



ECONOMIC IMPACT - HOUSTON COMMUNITY COLLEGE

Regional Economic Growth and Investment Analysis

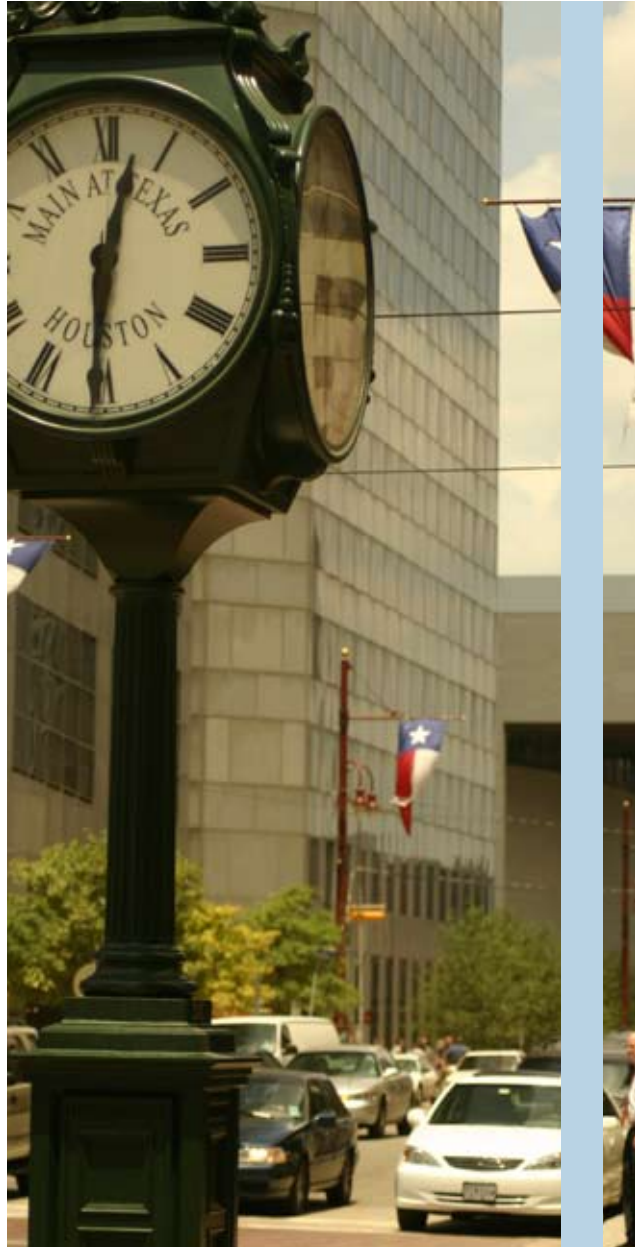


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CHANCELLOR’S LETTER

To business and community leaders,

Never have American cities, governmental entities, businesses, or students needed community colleges more than now.

In today’s economy, access to post-secondary education and training is essential for individual career success. Modern business depends on a supply of employees with education or training beyond high school. And for a nation making the transition from an industrial economy to an information economy, the value of post-secondary education and training is greater than ever.

Estimates indicate that 60 percent of today’s jobs require education or training beyond high school and that those jobs represent the fastest-growing and best-paying segments of the new economy. Ability requirements have expanded as well to include problem-solving, creative, and interpersonal skills that allow workers to cope with the rapid pace of change in the workplace.

Those who are not equipped with the knowledge and skills necessary to land, and keep, good jobs tend to drop out of the mainstream and are more likely to experience violence,

addiction, illness, incarceration, and other forms of abuse during their lifetime.

While every college and university plays an important role in preparing our workforce for the future, the community college alone is positioned to improve educational access and address educational challenges at the local level.

Often the under-valued hero of higher education, community colleges provide open admission to nearly 50 percent of the 24 million higher education students in the U.S. More importantly, they represent a real and significant bridge to the new knowledge-based economy and a means to the American Dream.

Houston Community College proudly provides this opportunity to more than 58,000 students each semester, but it’s also important to recognize the greater impact the HCC district has on our region and our local communities.

