



The Economic Value of Ivy Tech  
Community College South Bend & Elkhart

# EXECUTIVE SUMMARY



SOUTH BEND & ELKHART  
CAMPUS SERVICE REGION

**I**vY Tech Community College South Bend & Elkhart (Ivy Tech South Bend & Elkhart) creates value in many ways. The campus plays a key role in helping students increase their employability and achieve their individual potential. The campus retains students in the region, generating new dollars and opportunities for the South Bend & Elkhart Campus Service Region.<sup>\*</sup> Ivy Tech South Bend & Elkhart provides students with the education, training, and skills they need to have fulfilling and prosperous careers. Furthermore, Ivy Tech South Bend & Elkhart is a place for students to meet new people, increase their self-confidence, and promote their overall health and well-being.

Ivy Tech South Bend & Elkhart influences both the lives of its students and the regional economy. The campus supports a variety of industries in the South Bend & Elkhart Campus Service Region, serves regional businesses, and benefits society as a whole in Indiana from an expanded economy and improved quality of life. The benefits created by Ivy Tech South Bend & Elkhart even extend to the state government through increased tax revenues and public sector savings.

This study measures the economic impacts created by Ivy Tech South Bend & Elkhart on the business community and the benefits the campus generates in return for the investments made by its key stakeholder groups—students, taxpayers, and society. The following two analyses are presented:



### Economic impact analysis



### Investment analysis

All results reflect Ivy Tech South Bend & Elkhart employee, student, and financial data, provided by Ivy Tech Community College, for fiscal year (FY) 2018-19. Impacts on the South Bend & Elkhart Campus Service Region 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 Indiana are reported under the investment analysis.

<sup>\*</sup> For the purposes of this analysis, the South Bend & Elkhart Campus Service Region is comprised of the following counties: Elkhart, Marshall, and St. Joseph.

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*Ivy Tech South Bend & Elkhart influences both the **lives of its students** and the **regional economy**.*

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# Economic impact analysis

Ivy Tech South Bend & Elkhart promotes economic growth in the South Bend & Elkhart Campus Service Region through its direct expenditures and the resulting expenditures of students and regional businesses. The campus serves as an employer and buyer of goods and services for its day-to-day operations. The campus' activities retain students in the South Bend & Elkhart Campus Service Region, whose expenditures benefit regional vendors. In addition, Ivy Tech South Bend & Elkhart is a primary source of higher education to regional residents and a supplier of trained workers to regional industries, enhancing overall productivity in the regional workforce.

## Operations spending impact



Ivy Tech South Bend & Elkhart adds economic value to the South Bend & Elkhart Campus Service Region as an employer of regional residents and a large-scale buyer of goods and services. In FY 2018-19, the campus employed 475 full-time and part-time faculty and staff, 81% of whom lived in the South Bend & Elkhart Campus Service Region. Total payroll at Ivy Tech South Bend & Elkhart was \$18.4 million, much of which was spent in the region for groceries, mortgage and rent payments, dining out, and other household expenses. In addition, the campus spent \$9.6 million on day-to-day expenses related to facilities, supplies, and professional services.

Ivy Tech South Bend & Elkhart's day-to-day operations spending added \$24.3 million in income to the region during the analysis year. This figure represents the campus' payroll, the multiplier effects generated by the in-region spending of the campus and its employees, and a downward adjustment to account for funding that the campus received from regional sources. The \$24.3 million in added income is equivalent to supporting 549 jobs in the region.

## Student spending impact



Some in-region students, referred to as retained students, would have left the South Bend & Elkhart Campus Service Region if not for the existence of Ivy Tech South Bend & Elkhart. While attending the campus, these retained students spent money on groceries, accommodation, transportation, and other household expenses. This spending generated \$2.6 million in added income for the regional economy in FY 2018-19, which supported 63 jobs in the South Bend & Elkhart Campus Service Region.

