Analysis of the Economic Impact and Return on Investment of the American Indian Graduate Center

THE ECONOMIC VALUE OF SCHOLARSHIPS PROVIDED BY THE AMERICAN INDIAN GRADUATE CENTER

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EXECUTIVE SUMMARY
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With every passing year, the value of higher education in the workplace increases, and those who do not have access to college and university fall farther behind. This is especially true for American Indian and Alaska Native populations, who face unique challenges as they pursue post-secondary education. The American Indian Graduate Center (AIGC) works to remove these obstacles and increase access to higher education for American Indians and Alaska natives through advocacy, funding, and the provision of scholarships at every level of higher education.

The value of AIGC influences both the lives of American Indian students and the national economy. The AIGC scholarship recipients serve a range of industries in the United States (U.S.), supports businesses, and benefits society as a whole in the U.S. from an expanded economy and improved quality of life.

This study investigates the economic impacts created by AIGC scholarship recipients on the business community and the benefits received by AIGC scholarship recipients and the U.S. society as a whole. The following two analyses are presented:

- Economic impact analysis
- Investment analysis

All results reflect scholarship recipient data for fiscal year (FY) 2016-17. Impacts on the national business community are reported under the economic impact analysis. Results are measured in terms of added income and jobs supported. In addition, the return to scholarship recipients for their investment as well as the benefits U.S. taxpayers and society as a whole will receive from these scholarship recipients is measured under the investment analysis. Both analyses are described more fully in the following sections.
Economic impact analysis

Since the center was first established, nearly five decades ago, it has been serving the U.S. by enhancing the workforce and providing American Indians the opportunities to pursue higher education, thus preparing them for highly-skilled, technical professions. In total, it has provided more than 16,000 scholarships, representing the distribution of more than $200 million.

**SCHOLARSHIP RECIPIENT IMPACT**

Over the years, AIGC scholarship recipients gained new skills by attending college or university, making them more productive workers. Today, thousands of these former scholarship recipients are employed in the U.S. These recipients are making more money than had they not attended college or university. This initial round of income creates spending across other businesses throughout the national economy, resulting in the commonly referred to multiplier effects.

This analysis shows that in fiscal year (FY) 2016-17, the accumulated impact of the AIGC scholarship recipients who are currently employed in the U.S. workforce amounted to $349.4 million in added income to the U.S. economy, which is equivalent to supporting 5,844 jobs.
Investment analysis

In FY 2016-17, AIGC provided $2.7 million in scholarships to 643 American Indian students, affecting the lives of many people. The most obvious beneficiaries are the center’s scholarship recipients. Even though most of the recipients would not have been able to attend college or university if not for the support from AIGC, recipients still give up time and money. In return, they receive a lifetime of higher wages and improved quality of life. But the benefits do not stop there. As recipients earn more, communities and citizens throughout the U.S. benefit from an enlarged economy and a reduced demand for social services.

SCHOLARSHIP RECIPIENT PERSPECTIVE

Even the scholarship recipients receive financial aid from AIGC, recipients still invest their own money and time into their education to pay for tuition, books, and supplies. While some scholarship recipients were employed while attending, recipients overall forewent earnings that they would have generated had they been in full employment instead of learning. Summing these direct outlays and opportunity costs yields a total of $24 million in present value costs.

The present value of the higher future earnings that AIGC’s scholarship recipients will receive over their working careers is $157 million. Dividing this value by the $24 million in present value costs yields a benefit-cost ratio of 6.5. In other words, for every dollar recipients invest in their education in the form of out-of-pocket expenses and forgone time and money, they receive a cumulative of $6.50 in higher future earnings. The average annual rate of return for scholarship recipients is 16.3%. This is an impressive return, especially when compared to the 30-year average 10.1% return to the U.S. stock market (Figure 2).

TAXPAYER PERSPECTIVE

AIGC generates more in tax revenue than it takes. These benefits to taxpayers consist primarily of taxes that the state and federal governments will collect from the added revenue created in the U.S. As AIGC scholarship recipients earn more, they will make higher tax payments. Employers will also make higher tax payments as they increase their output and purchase more supplies and services. By the end of the FY 2016-17 recipients’ working careers, the state and federal governments will have collected a present value of $26.6 million in added taxes.

Benefits to taxpayers also consist of the savings generated by the improved lifestyles of scholarship recipients and the proportionally reduced government expenditures.
Education is statistically correlated with a variety of lifestyle changes that generate taxpayer savings across three main categories: 1) health, 2) crime, and 3) unemployment. Improved health habits lower the recipients’ demand for national health care services. Recipients are also less likely to commit crimes, so the demand for law enforcement and criminal justice services is reduced (study references are available in the main report). They are also more employable, so the demand for welfare and unemployment benefits, such as earnings assistance and welfare benefits, is reduced. All of these benefits associated with increased education will generate a present value of $5 million in savings to state and federal taxpayers.

Total benefits to taxpayers equal $31.6 million, equal to the sum of the added taxes and public sector savings. Comparing this to the taxpayer costs of $4.3 million—equal to the funding that AIGC received from the federal government during the analysis year—yields a benefit-cost ratio of 29.4. This means that for every dollar of public money invested in AIGC, taxpayers receive a cumulative value of $29.40 over the course of the scholarship recipients’ working lives. The average annual rate of return is 27.2%, a solid investment that compares favorably with other long-term investments in both the private and public sectors.

**SOCIAL PERSPECTIVE**

AIGC scholarship recipients aren’t only benefiting themselves by attending college or university; they are benefiting the U.S. as a whole. Society as a whole within the U.S. benefits from the presence of AIGC in two major ways. The first and largest benefit that society receives is an increased economic base. This stems from the scholarship recipients’ higher earnings and increased business output. This raises prosperity in the U.S. and expands the economic base for society as a whole.

Benefits to society also consist of the savings generated by the improved lifestyles of the recipients. Education is statistically correlated with a variety of lifestyle changes that generate social savings. Health savings include avoided medical costs associated with smoking, alcoholism, obesity, drug abuse, and mental disorders. Crime savings include reduced security expenditures and insurance administration, lower victim costs, and reduced criminal justice system expenditures. Unemployment savings include the reduced employer contributions towards unemployment claims.

Figure 3 shows the present value of the higher earnings and social savings that will occur in the U.S. over the working lifetime of the FY 2016-17 scholarship recipients. Higher earnings amount to a present value of $449.9 million due to the increased lifetime earnings of recipients and associated increases in business output. Social savings amount to $12.5 million, the sum of health, crime, and unemployment savings in the U.S. Altogether, total benefits to society equal $462.3 million (in present value terms).

Society invested a present value of $27.3 million in AIGC in FY 2016-17. This includes all revenue received by AIGC, all scholarship recipient expenditures, and all recipi-
ent opportunity costs. For every dollar of this investment, society as a whole in the U.S. will receive a cumulative value of $16.90 in benefits, equal to the $462.3 million in benefits divided by the $27.3 million in costs. These benefits will occur for as long as FY 2016-17 scholarship recipients remain employed in the U.S. workforce.

ABOUT THE STUDY

Data and assumptions used in the study are based on several sources, including the FY 2016-17 academic and financial reports from AIGC, industry and employment data from the U.S. Bureau of Labor Statistics and U.S. Census Bureau, outputs of Emsi’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 investment effectiveness and economic impact. For a full description of the data and approach used in the study, please contact AIGC for a copy of the main report.

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