People with more education have higher incomes and more money to spend with each credit hour completed.

Businesses that hire them are more productive. The demand for taxpayer support services is reduced, and our local tax base grows. All of these factors impact earnings in other industries and generate a multiplier effect that further expands the economy.

The study that follows, commissioned by HCC in 2008, quantifies these downstream benefits to area students, businesses, taxpayers, and the greater Houston regional economy. Its findings indicate that, in addition to standing among the top two-year institutions in the nation, Houston Community College is relevant, advantageous, and essential from a cost-benefit analysis as well.

Sincerely,



Dr. Mary S. Spangler
Chancellor, Houston Community College



EXECUTIVE SUMMARY

The workforce educated by Houston Community College has earned an estimated 10.6 million credit hours of past and present HCC training. These skills translate into a \$2.4 billion increase in local income and another \$1.7 billion increase in associated or indirect income.

Altogether, the regional economy benefits from roughly \$4.1 billion in annual income directly attributable to HCC and its students. This figure represents approximately 1.4% of the area’s total annual income.



Houston Community College plays a significant role in the local economy and constitutes a sound investment for numerous stakeholders. Students benefit from improved lifestyles and increased earnings. Taxpayers benefit from a larger economy and lower social costs. Businesses benefit from a high-skilled workforce and opportunities for specialized technical training. The greater community benefits from an expanded tax base and an increase in the number of productive, engaged citizens.

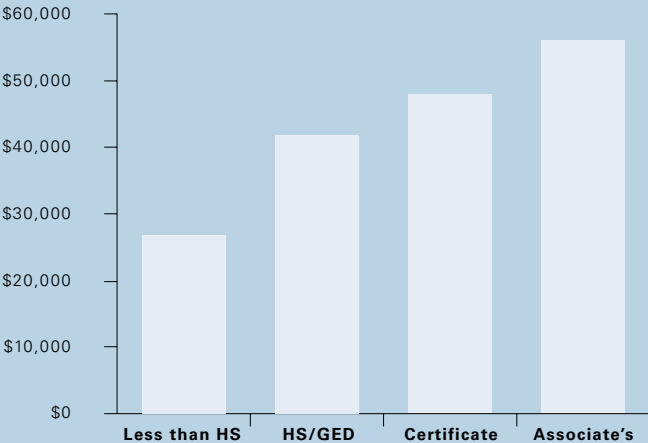
The economic impact of these benefits is calculated in two ways: (1) Regional Economic Growth Analysis, which measures the added regional income due to the daily activities of the college, student spending, and the cumulative effects of HCC’s past students in the workforce; and (2) an Investment Analysis, which treats education funding as an investment, calculating all measurable returns and comparing them to costs.

INVESTMENT ANALYSIS - DOLLAR / COST BENEFIT

Source	Investment	Rate of Return	Dollar Value Benefit
Students	\$1.00	21.5%	\$7.30
State & Local Taxpayers	\$1.00	19.5%	\$5.10
Cumulative Social Benefit	\$1.00	—	\$40.50

ECONOMIC GROWTH ANALYSIS – REGIONAL ANNUAL INCOME

Source	Annual Income
College Operations Effect	\$130,690,800
Student Spending Effect	\$33,609,000
Past Student Productivity Effect	\$3,979,395,000
Total	\$4,143,694,800