IMPACTS CREATED BY  
IVY TECH SOUTH BEND &  
ELKHART IN FY 2018-19



**\$24.3 million**  
Operations Spending Impact



**\$2.6 million**  
Student Spending Impact



**\$105.9 million**  
Alumni Impact



**\$132.7 million**  
TOTAL IMPACT

- OR -

**2,093**  
JOBS SUPPORTED

## Alumni impact



The education and training Ivy Tech South Bend & Elkhart provides for regional residents has the greatest impact. Since its establishment, students have studied at Ivy Tech South Bend & Elkhart and entered the regional workforce with greater knowledge and new skills. Today, thousands of former Ivy Tech South Bend & Elkhart students are employed in the South Bend & Elkhart Campus Service Region. As a result of their Ivy Tech South Bend & Elkhart educations, the students receive higher earnings and increase the productivity of the businesses that employ them. In FY 2018-19, Ivy Tech South Bend & Elkhart alumni generated \$105.9 million in added income for the regional economy, which is equivalent to supporting 1,482 jobs.

## Total impact

Ivy Tech South Bend & Elkhart added \$132.7 million in income to the South Bend & Elkhart Campus Service Region economy during the analysis year, equal to the sum of the operations spending impact, the student spending impact, and the alumni impact. For context, the \$132.7 million impact was equal to approximately 0.5% of the total gross regional product (GRP) of the South Bend & Elkhart Campus Service Region.

Ivy Tech South Bend & Elkhart's total impact can also be expressed in terms of jobs supported. The \$132.7 million impact supported 2,093 regional jobs, using the jobs-to-sales ratios specific to each industry in the region. In addition, the \$132.7 million, or 2,093 supported jobs, stemmed from different industry sectors. Among non-education industry sectors, Ivy Tech South Bend & Elkhart's spending and alumni in the Health Care & Social Assistance industry sector supported 337 jobs in FY 2018-19. These are impacts that would not have been generated without the campus' presence in the South Bend & Elkhart Campus Service Region.

### IVY TECH SOUTH BEND & ELKHART IMPACTS BY INDUSTRY (JOBS SUPPORTED)





# Investment analysis

An investment analysis evaluates the costs associated with a proposed venture against its expected benefits. If the benefits outweigh the costs, then the investment is financially worthwhile. The analysis presented here considers Ivy Tech South Bend & Elkhart as an investment from the perspectives of students, taxpayers, and society in Indiana.

## Student perspective



In FY 2018-19, Ivy Tech South Bend & Elkhart served 5,495 credit and 581 non-credit students. In order to attend the campus, 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 Ivy Tech South Bend & Elkhart's students in FY 2018-19 amounted to a present value of \$26.4 million, equal to \$10.3 million in out-of-pocket expenses (including future principal and interest on student loans) and \$16.1 million in forgone time and money.

In return for their investment, Ivy Tech South Bend & Elkhart's students will receive a stream of higher future earnings that will continue to grow throughout their working lives. For example, the average Ivy Tech South Bend & Elkhart associate degree graduate from FY 2018-19 will see annual earnings that are \$9,700 higher than a person with a high school diploma or equivalent working in Indiana. Over a working lifetime, the benefits of the associate degree over a high school diploma will amount to an undiscounted value of \$388 thousand in higher earnings per graduate. The present value of the cumulative higher future earnings that Ivy Tech South Bend & Elkhart's FY 2018-19 students will receive over their working careers is \$113.8 million.

STUDENTS SEE A HIGH RATE OF RETURN FOR THEIR INVESTMENT IN IVY TECH SOUTH BEND & ELKHART



18.8%

Average annual return for Ivy Tech South Bend & Elkhart students



9.9%

Stock market 30-year average annual return

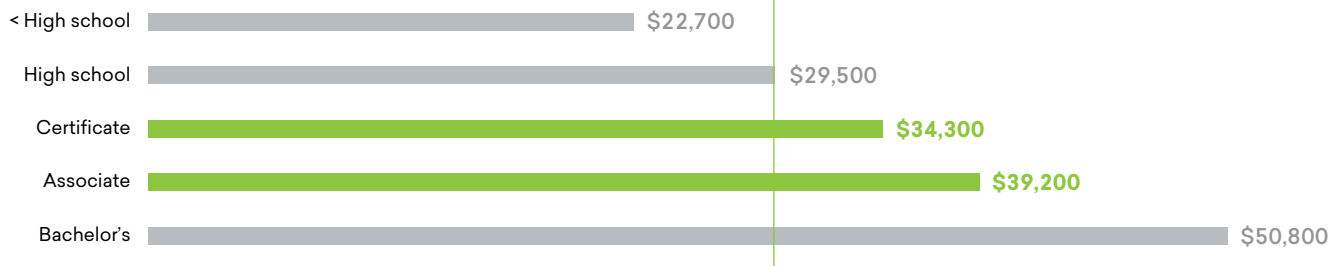


0.8%

Interest earned on savings account (National Rate Cap)

Source: Forbes' S&P 500, 1989-2018. FDIC.gov, 6-2019.

