

The Economic Value of Southwest Tennessee Community College



Southwest Tennessee Community College (Southwest) 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) 2022-23.



The Mid-South, Tennessee



Economic impact analysis

In FY 2022-23, Southwest added **\$507.3 million** in income to the Mid-South* economy, a value approximately equal to **0.6%** of the region's total gross regional product (GRP). Expressed in terms of jobs, Southwest's impact supported **6,272 jobs**.

Operations spending impact

- Southwest employed 870 full-time and part-time faculty and staff. Payroll amounted to \$45.6 million, much of which was spent in the region for groceries, mortgage and rent payments, dining out, and other household expenses. The college spent another \$32.1 million on its expenses related to facilities, supplies, and professional services.
- The net impact of the college's operations spending added **\$71.0 million** in income to the regional economy in FY 2022-23.

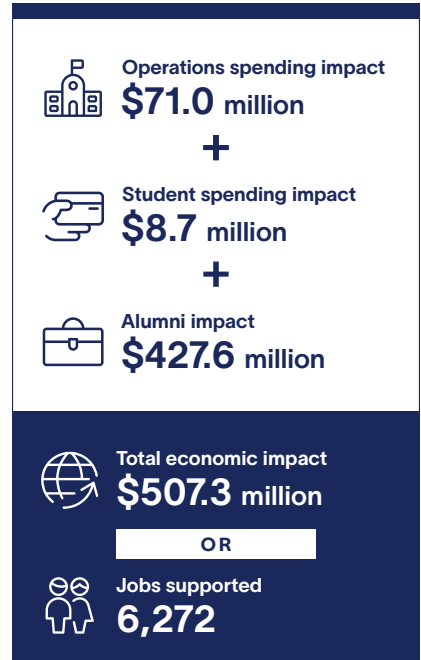
Student spending impact

- Some in-region students, referred to as retained students, would have left the Mid-South for other educational opportunities if not for Southwest. These retained students spent money on groceries, mortgage and rent payments, and other living expenses at district businesses.
- The expenditures of relocated and retained students in FY 2022-23 added **\$8.7 million** in income to the Mid-South economy.

Alumni impact

- Over the years, students have studied at Southwest and entered or re-entered the workforce with newly acquired knowledge and skills. Today, thousands of these former students are employed in the Mid-South.
- The net impact of Southwest's former students currently employed in the regional workforce amounted to **\$427.6 million** in added income in FY 2022-23.

Impacts created by Southwest in FY 2022-23



* Southwest serves Arkansas and Mississippi counties within a 30-mile radius; however, for the purposes of this analysis, the Mid-South is comprised of Fayette and Shelby Counties.

Investment analysis

Student perspective

- Southwest's FY 2022-23 students paid a present value of **\$18.1 million** to cover the cost of tuition, fees, and supplies. They also forwent a value of **\$29.9 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 **\$348.6 million** in increased earnings over their working lives. This translates to a return of **\$7.30** in higher future earnings for every dollar students invest in their education. Students' average annual rate of return is **22.8%**.

Taxpayer perspective

- Taxpayers provided Southwest with **\$40.2 million** of funding in FY 2022-23. In return, they will benefit from added tax revenue, stemming from students' higher lifetime earnings and increased business output, amounting to **\$63.1 million**. A reduced demand for government-funded services in Tennessee will add another **\$10.3 million** in benefits to taxpayers.
- Total taxpayer benefits amount to **\$73.5 million**, the present value sum of the added tax revenue and public sector savings. For every dollar of public money invested in Southwest, taxpayers will receive **\$1.80** in return over the course of students' working lives. The average annual rate of return for taxpayers is **4.2%**.

Social perspective

- In FY 2022-23, Tennessee invested **\$117.2 million** to support Southwest. In turn, the Tennessee economy will grow by **\$1.1 billion**, over the course of students' working lives. Society will also benefit from **\$33.4 million** of public and private sector savings.
- For every dollar invested in Southwest in FY 2022-23, people in Tennessee will receive **\$10.00** in return, for as long as Southwest's FY 2022-23 students remain active in the state workforce.

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



Average annual return for Southwest students

22.8%



Stock market 30-year average annual return

10.1%



Interest earned on savings account (national deposit rate)

0.5%

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

For every \$1...



Students gain in lifetime earnings

\$7.30



Taxpayers gain in added tax revenue and public sector savings

\$1.80



Society gains in added income and social savings

\$10.00