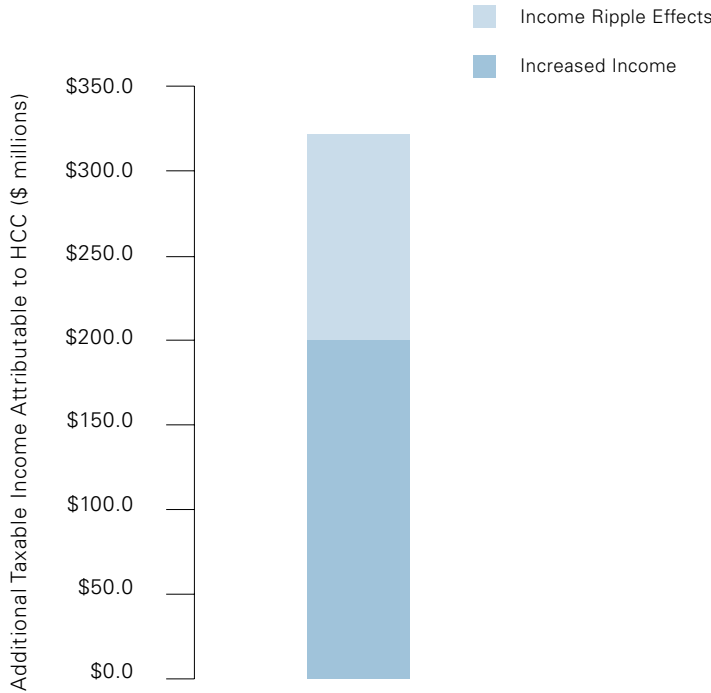


AVERAGE EARNING AT CAREER MIDPOINT

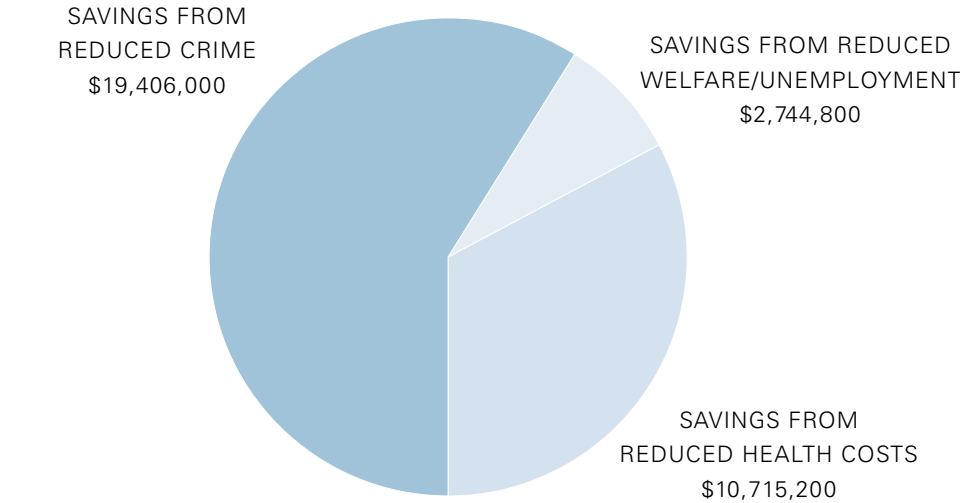
HCC INCREASES STATE INCOME AND REDUCES SOCIAL COSTS

SOCIAL BENEFITS

Houston Community College provides a significant social benefit in two ways. First, higher student income and associated gains on business productivity add an estimated \$318 million to the state economy each year. Second, higher education is statistically correlated to improved lifestyle behaviors, including reduced incidences of absenteeism, alcohol abuse, smoking, criminal behavior, welfare dependence, and unemployment claims – saving taxpayers some \$32 million annually. Both of these factors accrue to all citizens of the community as well as businesses and state government.



INCREASED TAXABLE INCOME



SOCIAL SAVINGS ATTRIBUTABLE TO HCC

ANNUAL AGGREGATE SOCIAL BENEFIT TO THE STATE ECONOMY

COMPONENT	UNITS	TOTAL	SUBTOTALS
Income Growth			
Labor Income	-	\$203,495,500	
Non-Labor Income	-	\$115,231,900	=\$318,727,400
Social Savings			
Health Benefits			
Absenteeism Savings (days)	26,500	\$4,172,200	
Fewer Smokers (persons)	1,380	\$4,145,500	
Fewer Alcohol Abusers (persons)	340	\$2,397,500	=\$10,715,200
Crime Benefits			
Incarceration Savings (persons)	1,300	\$9,308,200	
Crime Victim Savings	-	\$2,985,700	
Added Productivity	-	\$7,112,100	=\$19,406,000
Welfare & Unemployment Benefits			
Welfare Savings (persons)	1,580	\$2,114,200	
Unemployment Savings (persons)	560	\$630,600	=\$2,744,800
TOTAL ANNUAL BENEFIT		\$351,593,400	



Houston Community College contributes more money to the state treasury than it receives. Not only does the college pull its own weight, but it also effectively subsidizes other sectors funded by taxpayers. Absent HCC, taxes would have to increase in order to maintain services in other sectors at their current levels.

