

# The Economic Value of New Jersey's Community Colleges





**N**EW JERSEY'S COMMUNITY COLLEGES\* (NJ's Community Colleges) create value in many ways. The colleges play a key role in helping students increase their employability and achieve their individual potential. The colleges draw students to the state, generating new dollars and opportunities for New Jersey. The colleges provide students with the education, training, and skills they need to have fulfilling and prosperous careers. Furthermore, the colleges are places for students to meet new people, increase their self-confidence, and promote their overall health and well-being.

NJ's Community Colleges influence both the lives of students and the state economy. The colleges support a variety of industries in New Jersey, serve businesses in the state, and benefit society as a whole in New Jersey from an expanded economy and improved quality of life. Additionally, the benefits created by NJ's Community Colleges extend to the state and local government through increased tax revenues and public sector savings.

This study measures the economic impacts created by NJ's Community Colleges on the business community and the benefits the colleges generate in return for the investments made by their 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 colleges, for fiscal year (FY) 2023-24. Impacts on the New Jersey economy 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 New Jersey are reported under the investment analysis.



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\* New Jersey's Community Colleges consist of 18 institutions.



# Economic impact analysis

NJ's Community Colleges promote economic growth in New Jersey through their direct expenditures and the resulting expenditures of students and businesses in the state. The colleges serve as employers and buyers of goods and services for their day-to-day and construction operations. The colleges' activities attract students from outside New Jersey, whose expenditures benefit state vendors. In addition, the colleges are primary sources of higher education to New Jersey residents and suppliers of trained workers to state industries, enhancing overall productivity in the state workforce.

## Operations spending impact



NJ's Community Colleges add economic value to New Jersey as employers of state residents and large-scale buyers of goods and services. In FY 2023-24, the colleges employed 14,807 full-time and part-time faculty and staff, 93% of whom lived in New Jersey. Total payroll at NJ's Community Colleges was \$770.3 million, much of which was spent in the state on groceries, mortgage and rent payments, dining out, and other household expenses. In addition, the colleges spent \$499.2 million on expenses related to facilities, supplies, and professional services (excluding construction).

The operations spending of NJ's Community Colleges added **\$833.3 million** in income to the state during the analysis year. This figure represents the colleges' payroll, the multiplier effects generated by the in-state spending of the colleges and their employees, and a downward adjustment to account for funding that the colleges received from state sources. The \$833.3 million in added income is equivalent to supporting **14,857 jobs** in the state.

## Construction spending impact



NJ's Community Colleges invest in construction each year to maintain facilities, create additional capacities, and meet growing educational demands. While the amount varies from year to year, these quick infusions of income and jobs have a substantial impact on the state economy. In FY 2023-24, the construction spending of NJ's Community Colleges generated **\$35.1 million** in added income, which is equivalent to supporting **334 jobs**.

### Impacts created by NJ's Community Colleges in FY 2023-24



Operations spending impact

**\$833.3 million**

+



Construction spending impact

**\$35.1 million**

+



Student spending impact

**\$206.9 million**

+



Alumni impact

**\$11.7 billion**



Total economic impact

**\$12.8 billion**

OR



Jobs supported

**135,492**



## Student spending impact



Around 5% of students attending NJ's Community Colleges originated from outside the state in FY 2023-24, and some of these students relocated to New Jersey to attend the colleges. These students may not have come to the state if the colleges did not exist. In addition, some in-state students, referred to as retained students, would have left New Jersey if not for the existence of NJ's Community Colleges. While attending the colleges, these relocated and retained students spent money on groceries, accommodation, transportation, and other household expenses. This spending generated **\$206.9 million** in added income for the state economy in FY 2023-24, which supported **2,732 jobs** in New Jersey.

## Alumni impact



The education and training the colleges provide for state residents has the greatest impact. Since the colleges were established, students have studied at NJ's Community Colleges and entered the state workforce with greater knowledge and new skills. Today, hundreds of thousands of former students of the colleges are employed in New Jersey. As a result of their education from the colleges, the students receive higher earnings and increase the productivity of the businesses that employ them. In FY 2023-24, alumni of NJ's Community Colleges generated **\$11.7 billion** in added income for the state economy, which is equivalent to supporting **117,569 jobs**.

## Total impact

NJ's Community Colleges added **\$12.8 billion** in income to the New Jersey economy during the analysis year, equal to the sum of operations and construction spending impacts; the student spending impact; and the alumni impact. For context, the \$12.8 billion impact was equal to approximately **1.6%** of the total gross state product (GSP) of New Jersey. This contribution that the colleges provided on their own is greater than the entire Utilities industry in the state.

