



The Economic Value of Irvine Valley College

The data used to generate the findings within this report reflect extraordinary circumstances caused by the national COVID-19 Pandemic. From a financial perspective, the colleges may have seen an increase in expenditures related to quickly transitioning to online or hybrid education and spending on equipment and staff related to the health and welfare of faculty and students. One-time funding may have been received by the colleges through the CARES Act which included the Higher Education Emergency Relief Fund grant. Additionally, students were directly impacted over this period. Rapid changes in the modality of the colleges' programs can have an impact on students' persistence and completion rates. Changes in income and employment can have adverse effects on a student's ability to maintain enrollment or their choice to enroll in college. Childcare availability, health, and safety considerations may have also had adverse effects on enrollment. Lastly, a number of economic indicators used within this report may be reflective of broader changes to the economy during this time, such as unemployment rates and changes in wages.

IRVINE VALLEY COLLEGE (IVC) creates value in many ways. The college plays a key role in helping students increase their employability and achieve their individual potential. The college draws students to the county, generating new dollars and opportunities for Orange County. IVC provides students with the education, training, and skills they need to have fulfilling and prosperous careers. Furthermore, IVC is a place for students to meet new people, increase their self-confidence, and promote their overall health and well-being.

IVC influences both the lives of its students and the county economy. The college supports a variety of industries in Orange County, serves county businesses, and benefits society as a whole in California from an expanded economy and improved quality of life. Additionally, the benefits created by IVC extend to the state and local government through increased tax revenues and public sector savings.

This study measures the economic impacts created by IVC on the business community and the benefits the college 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 employee, student, and financial data, provided by the college, for fiscal year (FY) 2020–21. Impacts on the Orange County 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 California are reported under the investment analysis.



Orange County, California

IVC influences both the
lives of its students and
the **county economy**.

Economic impact analysis



IVC promotes economic growth in Orange County through its direct expenditures and the resulting expenditures of students and county businesses. The college serves as an employer and buyer of goods and services for its day-to-day and construction operations. The college's activities attract students from outside Orange County, whose expenditures benefit county vendors. In addition, IVC is a primary source of higher education to Orange County residents and a supplier of trained workers to county industries, enhancing overall productivity in the county workforce.

Operations spending impact



IVC adds economic value to Orange County as an employer of county residents and a large-scale buyer of goods and services. In FY 2020-21, the college employed 1,027 full-time and part-time faculty and staff, 82% of whom lived in Orange County. Total payroll at IVC was \$57.9 million, much of which was spent in the county for groceries, mortgage and rent payments, dining out, and other household expenses. In addition, the college spent \$56.3 million on day-to-day expenses related to facilities, supplies, and professional services.

IVC's day-to-day operations spending added \$73.2 million in income to the county during the analysis year. This figure represents the college's payroll, the multiplier effects generated by the in-county spending of the college and its employees, and a downward adjustment to account for funding that the college received from county sources. The \$73.2 million in added income is equivalent to supporting 1,049 jobs in the county.

Construction spending impact



IVC invests in construction each year to maintain its facilities, create additional capacities, and meet its growing educational demands. While the amount varies from year to year, these quick infusions of income and jobs have a substantial impact on the county economy. In FY 2020-21, IVC's construction spending generated \$5.3 million in added income, which is equivalent to supporting 59 jobs.

Student spending impact



Around 20% of students attending IVC originated from outside the county in FY 2020-21, and some of these students relocated to Orange County to attend IVC. These students may not have come to the county if the college did not exist. In addition, some in-county students, referred to as retained students, would

Impacts created by IVC in FY 2020-21



Operations spending impact

\$73.2 million

+



Construction spending impact

\$5.3 million

+



Student spending impact

\$51.1 million

+



Alumni impact

\$482.1 million



Total economic impact

\$611.8 million

OR


Jobs supported

6,530



have left Orange County if not for the existence of IVC. While attending the college, these relocated and retained students spent money on groceries, accommodation, transportation, and other household expenses. This spending generated \$51.1 million in added income for the county economy in FY 2020-21, which supported 711 jobs in Orange County.

Alumni impact

 The education and training IVC provides for county residents has the greatest impact. Since the establishment of the college, students have studied at IVC and entered the county workforce with greater knowledge and new skills. Today, thousands of former IVC students are employed in Orange County. As a result of their education from IVC, the students receive higher earnings and increase the productivity of the businesses that employ them. In FY 2020-21, IVC alumni generated \$482.1 million in added income for the county economy, which is equivalent to supporting 4,710 jobs.