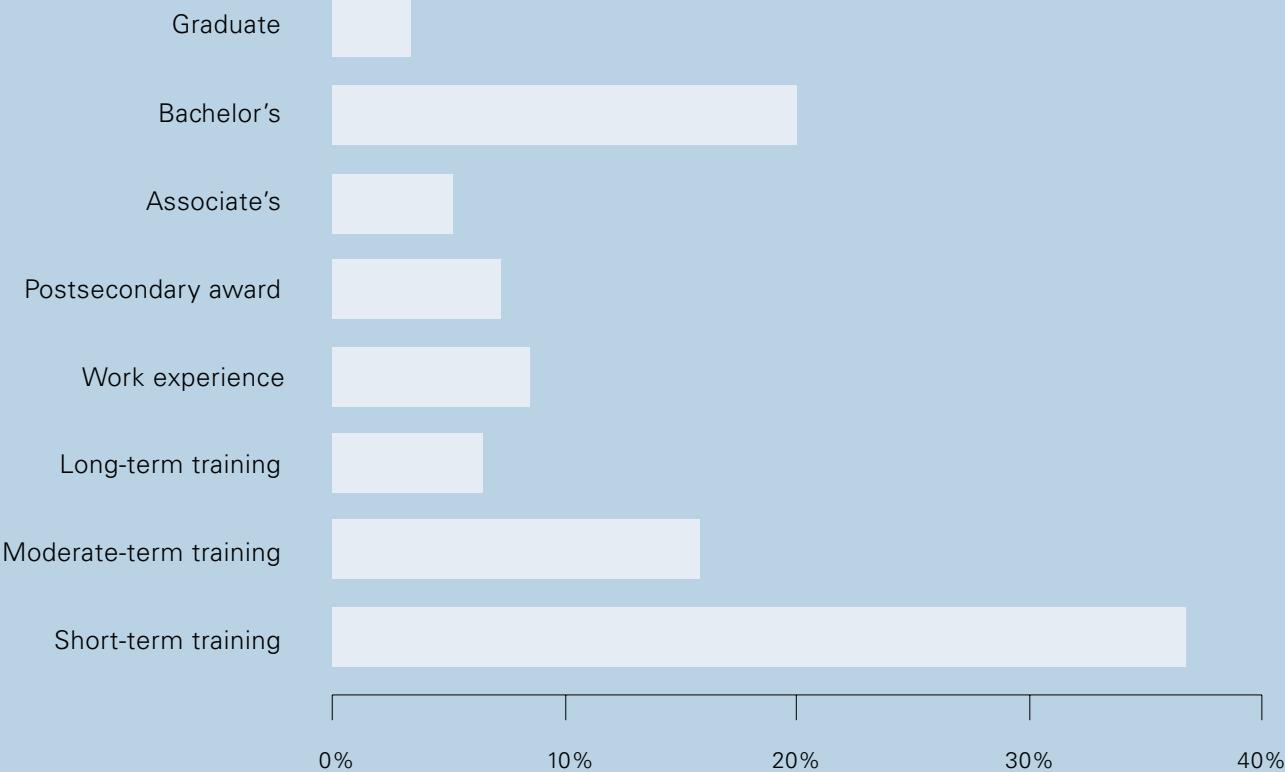


EDUCATION PAYS A LIFETIME DIVIDEND

The average annual income of the typical HCC student with an Associate’s Degree at the midpoint of his or her career is \$56,500. That’s 116% higher than someone without a high school diploma and 38% higher than someone with a high school diploma.

STUDENT BENEFITS

The benefits of higher education are most obvious from the student perspective. Students sacrifice current earnings, as well as money for tuition, in return for a lifetime of higher income. But from an investment standpoint, Houston Community College represents a very profitable venture at the same time that it is also a private benefit. HCC students enjoy an attractive 21.5% rate of return on their educational spending and recover all costs, including foregone wages while attending classes, in only seven years. Over the course of a working lifetime, Associate Degree graduates from HCC will earn an estimated \$577,200 more than someone with a high school diploma.



