Executive Summary

The Economic Contribution of

Allegany College of Maryland

State of Maryland

emsi

November 2012

Socioeconomic Impact Study

STUDY HIGHLIGHTS

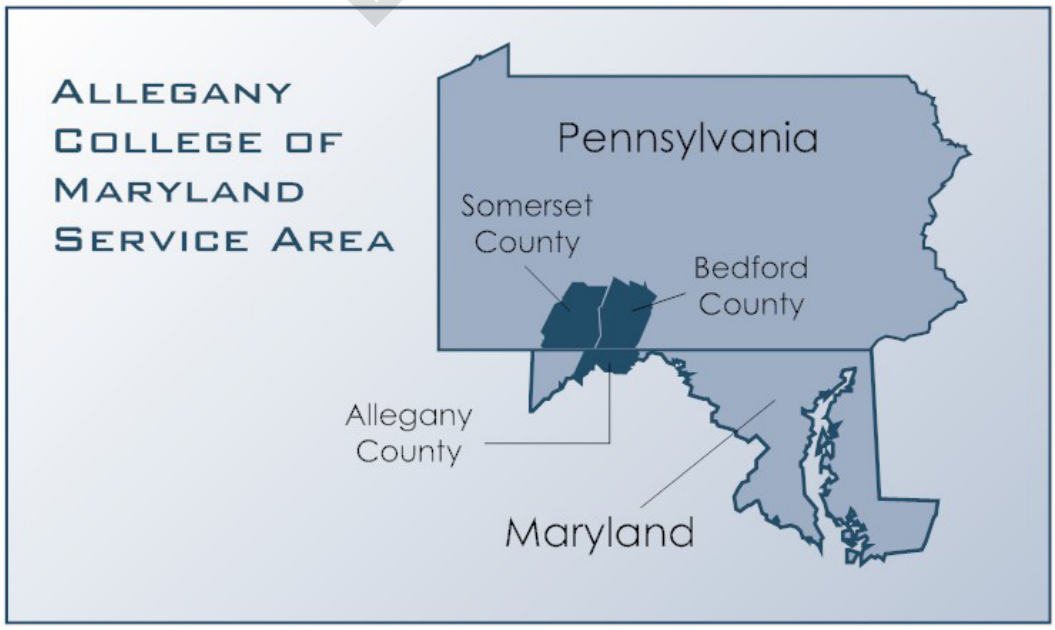
INVESTMENT ANALYSIS

- For every dollar students invest in ACM, they receive a cumulative **$4.50** in higher future income (discounted) over the course of their working careers.
- Maryland benefits from improved health and reduced welfare, unemployment, and crime, saving the public some **$546,200** per year.
- Taxpayers see a rate of return of **4.3%** on their investment in ACM.

ECONOMIC GROWTH ANALYSIS

- The net added income generated by ACM operations (**$20.5 million**) and the spending of non-local students (**$1.6 million**) contributes a total of **$22.1 million** in income to the ACM Service Area economy each year.
- The accumulated credits achieved by former ACM students over the past 30 years translate to **$103.6 million** in added regional income each year due to the higher earnings of students and increased output of businesses.

ACM SERVICE AREA MAP



Executive Summary

INTRODUCTION

How do the ACM Service Area economy and the state of Maryland benefit from the presence of Allegany College of Maryland (ACM)?

In this study, EMSI applies a comprehensive model designed to quantify the economic benefits of community and technical colleges and translate these into common sense benefit/cost and investment terms. The study includes two major analyses:

1. **Investment Analysis:** Treats education funding as an investment, calculating all measurable returns and comparing them to costs, from the perspectives of students, taxpayers, and society as a whole.
2. **Economic Growth Analysis:** Measures added income in the region due to college operations, student spending, and the accumulated skills of past and present students still in the workforce.

The economic impact model has been field-tested to generate more than 900 studies for community, technical, and further education colleges in the US, Canada, the UK, and Australia. To see the full documentation of the study, please contact the college.

THE RESULTS

Investment Analysis

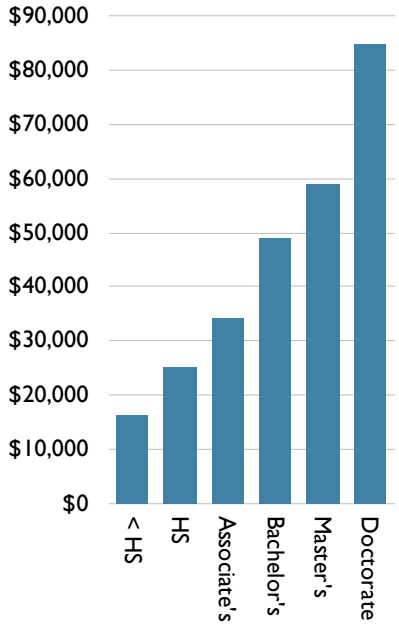
Student Perspective

Benefits of higher education are most obvious from the student perspective: students sacrifice current earnings (as well as money to pay for tuition) in return for a lifetime of higher income. Compared to someone with a high school diploma, associate's degree graduates earn $8,900 more per year, on average, over the course of a working lifetime (undiscounted).

From an investment standpoint, ACM students enjoy a 15.2% rate of return on their investments of time and money. This compares favorably with returns on other investments, e.g., long-term return on stocks and bonds.

