Social & Taxpayer Perspective

Social Perspective

The social perspective adds up all benefits attributable to CF, regardless of recipient, and compares the total to the original investment made. This is called the “benefit/cost ratio.” If the ratio is less than 1.0, the investment is not worthwhile; if it is greater, the investment is considered sound.

For example, a transportation authority might justify a new road by showing that savings in travel time and vehicle expenses accrued by thousands of drivers exceed the project’s cost. Public parks are justified by showing that recreation, scenic, and other values enjoyed by park users exceed the cost of park infrastructure, operation, and the net value of the park’s land and resources not used for other purposes. So the social perspective counts all benefits, not just those that accrue back to state or local government.

Benefits generated by CF also accrue to different groups. Students benefit from higher incomes, employers benefit from increased worker productivity, and the public at large benefits from an expanded economic base. The public also enjoys a variety of external social benefits, such as reduced crime, lower welfare and unemployment, improved health, and less absenteeism from work. All of these are tallied up and compared to the investment made by state and local governments, or the taxpayers. A social perspective benefit/cost ratio greater than 1.0 is a minimal indicator of a worthwhile public investment.

Counting benefits and costs in this way, CF’s benefit/cost ratio is 22.2. In other words, the cumulative added value attached to each dollar invested will have a present value of $22.20 by the end of the students’ working careers.

Taxpayer Perspective

The taxpayer investment perspective counts only benefits that can be entered into the books of state and local governments. For example, educated workers earn more and thus pay more taxes. Furthermore, because state and local governments bear part of the cost of crime, their budgets benefit from education’s crime-reducing effect, and the same is true for other benefits of an educated populace. The bottom line: state and local governments receive returns from their support of CF in the form of increased tax revenue and savings associated with avoided social costs.

Worthwhile public projects often generate negative taxpayer perspective returns, because the role of government is to provide services that the public wants but that the business sector may find unprofitable. Considerable funds are spent on public parks, for example, yet they yield little or no direct return. From a taxpayer perspective, returns are negative, though the park is justified by the benefits tracked under the social perspective.

But unlike most government endeavors, funding for CF generates strong results from both the social and taxpayer perspectives. Economists generally assume a 3 percent discount rate in analyzing government investments, assuming that governments can obtain unsecured loans at a rate of 3 percent or receive a 3 percent return on any excess funds, if they were invested. Since CF’s taxpayer rate of return of 9.2 percent is greater than 3 percent, state and local governments actually make money on the investment. By funding the college, therefore, other recipients of state and local funding are actually subsidized through the revenues generated by the college.
The activities of CF’s 2010-2011 student body will generate about $21 million in labor income in the state economy each year.

Once CF’s current students become active in the workforce, they will promote business output, raise consumer spending, and increase property income in the state. All of this contributes an additional $10.8 million in taxable income each year.

Altogether, higher student income and associated effects on business productivity add $31.9 million in income annually to the state economy.

Education is statistically correlated with improved lifestyle behaviors, including reduced incidences of absenteeism, alcohol abuse, and smoking, lower probability of committing crime, and fewer welfare and unemployment claims.

It is estimated that CF’s 2010-2011 student population will generate social savings to the Florida public equal to $2.7 million a year.

These savings accrue to all state and local residents — students, homeowners, businesses and taxpayers.

An estimated 93 percent of CF students remain in Florida and contribute to economic growth. Students who enter the workforce expand the tax base by generating higher earnings and reducing social costs.

Higher student earnings and associated increases in property income generate about $3.5 million in added tax revenue each year.

State and local governments will save approximately $223,000 in avoided social costs each year, including savings associated with improved health, lower costs of law enforcement, and fewer welfare claimants.

State and local governments allocated about $25.7 million in support of CF in fiscal year 2010-2011.

For every dollar appropriated by state and local governments to CF, taxpayers will see a return with a cumulative added value of $2.40 in the form of higher tax revenues and avoided social costs.

State and local governments will receive a rate of return of 9.2 percent on their investments in CF.