

The Economic Value of Arizona Western College





ARIZONA WESTERN COLLEGE (AWC) 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 Yuma and La Paz Counties. AWC provides students with the education, training, and skills they need to have fulfilling and prosperous careers. Furthermore, AWC is a place for students to meet new people, increase their self-confidence, and promote their overall health and well-being.

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

This study measures the economic impacts created by AWC 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:

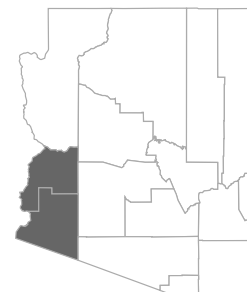


Economic impact analysis



Investment analysis

All results reflect employee, student, and financial data, provided by the college, for fiscal year (FY) 2023-24. Impacts on the economy of Yuma and La Paz Counties 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 Arizona are reported under the investment analysis.



**Yuma and La Paz
Counties, Arizona**

AWC influences both the
lives of its students and the
regional economy.



Economic impact analysis



AWC promotes economic growth in Yuma and La Paz Counties 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 and construction operations. The college's activities attract students from outside Yuma and La Paz Counties, whose expenditures benefit regional vendors. In addition, AWC is one of the primary sources of higher education to Yuma and La Paz Counties residents and a supplier of trained workers to regional industries, enhancing overall productivity in the regional workforce.

Operations spending impact



AWC adds economic value to Yuma and La Paz Counties as an employer of regional residents and a large-scale buyer of goods and services. In FY 2023-24, the college employed 1,312^{*} full-time and part-time faculty and staff, 98% of whom lived in Yuma and La Paz Counties. Total payroll at AWC was \$44.8 million, much of which was spent in the region on groceries, mortgage and rent payments, dining out, and other household expenses. In addition, the college spent \$39.3 million on expenses related to facilities, supplies, and professional services (excluding construction).

AWC's operations spending added \$51.1 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 \$51.1 million in added income is equivalent to supporting 1,351 jobs in the region.

Construction spending impact



AWC invests in capital projects 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 regional economy. In FY 2023-24, AWC's construction spending generated \$2.1 million in added income, which is equivalent to supporting 33 jobs.

Impacts created by AWC in FY 2023-24



Operations spending impact

\$51.1 million

+



Construction spending impact

\$2.1 million

+



Student spending impact

\$9.3 million

+



Alumni impact

\$256.8 million



Total economic impact

\$319.2 million

OR



Jobs supported

4,688

* Includes all AWC employees paid in FY 2023-24. AWC's total employee count in Fall 2023 was 1,058.

Student spending impact



Around 7% of students attending AWC originated from outside the region in FY 2023-24, and some of these students relocated to Yuma and La Paz Counties to attend AWC. 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 Yuma and La Paz Counties if not for the existence of AWC. While attending the college, these relocated and retained students spent money on groceries, accommodation, transportation, and other household expenses. This spending generated \$9.3 million in added income for the regional economy in FY 2023-24, which supported 147 jobs in Yuma and La Paz Counties.

Alumni impact



The education and training AWC provides for regional residents has the greatest impact. Since the establishment of the college, students have studied at AWC and entered the regional workforce with greater knowledge and new skills. Today, thousands of former AWC students are employed in Yuma and La Paz Counties. As a result of their education from AWC, the students receive higher earnings and increase the productivity of the businesses that employ them. In FY 2023-24, AWC alumni generated \$256.8 million in added income for the regional economy, which is equivalent to supporting 3,158 jobs.

Total impact

AWC added \$319.2 million in income to the economy of Yuma and La Paz Counties during the analysis year, equal to the sum of the operations and construction spending impacts; the student spending impact; and the alumni impact. For context, the \$319.2 million impact was equal to approximately 3.2% of the total gross regional product (GRP) of Yuma and La Paz Counties. This contribution that the college provided on its own is nearly half as large as the entire Construction industry in the region.

AWC's total impact can also be expressed in terms of jobs supported. The \$319.2 million impact supported 4,688 regional jobs, using the jobs-to-sales ratios specific to each industry in the region. This means that one out of every 23 jobs in Yuma and La Paz Counties is supported by the activities of AWC and its students. In addition, the \$319.2 million, or 4,688 supported jobs, stemmed from different industry sectors. For instance, among non-education industry sectors, the spending of AWC and its students and the activities of its alumni in the Health Care & Social Assistance industry sector supported 687 jobs in FY 2023-24. If the college did not exist, these impacts would not have been generated in Yuma and La Paz Counties.

AWC impacts by industry (jobs supported)



687

Retail Trade



297

Health Care & Social Assistance



297

Government, Non-Education



261

Construction



224

Real Estate & Rental & Leasing

One out of every 23 jobs in Yuma and La Paz Counties is supported by the activities of AWC and its students.



Investment analysis



An investment analysis evaluates the costs associated with a proposed venture against its expected benefits. The analysis presented here evaluates AWC as an investment from the perspectives of students, taxpayers, and society in Arizona. As with the economic impact analysis, this analysis considers only FY 2023-24 activities.

Student perspective



In FY 2023-24, AWC served 12,473 credit and 311 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 AWC's students in FY 2023-24 amounted to a present value of \$48.2 million, equal to \$17.9 million in out-of-pocket expenses (including future principal and interest on student loans) and \$30.3 million in forgone time and money.