The corresponding benefit/cost ratio is 4.5, i.e., for every dollar students invest in ACM education, they receive a cumulative of $4.50 in higher future income over their working careers. This is a real return that accounts for any discounting that occurs during the entire period. The payback period is 9.6 years.

Average Earnings by Education Level in ACM Service Area



ACM INVESTMENT ANALYSIS AT A GLANCE

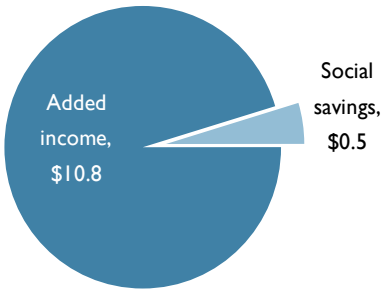
Stakeholder	Rate of Return	Benefit/Cost	Payback (Years)
Student perspective	15.2%	4.5	9.6
Social perspective	NA	12.6	NA
Taxpayer perspective	4.3%	1.3	22.3

Social Perspective

From the perspective of society as a whole, the benefits of education accrue to different publics. For example, ACM students expand the state's economic base through their higher incomes, while the businesses that employ them also become more productive through the students' added skills. These benefits, together with the associated ripple effects, contribute an estimated $10.8 million in taxable income to the Maryland economy each year.

As they achieve higher levels of education, ACM students are also less likely to smoke or abuse alcohol, draw welfare or unemployment benefits, or commit crimes. This translates into associated dollar savings (i.e., avoided costs) to the public equal to approximately $546,200 annually. These are benefits that are incidental to the operations of ACM and accrue for years into the future, for as long as students remain active in the workforce.

Annual Benefits to Maryland Public Due To ACM Students ($ Millions)



To compare benefits to costs, we project benefits into the future, discount them back to the present, and weigh them against the $17 million that state and local taxpayers spent in FY 2011-12 to support the college. Following this procedure, it is estimated that ACM provides a benefit/cost ratio of 12.6, i.e. every dollar of state and local tax money invested in the college today yields a cumulative of $12.60 in benefits that accrue to all Maryland residents, in terms of added taxable income and avoided social costs.

Taxpayer Perspective

Under the taxpayer perspective, only benefits that accrue to state and local governments are counted, namely, increased tax collections and reduced government expenditures. For example, in place of increased income, the taxpayer perspective includes only the increased state and local tax receipts from those higher incomes. Similarly, in place of overall crime, welfare, unemployment and health savings, the taxpayer perspective includes only those that translate to actual reductions in state and local government expenditures.

Note here that government often undertakes activities wanted by the public, but which may be unprofitable in the marketplace. This means that positive economic returns are generally not expected from government investments. From the taxpayer perspective, therefore, even a small positive return (a benefit/cost ratio equal to or greater than 1, or a rate of return equal to or greater than the 3% discount rate used in the taxpayer investment analysis) would be a favorable outcome.

For ACM, the results indicate positive returns: a rate of return of 4.3% and a benefit/cost ratio of 1.3 (every dollar of state or local tax money invested in ACM today returns $1.30).

Economic Growth Analysis

ACM affects the local economy in three ways: (1) through its local purchases, including wages paid to faculty and staff; (2) through the spending of students who come from outside the region; and (3) through the increase in the skill base of the local workforce. These effects break down as follows:

College Operations Effect

ACM creates income through the earnings of its faculty and staff, as well as through its own operating and capital expenditures. Adjusting for taxes and other monies withdrawn from the local economy in support of ACM, it is estimated that the ACM Service Area economy receives a net of $20.5 million in added labor and non-labor income due to ACM operations each year.

Student Spending Effect

Students from outside the region spend money for room and board, transportation, entertainment, and other miscellaneous personal expenses. These expenditures create jobs and incomes for local businesses. The spending of ACM's non-local students generates approximately $1.6 million in added income in the ACM Service Area economy each year.

Student Productivity Effect

Every year students leave ACM and join or rejoin the regional workforce. Their added skills translate to higher income and a more robust ACM Service Area economy. Based on ACM's historical enrollment and credit production over the past 30-year period, it is estimated that the accumulated contribution of ACM instruction received by former students (both completers and non-completers) annually adds some $103.6 million in income to the ACM Service Area.

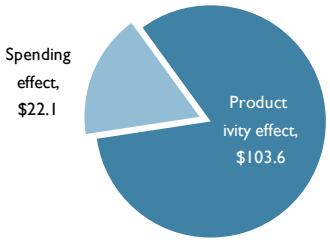
Total Effect

Altogether, the average annual added income due to the activities of ACM and its former students equals $125.8 million. This is approximately equal to 2.4% of the total ACM Service Area economy.

ACM ECONOMIC IMPACT ANALYSIS AT A GLANCE

Added Income	
College operations effect	*$20,530,000*
Student spending effect	*$1,620,000*
Total spending effect	$22,150,000
Student productivity effect	$103,646,000
GRAND TOTAL	**$125,796,000**

Total Added Income in ACM Service Area Due to ACM ($ Millions)



CONCLUSION

The results of this study demonstrate that ACM 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 reducing the demand for taxpayer-supported social services. Finally, it contributes to the vitality of both the local and state economies.

ABOUT THE STUDY

This report summarizes the results from "The Economic Contributions of Allegany College of Maryland" detailing 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, 2011-12 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 relating education to social behavior.

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