

# The economic impact of Inver Hills Community College

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# Executive summary

Inver Hills Community College generates an annual economic impact of \$250 million from its operations in the Twin Cities. Based on the Twin Cities metro economy of \$190.7 billion, this means that for every \$1,000 produced in the Twin Cities metro area, \$1.30 is directly or indirectly related to Inver Hills Community College. The direct impact of the college in 2011 was \$147 million, while the indirect impact in other industries was \$103 million.

Similarly, during 2011 the college and its students generated an estimated 2,423 jobs in the Twin Cities. These jobs included an estimated 1,705 direct jobs, and 718 additional indirect jobs, created by vendors, contractors, and businesses supplying inputs to the college and its students.

Additionally, by educating its students, Inver Hills Community College enhances the productivity of both public and private organizations in Minnesota. Only considering the 705 associate degrees awarded by Inver Hills Community College in 2011, this is equivalent to \$66 million of future value created in the state.

# Introduction

Inver Hills Community College is an urban two-year college serving primarily the communities of the southeastern metropolitan region of the Twin Cities. The college has more than 50 two-year degree options and it was nationally recognized for its adult accelerated degree programs. The college awards the following degrees: Associate in Applied Science, Associate in Arts, Associate in Science, Associate of Fine Arts; diplomas, and certificates.

Inver Hills Community College serves more than 9,000 students each year; approximately 38% of them are full-time students. The college also has approximately 400 employees. In 2011 the college awarded 705 associate degrees and 265 diplomas and certificates. During the same year, the college had operational expenses of \$38 million.

Inver Hills Community College is one of the 31 colleges and universities in the Minnesota State Colleges and Universities (MnSCU) system, the largest single provider of higher education in Minnesota. The system operates 54 campuses in 47 Minnesota communities, serving 430,000 students in credit and non-credit courses, with about 41,000 graduates each year.

This report estimates the economic impact of Inver Hills Community College on the Twin Cities metro area. Through its daily activities, Inver Hills Community College generates economic value for the Twin Cities in several ways. First, spending by the college and its students directly impacts the personal income, employment, and tax revenues of the state. Second, these expenditures generate an indirect effect; all Inver Hills 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:

- Inver Hills Community College operational expenditures, salaries and benefits from its FY2011 financial statements.
- Capital expenditures from the state's bond projects that financed investments for Inver Hills Community College during 2010 to 2012 from the Minnesota Management & Budget office<sup>1</sup>.
- Estimates of Inver Hills Community College student spending. This was obtained by surveying 5,342 students from ten MnSCU colleges and universities in the Twin Cities metro area and projected to students served by Inver Hills Community College. Their spending patterns were used in the IMPLAN model to estimate the direct and indirect effect of student 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.

# Inver Hills Community College impact on the Twin Cities metro area

## *Regional profile*

During 2011, the seven-county metro area had 2.8 million residents (54 percent of the state's population), with 2 million employees and a gross regional product of \$190.7 billion (66 percent of the state's total regional product). The main industries in the region, by employment levels, were food services and drinking places, education, and government.

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### 1. Twin Cities regional profile 2011

Population	2,884,747
Total employment	2,031,089
Gross regional product	\$190,700,000
Average household income	\$127,779
Per capita gross regional product	\$66,103

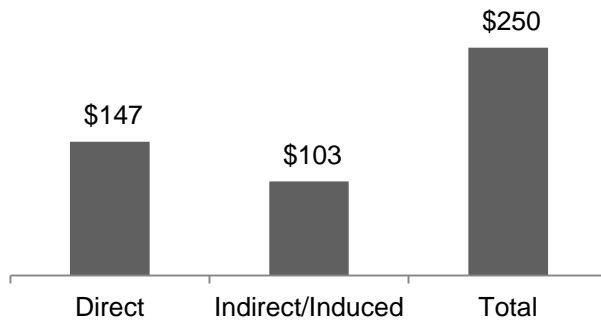
*Counties in the region: Anoka, Ramsey, Hennepin, Washington, Dakota, Carver, and Scott*

## *Economic impact of Inver Hills Community College on the seven-county metro area*

The annual economic impact of the Inver Hills Community College in the metro area reaches \$250 million (Figure 2). Based on the Twin Cities metro economy of \$190.7 billion, this means that for every \$1,000 produced in the Twin Cities, \$1.30 are directly or indirectly related to Inver Hills Community College. The sources of this impact are the institution's operations (\$67 million) and student expenditures (\$183 million).

