SUFFOLK COUNTY COMMUNITY COLLEGE AND THE TAXPAYER PERSPECTIVES

Suffolk County Community College's narrow taxpayer perspective rate of return of 17.0% is considerably greater than the threshold value of 4.0%, signifying that the state government actually makes money on the investment—the college contributes more money to the state treasury than it takes out.

Suffolk County Community College considers the return on investment from two taxpayer perspectives: broad and narrow. The broad perspective counts all benefits regardless of recipient, while the narrow perspective counts only benefits that accrue back to state or local government in the form of book or accounting revenues. Note that the narrow perspective is the accounting stance of the private sector: revenues on one side of the books, costs on the other, and profits equaling the difference. The CCbenefits model indicates that Suffolk County Community College is a uniquely attractive investment for state and local governments. This finding is clearly indicated from the results of the narrow taxpayer perspective investment analysis. To better appreciate this finding, we develop these two perspectives more fully below.

BROAD INVESTMENT PERSPECTIVE

The effectiveness of government programs is often expressed through the use of a benefit/cost ratio. A ratio less than one indicates that a public project is not worthwhile, whereas a project with a benefit/cost ratio greater than one is considered to be an economically sound investment. Consider some examples: A transportation authority promotes a new road or bridge by demonstrating that savings in travel time and vehicle expenses greatly exceed the project's cost. Another example: the success of a government program aimed at revitalizing a depressed economy is said to be demonstrated when the incomes created by the program greatly exceed the cost. In still a third example, expenditures on public parks are sometimes justified by showing that the value of the recreation, including scenic and other values that accrue to park users, exceeds the public outlay for park construction, operation, and the cost of extractive resources not used. In all these cases, note that overall benefits are counted and not just those that accrue back to state or local government. This is the hallmark of the broad benefit/cost (i.e., investment) perspective.

The broad investment perspective imbedded in the CCbenefits model measures a diverse collection of benefits generated by community and technical colleges, including the increased earnings of students plus external benefits associated with savings on health care, reduced expenditures on crime (e.g., prosecution, incarceration and victim costs), reduced welfare and unemployment expenditures, and costs associated with absenteeism from work. These benefits accrue to different publics such as students, employers, victims of crime, the federal government, and state and local taxpayers. The broad perspective tallies this varied collection of benefits and measures this against the outlays of state and local government. State and local government taxpayers can view a broad perspective benefit/cost ratio greater than 1.0 as a minimal indicator of a worthwhile public investment.

NARROW INVESTMENT PERSPECTIVE

Among the benefits tracked under the broad perspective is a subset that accrues to state and local governments. A portion of higher student earnings will be captured by state and local governments in the form of added tax receipts. Additionally, because state and local governments bear part of the cost of crime, their budgets benefit from education-induced crime reductions. The same holds in varying degrees for the other assorted benefits of an educated populace. The bottom line: while state and local governments spend money in support of Suffolk County Community College, they receive benefits in the form of increased tax receipts and an assortment of reduced expenditures or avoided social costs. The narrow investment perspective counts only benefits that can be entered into the books of state and local governments.

Worthwhile public projects routinely generate negative narrow perspective returns. Generally, the role of government is to provide services that the public wants, but the business sector finds unprofitable. Considerable funds are spent on public parks, for example, yet except for entry fees and some concessionaire or special events receipts, no moneys directly return to the state or local taxpayers. From a narrow investment perspective, taxpayer returns are negative, and the park is justified by the benefits tracked under the broad perspective.

An important finding of the CCbenefits analysis of Suffolk County Community College is that the results are not only strong from the broad perspective but, unlike most government endeavors, the taxpayer investments generate strong results from the narrow investment perspective as well. Economists generally assume a 4.0% discount rate in analyzing government projects, assuming that governments can obtain unsecured loans at a rate of 4.0% or receive a return of 4.0% on any excess funds were they to be invested. **Since Suffolk County Community College's narrow taxpayer perspective rate of return of 17.0% is substantially greater than 4.0%, the state government actually makes money on the investment—the college puts more money back into the state treasury than it takes out.** By funding the college, therefore, other beneficiaries of state funding are actually subsidized through the revenues generated by the college.