



The Economic Value of Butler Community College



BUTLER COMMUNITY COLLEGE (Butler) 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 Butler Service Area.* Butler provides students with the education, training, and skills they need to have fulfilling and prosperous careers. Furthermore, Butler is a place for students to meet new people, increase their self-confidence, and promote their overall health and well-being.

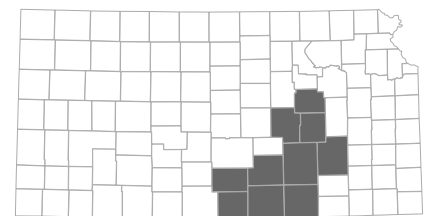
Butler influences both the lives of its students and the regional economy. The college supports a variety of industries in the Butler Service Area, serves regional businesses, and benefits society as a whole in Kansas from an expanded economy and improved quality of life. Additionally, the benefits created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

This study measures the economic impacts created by Butler 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 and reviewed by the Kansas Association of Community Colleges Trustees (KACCT), for fiscal year (FY) 2021-22. Impacts on the Butler 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 Kansas are reported under the investment analysis.



The Butler Service Area, Kansas

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

* For the purposes of this analysis, the Butler Service Area is comprised of Butler, Chase, Cowley, Greenwood, Harper, Kingman, Marion, Morris, Sedgwick, and Sumner Counties.

Economic impact analysis



Butler promotes economic growth in the Butler 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 activities. The college's activities attract students from outside the Butler Service Area, whose expenditures benefit regional vendors. In addition, Butler is one of the primary sources of higher education to the Butler Service Area residents and a supplier of trained workers to regional industries, enhancing overall productivity in the regional workforce. When exploring each of the economic impacts, we consider the hypothetical question of how economic activity would change in the Butler Service Area if Butler and all its alumni did not exist in FY 2021-22.

Operations spending impact



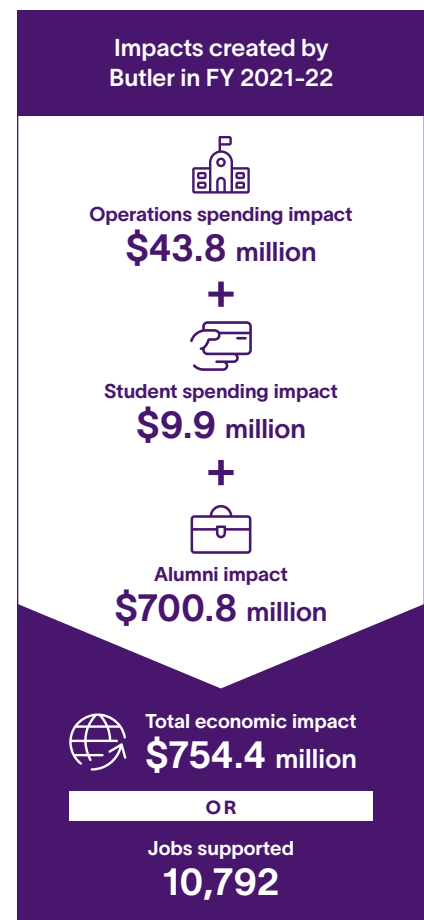
Butler adds economic value to the Butler Service Area as an employer of regional residents and a large-scale buyer of goods and services. In FY 2021-22, the college employed 878 full-time and part-time faculty and staff, 99% of whom lived in the Butler Service Area. Total payroll at Butler was \$37.2 million, much of which was spent in the region for groceries, mortgage and rent payments, dining out, and other household expenses. In addition, the college spent \$39 million on day-to-day expenses related to general operations, supplies, and professional services.

Butler's day-to-day operations spending added \$43.8 million in income to the region during the analysis year. This impact captures the new economic activity created in the regional economy solely attributable to the operations of Butler. More specifically, this figure represents Butler's payroll and the multiplier effects generated by the in-region spending of the college and its employees. It also reflects a downward adjustment to account for funding the college received from county sources to arrive at the added income in the region solely attributable to Butler. This amounts to the net value of \$43.8 million in added income, which is equivalent to supporting 927 jobs in the region.

Student spending impact



A number of students attending Butler originated from outside the region in FY 2021-22, and some of these students relocated to the Butler Service Area to attend Butler. 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 Butler Service Area if not for the existence of Butler. While attending the college, these relocated and retained students spent money on groceries, accommodation,



transportation, and other household expenses. This spending generated \$9.9 million in added income for the regional economy in FY 2021-22, which supported 206 jobs in the Butler Service Area.