The average associate degree graduate from Ivy Tech South Bend & Elkhart will see an increase in earnings of **\$9,700** each year compared to a person with a high school diploma or equivalent working in Indiana.



Source: Emsi employment data.

The students' benefit-cost ratio is 4.3. In other words, for every dollar students invest in Ivy Tech South Bend & Elkhart, in the form of out-of-pocket expenses and forgone time and money, they will receive a cumulative value of \$4.30 in higher future earnings. Annually, the students' investment in Ivy Tech South Bend & Elkhart has an average annual internal rate of return of 18.8%, which is impressive compared to the U.S. stock market's 30-year average rate of return of 9.9%.

## Taxpayer perspective



Ivy Tech South Bend & Elkhart generates more in tax revenue than it takes. These benefits to taxpayers consist primarily of taxes that the state government will collect from the added revenue created in the state. As Ivy Tech South Bend & Elkhart 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 2018-19 students' working lives, the state government will have collected a present value of \$30.1 million in added taxes.

Benefits to taxpayers will also consist of savings generated by the improved lifestyles of Ivy Tech South Bend & Elkhart students and the corresponding reduced government services. Education is statistically correlated with a variety of lifestyle changes. Students' Ivy Tech South Bend & Elkhart educations will generate savings in three main categories: 1) healthcare, 2) crime, and 3) income assistance. Improved health will lower students' demand for national health care services. In addition, students will be less likely to interact with the criminal justice system, resulting in a reduced demand for law enforcement and victim costs. Ivy Tech South Bend & Elkhart 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 Ivy Tech Community College for a copy of the college-wide main report. Altogether, the present value of the benefits associated with an Ivy Tech South Bend & Elkhart education will generate \$2.3 million in savings to state taxpayers.

Total taxpayer benefits amount to \$32.4 million, the present value sum of the added taxes and public sector savings. Taxpayer costs are \$16 million, equal to the amount of state government funding Ivy Tech South Bend & Elkhart received in FY 2018-19. These benefits and costs yield a benefit-cost ratio of 2.0. This means that for every dollar of public money invested in Ivy Tech South Bend & Elkhart in FY 2018-19, taxpayers will

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*For every dollar of public money invested in Ivy Tech South Bend & Elkhart, taxpayers will receive a cumulative value of **\$2.00** over the course of the students' working lives.*

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### STUDENT PERSPECTIVE

\$113.8 million  
Present value benefits

\$26.4 million  
Present value costs

\$87.3 million  
Net present value

Benefit-cost ratio      Rate of return

4.3

18.8%



### TAXPAYER PERSPECTIVE

\$32.4 million  
Present value benefits

\$16 million  
Present value costs

\$16.4 million  
Net present value

Benefit-cost ratio      Rate of return

2.0

5.9%



### SOCIAL PERSPECTIVE

\$440.5 million  
Present value benefits

\$47.8 million  
Present value costs

\$392.7 million  
Net present value

Benefit-cost ratio      Rate of return

9.2

n/a\*

\* The rate of return is not reported for the social perspective because the beneficiaries of the investment are not necessarily the same as the original investors.

receive a cumulative value of \$2.00 over the course of the students' working lives. The average annual internal rate of return for taxpayers is 5.9%, which compares favorably to other long-term investments in the public and private sectors.

### Social perspective



Society as a whole in Indiana benefits from the presence of Ivy Tech South Bend & Elkhart in two major ways. Primarily, society benefits from an increased economic base in the state. This is attributed to higher student earnings and increased business output, which raise economic prosperity in Indiana.

