



# The Economic Value of the Alabama Community College System



The Alabama Community College System<sup>1</sup> (ACCS) creates a significant positive impact on the business community and generates a return on investment to its major stakeholder groups—students, taxpayers, and society. Using a two-pronged approach that involves an economic impact analysis and an investment analysis, this study calculates the benefits received by each of these groups. Results of the analysis reflect fiscal year (FY) 2023-24.

## Economic impact analysis

In FY 2023-24, ACCS added **\$8.1 billion** in income to the Alabama economy, a value approximately equal to **3.0%** of the state's total gross state product (GSP). Expressed in terms of jobs, ACCS's impact supported **114,043 jobs**. For perspective, the activities of the colleges and their students support **one out of every 26 jobs** in Alabama.



<sup>1</sup> The Alabama Community College System consists of 24 colleges and the Alabama Technology Network. See Appendix 1 in the main report for the list of ACCS colleges.

### Operations spending impact

- ACCS employed 10,623 full-time and part-time faculty and staff. Payroll amounted to \$559.9 million, much of which was spent in the state for groceries, mortgage and rent payments, dining out, and other household expenses. The colleges spent another \$634.0 million on expenses related to facilities, supplies, and professional services (excluding construction).
- The net impact of the colleges' operations added **\$537.4 million** in income to the state economy in FY 2023-24.

### Construction spending impact

- The colleges invest in capital projects each year to maintain facilities, create additional capacities, and meet growing educational demands, generating a short-term infusion of spending and jobs in the state economy.
- The net impact of ACCS's construction spending in FY 2023-24 was **\$91.6 million** in added income for Alabama.

### Business support impact

- An entity of ACCS, the main mission of the Alabama Technology Network (ATN) is to provide extensive workforce training, technical assistance, and engineering services to Alabama businesses. These businesses will create an impact on the state economy through the retention and creation of new jobs and increased business investment, which in turn will increase demand for goods and services across the state economy. ATN helped businesses retain or grow by more than 3,000 jobs in FY 2023-24.<sup>2</sup>
- The jobs retained or created and additional investments by businesses supported by ATN created **\$383.8 million** in added income.

### Student spending impact

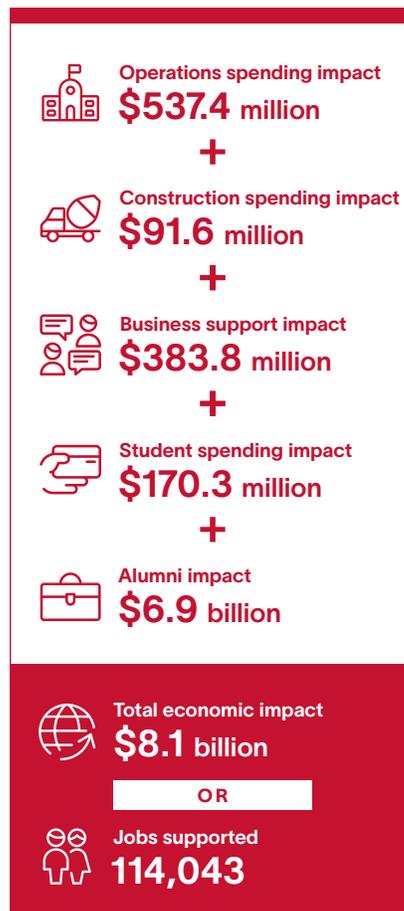
- Some in-state students, referred to as retained students, would have left Alabama for other educational opportunities if not for ACCS. In addition, around 3% of students attending ACCS originated from outside the state, and some of these students relocated to Alabama. These relocated and retained students spent money on groceries, mortgage and rent payments, and other living expenses at state businesses.
- The expenditures of relocated and retained students in FY 2023-24 added **\$170.3 million** in income to the Alabama economy.

### Alumni impact

- Over the years, students have studied at ACCS and entered or re-entered the workforce with newly acquired knowledge and skills. Today, hundreds of thousands of these former students are employed in Alabama.

<sup>2</sup> The business support impact is limited to those businesses that responded to an independent third-party survey where they quantified monetary or job-related impacts. The business support impact can therefore be considered conservative because it does not include all businesses ATN served in FY 2023-24.

### Impacts created by ACCS in FY 2023-24



- The net impact of ACCS's former students currently employed in the state workforce amounted to **\$6.9 billion** in added income in FY 2023-24.

## Investment analysis

### Student perspective

- ACCS's FY 2023-24 students paid a present value of **\$259.8 million** to cover the cost of tuition, fees, supplies, and interest on student loans. They also forwent a value of **\$300.9 million** in time and money had they been working instead of attending college.
- In return for their investment, students will receive a cumulative present value of **\$3.1 billion** in increased earnings over their working lives. This translates to a return of **\$5.60** in higher future earnings for every dollar students invest in their education. Students' average annual rate of return is **23.0%**.

### Taxpayer perspective

- Taxpayers provided ACCS with **\$965.7 million** of funding in FY 2023-24. In return, they will benefit from added tax revenue, stemming from students' higher lifetime earnings and increased business output, amounting to **\$1.0 billion**. A reduced demand for government-funded services in Alabama will add another **\$95.4 million** in benefits to taxpayers.
- Total taxpayer benefits amount to **\$1.1 billion**, the present value sum of the added tax revenue and public sector savings. For every dollar of public money invested in ACCS, taxpayers will receive **\$1.20** in return over the course of students' working lives. The average annual rate of return for taxpayers is **1.6%**.

### Social perspective

- In FY 2023-24, Alabama invested **\$1.9 billion** to support ACCS. In turn, the Alabama economy will grow by **\$12.3 billion**, over the course of students' working lives. Society will also benefit from **\$362.4 million** of public and private sector savings.
- For every dollar invested in ACCS in FY 2023-24, people in Alabama will receive **\$6.50** in return, for as long as ACCS's FY 2023-24 students remain active in the state workforce.

### Students see a high rate of return for their investment in ACCS



Average annual return for ACCS students

**23.0%**



Stock market 30-year average annual return

10.1%



Interest earned on savings account (national deposit rate)

0.5%

Source: Forbes' S&P 500, 1994-2023; FDIC.gov, March 2023