Alumni impact



The education and training Butler provides for regional residents has the greatest impact. Since the establishment of the college, students have studied at Butler and entered the regional workforce with greater knowledge and new skills. Today, thousands of former Butler students are employed in the Butler Service Area. As a result of their education from Butler, the students receive higher earnings and increase the productivity of the businesses that employ them. In FY 2021-22, Butler alumni generated \$700.8 million in added income for the regional economy, which is equivalent to supporting 9,659 jobs.

Total impact

Butler added \$754.4 million in income to the Butler 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 \$754.4 million impact was equal to approximately 1.7% of the total gross regional product (GRP) of the Butler Service Area. This contribution that the college provided on its own is nearly as large as the entire Management of Companies & Enterprises industry in the region.

Butler's total impact can also be expressed in terms of jobs supported. The \$754.4 million impact supported 10,792 regional jobs, using the jobs-to-sales ratios specific to each industry in the region. This means that one out of every 40 jobs in the Butler Service Area is supported by the activities of Butler and its students. In addition, the \$754.4 million, or 10,792 supported jobs, stemmed from different industry sectors. For instance, among non-education industry sectors, the spending of Butler and its students and the activities of its alumni in the Health Care & Social Assistance industry sector supported 2,486 jobs in FY 2021-22. If the college did not exist, these impacts would not have been generated in the Butler Service Area.

Butler impacts by industry (jobs supported)



One out of every 40 jobs in the Butler Service Area is supported by the activities of Butler and its students.

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 Butler as an investment from the perspectives of students, taxpayers, and society in Kansas.

Student perspective



In FY 2021-22, Butler served 9,751 credit and 530 non-credit students. In order to attend the college, students paid for or received grants or scholarships to pay for tuition, fees, books, and supplies. Additionally, some students 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 Butler's students in FY 2021-22 amounted to a present value of \$38.5 million, equal to \$20.6 million in out-of-pocket expenses (including future principal and interest on student loans) and \$17.9 million in forgone time and money.

In return for their investment, Butler's students will receive a stream of higher future earnings that will continue to grow throughout their working lives. For example, the average Butler associate degree graduate from FY 2021-22 will see annual earnings that are \$14,900 higher than a person with a high school diploma or equivalent working in Kansas. Over a working lifetime, the benefits of an associate degree over a high school diploma will amount to an undiscounted value of \$640.7 thousand in higher earnings per graduate. The present value of the cumulative higher future earnings that Butler's FY 2021-22 students will receive over their working careers is \$386.2 million.

The students' benefit-cost ratio is 10.0. In other words, for every dollar students invest in Butler in the form of out-of-pocket expenses and forgone time and money, they will receive a cumulative value of \$10.00 in higher future earnings. Annually, the students' investment in Butler has an average annual internal rate of return of 30.1%, which is impressive compared to the U.S. stock market's 30-year average rate of return of 9.6%.

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



Average annual return for Butler students
30.1%



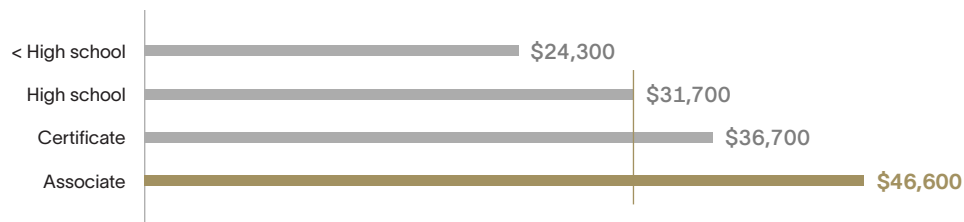
Stock market 30-year average annual return
9.6%



Interest earned on savings account (national deposit cap)
0.4%

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

The average associate degree graduate from Butler will see an increase in earnings of **\$14,900** each year compared to a person with a high school diploma or equivalent working in Kansas.



Source: Lightcast employment data.

Taxpayer perspective



Butler 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 Butler students will earn more, they will make higher tax payments, such as property 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 \$139.4 million in added taxes.

Benefits to taxpayers will also consist of savings generated by the improved lifestyles of Butler students and the corresponding reduced government services. Education is statistically correlated with a variety of lifestyle changes. The education that Butler 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. Butler students will be more employable, so their reduced demand for income assistance such as welfare and unemployment benefits will benefit taxpayers. Altogether, the present value of the benefits associated with an education from Butler will generate \$6.1 million in savings to state and local taxpayers over the students' working lives.

Total taxpayer benefits amount to \$145.6 million, the present value sum of the added tax revenue and public sector savings. Taxpayer costs are \$36.2 million, equal to the amount of state and local government funding Butler received in FY 2021-22. These benefits and costs yield a benefit-cost ratio of 4.0. This means that for every dollar of public money invested in Butler in FY 2021-22, taxpayers will receive a cumulative present value of \$4.00 over the course of the students' working lives. The average annual internal rate of return for taxpayers is 9.7%, which compares favorably to other long-term investments in the public sector.

