

# The Economic Returns to Investments in College through the UNCF

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Helping students complete college is an investment in the future. Students who finish college will have higher earnings, experience better health, be more economically independent, and be less likely to be involved in the criminal justice system. These graduates will pay more in taxes and use fewer government health and welfare services; and firms will have access to a more skilled workforce.

Yet, many students cannot make this investment by themselves: they have few educational opportunities beyond high school and limited financial resources or family supports to pay for college. The UNCF is an investment fund that helps students complete college and this fund yields a high return to its investors.

It is possible to calculate the returns to investments in college for UNCF investors. These returns include not just the extra earnings of college graduates but also the full social and fiscal benefits of having more persons with a college education. Counting all these benefits is the best way to evaluate a social investment.

Using research evidence and national data up to 2012, we estimate lifetime profiles for college completers and for high school graduates. The difference is the 'return to college' for a UNCF investor: the social value that is generated when UNCF students are able to complete college.\*

We express this investment return in three ways:

- **Present value lump sum benefits from college**

*The total value of resource generated for each person who completes college; it is a lump sum value on the UNCF student's first day of college (equivalent to a certificate of deposit)*

- **Ratio of the lump sum benefits to the cost of investing in college**

*The social dollar return from every dollar invested in college for a UNCF student*

- **Annual interest rate from investments in college**

*The rate of interest UNCF investors would get from a social investment fund*

***The economic return to college is calculated like a stock return but using social values: the full lifetime benefits to society of college net of the initial investment (college costs).***

## The Returns to Completing College over High School Graduation

	Four-year BA/BS college degree		Two-year or four-year college award	
Gross earnings	\$503,620	68%	\$257,220	66%
Crime	\$74,580	10%	\$54,040	14%
Health	\$94,490	13%	\$46,090	12%
Other benefits	\$63,400	9%	\$34,290	9%
<i>Total lump sum benefit</i>	<i>\$736,090</i>		<i>\$391,640</i>	
<i>Upfront investment in college</i>	<i>\$72,020</i>		<i>\$47,760</i>	
<b>Lump sum benefit minus investment</b>	<b>\$664,070</b>		<b>\$343,880</b>	
<b>Ratio: lump sum benefit over investment</b>	<b>10.2</b>		<b>8.2</b>	
<b>Rate of return to college</b>	<b>26.5%</b>		<b>23.9%</b>	

*Notes:* Values to nearest \$10, in 2012 dollars, and expressed as present values using  $d=3.5\%$ . Gross earnings include additional tax payments and productivity growth. Crime: savings in policing, criminal justice system, corrections, victim losses, and avoidance expenses. Health: savings in federal and state government health programs and private health gains. Other benefits: administrative savings to welfare programs; productivity spillovers; and tax burden savings. For further details and sources, see Technical Appendix.

For investments in each student who completes a four-year BA/BS degree:

- The present value benefit is \$736,090 – this is the total social value of resource generated by the investment
- The ratio of benefits to costs is 10.2 – for every ten dollars invested in a student who completes college the investor yields a social return of \$102
- The rate of return to college is 26.5% - investments in college degrees pay this implicit social interest rate

Not all students will want to complete a four-year degree. Based on current college programs, for investments in each student who completes either a two-year or four-year award:

- The present value benefit is \$391,640 – this is the total social value of resource generated by the investment
- The ratio of benefits to costs is 8.2 – for every ten dollars invested in a student who completes college the investor yields a social return of \$82
- The rate of return to college is 23.9% - investments in these awards pay this implicit social interest rate

\* The full economic method used to calculate these returns is given in a Technical Appendix.