



The Economic Value of Peru State College



PERU STATE COLLEGE (PSC) continues to have a significant positive economic impact within the rural communities the College serves and the state as a whole. Additionally, PSC is key in preparing students to enter high demand, high skilled, and high paying careers necessary to continue to grow the economy. Out-of-state students are drawn to the Nebraska, generating new dollars and opportunities for the state. PSC provides students with the education, training, and skills needed to enjoy fulfilling and prosperous careers.

PSC influences both the lives of its students and the state economy. The College supports a variety of businesses and industries in Nebraska, serves state businesses, and benefits society as a whole in Nebraska from an expanded economy and improved quality of life for all Nebraskans. The benefits created by PSC extend to the state government through increased tax revenues and public sector savings.

This study measures the economic impacts created by PSC on the business community and the benefits the College generates in return for the investments made by 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) 2019-20. Impacts on the Nebraska 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 Nebraska are reported under the investment analysis.



NEBRASKA

PSC shapes both the **lives of its students** and the **state economy**.



PSC promotes economic growth in Nebraska through its direct expenditures and the resulting expenditures of students and state businesses. The College serves as an employer and consumer of goods and services for day-to-day and construction operations. The College’s reputation and activities attract students from outside Nebraska, whose expenditures benefit state vendors. In addition, PSC is a primary source of higher education to Nebraska residents and a supplier of educated workers to Nebraska businesses and industries, enhancing overall productivity in the state workforce.

Operations spending impact



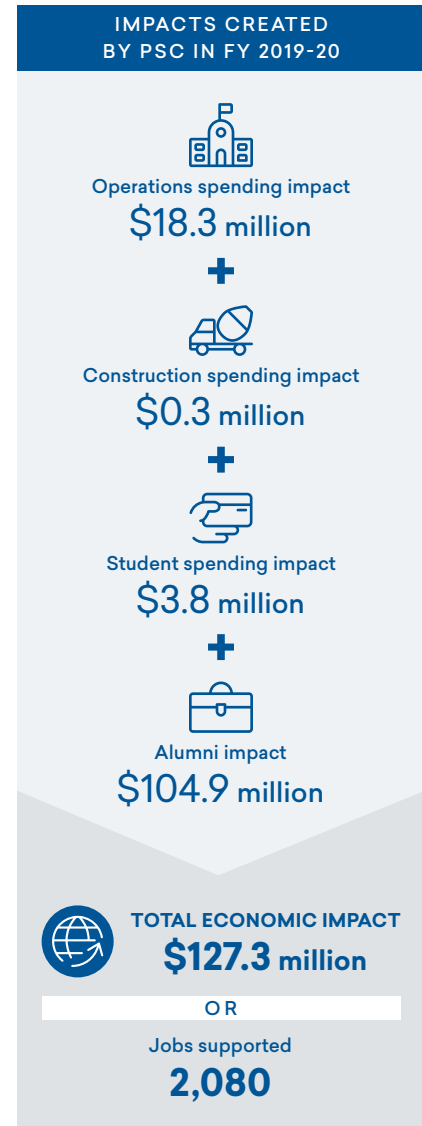
PSC adds economic value to Nebraska as an employer and a large-scale consumer of goods and services. In FY 2019-20, the College employed 368 full-time and part-time faculty and staff, 90% of whom lived in Nebraska. Total payroll at PSC was \$14.7 million, much of which was spent in Nebraska for groceries, mortgage and rent payments, dining out, and other household expenses. In addition, the College spent \$11.6 million on day-to-day expenses related to facilities, supplies, and professional services.

PSC’s day-to-day operations spending added \$18.3 million in income to Nebraska during the analysis year. This figure represents the College’s payroll, the multiplier effects generated by the in-state spending of the College and its employees, and a downward adjustment to account for funding the College received from state sources. The \$18.3 million in added income is equivalent to supporting 405 jobs in Nebraska.

Construction Spending Impact



PSC 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 Nebraska economy. In FY 2019-20, PSC’s construction spending generated \$303,567 in added income for the Nebraska economy, which is equivalent to supporting five jobs in the state.



Student spending impact



Approximately 14% of students attending PSC originated from outside the state in FY 2019-20, with some of these students relocating to Nebraska to attend PSC. Because of its geographic proximity, it is unlikely these students would have come to the state if the College did not exist. In addition, some in-state students, referred to as retained students, would have left Nebraska if not for the existence of PSC. While attending the College, these relocated and retained students spent money on groceries, accommodation, transportation, and other household expenses. This spending generated \$3.8 million in added income for the Nebraska economy in FY 2019-20, which supported 91 jobs in the state.