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**2. Economic impact of Inver Hills Community College in the Twin Cities metro in 2011 (\$ millions)**



Real estate is the main industry sector impacted by Inver Hills Community College, with \$53.5 million supported by the college. Other industries impacted by Inver Hills 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 Inver Hills Community College in 2011.

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**3. Top ten industries impacted by Inver Hills Community College in the Twin Cities in 2011 (\$ millions)**

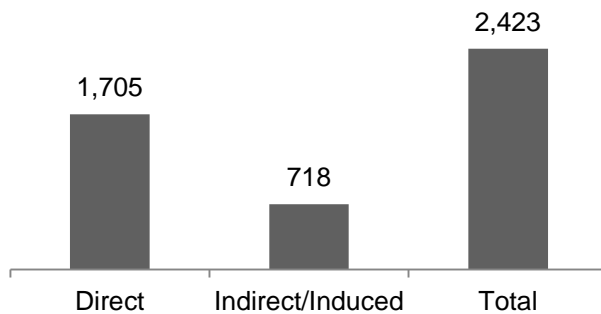
Real estate establishments	\$53.5
State and local government education	\$34.0
Food services and drinking places	\$22.7
Child day care services	\$15.1
Telecommunications	\$8.9
Imputed rental activity for owner-occupied dwellings	\$6.7
Medical and diagnostic labs and outpatient and other ambulatory care services	\$6.5
Monetary authorities and depository credit intermediation activities	\$5.2
Personal and household goods repair and maintenance	\$4.9
Retail Stores - Clothing and clothing accessories	\$4.5

***Impact on jobs***

During 2011, Inver Hills Community College generated an estimated 2,423 jobs in the Twin Cities. These jobs include 1,705 direct jobs generated by the college and its students, and 718 additional indirect jobs, created by vendors, contractors, and businesses supplying inputs to the college and its students (Figure 4).



**4. Impact on employment of Inver Hills Community College in the Twin Cities metro in 2011 (jobs)**



The sources of these direct and indirect impacts are the institution’s operations (703 jobs) and student expenditures (1,720 jobs). A total of 498 jobs are created directly by the college’s operational activities (Figure 5).

**5. Impact on employment of Inver Hills Community College in the Twin Cities metro by source (jobs)**

	Direct	Indirect	Total
Operational expenditures	498	205	703
Student spending	1,206	514	1,720
Total	1,705	718	2,423

The top three industries that are most impacted by the college in its employment, directly or indirectly, are state and local government education, food services and drinking places and child day care services (Figure 6).

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

State and local government education	465
Food services and drinking places	390
Child day care services	340
Real estate establishments	310
Retail Stores - Clothing and clothing accessories	73
Retail Stores - Food and beverage	72
Medical and diagnostic labs and outpatient and other ambulatory care services	44
Personal and household goods repair and maintenance	44
Employment services	39
Motion picture and video industries	28

## ***Impact on taxes***

Inver Hills Community College generates about \$15 million in tax revenues for state and local governments each year. Through its operational activities and the spending of its employees and students, Inver Hills Community College supports the activities of the seven-county metro area by generating sales, property, and income taxes. Similarly, the social insurance contributions of the college and its employees add to the state tax revenues. Since the operational activities and spending of Inver Hills Community College creates 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, Inver Hills 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.

To estimate the value of their enhanced productivity, this analysis calculated the future value of the additional earnings graduates would realize as a result of their training throughout their career (adjusted to account for such factors as the time required to obtain the training and outmigration of graduates).

Only considering the 705 associate degrees awarded by Inver Hills Community College in FY2011, this is equivalent to \$66 million of future value created in the state. Note that this estimate of enhanced productivity is measured statewide (unlike other estimates in this report which apply to the region within the state) because students frequently move to other regions of the state 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 \$114 million.<sup>4</sup>

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<sup>3</sup> This estimate assumes 40 years of work life, a discount rate of 3 percent and two other important parameters. The first 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 other 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.

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