

The Economic Value of Montgomery College

Montgomery College (MC) 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) 2018-19.



ECONOMIC IMPACT ANALYSIS

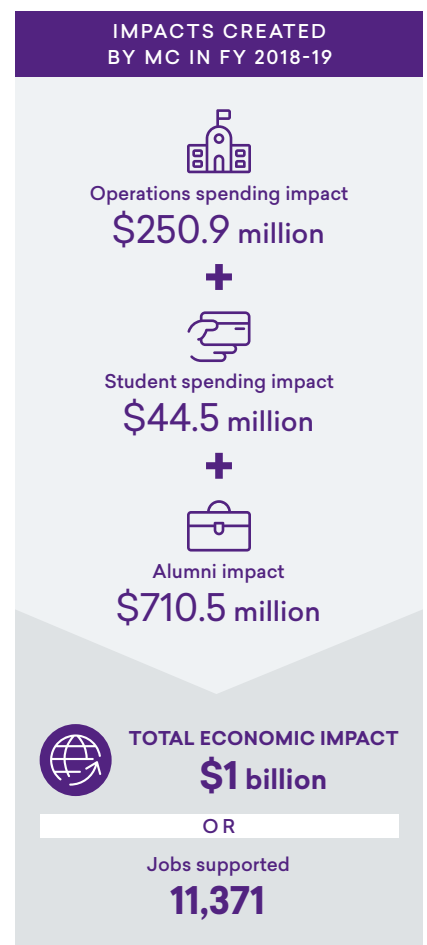
In FY 2018-19, MC added **\$1 billion** in income to the Montgomery County economy, a value approximately equal to **1.1%** of the county's total gross regional product (GRP). Expressed in terms of jobs, MC's impact supported **11,371 jobs**. For perspective, the activities of MC and its students support **one out of every 64 jobs** in Montgomery County.

OPERATIONS SPENDING IMPACT

- MC employed 2,991 full-time and part-time faculty and staff. Payroll amounted to \$249.8 million, much of which was spent in the county for groceries, mortgage and rent payments, dining out, and other household expenses. The college spent another \$74 million on day-to-day expenses related to facilities, supplies, and professional services.
- The net impact of the college's operations spending added **\$250.9 million** in income to the county economy in FY 2018-19.

STUDENT SPENDING IMPACT

- Some in-county students, referred to as retained students, would have left Montgomery County for other educational opportunities if not for MC. These retained students spent money on groceries, mortgage and rent payments, and other living expenses at county businesses.
- The expenditures of retained students in FY 2018-19 added **\$44.5 million** in income to the Montgomery County economy.





ALUMNI IMPACT

- Over the years, students have studied at MC and entered or re-entered the workforce with newly-acquired knowledge and skills. Today, hundreds of thousands of these former students are employed in Montgomery County.
- The net impact of MC's former students currently employed in the county workforce amounted to **\$710.5 million** in added income in FY 2018-19.

INVESTMENT ANALYSIS

STUDENT PERSPECTIVE

- MC's FY 2018-19 students paid a present value of **\$86 million** to cover the cost of tuition, fees, supplies, and interest on student loans. They also forwent **\$212.3 million** in money that they would have earned had they been working instead of attending college.
- In return for their investment, students will receive **\$1.3 billion** in increased earnings over their working lives. This translates to a return of **\$4.20** in higher future earnings for every dollar students invest in their education. Students' average annual rate of return is **18.6%**.

TAXPAYER PERSPECTIVE

- Taxpayers provided MC with **\$280.1 million** of funding in FY 2018-19. In return, they will benefit from added tax revenue, stemming from students' higher lifetime earnings and increased business output, amounting to **\$232.5 million**. A reduced demand for government-funded services in Maryland will add another **\$22.6 million** in benefits to taxpayers. Total benefits to Maryland taxpayers amount to **\$255.2 million**.

SOCIAL PERSPECTIVE

- In FY 2018-19, Maryland invested **\$565.5 million** to support MC. In turn, the Maryland economy will grow by **\$2.8 billion**, over the course of students' working lives. Society will also benefit from **\$46.2 million** of public and private sector savings.
- For every dollar invested in MC in FY 2018-19, people in Maryland will receive **\$5.00** in return, for as long as MC's FY 2018-19 students remain active in the state workforce.

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



Average annual return for MC students
18.6%



Stock market 30-year average annual return
9.9%



Interest earned on savings account (National Rate Cap)
0.8%

Source: Forbes' S&P 500, 1989-2018. FDIC.gov, 6-2019.

For every \$1...



Students gain in lifetime earnings
\$4.20



Society gains in added income and social savings
\$5.00

In total...



Taxpayers gained in added tax revenue and public sector savings
\$255.2 million