

The Florida College System Transparency, Accountability, Progress, and Performance

What is the Florida College Systems Rate of Return for Students and Taxpayers?

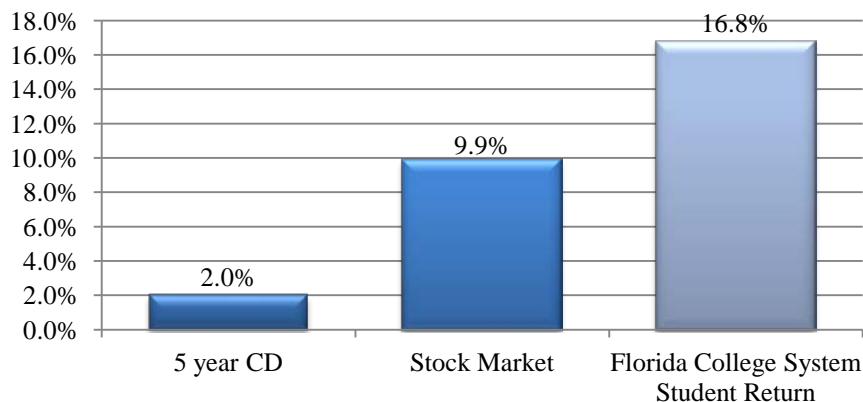
The Florida College System (FCS) is committed to providing students and taxpayers with useful consumer information about the returns they receive from the 28 colleges that blanket the state. Local and state FCS officials sought a neutral third party, who specializes in this type of analysis, to contribute to a project that quantifies the student and taxpayer rate of return on their investment in the FCS. Individuals have limited time and resources available to them and decide - either actively or passively - where and how to invest time and money among competing options. Similarly, public funds are scarce and should be invested wisely. One mechanism for making a data-driven assessment of how best to move forward is to calculate a rate of return among competing opportunities. Alternatives with relatively high rates of return provide reasonable options to pursue. Investments that contribute to the public good are positive as well. As documented below and in the [accompanying related reports](#), **the Florida College System offers very attractive rates of return to students and taxpayers.**

The rate of return analysis highlighted here was produced in cooperation with [Economic Modeling Specialists International \(EMSI\)](#) and FCS local and state officials as part of the [Florida College System Economic Impact Study](#) (2013). With data and input from FCS officials, EMSI economists provided an external assessment of the economic returns that accrue to students and taxpayers based on their investments in the FCS. EMSI economists generated the economic models that serve as the foundation for the investment analysis highlighted here. The approach taken by EMSI is built upon best practices in the field. The topics addressed in this short report are explored more fully in the main report entitled, [Economic Contributions of the Florida College System](#) (2013). The calculations have been generated at the system- and college- levels.

This summary focuses on statewide results. Local college results are attached and vary, as anticipated. Comparing individual college results is discouraged and is challenging for trained economists since many factors are at play in these analyses, some of which a college can address and others that are inherent in the setting in which the organization functions. Program mix, relative wealth of the community the college serves, events occurring in the local economy (e.g., sizable employers moving into

or out of the service region) and other factors influence the results. Provided the rates of return on an investment are both positive and competitive with other available options, the investment offers a solid value proposition to students and taxpayers.

Figure 1. Rate of Return: FCS Student vs. 5-Year CD and Historic Average Stock Market



Sources: EMSI, FCS Research & Analytics, CD reflects the best rate available in the country as retrieved from <http://www.bankrate.com> on 11/6/2013. Stock Market returns reflect the Compound Annual Growth Rate (annualized return), 1926 through end of 2012. http://www.moneychimp.com/features/market_cagr.htm

