



Executive Summary

AUGUST 2023



The Economic Value of Rhodes State College



RHODES STATE COLLEGE (Rhodes State) 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 region, generating new dollars and opportunities for the RSC Service Area.¹ Rhodes State provides students with the education, training, and skills they need to have fulfilling and prosperous careers.

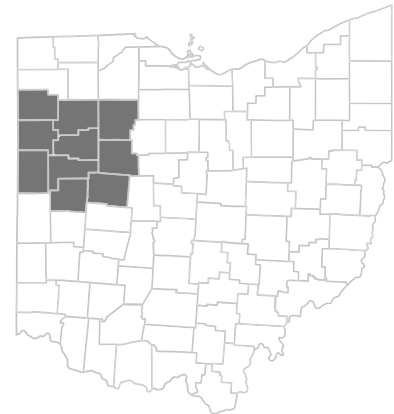
Rhodes State influences both the lives of its students and the regional economy. The College supports a variety of industries in the RSC Service Area, serves regional businesses, and benefits society as a whole in Ohio from an expanded economy and improved quality of life. Additionally, the benefits created by Rhodes State extend to the state and local governments through increased tax revenues and public sector savings.

This study measures the economic impacts created by Rhodes State 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) 2021-22. Impacts on the RSC Service Area 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 Ohio are reported under the investment analysis.



RSC SERVICE REGION

Rhodes State influences both the **lives of its students** and the **regional economy**.

¹ For the purposes of this analysis, the RSC Service Area is comprised of Allen, Auglaize, Hancock, Hardin, Logan, Mercer, Paulding, Putnam, Shelby, and Van Wert Counties in Ohio.

Economic impact analysis



Rhodes State promotes economic growth in the RSC Service Area through its direct expenditures and the resulting expenditures of students and regional businesses. The College serves as an employer and buyer of goods and services for its day-to-day operations. The College's activities attract students from outside the RSC Service Area, whose expenditures benefit regional vendors. In addition, Rhodes State is one of the primary sources of higher education to the RSC Service Area residents and a supplier of trained workers to regional industries, enhancing overall productivity in the regional workforce.

Operations spending impact



Rhodes State adds economic value to the RSC Service Area as an employer of regional residents and a large-scale buyer of goods and services. ***In FY 2021-22, the College employed 384 full-time and part-time faculty and staff, 89% of whom lived in the RSC Service Area.*** Total payroll at Rhodes State was \$11.8 million, much of which was spent in the region for groceries, mortgage and rent payments, leisure and entertainment, and other household expenses. In addition, the College spent \$13.6 million on day-to-day and construction expenses related to facilities, supplies, and professional services.

Rhodes State's day-to-day operations spending added \$14.3 million in income to the region during the analysis year. This figure represents the College's payroll, the multiplier effects generated by the in-region spending of the College and its employees, and a downward adjustment to account for funding that the College received from regional sources. The \$14.3 million in added income is equivalent to supporting 408 jobs in the region.

Student spending impact



Around 9% of credit students attending Rhodes State originated from outside the region in FY 2021-22, and some of these students relocated to the RSC Service Area to attend Rhodes State. These students may not have come to the region if the College did not exist. In addition, some in-region students, referred to as retained students, would have left the RSC Service Area if not for the existence of Rhodes State. While attending the College, these relocated and retained students spent money on groceries, accommodation, transportation, and other household expenses. ***This spending generated \$1.3 million in added income for the regional economy in FY 2021-22, which supported 26 jobs in the RSC Service Area.***

Impacts created by Rhodes State in FY 2021-22



Operations spending impact

\$14.3 million

+



Student spending impact

\$1.3 million

+



Alumni impact

\$127.0 million



Total economic impact

\$142.6 million

OR

Jobs supported

1,939



Alumni impact



The education and training Rhodes State provides for regional residents has the greatest impact. Since the establishment of the College, students have studied at Rhodes State and entered the regional workforce with greater knowledge and new skills. ***An estimated 91.9% of students remain in the RSC Service Area after finishing their time at Rhodes State, another 7.7% settle outside the region but in the state, and the remaining 0.4% settle outside the state.***² Today, thousands of former Rhodes State students are employed in the RSC Service Area. As a result of their education from Rhodes State, the students receive higher earnings and increase the productivity of the businesses that employ them. In FY 2021-22, Rhodes State alumni generated \$127 million in added income for the regional economy, which is equivalent to supporting 1,505 jobs.