Total impact

IVC added \$611.8 million in income to the Orange County economy during the analysis year, equal to the sum of the operations and construction spending impacts, the student spending impact, and the alumni impact. For context, the \$611.8 million impact was equal to approximately 0.2% of the total gross regional product (GRP) of Orange County. This contribution that the college provided on its own is larger than the entire Mining, Quarrying, & Oil and Gas Extraction industry the county.

IVC's total impact can also be expressed in terms of jobs supported. The \$611.8 million impact supported 6,530 county jobs, using the jobs-to-sales ratios specific to each industry in the county. In addition, the \$611.8 million, or 6,530 supported jobs, stemmed from different industry sectors. For instance, among non-education industry sectors, the spending of IVC and its students and the activities of its alumni in the Retail Trade industry sector supported 838 jobs in FY 2020-21. If the college did not exist, these impacts would not have been generated in Orange County.

IVC impacts by industry
(jobs supported)



The **\$611.8 million** impact supported **6,530 county jobs**, using the jobs-to-sales ratios specific to each industry in the county.



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 evaluates IVC as an investment from the perspectives of students, taxpayers, and society in California.

Student perspective



In FY 2020-21, IVC served 21,004 credit and 2,571 non-credit students. In order to attend the college, 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 IVC's students in FY 2020-21 amounted to a present value of \$110.1 million, equal to \$14.9 million in out-of-pocket expenses (including future principal and interest on student loans) and \$95.1 million in forgone time and money.

In return for their investment, IVC's students will receive a stream of higher future earnings that will continue to grow throughout their working lives. For example, the average IVC associate degree graduate from FY 2020-21 will see annual earnings that are \$10,300 higher than a person with a high school diploma or equivalent working in California. Over a working lifetime, the benefits of the associate degree over a high school diploma will amount to an undiscounted value of \$422.3 thousand in higher earnings per graduate. The present value of the cumulative higher future earnings that IVC's FY 2020-21 students will receive over their working careers is \$480.9 million.

The students' benefit-cost ratio is 4.4. In other words, for every dollar students invest in IVC in the form of out-of-pocket expenses and forgone time and money, they will receive a cumulative value of \$4.40 in higher future earnings. Annually, the students' investment in IVC has an average annual internal rate of return of 14.7%, which is impressive compared to the U.S. stock market's 30-year average rate of return of 10.5%.

Students see a high rate of return for their investment in IVC



Average annual return for IVC students
14.7%



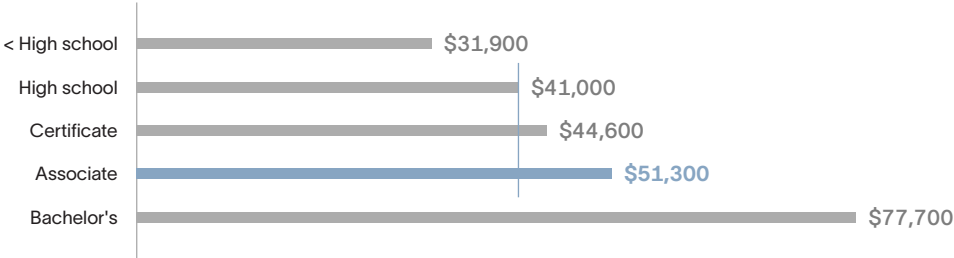
Stock market 30-year average annual return
10.5%



Interest earned on savings account (National Rate Cap)
0.8%

Source: Forbes' S&P 500, 1992-2021. FDIC.gov, 2-2022.

The average associate degree graduate from IVC will see an increase in earnings of **\$10,300** each year compared to a person with a high school diploma or equivalent working in California.



Source: Lightcast employment data.

Taxpayer perspective



IVC generates more in tax revenue than it receives. These benefits to taxpayers consist primarily of taxes that the state and local government will collect from the added revenue created in the state. As IVC 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 2020-21 students' working lives, the state and local government will have collected a present value of \$200.2 million in added taxes.

Benefits to taxpayers will also consist of savings generated by the improved lifestyles of IVC students and the corresponding reduced government services. Education is statistically correlated with a variety of lifestyle changes. The education that IVC students receive will generate savings in three main categories: 1) healthcare, 2) justice system, and 3) income assistance. Improved health will lower students' demand for national health care services. In addition, costs related to the justice system will decrease. IVC 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 the college for a copy of the main report. Altogether, the present value of the benefits associated with an education from IVC will generate \$21.7 million in savings to state and local taxpayers.

