

# The economic impact of Riverland Community College

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# Executive summary

Riverland Community College generates an annual economic impact of \$70 million from its operations in the South East region. Based on the South East region economy of \$22.6 billion, this means that for every \$1,000 produced in the region, \$3 are directly or indirectly related to Riverland Community College. The direct impact of the college in 2011 was \$48 million, while the indirect impact in other industries was \$22 million.

Similarly, during 2011 the college and its students generated an estimated 871 jobs in the South East region. These jobs included an estimated 680 direct jobs, and 191 additional indirect jobs, created by vendors, contractors, and businesses supplying inputs to the college and its students.

Additionally, by educating its students, Riverland Community College enhances the productivity of both public and private organizations in Minnesota. Only considering the 380 degrees awarded by Riverland Community College in 2011, this is equivalent to \$27.7 million of future value created in the state.

# Introduction

Riverland Community College is a public two-year college with campuses in Albert Lea, Austin, and Owatonna, all of them in South East Minnesota economic region. It was founded in 1940, and it is accredited by the Higher Learning Commission, North Central Association of Colleges and Schools. The college offers a variety of programs; the largest programs are Liberal Arts and Sciences, Farm Business Management, Nursing, Business, and Supervisory Management.

Riverland Community College serves approximately 4,422 students each year in credit-based courses; 42% are full-time students. The college has a total of 198 employees, including 90 faculty members. In 2011 the college awarded 380 associate degrees and 276 diplomas and certificates. During the same year, the college had operational expenses of \$20.1 million.

Riverland Community College is one of the 31 institutions in the Minnesota State Colleges and Universities (MnSCU) system; the largest single provider of higher education in the state of Minnesota. The colleges and universities operate 54 campuses in 47 Minnesota communities, serving 430,000 students in credit and non-credit courses, with about 34,700 graduates each year.

This report estimates the economic impact of Riverland Community College on the South East region. Through its daily activities, the college generates economic value for the region in several ways. First, spending by the college and its students directly impacts the personal income, employment, and tax revenues of the state. Secondly, these expenditures generate an indirect effect; all Riverland Community College activities induce other organizations and businesses to spend more, creating what is known as a “multiplier effect.” Finally, by educating its students, the college enhances the productivity of both public and private organizations in Minnesota.

Data used in the analysis include:

- Riverland Community College operational expenditures, salaries, and benefits from its 2011 financial statements
- Capital expenditures from the state's bond projects that financed investments for Riverland Community College during 2010 to 2012 from the Minnesota Management & Budget office<sup>1</sup>
- Estimates of Riverland Community College students' spending. A survey of 61 students and their spending patterns was used in the IMPLAN model to estimate the direct and indirect effect of this spending for a given year.<sup>2</sup>

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<sup>1</sup> Minnesota Management and Budget (2012). Bond's Proceeds Report. Retrieve at <http://www.mmb.state.mn.us/doc/bonds/proceeds/mnscu-bonds-fund-4020-FY10.pdf>

<sup>2</sup> The method used in the calculations of these impacts is the Input-Output model developed by IMPLAN. This method measures the direct impact of an organization's spending in a particular region (a country, state or county) by estimating the inputs used by the organization and the multiplier effects in other industries in the region. For purposes of this study, the college's expenditures and its indirect effects come from its operational activities, its capital investments, and its students' spending.

# Riverland Community College impact on the South East region

## *Regional profile*

During 2011, the South East region had around 496 thousand residents (close to 10 percent of the state's population), with 300 thousand employees and a gross regional product of \$22.6 billion (8.5 percent of the state's total regional product). The main industries in the region, by employment levels, were offices of physicians, dentists, and other health practitioners, food services and drinking places, education, and private hospitals.

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### 1. South East regional profile 2011

Population	496,463
Total employment	309,520
Gross regional product	\$22.6 billion
Average household income	\$99,451
Per capita gross regional product	\$45,590

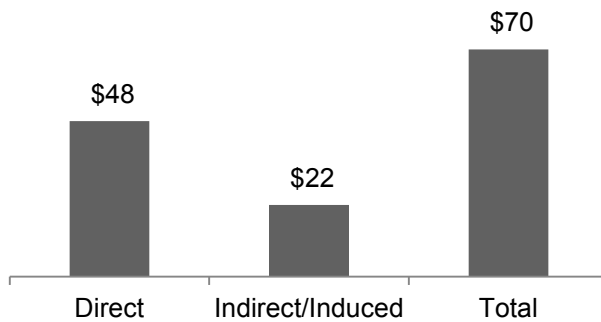
*Counties in the region: Dodge County, Fillmore County, Freeborn County, Goodhue County, Houston County, Mower County, Olmsted County, Rice County, Steele County, Wabasha County, Winona County.*

## *Economic impact of Riverland Community College on the South East region*

The annual economic impact of the Riverland Community College in the South East region reaches \$70 million (Figure 2). Based on the South East region economy of \$22.6 billion, this means that for every \$1,000 produced in the South East region, \$3 are directly or indirectly related to Riverland Community College. The sources of these direct and indirect impacts are the institution's operations (\$41 million), students' expenditures (\$29 million), and investments (\$225,830).