Total impact

Rhodes State added \$142.6 million in income to the RSC Service Area 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 \$142.6 million impact was equal to approximately 0.5% of the total gross regional product (GRP) of the RSC Service Area. This contribution that the College provided on its own is nearly twice as large as the entire Arts, Entertainment, & Recreation industry in the region.

Rhodes State's total impact can also be expressed in terms of jobs supported. The \$142.6 million impact supported 1,939 regional jobs, using the jobs-to-sales ratios specific to each industry in the region. ***In addition, the \$142.6 million, or 1,939 supported jobs, stemmed from different industry sectors.*** For instance, among non-education industry sectors, the spending of Rhodes State and its students and the activities of its alumni in the Health Care & Social Assistance industry sector supported 574 jobs in FY 2021-22. If the College did not exist, these impacts would not have been generated in the RSC Service Area.



Rhodes State impacts by industry (jobs supported)



574

Health Care & Social Assistance



170

Government, Non- Education



163

Manufacturing



126

Other Services (Except Public Admin)



71

Construction

² Because Rhodes State was unable to provide settlement data, Lightcast used estimates based on student origin.



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 evaluates Rhodes State as an investment from the perspectives of students, taxpayers, and society in Ohio.

Student perspective



In FY 2021-22, Rhodes State served 4,408 credit and 721 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 Rhodes State's students in FY 2021-22 amounted to a present value of \$14.9 million, equal to \$8.7 million in out-of-pocket expenses (including future principal and interest on student loans) and \$6.2 million in forgone time and money.

In return for their investment, Rhodes State's students will receive a stream of higher future earnings that will continue to grow throughout their working lives. For example, the average Rhodes State associate degree graduate from FY 2021-22 will see annual earnings that are \$9,700 higher than a person with a high school diploma or equivalent working in Ohio. *Over a working lifetime, the benefits of the associate degree over a high school diploma will amount to an undiscounted value of \$446,200 in higher earnings per graduate.* The present value of the cumulative higher future earnings that Rhodes State's FY 2021-22 students will receive over their working careers is \$78.6 million.

The students' benefit-cost ratio is 5.3. *In other words, for every dollar students invest in Rhodes State in the form of out-of-pocket expenses and forgone time and money, they will receive a cumulative value of \$5.30 in higher future earnings.* Annually, the students' investment in Rhodes State has an average annual internal rate of return of 17.3%, which is impressive compared to the U.S. stock market's 30-year average rate

Students see a high rate of return for their investment in Rhodes State



Average annual return for Rhodes State students
17.3%

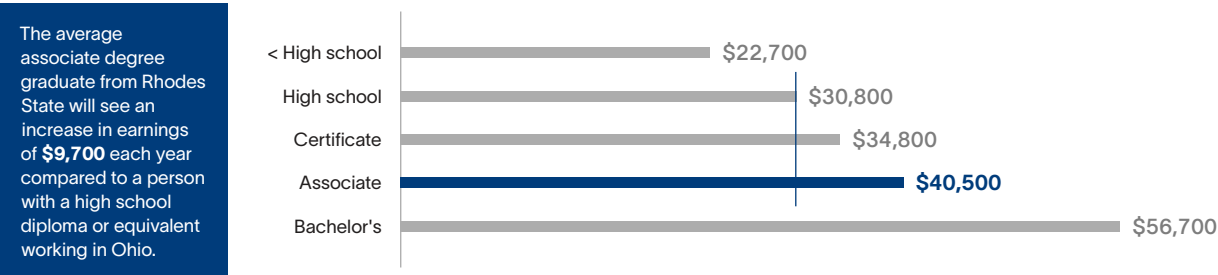


Stock market 30-year average annual return
9.6%



Interest earned on savings account (National Rate Cap)
0.4%

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



Source: Lightcast employment data.

of return of 9.6%. Note that returns reported in this study are real returns, not nominal, meaning they account for average inflation.³

Taxpayer perspective



Rhodes State 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 Rhodes State 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 2021-22 students' working lives, the state and local government will have collected a present value of \$25.1 million in added taxes.

Benefits to taxpayers will also consist of savings generated by the improved lifestyles of Rhodes State students and the corresponding reduced government services. Education is statistically correlated with a variety of lifestyle changes. The education that Rhodes State 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. Rhodes State 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 Rhodes State will generate \$2.6 million in savings to state and local taxpayers.

Total taxpayer benefits amount to \$27.7 million, the present value sum of the added taxes and public sector savings. Taxpayer costs are \$12.6 million, equal to the amount of state and local government funding Rhodes State received in FY 2021-22. These benefits and costs yield a benefit-cost ratio of 2.2. ***This means that for every dollar of public money invested in Rhodes State in FY 2021-22, taxpayers will receive a cumulative present value of \$2.20 over the course of the students' working lives.*** The average annual internal rate of return for taxpayers is 4.0%, which compares favorably to other long-term investments in the public sector.

