costs	
\$297.2 million	
Net present value	
\$1.6 billion	
Benefit-cost ratio	Rate of return
6.3	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 Spokane Colleges creates value from multiple perspectives.

The colleges benefit regional businesses by increasing consumer spending in the region and supplying a steady flow of qualified, trained workers to the workforce. Spokane Colleges enriches the lives of students by raising their lifetime earnings and helping them achieve their individual potential. The colleges benefit state and local taxpayers through increased tax receipts and a reduced demand for government-supported social services. Finally, Spokane Colleges benefits society as a whole in Washington 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 Spokane Colleges, 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 Spokane Colleges for a copy of the main report.



Lightcast provides colleges and universities with labor market data that help create better outcomes for students, businesses, and communities. Our data, which cover more than 99% of the U.S. workforce, are compiled from a wide variety of government sources, job postings, and online profiles and résumés. Hundreds of institutions use Lightcast to align programs with regional needs, drive enrollment, connect students with in-demand careers, track their alumni's employment outcomes, and demonstrate their institution's economic impact on their region. Visit lightcast.io/solutions/education to learn more or connect with us.