SKILL LEVELS REQUIRED BY AREA JOBS

By 2018, an estimated 1,039,300 new and replacement jobs will be available in the HCC Service Area economy, with 35% requiring some postsecondary education. Approximately 28% of these will require an Associate’s Degree or greater. Another 7% will require a post-secondary certificate or vocational award.



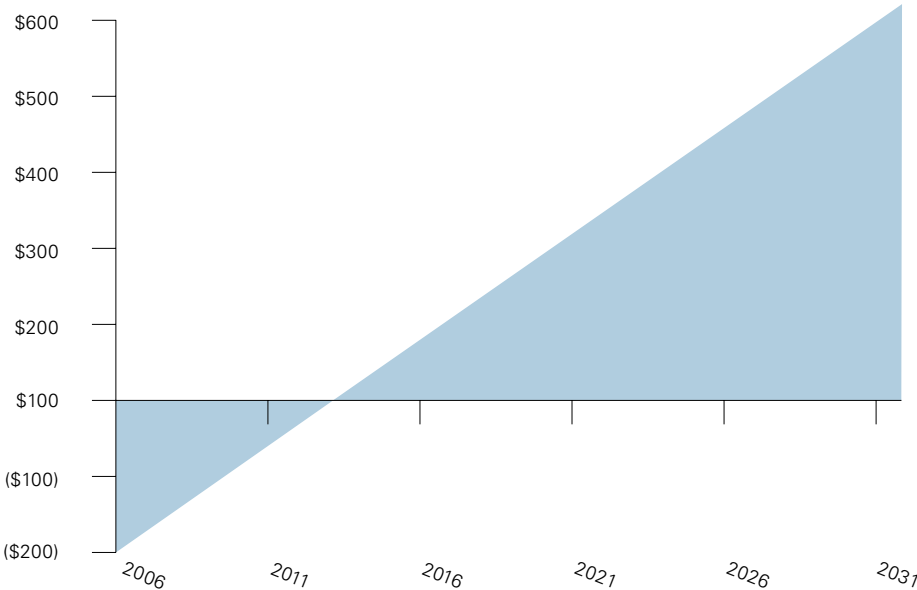
HCC LEVERAGES TAXPAYER DOLLARS

FOR A RETURN ON PUBLIC INVESTMENT

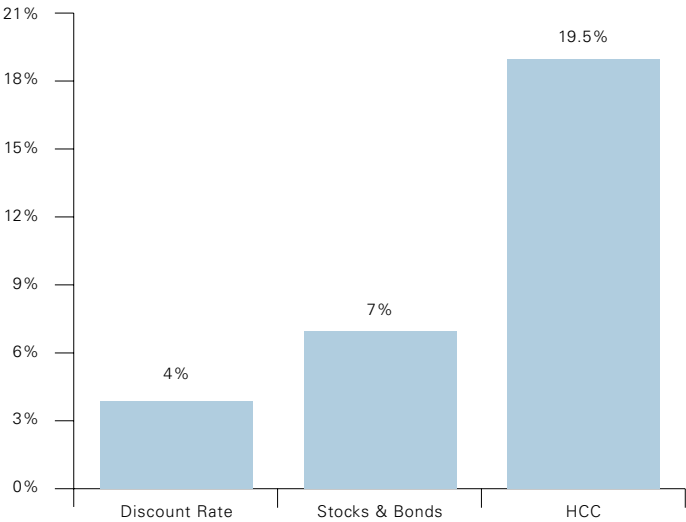
In the aggregate, higher student income and associated increases in property income generate approximately \$36.8 million in additional tax revenue each year.

TAXPAYER BENEFITS

Government often undertakes activities that benefit the public but are unprofitable in the marketplace. This means that positive economic returns from governmental investments are rare and generally unexpected. For Houston Community College, however, investment results greatly exceed the most optimistic expectations. In FY 2006-2007, state and local government allocated \$169 million in support of HCC. For every \$1 of support, taxpayers realize a cumulative return of \$5.10 over the course of students’ working careers in the form of higher tax receipts and avoided social costs. Both state and local governments realize a 19.5% rate of return on their investment, which compares favorably with private sector rates on similar long-term investments.