Total taxpayer benefits amount to \$221.9 million, the present value sum of the added taxes and public sector savings. Taxpayer costs are \$114.4 million, equal to the amount of state and local government funding IVC received in FY 2020-21. These benefits and costs yield a benefit-cost ratio of 1.9. This means that for every dollar of public money invested in IVC in FY 2020-21, taxpayers will receive a cumulative present value of \$1.90 over the course of the students' working lives. The average annual internal rate of return for taxpayers is 3.3%, which compares favorably to other long-term investments in the public and private sectors.

For every dollar of public money invested in IVC, taxpayers will receive a cumulative value of **\$1.90** over the course of the students' working lives.

Social perspective



Society as a whole in California benefits from the presence of IVC in two major ways. Primarily, society benefits from an increased economic base in the state. This is attributed to the added income from students' increased lifetime earnings (added student income) and increased business output (added business income), which raise economic prosperity in California.

Benefits to society also consist of the savings generated by the improved lifestyles of IVC 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. Justice system savings include avoided costs to the government and society due to less judicial activity. Income assistance savings include reduced welfare and unemployment claims. For a list of study references, contact the college for a copy of the main report.

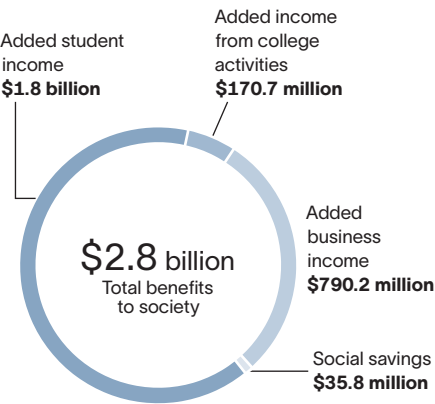
Altogether, the social benefits of IVC equal a present value of \$2.8 billion. These benefits include \$1.8 billion in added student income, \$790.2 million in added business income, \$170.7 million in added income from college activities, as well as \$35.8 million in social savings related to health, the justice system, and income assistance in California. People in California invested a present value total of \$223.3 million in IVC in FY 2020-21. The cost includes all the college and student costs.

The benefit-cost ratio for society is 12.4, equal to the \$2.8 billion in benefits divided by the \$223.3 million in costs. In other words, for every dollar invested in IVC, people in California will receive a cumulative value of \$12.40 in benefits. The benefits of this investment will occur for as long as IVC’s FY 2020-21 students remain employed in the state workforce.

Summary of investment analysis results

The results of the analysis demonstrate that IVC 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 education from IVC. At the same time, taxpayers’ investment in IVC returns more to government budgets than it costs and creates a wide range of social benefits throughout California.

Social benefits in California from IVC



Source: Lightcast impact model.

Student perspective

Present value benefits
\$480.9 million

Present value costs
\$110.1 million

Net present value
\$370.9 million

Benefit-cost ratio	Rate of return
4.4	14.7%

Taxpayer perspective

Present value benefits
\$221.9 million

Present value costs
\$114.4 million

Net present value
\$107.5 million

Benefit-cost ratio	Rate of return
1.9	3.3%

Social perspective

Present value benefits
\$2.8 billion

Present value costs
\$223.3 million

Net present value
\$2.5 billion

Benefit-cost ratio	Rate of return
12.4	n/a*

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

Conclusion

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



About the study

Data and assumptions used in the study are based on several sources, including the FY 2020-21 academic and financial reports from IVC, industry and employment data from the U.S. Bureau of Labor Statistics and U.S. Census Bureau, outputs of Lightcast'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 the college for a copy of the main report.

The results of this study demonstrate that IVC creates value from **multiple perspectives**.



Lightcast provides colleges and universities with labor market data that help create better outcomes for students, businesses, and communities. Our data, which cover more than 99% of the U.S. workforce, are compiled from a wide variety of government sources, job postings, and online profiles and résumés. Hundreds of institutions use Lightcast to align programs with regional needs, drive enrollment, connect students with in-demand careers, track their alumni's employment outcomes, and demonstrate their institution's economic impact on their region. Visit lightcast.io/solutions/education to learn more or connect with us.