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## 2. Economic impact of Riverland Community College in the South East region in 2011 (\$ millions)



Real estate is the main industry sector impacted by Riverland Community College, with \$24.5 million supported by the college. Other industries impacted by Riverland Community College are state and local government education (e.g. public universities), and food services and drinking places (e.g. restaurants, bars, etc.). Figure 3 below shows the top ten industries affected by Riverland Community College in 2011.

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## 3. Top ten industries impacted by Riverland Community College in the South East region in 2011 (\$ millions)

Real estate establishments	24.5
State and local government education	9.3
Food services and drinking places	5.1
Child day care services	2.8
Telecommunications	2.7
Imputed rental activity for owner-occupied dwellings	1.8
Medical and diagnostic labs and outpatient and other ambulatory care services	1.5
Wholesale trade businesses	1.3
Personal and household goods repair and maintenance	1.1
Retail Stores - Food and beverage	1.0

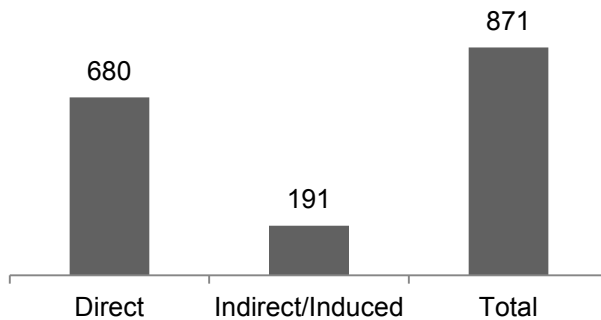
### *Impact on jobs*

During 2011, Riverland Community College generated an estimated 871 jobs in the South East region. These jobs include 680 direct jobs generated by the college and its students, and 191 additional indirect jobs, created by vendors, contractors, and businesses supplying inputs to the college and its students (Figure 4). The sources of these direct and indirect impacts are the institution's operations (538 jobs), students' expenditures (331 jobs), and investments (2 jobs).



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**4. Impact on employment of Riverland Community College in the South East region in 2011 (jobs)**



The sources of these direct and indirect impacts are the institution’s operations (538 jobs), students’ expenditures (331 jobs), and investments (2 jobs). A total of 416 jobs are created directly by the college’s operational activities (Figure 5).

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**5. Impact on employment of Riverland Community College in the South East region by source (jobs)**

	Direct	Indirect	Total
Operational expenditures	416	122	538
Students' spending	263	68	331
Investments	2	0	2
Total	681	190	871

The same three industries mentioned before are also the most impacted by the college in its employment, directly or indirectly (Figure 6).

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**6. Top ten industries impacted by employment in 2011 (jobs)**

State and local government education	395
Food services and drinking places	98
Real estate establishments	70
Child day care services	58
Retail Stores - Food and beverage	21
Retail Stores - Clothing and clothing accessories	16
Personal and household goods repair and maintenance	12
Medical and diagnostic labs and outpatient and other ambulatory care services	10
Employment services	9
Retail Stores - General merchandise	8

## ***Impact on taxes***

Riverland Community College generates about \$4 million in tax revenues for state and local governments each year. Through its operational activities, its employees' and students' spending, Riverland Community College supports the activities of the South East region by paying sales, property, and income taxes. Similarly, the college and its employees' social insurance contributions add to the state tax revenues. Since Riverland Community college's operational activities and spending create demand for other businesses and industry sectors, additional tax revenues come from businesses that serve the college. These taxes include sales, income, and property taxes, along with others, such as corporate taxes.

## ***Benefits beyond operations: enhanced productivity***

By educating its students, Riverland Community College enhances the productivity of both public and private organizations in Minnesota. Its alumni provide the skills and knowledge needed to improve the functioning of many organizations in the state.

Since performing a direct measurement of the contribution of graduates to Minnesota businesses and governments is not feasible, we estimate the additional earnings of graduates as a result of their training. This measure of additional earnings is equivalent to estimating the increase in productivity due to students' education; the students are able to earn more as they better fit the needs of businesses and government.

Only considering the 380 associate degrees awarded by Riverland Community College in 2011, this is equivalent to \$27.7 million of future value created in the state. Unlike previous estimations in this report, this is an additional value to the state, not just the region, since we cannot know where the students live after graduation.<sup>3</sup>

Some studies present the enhanced productivity without discounting the future income received by students (for example, the Tripp Umbach study for the University of Minnesota). If we calculate the additional future earnings in this way, the economic benefit from enhanced productivity reaches \$48 million.<sup>4</sup>

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<sup>3</sup> This estimation assumes 40 years of work life, a discount rate of 3 percent and two important parameters. The first one is that the total is adjusted by 30 percent (similar to Tripp Umbach's 2011 report for the University of Minnesota), to allow for the forgone income while attending the college or university, future periods of unemployment, time out of the labor force, and other events. The second parameter included in the estimation is that 80 percent of students stay in the state after graduation (MnSCU Amazing Facts, 2010). The economic value created by the enhanced productivity of students should consider only those students staying in the state; if they leave there is not economic impact for Minnesota in the years following their graduation.

<sup>4</sup> Tripp Umbach (2011). The Economic and Societal Impact of the University of Minnesota.