TAXPAYER LONG-TERM INVESTMENT GROWTH



STATE & LOCAL INVESTMENT COMPARISON

HCC STIMULATES ECONOMIC GROWTH

Houston Community College offers customized training to local business and industry that promotes productivity, increases workforce readiness, and positions the regional information economy to compete in today’s global marketplace.

BUSINESS BENEFITS

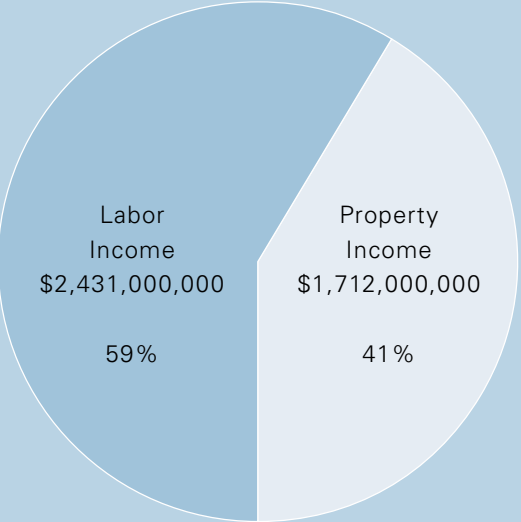
With a faculty of nearly 6,000 full- and part-time employees and a total annual operating budget of \$274 million, Houston Community College is a major regional economic engine in and of itself. This revenue-generating enterprise encourages new business and entrepreneurs, supports countless businesses and service providers throughout its three-county service area, and extends the multiplier effect well beyond HCC’s six Houston-area colleges.



THE HCC ECONOMIC ENGINE

Source	FY 2006-2007	
Payroll	\$153,900,000	32 %
Operations	\$274,800,000	57 %
Outside Student Spending *	\$50,300,000	11 %
Total	\$479,000,000	100%

**Approximately 30% of the HCC student body comes from outside the region and generates sales that would not otherwise enter the local economy.*



REGIONAL GROWTH DUE TO HCC

HCC’s past and present activities in the workforce account for \$2.4 billion in labor income (wages, salaries, and benefits) and \$1.7 billion in property income (dividends, interest, and rent) which together contribute roughly \$4.1 billion to the regional economy.



HCC FAST FACTS

- Nearly half of all HCC students are the first in their family to attend college
- 67% of students come from economically disadvantaged homes
- Highest number of Exemplary Career Technology programs in Texas (26)
- Tuition 70-75% less than Texas' 4-year colleges and universities
- First in workforce placement in Texas
- First in Associate degree transfers in Texas
- Top 25 in Associate degrees awarded nationally