NJ's Community Colleges' total impact can also be expressed in terms of jobs supported. The \$12.8 billion impact supported **135,492 state jobs**, using the jobs-to-sales ratios specific to each industry in the state. This means that one out of every 46 jobs in New Jersey is supported by the activities of the colleges and their students. In addition, the \$12.8 billion, or 135,492 supported jobs, stemmed from different industry sectors. For instance, among non-education industry sectors, the spending of NJ's Community Colleges and their students and the activities of their alumni in the Health Care & Social Assistance industry sector supported 20,535 jobs in FY 2023-24. If the colleges did not exist, these impacts would not have been generated in New Jersey.

### NJ's Community Colleges impact by industry (jobs supported)



20,535

Health Care & Social Assistance



15,589

Retail Trade



13,397

Real Estate & Rental & Leasing



9,539

Professional & Technical Services



7,324

Government, Non-Education

**One out of every 46 jobs** in New Jersey is supported by the activities of the colleges and their students.





# Investment analysis

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

## Student perspective

 In FY 2023-24, NJ's Community Colleges served over 251,000 students. For the purposes of this analysis, approximately 228,000 students are included due to data limitations for students in open enrollment non-credit and/or customized workforce training. In order to attend the colleges, 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 students of NJ's Community Colleges in FY 2023-24 amounted to a present value of \$897.9 million, equal to \$472.6 million in out-of-pocket expenses (including future principal and interest on student loans) and \$425.3 million in forgone time and money.

In return for their investment, students will receive a stream of higher future earnings that will continue to grow throughout their working lives. For example, the average associate degree graduate from one of the colleges in FY 2023-24 will see annual earnings \$10,100 higher than a person with a high school diploma or equivalent working in New Jersey. Over a working lifetime, the benefits of an associate degree over a high school diploma will amount to an undiscounted value of \$424.2 thousand in higher earnings per graduate. The present value of the cumulative higher future earnings that the colleges' FY 2023-24 students will receive over their working careers is \$3.9 billion.

### Students see a high rate of return for their investment in NJ's Community Colleges



Average annual return for NJ's Community Colleges students  
**14.9%**



Stock market 30-year average annual return  
10.9%

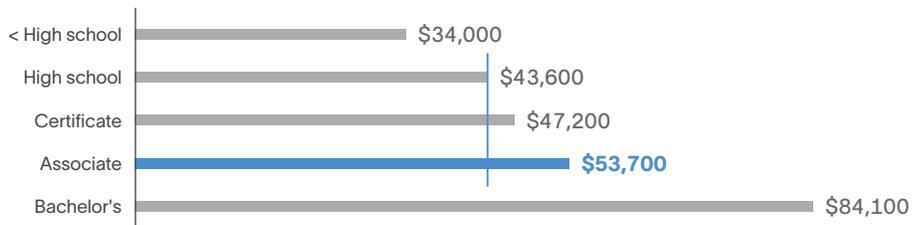


Interest earned on savings account (national deposit rate)  
0.5%

Source: Forbes' S&P 500, 1994-2025; FDIC.gov, January 2024

### Average earnings by education level at career midpoint

The average associate degree graduate from NJ's Community Colleges will see an increase in earnings of **\$10,100** each year compared to a person with a high school diploma or equivalent working in New Jersey.



Source: Lightcast employment data

The students' benefit-cost ratio is 4.3. In other words, for every dollar students invest in an education at a New Jersey College in the form of out-of-pocket expenses and forgone time and money, they will receive a cumulative value of \$4.30 in higher future earnings. Annually, the students' investment in NJ's Community Colleges has an average annual internal rate of return of 14.9%, which is impressive compared to the U.S. stock market's 30-year average rate of return of 10.9%.

## Taxpayer perspective



NJ's Community Colleges generate more tax revenue than they receive. 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 the colleges' students 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 FY 2023-24 students' working lives, the state and local government will have collected a present value of \$1.3 billion in added taxes.

Benefits to taxpayers will also consist of savings generated by the improved lifestyles of students attending NJ's Community Colleges and the corresponding reduced government services. Education is statistically correlated with a variety of lifestyle changes. The education that 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. The colleges' 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 New Jersey Council of County Colleges for a copy of the main report. Altogether, the present value of the benefits associated with education through NJ's Community Colleges will generate \$411.6 million in savings to state and local taxpayers.

For every dollar of public money invested in NJ's Community Colleges, taxpayers will receive a cumulative value of **\$2.60** over the course of the students' working lives.



Total taxpayer benefits amount to \$1.7 billion, the present value sum of the added tax revenue and public sector savings. Taxpayer costs are \$665.1 million, equal to the amount of state and local government funding NJ's Community Colleges received in FY 2023-24; a portion of this funding went directly to students through state financial aid programs. These benefits and costs yield a benefit-cost ratio of 2.6. This means that for every dollar of public money invested in NJ's Community Colleges in FY 2023-24, taxpayers will receive a cumulative present value of \$2.60 over the course of the students' working lives. The average annual internal rate of return for taxpayers is 6.7%, which compares favorably to other long-term investments in the public sector.

