Investment Analysis

- For every dollar students invest in NNMC, they receive a cumulative **$6.80** in higher future income (discounted) over the course of their working careers.
- New Mexico benefits from improved health and reduced welfare, unemployment, and crime, saving the public some **$1.7 million** per year.
- Taxpayers see a rate of return of **13.2%** on their investment in NNMC.

Economic Growth Analysis

- The net added income generated by NNMC operations ($11.7 million) and the spending of visitors ($118,400) and non-local students ($119,500) contributes a total of **$11.9 million** in income to the North Central New Mexico economy each year.
- The accumulated credit hours achieved by former NNMC students over the past 30 years translate to **$165.8 million** in added regional income each year due to the higher earnings of students and increased output of businesses.
Introduction

How do the North Central New Mexico economy and the state of New Mexico benefit from the presence of Northern New Mexico College (NNMC)?

In this study, EMSI applies a comprehensive model designed to quantify the economic benefits of Northern New Mexico College and translate these into common sense benefit/cost and investment terms. The study includes two major analyses:

- **Investment Analysis**: Treats education funding as an investment, calculating all measurable returns and comparing them to costs, from the perspectives of students, taxpayers, and society as a whole.
- **Economic Growth Analysis**: Measures added income in the region due to college operations, student and visitor spending, and the accumulated skills of past and present students still in the workforce.

For an in-depth discussion of the methodology and results, the reader is encouraged to consult the Main Report, “The Economic Contribution of Northern New Mexico College.”

The Results

Investment Analysis

**Student Perspective**

Benefits of higher education are most obvious from the student perspective: students sacrifice current earnings (as well as money to pay for tuition) in return for a lifetime of higher income. Compared to someone with a high school diploma, bachelor’s degree graduates earn $26,500 more per year, on average, over the course of a working lifetime (undiscounted).

From an investment standpoint, NNMC students enjoy a 21.5% rate of return on their investments of time and money. This compares favorably with returns on other investments, e.g., long-term return on stocks and bonds.

The corresponding benefit/cost ratio is 6.8, i.e., for every dollar students invest in NNMC education, they...
receive a cumulative of $6.80 in higher future income over their working careers. This is a real return that accounts for any discounting that occurs during the entire period. The payback period is 7.1 years.

**Social Perspective**

From the perspective of society as a whole, the benefits of education accrue to different publics. For example, NNMC students expand the state’s economic base through their higher incomes, while the businesses that employ them also become more productive through the students’ added skills. These benefits, together with the associated ripple effects, contribute an estimated $21.1 million in taxable income to the New Mexico economy each year.

As they achieve higher levels of education, NNMC students are also less likely to smoke or abuse alcohol, draw welfare or unemployment benefits, or commit crimes. This translates into associated dollar savings (i.e., avoided costs) to the public equal to approximately $1.7 million annually. These are benefits that are incidental to the operations of NNMC and accrue for years into the future, for as long as students remain active in the workforce.

To compare benefits to costs, we project benefits into the future, discount them back to the present, and weigh them against the $10.2 million that state taxpayers spent in FY 2010–11 to support the college. Following this procedure, it is estimated that NNMC provides a benefit/cost ratio of 39.4, i.e. every dollar of state tax money invested in the college today yields a cumulative of $39.40 in benefits that accrue to all New Mexico residents, in terms of added taxable income and avoided social costs.

**Taxpayer Perspective**

Under the taxpayer perspective, only benefits that accrue to state and local governments are counted, namely, increased tax collections and reduced government expenditures. For example, in place of increased income, the taxpayer perspective includes only the increased state and local tax receipts from those higher incomes. Similarly, in place of overall crime, welfare, unemployment and health savings, the taxpayer perspective includes only those that translate to actual reductions in state and local government expenditures.