For every dollar of public money invested in Rhodes State, taxpayers will receive a cumulative value of **\$2.20** over the course of the students' working lives.

Social perspective



Society as a whole in Ohio benefits from the presence of Rhodes State 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

³ For additional information, please contact the College for a copy of the main report.



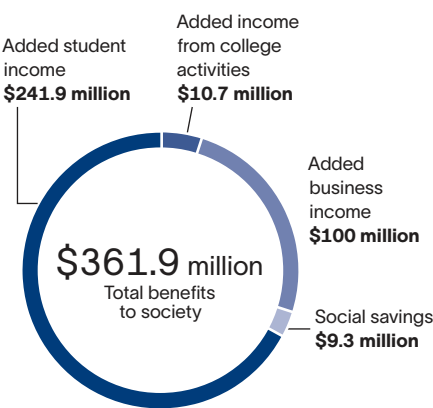
earnings (added student income) and increased business output (added business income), which raise economic prosperity in Ohio.

Benefits to society also consist of the savings generated by the improved lifestyles of Rhodes State 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 Rhodes State equal a present value of \$361.9 million. These benefits include \$241.9 million in added student income, \$100.0 million in added business income, \$10.7 million in added income from College activities, as well as \$9.3 million in social savings related to health, the justice system, and income assistance in Ohio. People in Ohio invested a present value total of \$34.2 million in Rhodes State in FY 2021-22. The cost includes all the College and student costs.

The benefit-cost ratio for society is 10.6, equal to the \$361.9 million in benefits divided by the \$34.2 million in costs. *In other words, for every dollar invested in Rhodes State, people in Ohio will receive a cumulative value of \$10.60 in benefits.* The benefits of this investment will occur for as long as Rhodes State’s FY 2021-22 students remain employed in the state workforce.

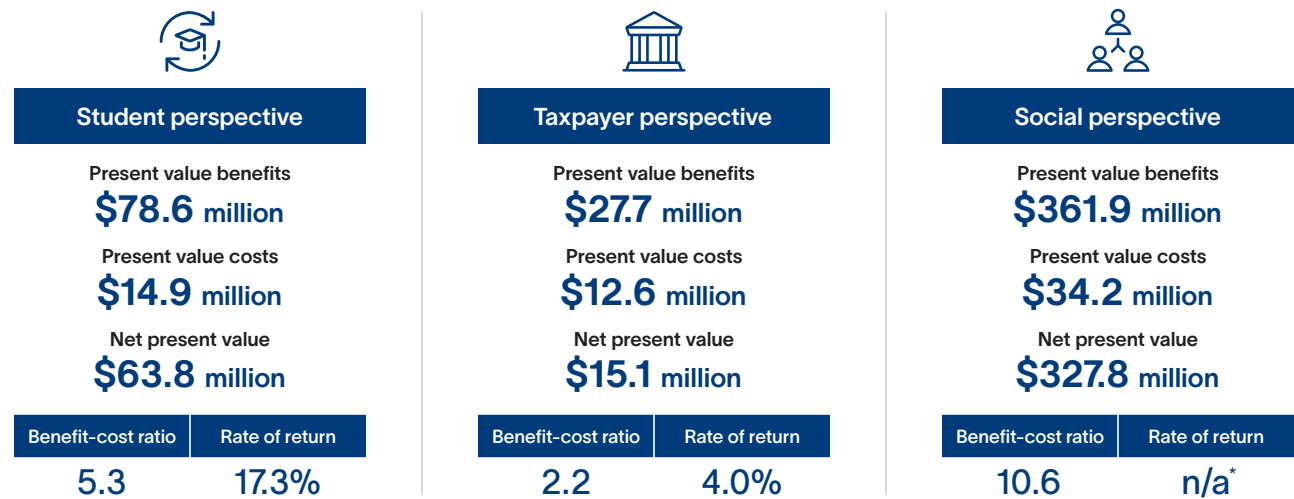
Social benefits in Ohio from Rhodes State



Source: Lightcast impact model.

Summary of investment analysis results

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



* 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.

Conclusion

The results of this study demonstrate that Rhodes State creates value from multiple perspectives. The College benefits regional businesses by increasing consumer spending in the region and supplying a steady flow of qualified, trained workers to the workforce. Rhodes State 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, Rhodes State benefits society as a whole in Ohio 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 2021-22 academic and financial reports from Rhodes State, 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 Rhodes State 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.