TAXPAYER PERSPECTIVES: CAMOSUN COLLEGE

Provincial and local taxpayers earn 15.8% rate of return on their investment in Camosun College.

The verdict is in: Camosun College adds more money to the provincial treasury than it takes out. Not only does the college pull its own weight, but it also effectively subsidizes other sectors funded by the taxpayers. Absent Camosun, taxes would actually have to be raised in order to maintain services in all other sectors at their current levels.

The return on investment is considered from two taxpayer perspectives: broad and narrow. These are developed more fully below.

Broad Investment Perspective

In the broad perspective all benefits are added together regardless of recipient and compared to the investment made in the form of a benefit/cost ratio. If the ratio is less than one, the investment is not worthwhile; if it is greater than one, the investment can be considered sound.

Some examples: a transportation authority justifies a new road by showing that savings in travel time and vehicle expenses accrued to thousands of drivers exceed the project's cost. Public parks are justified by showing that recreation, scenic and other values accruing to park users exceed the public outlay for park infrastructure, operation, and the net value of extractive resources not used. All benefits are counted, not just those that return to provincial and local government. This is the hallmark of the broad investment perspective.

Applying this perspective to Camosun, the impacts of the college benefit different publics, whether students, businesses, or society as a whole. For example, students benefit from higher earnings as long as they are in the workforce, while the public at large benefits from an expanded economy and an assortment of external social benefits (e.g., reduced crime, fewer welfare and unemployment claims, and improved health). All of these are tallied up and compared to the investments made by provincial and local government, or the taxpayers. A broad perspective benefit/cost ratio greater than 1.0 is a minimal indicator of a worthwhile public investment.

Camosun College's benefit/cost ratio thus counted is 24. In other words, the cumulative added value attached to each dollar invested will have a present value of $24 by the end of the students' working career.

Narrow Investment Perspective

The narrow investment perspective counts only benefits that can be entered into the books of provincial and local government. For example, a portion of higher student earnings will be captured by provincial and local government in the form of added tax receipts. Additionally, because provincial and local government bears part of the cost of crime, its budget benefits from education-induced crime reductions. The same holds in varying degrees for the other assorted benefits of an educated populace. The bottom line: while provincial and local government invests money in Camosun College, it receives benefits in the form of increased revenue and an assortment of reduced expenditures or avoided social costs.

Generally, the role of government is to provide services that the public wants or needs, but in many cases these projects generate returns that the business sector considers unprofitable. Taxpayer dollars are spent on public parks, for example, yet except for entry fees and some concessionaire or special events receipts, no monies directly return to provincial and local taxpayers. From a narrow investment perspective, taxpayer returns are negative, and the park is justified by the benefits tracked under the broad perspective.

The important finding of this analysis 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 perspective as well. Economists generally assume a 4.0% discount rate in analyzing government investments, 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 Camosun's narrow rate of return of 15.8% is greater than 4.0%, we conclude that the provincial government actually makes money on the investment.** By funding the college, therefore, other beneficiaries of provincial funding are actually subsidized through the revenues generated by the college.