For every dollar of public money invested in Butler, taxpayers will receive a cumulative value of **\$4.00** over the course of the students' working lives.

Social perspective



Society as a whole in Kansas benefits from the presence of Butler 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 earnings (added student income) and increased business output (added business income), which raise economic prosperity in Kansas.

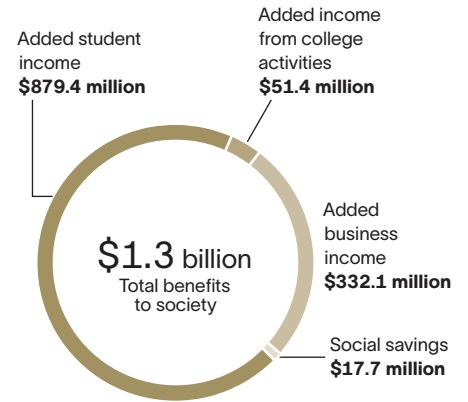
Benefits to society also consist of the savings generated by the improved lifestyles of Butler students. As discussed in the previous section, education is statistically correlated with a variety of lifestyle changes that generate social savings. Note that these costs are avoided by the consumers but 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.

Altogether, the social benefits of Butler equal a present value of \$1.3 billion. These benefits include \$879.4 million in added student income, \$332.1 million in added business income, \$51.4 million in added income from college activities, as well as \$17.7 million in social savings related to health, the justice system, and income assistance in Kansas. People in Kansas invested a present value total of \$101.1 million in Butler in FY 2021-22. The cost includes all the college and student costs.

The benefit-cost ratio for society is 12.7, equal to the \$1.3 billion in benefits divided by the \$101.1 million in costs. In other words, for every dollar invested in Butler, people in Kansas will receive a cumulative value of \$12.70 in benefits. The benefits of this investment will occur for as long as Butler's FY 2021-22 students remain employed in the state workforce.

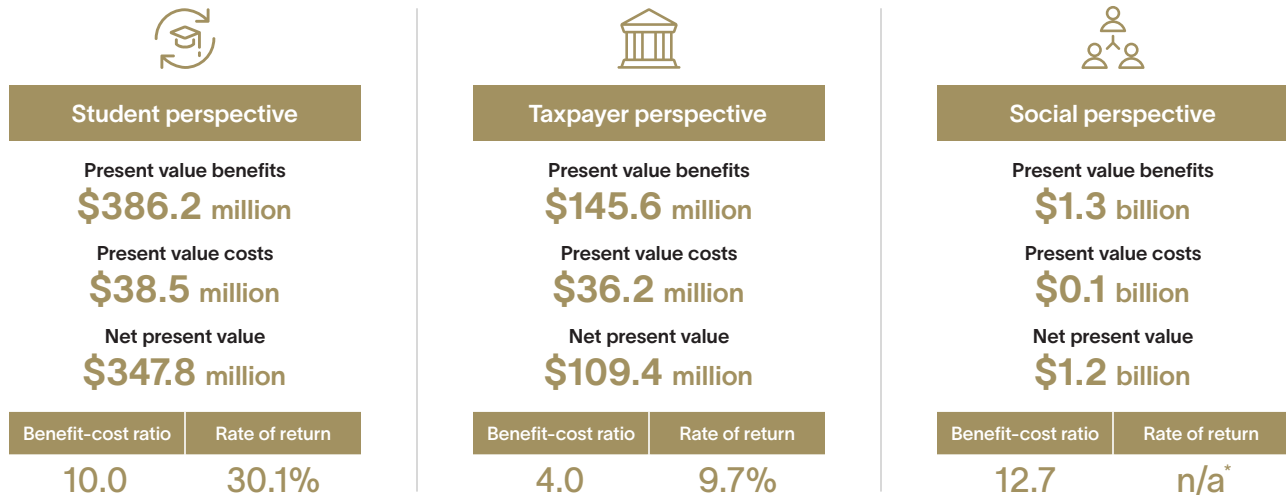
Social benefits in Kansas from Butler



Source: Lightcast impact model.

Summary of investment analysis results

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



* The rate of return is not reported for the social perspective because the beneficiaries are not necessarily the same as the original investors.

Conclusion

The results of this study demonstrate that Butler 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. Butler 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, Butler benefits society as a whole in Kansas 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 Butler and the Kansas Board of Regents, 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.

The results of this study demonstrate that Butler 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.