Alumni impact



The educational opportunities provided to the state's residents by PSC has the most significant impact. Since its establishment, students have attended and graduated from PSC, which allowed them to enter the state workforce with the knowledge and skills necessary to meet the evolving workforce needs for Nebraska. Today, thousands of former PSC students are employed in Nebraska. As a result of their PSC educations, the students receive higher earnings and increase the productivity of the businesses that employ them. In FY 2019-20, PSC alumni generated \$104.9 million in added income for the Nebraska economy, which is equivalent to supporting 1,580 jobs.

Total impact

PSC added \$127.3 million in income to the Nebraska economy during the analysis year, equal to the sum of the operations and construction spending impacts, the student spending impact, and the alumni impact.

PSC's total impact can also be expressed in terms of jobs supported. The \$127.3 million impact supported 2,080 Nebraska jobs, using the jobs-to-sales ratios specific to each industry in the state. In addition, the \$127.3 million, or 2,080 supported jobs, stemmed from different industry sectors. Among non-education industry sectors, PSC's spending and alumni in the Construction industry sector supported 162 jobs in FY 2019-20. If the College did not exist, these impacts would not have been generated in Nebraska.

PSC IMPACTS BY INDUSTRY (JOBS SUPPORTED)





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 PSC as an investment from the perspectives of students, taxpayers, and society in Nebraska.

Student perspective



In FY 2019-20, PSC served 2,950 students. As a function of their enrollment at 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 PSC's students in FY 2019-20 amounted to a present value of \$23.5 million, equal to \$8 million in out-of-pocket expenses (including future principal and interest on student loans) and \$15.5 million in forgone time and money.

In return for their investment, PSC's students will receive a stream of higher future earnings that will continue to grow throughout their working lives. For example, the average PSC bachelor's degree graduate from FY 2019-20 will see annual earnings that are \$21,300 higher than a person with a high school diploma or equivalent working in Nebraska. Over a working lifetime, the benefits of the bachelor's degree over a high school diploma will amount to an undiscounted value of \$937,200 in higher earnings per graduate. The present value of the cumulative higher future earnings PSC's FY 2019-20 students will receive over their working careers is \$108.9 million.

The students' benefit-cost ratio is 4.6. In other words, for every dollar students invest in PSC in the form of out-of-pocket expenses and forgone time and money, they will receive a cumulative value of \$4.60 in higher future earnings. Annually,

STUDENTS SEE A HIGH RATE OF RETURN FOR THEIR INVESTMENT IN PSC



Average annual return for PSC students

16.5%



Stock market 30-year average annual return

10.6%

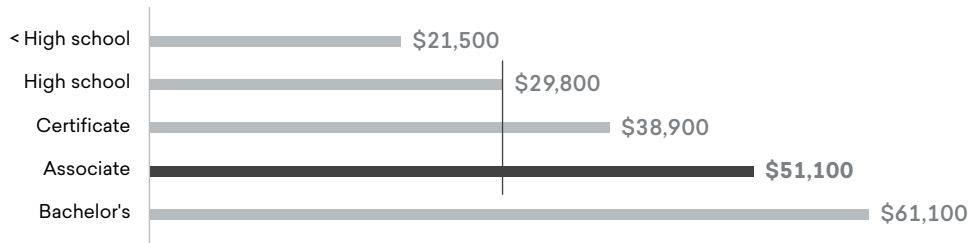


Interest earned on savings account (National Rate Cap)

0.8%

Source: Forbes' S&P 500, 1991-2020. FDIC.gov, 6-2021.

The average bachelor's degree graduate from PSC will see an increase in earnings of **\$21,300** each year compared to a person with a high school diploma or equivalent working in Nebraska.



Source: Emsi Burning Glass employment data.

the students' investment in PSC has an average annual internal rate of return of 16.5%, which is impressive compared to the U.S. stock market's 30-year average rate of return of 10.6%.

Taxpayer perspective



PSC generates more in tax revenue than it takes. These benefits to Nebraskan taxpayers consist primarily of taxes the state government will collect from the added revenue created in Nebraska. As PSC students 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 2019-20 students' working lives, Nebraska will have collected a present value of \$14.5 million in added taxes.

Nebraskan taxpayers will also benefit from the savings generated by the improved lifestyles of PSC students and the corresponding reduced need for government services.