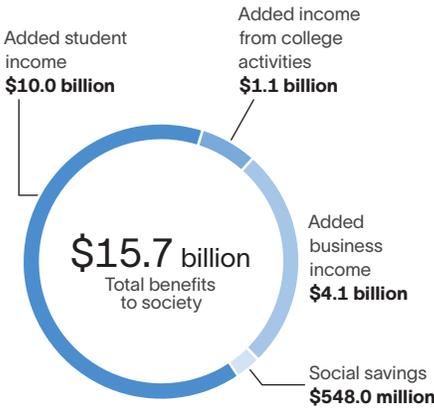
### Social perspective



Society as a whole in New Jersey benefits from the presence of NJ's Community Colleges 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 New Jersey.

Benefits to society also consist of the savings generated by the improved lifestyles of the colleges' 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 New Jersey Council of County Colleges for a copy of the main report.

Social benefits in New Jersey from NJ's Community Colleges



Source: Lightcast impact model



Altogether, the social benefits of NJ's Community Colleges equal a present value of \$15.7 billion. These benefits include \$10.0 billion in added student income, \$4.1 billion in added business income, \$1.1 billion in added income from college activities, as well as \$548.0 million in social savings related to health, the justice system, and income assistance in New Jersey. People in New Jersey invested a present value total of \$2.0 billion in NJ's Community Colleges in FY 2023-24. The cost includes all the colleges' expenditures and student costs.

The benefit-cost ratio for society is 8.0, equal to the \$15.7 billion in benefits divided by the \$2.0 billion in costs. In other words, for every dollar invested in NJ's Community Colleges, people in New Jersey will receive a cumulative value of \$8.00 in benefits. The benefits of this investment will occur for as long as the colleges' FY 2023-24 students remain employed in the state workforce.

## Summary of investment analysis results

The results of the analysis demonstrate that NJ's Community Colleges are 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 through NJ's Community Colleges. At the same time, taxpayers' investment in NJ's Community Colleges returns more to government budgets than it costs and creates a wide range of social benefits throughout New Jersey.

### Summary of investment analysis results

 Student perspective		 Taxpayer perspective		 Social perspective	
Present value benefits <b>\$3.9 billion</b>		Present value benefits <b>\$1.7 billion</b>		Present value benefits <b>\$15.7 billion</b>	
Present value costs <b>\$897.9 million</b>		Present value costs <b>\$665.1 million</b>		Present value costs <b>\$2.0 billion</b>	
Net present value <b>\$3.0 billion</b>		Net present value <b>\$1.1 billion</b>		Net present value <b>\$13.8 billion</b>	
Benefit-cost ratio	Rate of return	Benefit-cost ratio	Rate of return	Benefit-cost ratio	Rate of return
4.3	14.9%	2.6	6.7%	8.0	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.

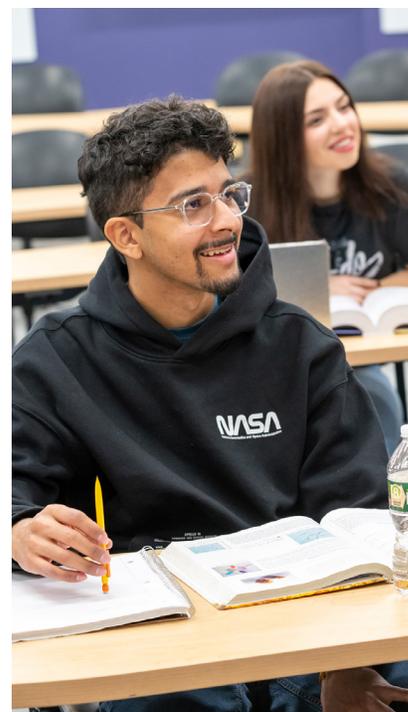
# Conclusion

*The results of this study demonstrate that NJ's Community Colleges create value from **multiple perspectives**.*

The colleges benefit businesses in the state by increasing consumer spending in the state and supplying a steady flow of qualified, trained workers to the workforce. NJ's Community Colleges enrich the lives of students by raising their lifetime earnings and helping them achieve their individual potential. The colleges benefit state and local taxpayers through increased tax receipts and a reduced demand for government-supported social services. Finally, NJ's Community Colleges benefit society as a whole in New Jersey 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 the colleges, 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 New Jersey Council of County Colleges for a copy of the main report.



Lightcast provides colleges and universities with labor market data that help create better outcomes for students, businesses, and communities. Our data, which cover more than 99% of the U.S. workforce, are compiled from a wide variety of government sources, job postings, and online profiles and résumés. Hundreds of institutions use Lightcast to align programs with regional needs, drive enrollment, connect students with in-demand careers, track their alumni's employment outcomes, and demonstrate their institution's economic impact on their region. Visit [lightcast.io/solutions/education](https://lightcast.io/solutions/education) to learn more or connect with us.