Benefits to society also consist of the savings generated by the improved lifestyles of Ivy Tech South Bend & Elkhart 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. Healthcare savings include avoided medical costs associated with smoking, alcohol dependence, obesity, drug abuse, and depression. Savings related to crime include reduced security expenditures and insurance administration, lower victim costs, and reduced expenditures by the criminal justice system. Income assistance savings include reduced welfare and unemployment claims. For a list of study references, contact Ivy Tech Community College for a copy of the college-wide main report.

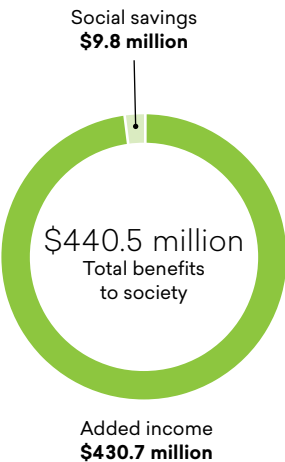
Altogether, the social benefits of Ivy Tech South Bend & Elkhart equal a present value of \$440.5 million. These benefits include \$430.7 million in added income through students' increased lifetime earnings and increased business output, as well as \$9.8 million in social savings related to health, crime, and income assistance in Indiana. People in Indiana invested a present value total of \$47.8 million in Ivy Tech South Bend & Elkhart in FY 2018-19. The cost includes all the campus and student costs.

The benefit-cost ratio for society is 9.2, equal to the \$440.5 million in benefits divided by the \$47.8 million in costs. In other words, for every dollar invested in Ivy Tech South Bend & Elkhart, people in Indiana will receive a cumulative value of \$9.20 in benefits. The benefits of this investment will occur for as long as Ivy Tech South Bend & Elkhart's FY 2018-19 students remain employed in the state workforce.

### Summary of investment analysis results

The results of the analysis demonstrate that Ivy Tech South Bend & Elkhart 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 Ivy Tech South Bend & Elkhart education. At the same time, taxpayers' investment in Ivy Tech South Bend & Elkhart returns more to government budgets than it costs and creates a wide range of social benefits throughout Indiana.

SOCIAL BENEFITS IN INDIANA FROM IVY TECH SOUTH BEND & ELKHART



# Conclusion

The results of this study demonstrate that Ivy Tech South Bend & Elkhart creates value from multiple perspectives. The campus benefits regional businesses by increasing consumer spending in the region and supplying a steady flow of qualified, trained workers to the workforce. Ivy Tech South Bend & Elkhart enriches the lives of students by raising their lifetime earnings and helping them achieve their individual potential. The campus benefits state taxpayers through increased tax receipts and a reduced demand for government-supported social services. Finally, Ivy Tech South Bend & Elkhart benefits society as a whole in Indiana by creating a more prosperous economy and generating a variety of savings through the improved lifestyles of students.

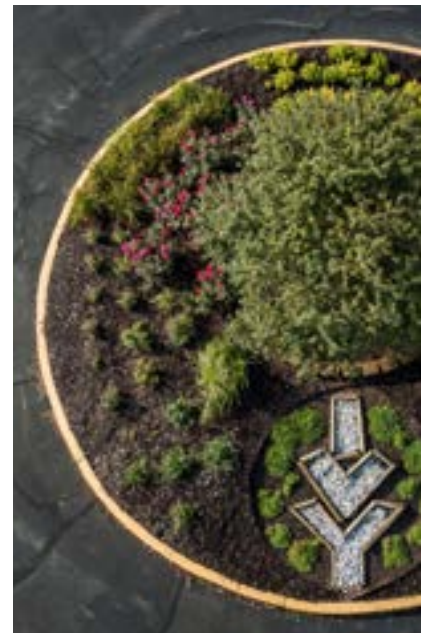
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*The results of this study demonstrate that Ivy Tech South Bend & Elkhart creates value from **multiple perspectives**.*

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## About the study

Data and assumptions used in the study are based on several sources, including the Ivy Tech South Bend & Elkhart FY 2018-19 academic and financial reports from Ivy Tech Community College, industry and employment data from the U.S. Bureau of Labor Statistics and U.S. Census Bureau, outputs of Emsi'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 Ivy Tech Community College for a copy of the college-wide main report.



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