Education is statistically correlated with a variety of lifestyle changes. Students' PSC 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 lower victim costs. Because PSC students will be more employable, their demand for income assistance such as welfare and unemployment benefits will be reduced. 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 a PSC education will generate \$3.6 million in savings to Nebraska taxpayers.

Total taxpayer benefits amount to \$18.1 million, the present value sum of the added taxes and public sector savings. Taxpayer costs are \$10.8 million, equal to the amount of state government funding PSC received in FY 2019-20. These benefits and costs yield a benefit-cost ratio of 1.7. This means that for every dollar of public money invested in PSC in FY 2019-20, taxpayers will receive a cumulative present value of \$1.70 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 PSC, taxpayers will receive a cumulative value of **\$1.70** over the course of the students' working lives.

Social perspective



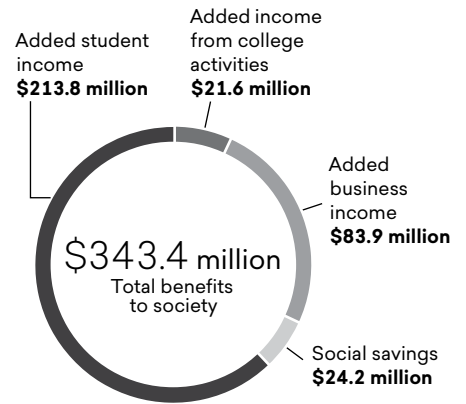
As a whole, Nebraska benefits from the presence of PSC in two major ways. Primarily, society benefits from an increased economic base in the state. This is attributed to higher student earnings and increased business output, which raise economic prosperity in Nebraska.

Benefits to society also consist of the savings generated by the improved long-term health and welfare of PSC students. As discussed in the previous section, education is statistically correlated with a variety of lifestyle changes generating social savings. Note 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 PSC equal a present value of \$343.4 million. These benefits include \$213.8 million in added income, \$83.9 million in added business income, \$21.6 million in added income from College activities, as well as \$24.2 million in social savings related to health, crime, and income assistance in Nebraska. People in Nebraska invested a present value total of \$46.6 million in PSC in FY 2019-20. The cost includes all the College and student costs.

The benefit-cost ratio for society is 7.4, equal to the \$343.4 million in benefits divided by the \$46.6 million in costs. In other words, for every dollar invested in PSC, people in Nebraska will receive a cumulative value of \$7.40 in benefits. The benefits of this investment will occur for as long as PSC's FY 2019-20 students remain employed in Nebraska.

SOCIAL BENEFITS IN NEBRASKA FROM PSC



Source: Emsi Burning Glass impact model.

Summary of investment analysis results

The results of the analysis demonstrate that PSC is a strong investment for all three major stakeholder groups—students, taxpayers, and society. As shown, students receive a substantial return for their investments in a PSC education. At the same time, taxpayers' investment in PSC returns more to government budgets than it costs and creates a wide range of social benefits throughout Nebraska.

STUDENT PERSPECTIVE		TAXPAYER PERSPECTIVE		SOCIAL PERSPECTIVE	
Present value benefits \$108.9 million		Present value benefits \$18.1 million		Present value benefits \$343.4 million	
Present value costs \$23.5 million		Present value costs \$10.8 million		Present value costs \$46.6 million	
Net present value \$85.3 million		Net present value \$7.3 million		Net present value \$296.7 million	
Benefit-cost ratio	Rate of return	Benefit-cost ratio	Rate of return	Benefit-cost ratio	Rate of return
4.6	16.5%	1.7	3.3%	7.4	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.

CONCLUSION

The results of this study demonstrate that PSC continues to have a significant positive economic impact not only on the individual lives of their students, but for Nebraska as a whole. PSC benefits Nebraska businesses by increasing consumer spending in the state and supplying a steady flow of qualified, educated workers to the workforce. PSC enriches the lives of students by raising their lifetime earnings and helping them achieve their individual potential. The College benefits Nebraska taxpayers through increased tax receipts and a reduced demand for government-supported social services. Finally, PSC benefits Nebraska by creating a more prosperous economy and generating a variety of savings through the improved lifestyles of its students.

About the study

Data and assumptions used in the study are based on several sources, including the PSC FY 2019-20 academic and financial reports from PSC, industry and employment data from the U.S. Bureau of Labor Statistics and U.S. Census Bureau, outputs of Emsi Burning Glass'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 PSC creates value from **multiple perspectives.**



Emsi Burning Glass provides colleges and universities with labor market data that helps 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 Emsi Burning Glass 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 economicmodeling.com/higher-education to learn more or connect with us.