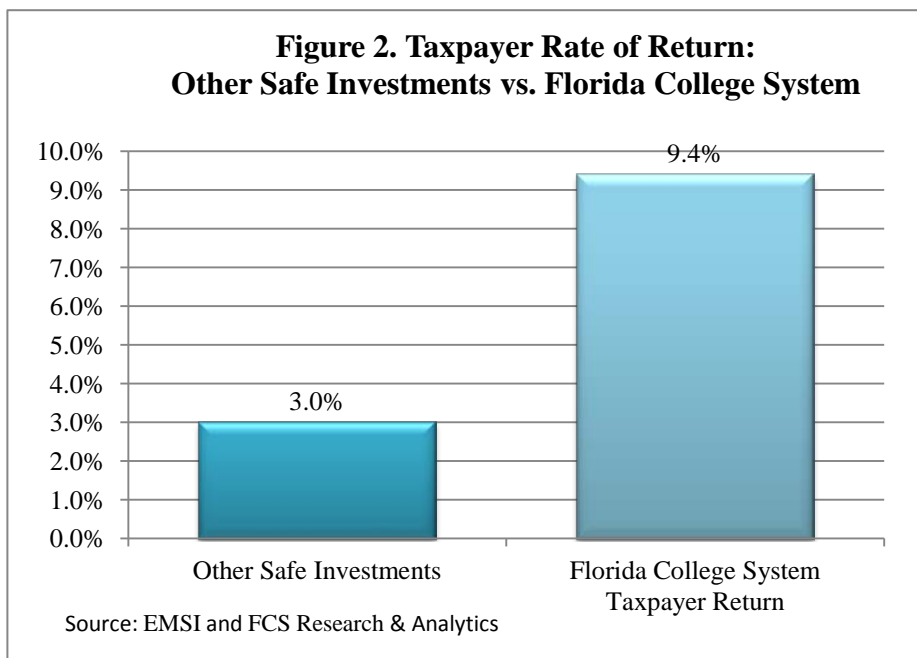
Student Rate of Return As anticipated, students benefit most directly from participating in higher education. Initially, students delay or reduce current earnings – as well as invest money for tuition and fees – in return for the promise of a lifetime of higher earnings.

According to EMSI calculations, “compared to high school diploma recipients, associate’s degree graduates earn \$10,600 more per year, on average, over the course of a working lifetime – undiscounted.” Over the course of a working lifetime, associate degree graduates earn \$423,200 more than someone with a high school diploma. From an investment standpoint, **Florida College System students enjoy a very attractive 16.8 percent rate of return on their investments** of time and money. As displayed in Figure 1, student returns compare very favorably with returns on other available investments (e.g., long-term return on stocks, certificates of deposit, etc.). Returns to students at the local level varied between 15 percent and 18.8 percent.

Taxpayer Rate of Return

Taxpayers receive substantial positive returns for their investment in the Florida College System. The FCS is an investment in the future and functions as an economic developmental engine for the state. FCS is one of a relatively few public programs and services that consistently generate positive returns for the state, employers and communities. As illustrated in Figure 2, a **taxpayer rate of return of 9.4 percent means the Florida College System not**

only pays its own way, but also generates a surplus that the state government can use to fund other programs. It is unlikely that other government programs could make such a claim. For comparative purposes, a 3 percent rate of return to taxpayers would mean that the Florida College System pays its own way. (Economists typically assume a 3 percent return when dealing with relatively safe government investments and public dollars). **Florida’s state colleges perform three times as well.** Local returns to taxpayers varied between 4.4 percent and 14 percent.



Approximately 93 percent of Florida College System students remain in Florida and contribute to economic growth. The taxpayer’s investment in Florida College System students pays dividends back to Florida’s economy.

The Florida College System provides substantial positive returns to students and taxpayers. Students benefit from higher incomes and the public benefits from an expanded economic base. Data sources for these analyses include, but are not limited to, 2011-12 academic and financial reports from the Florida College System, industry and employment data from the U.S. Bureau of Labor Statistics, and earnings and demographic data from the U.S. Census Bureau. For additional information on the topics addressed in this brief report see the [Florida College System Economic Impact Study](#) (2013).

The Florida College System [Research & Analytics](#) and [Finance & Information Systems](#) offices produce a variety of reports and analysis including the [FCS Fact Book](#). Educational opportunities are available very close to home. To locate the colleges nearest to you and enroll, please visit the [Florida College Directory](#).