

# The Economic Value of Southwestern Michigan College to the SMC Service Area

Southwestern Michigan College (SMC) 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.

## Economic impact analysis

In FY 2022-23, SMC added **\$224.13 million** in income to the SMC Service Area\* economy. Expressed in terms of jobs, SMC’s impact supported **2,955 jobs**.

### Operations spending impact

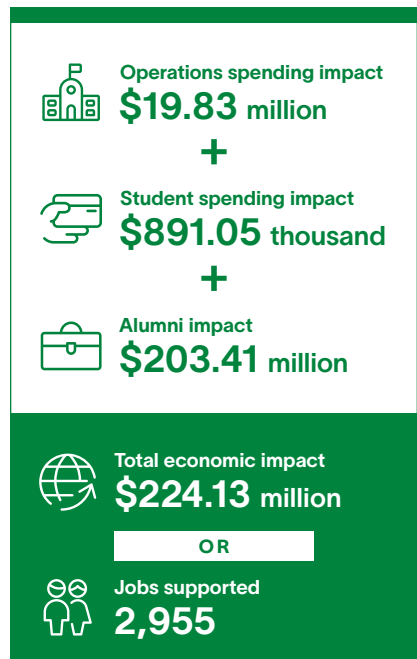
- SMC employed 331 full-time and part-time faculty and staff. Payroll amounted to \$15.16 million, much of which was spent in the region for groceries, mortgage and rent payments, dining out, and other household expenses. The college spent another \$9.42 million on its expenses related to facilities, supplies, and professional services (excluding construction).
- The net impact of the college’s operations spending added **\$19.38 million** in income to the regional economy in FY 2022-23.

### Student spending impact

- Around 8% of students attending SMC originated from outside the region. Some of these students relocated to the SMC Service Area. In addition, some in-region students, referred to as retained students, would have left the SMC Service Area for other educational opportunities if not for SMC. These relocated and retained students spent money on groceries, mortgage and rent payments, and other living expenses at regional businesses.

\* For the purposes of this analysis, the SMC Service Area is comprised of the following counties in Michigan: Berrien, Van Buren, Cass, Kalamazoo, and St Joseph, and the following counties in Indiana: St Joseph and Elkhart.

Impacts created by  
SMC in FY 2022-23



- The expenditures of relocated and retained students in FY 2022-23 added **\$891.05 thousand** in income to the SMC Service Area economy.

### Alumni impact

- Over the years, students have studied at SMC and entered or re-entered the workforce with newly acquired knowledge and skills. Today, thousands of these former students are employed in the SMC Service Area.
- The net impact of SMC's former students currently employed in the regional workforce amounted to **\$203.41 million** in added income in FY 2022-23.

## Investment analysis

### Student perspective

- SMC's FY 2022-23 students paid a present value of **\$7.25 million** to cover the cost of tuition, fees, supplies, and interest on student loans. They also forwent a value of **\$5.10 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 **\$65.25 million** in increased earnings over their working lives. This translates to a return of **\$5.28** in higher future earnings for every dollar students invest in their education. Students' average annual rate of return is **18.11%**.

### Taxpayer perspective

- Taxpayers provided SMC with **\$15.02 million** of funding in FY 2022-23. In return, they will benefit from added tax revenue, stemming from students' higher life-time earnings and increased business output, amounting to **\$22.04 million**. A reduced demand for government-funded services in Michigan will add another **\$2.22 million** in benefits to taxpayers.
- Total taxpayer benefits amount to **\$24.25 million**, the present value sum of the added tax revenue and public sector savings. For every dollar of public money invested in SMC, taxpayers will receive **\$1.61** in return over the course of students' working lives. The average annual rate of return for taxpayers is **3.17%**.

### Social perspective

- In FY 2022-23, Michigan invested **\$32.16 million** to support SMC. In turn, the Michigan economy will grow by **\$267.38 million**, over the course of students' working lives. Society will also benefit from **\$7.01 million** of public and private sector savings.
- For every dollar invested in SMC in FY 2022-23, people in Michigan will receive **\$8.53** in return, for as long as SMC's FY 2022-23 students remain active in the state workforce.



The SMC Service Area, Michigan

### Students see a high rate of return for their investment in SMC



Average annual return for SMC students

**18.11%**



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

**For every \$1...**

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**Students** gain in lifetime earnings

**\$5.28**

**Taxpayers** gain in added tax revenue and public sector savings

**\$1.61**

**Society** gains in added income and social savings

**\$8.53**