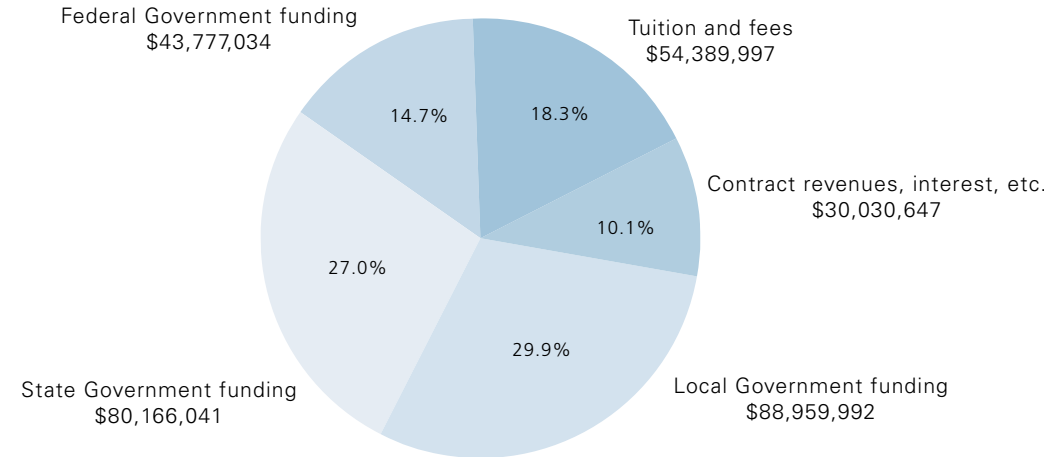


LOCATIONS



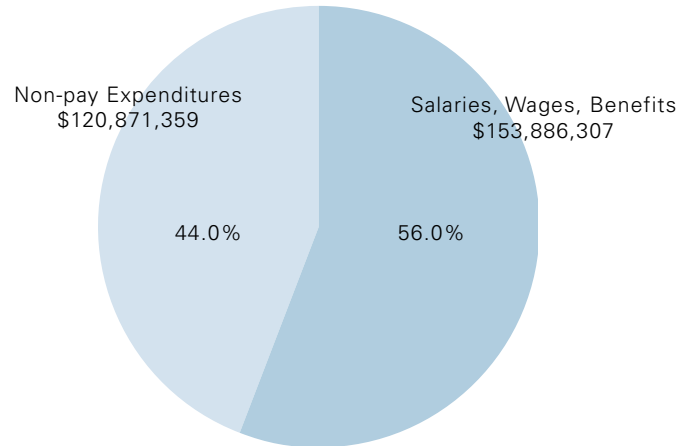
REVENUE (FY 2006-2007)

TOTAL=\$297,323,711



EXPENDITURES (FY 2006-2007)

TOTAL=\$274,757,666



ABOUT THIS STUDY

This report summarizes the results of a study titled, “The Economic Contributions of Houston Community College,” commissioned by HCC and conducted by EMSI in May 2008. The study details the role that the college plays in promoting economic development, enhancing students’ careers, and improving quality of life. Data sources include, but are not limited to, 2006-07 academic and financial reports from the college, industry and employment data from the U.S. Bureau of Labor Statistics, earnings and demographic data from the U.S. Census Bureau, and a variety of studies and surveys related to education and social behavior.

AUTHORS

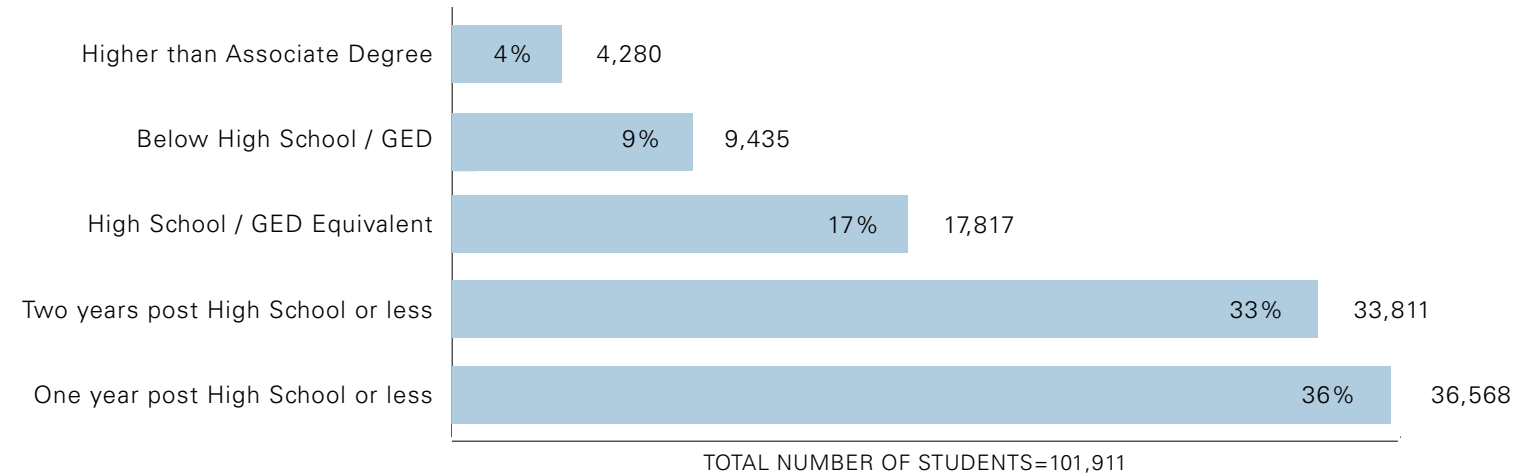
Dr. M. Henry Robison, Co-Principal, EMSI
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ACKNOWLEDGEMENTS