In return for their investment, AWC's students will receive a stream of higher future earnings that will continue to grow throughout their working lives. For example, the average AWC associate degree graduate from FY 2023-24 will see annual earnings that are \$7,300 higher than a person with a high school diploma or equivalent working in Arizona. Over a working lifetime, the benefits of an associate degree over a high school diploma will amount to an undiscounted value of \$313,900 in higher earnings per graduate. The present value of the cumulative higher future earnings that AWC's FY 2023-24 students will receive over their working careers is \$232.6 million.

The students' benefit-cost ratio is 4.8. In other words, for every dollar students invest in AWC in the form of out-of-pocket expenses and forgone time and money, they will receive a cumulative value of \$4.80 in higher future earnings. Annually, the students' investment in AWC has an average annual internal rate of return of 16.2%, which is impressive compared to the U.S. stock market's 30-year average rate of return of 10.1%.

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



Average annual return for AWC students

16.2%



Stock market 30-year average annual return

10.1%



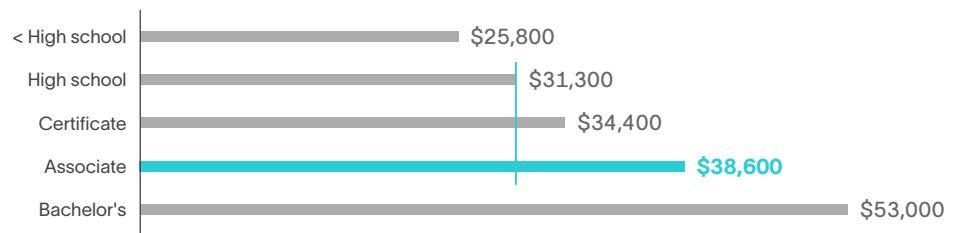
Interest earned on savings account (national deposit rate)

0.5%

Source: Forbes' S&P 500, 1994-2023; FDIC.gov, March 2023

Average earnings by education level at career midpoint

The average associate degree graduate from AWC will see an increase in earnings of **\$7,300** each year compared to a person with a high school diploma or equivalent working in Arizona.



Source: Lightcast employment data



Taxpayer perspective



AWC 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 AWC 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 2023-24 students' working lives, the state and local government will have collected a present value of \$59.4 million in added taxes.

Benefits to taxpayers will also consist of savings generated by the improved lifestyles of AWC students and the corresponding reduced government services. Education is statistically correlated with a variety of lifestyle changes. The education that AWC students receive will generate savings in three main categories: 1) health care, 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. AWC 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 AWC will generate \$11.0 million in savings to state and local taxpayers.

Total taxpayer benefits amount to \$70.4 million, the present value sum of the added tax revenue and public sector savings. Taxpayer costs are \$62.9 million, equal to the amount of state and local government funding AWC received in FY 2023-24. These benefits and costs yield a benefit-cost ratio of 1.1. This means that for every dollar of public money invested in AWC in FY 2023-24, taxpayers will receive a cumulative present value of \$1.10 over the course of the students' working lives. The average annual internal rate of return for taxpayers is 1.3%, which compares favorably to other long-term investments in the public sector.

For every dollar of public money invested in AWC, taxpayers will receive a cumulative value of **\$1.20** over the course of the students' working lives.

Social perspective



Society as a whole in Arizona benefits from the presence of AWC 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 Arizona.

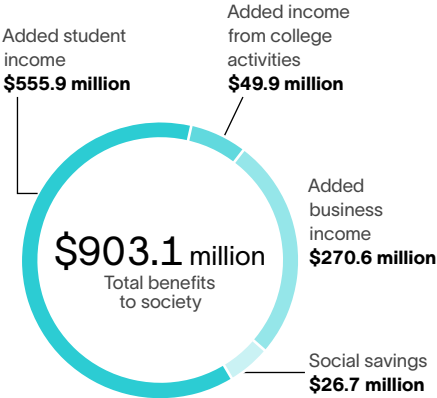
Benefits to society also consist of the savings generated by the improved lifestyles of AWC students. As discussed in the previous section, education is statistically correlated with a variety of lifestyle changes that generate social savings. Note that these costs are avoided by the consumers but are distinct from the costs avoided by the taxpayers outlined above. Health care savings include avoided medical costs associated with smoking, obesity, substance 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 AWC equal a present value of \$903.1 million. These benefits include \$555.9 million in added student income, \$270.6 million in added business income, \$49.9 million in added income from college activities, as well as \$26.7 million in social savings related to health, the justice system, and income assistance in Arizona. People in Arizona invested a present value total of \$133.7 million in AWC in FY 2023-24. The cost includes all the college and student costs.

The benefit-cost ratio for society is 6.8, equal to the \$903.1 million in benefits divided by the \$133.7 million in costs. In other words, for every dollar invested in AWC, people in Arizona will receive a cumulative value of \$6.80 in benefits. The benefits of this investment will occur for as long as AWC's FY 2023-24 students remain employed in the state workforce.

Social benefits in Arizona from AWC



Source: Lightcast impact model

Summary of investment analysis results

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

Summary of investment analysis results

Student perspective		Taxpayer perspective		Social perspective	
Present value benefits \$232.6 million		Present value benefits \$70.4 million		Present value benefits \$903.1 million	
Present value costs \$48.2 million		Present value costs \$62.9 million		Present value costs \$133.7 million	
Net present value \$184.4 million		Net present value \$7.5 million		Net present value \$769.3 million	
Benefit-cost ratio	Rate of return	Benefit-cost ratio	Rate of return	Benefit-cost ratio	Rate of return
4.8	16.2%	1.1	1.3%	6.8	n/a*

* 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 AWC 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. AWC 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, AWC benefits society as a whole in Arizona 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 2023-24 academic and financial reports from AWC, 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.



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