Note here that government often undertakes activities wanted by the public, but which may be unprofitable in the marketplace. This means that positive economic returns are generally not expected from government investments. From the taxpayer perspective, therefore, even a small positive return (a benefit/cost ratio equal to or greater than 1, or a rate of return equal to or greater than the 3% discount rate used in the taxpayer investment analysis) would be a favorable outcome.

For NNMC, the results indicate positive returns: a rate of return of 13.2% and a benefit/cost ratio of 3.8 (every dollar of state tax money invested in NNMC today returns $3.80).
Economic Growth Analysis

NNMC affects the regional economy in four ways: 1) through its payroll and purchases for supplies and services, 2) through the off-campus spending of out-of-region students, 3) through the spending of visitors from outside the region, and 4) through an increase in the skill base of the regional workforce. These effects break down as follows.

**College Operations Effect**
NNMC creates income through the earnings of its faculty and staff, as well as through its own operating and capital expenditures. Adjusting for taxes and other monies withdrawn from the local economy in support of NNMC, it is estimated that the North Central New Mexico economy receives a net of $11.7 million in added labor and non-labor income due to NNMC operations each year.

**Student Spending Effect**
Students from outside the region spend money for room and board, transportation, entertainment, and other miscellaneous personal expenses. These expenditures create jobs and incomes for local businesses. The spending of NNMC’s non-local students generates approximately $119,500 in added income in the North Central New Mexico economy each year.

**Visitor Spending Effect**
Each year NNMC draws more than 11,300 visitors to the region. Non-local visitors bring monies that would not have otherwise entered the economy, including expenditures for lodging, eating and drinking, transportation, and other personal expenses. Adjusting for monies paid to the college (e.g., for ticket sales, gifts, food, etc.), the net impact of non-local visitor spending in the region is an estimated $118,400 in added income annually.

**Student Productivity Effect**
Every year students leave NNMC and join or rejoin the regional workforce. Their added skills translate to higher income and a more robust North Central New Mexico economy. Based on NNMC’s historical enrollment and credit hour production over the past 30-year period, it is estimated that the accumulated contribution of NNMC instruction received by former students (both completers and non-completers) annually adds some $165.8 million in income to North Central New Mexico.

**Total Effect**
Altogether, the average annual added income due to the activities of NNMC and its former students equals $177.7 million. This is approximately equal to 7.5% of the total North Central New Mexico economy.

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**NNMC Economic Impact Analysis at a Glance**

<table>
<thead>
<tr>
<th>Added Income</th>
<th>$117,710,100</th>
</tr>
</thead>
<tbody>
<tr>
<td>College operations effect</td>
<td>$11,664,800</td>
</tr>
<tr>
<td>Student spending effect</td>
<td>$119,500</td>
</tr>
<tr>
<td>Visitor spending effect</td>
<td>$118,400</td>
</tr>
<tr>
<td><strong>Total spending effect</strong></td>
<td><strong>$11,902,700</strong></td>
</tr>
<tr>
<td>Student productivity effect</td>
<td>$165,807,400</td>
</tr>
<tr>
<td><strong>GRAND TOTAL</strong></td>
<td><strong>$177,710,100</strong></td>
</tr>
</tbody>
</table>

**Total Added Income in North Central New Mexico Due to NNMC ($ Millions)**

- **Spending effect, $11.9**
- **Productivity effect, $165.8**
Conclusion

The results of this study demonstrate that NNMC is a sound investment from multiple perspectives. The college enriches the lives of students and increases their lifetime incomes. It benefits taxpayers by generating increased tax revenues from an enlarged economy and reducing the demand for taxpayer-supported social services. Finally, it contributes to the vitality of both the local and state economies.

About the Study

This report summarizes the results from “The Economic Contribution of Northern New Mexico College” detailing the role that the college plays in promoting economic development, enhancing students’ careers, and improving quality of life. Data sources include, but are not limited to, 2010–11 academic and financial reports from the college, industry and employment data from the U.S. Bureau of Labor Statistics, earnings and demographic data from the U.S. Census Bureau, and a variety of studies and surveys relating education to social behavior.