Economic Modeling Specialists Inc. (EMSI) gratefully acknowledges the excellent support of the research staff at HCC for making this study possible, including: Dr. Mary Spangler, Chancellor; Dr. Linda Gibbs, Director of Institutional Research; Margaret Drain, Research Associate II; Raymond Golitko, Research Associate; and Penny Roberts, Senior Financial Analyst. Any errors in this report are the responsibility of the authors and not the institution or individuals mentioned above.

For a copy of the EMSI study, contact the HCC Office of the Chancellor at 713.718.5051.

HCC STUDENTS BY LEVEL OF EDUCATION (FY 2006-2007)



STUDY HIGHLIGHTS

- HCC students enjoy a 21.5% annual return on their investment of time and money.
- Taxpayers see a real return of 19.5% on their annual HCC investment.
- The State of Texas benefits from a \$32.9 million annual savings attributable to HCC in avoided public services.
- The HCC Service Area economy receives roughly \$4.1 billion in regional income each year due to HCC and its students. This figure accounts for approximately 1.4% of the area’s total annual income.

CONCLUSION

The results of this study demonstrate that Houston Community College is a sound investment from multiple perspectives. The college enriches the lives of students and increases their lifetime incomes. It benefits taxpayers by generating increased tax revenues from an enlarged economy and reduced demand for social services. It enhances worker skills and abilities and provides customized training opportunities for local businesses and industries. And finally, HCC contributes to the vitality of both the local and state economies. In short, HCC is a **smart decision**.



HOUSTON COMMUNITY COLLEGE LEADERSHIP BOARD OF TRUSTEES AND CHANCELLOR

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HCC Career and Technical Programs — Fueling Houston's Economy

Accounting	Dental Hygiene	Manufacturing Engineering Technology
Audio Recording-Video Production	Diagnostic Medical Sonography	Marketing
Autobody-Collision & Repair Technician	Diesel Engine Mechanic & Repairer	Medical Assistant
Automotive Technology	Digital Communication	Music Arranging, Composition, Production
Aviation Maintenance Technology	Digital Gaming & Simulation	Music Business
Biotechnology	Drafting & Design Engineering Technology	Music in Performance
Broadcast Technology	Emergency Medical Services	Nuclear Medicine Technology
Business Management	Fashion Design	Nursing (RN)
Business Technology	Fashion Merchandising	Occupational Therapy Assistant
Cardiovascular Technology	Filmmaking	Paralegal Technology
Chemical Engineering Technology	Finance (Banking)	Petroleum Engineering Technology
Chemical Laboratory Technology	Fire Protection & Safety Technology	Pharmacy Technician
Child Development	Geographic Information Science	Physical Therapy Assistant
Clinical Laboratory Technician	Health & Fitness Instructor	Process Technology
Computer & Electronic Engineering Technology	Health Information Technology	Public Administration
Computer Programming-Applications Development	Heating, AC & Refrigeration	Radiography-Computed Tomography
Computer Science Technology	Histologic Technician	Real Estate
Computer Systems Networking & Telecommunications	Horticulture Technology	Respiratory Therapist
Construction Technology	Hotel-Restaurant Management	Sign Language-Interpretation & Translation
Cosmetology and Barbering	Human Service Technology	Surgical Technology
Criminal Justice-Law Enforcement-Police Science	Industrial Electricity	Technical Communication
Culinary Arts	Instrumentation & Controls Engineering Technology	Travel & Tourism
Dental Assisting	Interior Design	Veterinary Paramedic
	International Business	Vocational Nursing (LVN)
	Logistics	Welding Technology
	Machining Technology	