

Payoffs for State Economies

By Brenda Bautsch

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In the aftermath of the Great Recession, states are attempting to revitalize their economies. A traditional way to do that is to assess the state's human capital: Who is in the workforce? What skills do those workers have? Do these skills meet state job needs? Are workers attracting new businesses to the state because of their highly desirable skill sets?

A report by the Georgetown University Center on Education and the Workforce tries to help states answer these important questions by forecasting economic trends. The report finds that an increasing number of jobs now require some form of training or education beyond high school. By 2018, 33 percent of the country's jobs will require at least a bachelor's degree, and 29 percent will require some college, a certificate or an associate's degree. At the current rate of college completion, the nation will be short by 3 million degrees.¹ The jobs that require postsecondary degrees are high-skilled and high-paying—the type that bring a great return on investment to a state's economy.

According to CEOs for Cities, a group of urban leaders who promote city development, if the nation's top 51 metropolitan areas increased the percentage of adults with a college degree by just 1 percent, the nation would see an increase in per capita income of \$124 billion a year. This is due to the fact that someone with a college diploma earns about twice as much—\$25,000 more annually—than someone who has only a high school diploma. Given an average career of 40 years, this translates into an extra \$1 million in earnings for a college graduate.

Higher incomes mean higher tax revenues for states.

College graduates pay more in income and sales taxes and depend less on social service programs

such as food stamps and Medicaid. States save an average of \$1,377 annually in Medicaid costs for every person with a college degree.² States also spend less on unemployment benefits. The unemployment rate for bachelor's degree holders in June 2011 was 4.4 percent, compared to the overall jobless rate of 9.2 percent.³

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Attainment Gaps

To meet workforce demands, stimulate the economy and reap the social benefits of college-educated citizens, states are working to help more residents attend and graduate from college. In particular, states are focusing on closing the significant achievement gaps between minorities and whites. This brief focuses on the success of Latino students, who are the fastest-growing population group and the least successful in the education system.





Latino adults ages 25 to 64 have the lowest educational achievement of any U.S. population group. Only 19 percent hold a two- or four-year college degree, compared to 26 percent of African Americans and 42 percent of whites.⁴

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At the same time, the 2010 census revealed that the Latino population is growing faster than many predicted. According to census data, the U.S. population increases by four people each minute, and two of the four are Latino.

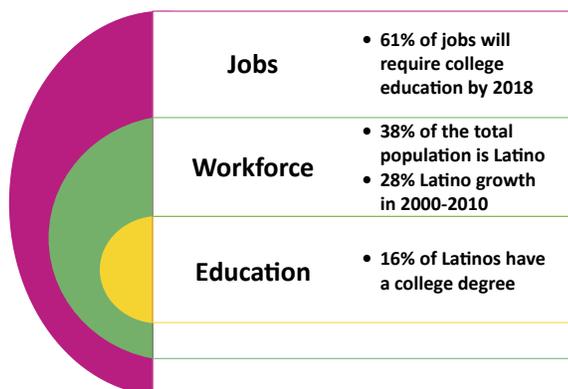
The younger generation of Latinos represents much of the growth. Nationally, Latinos make up 22 percent of students in public elementary and secondary schools. In California, New Mexico and Texas, Latino students surpassed the 50 percent mark and now are in the majority in the states' K-12 public schools.⁶ Census data projects that, by 2020, Latinos will represent almost one-quarter of young adults ages 18 to 29. The growing number of young Latinos means they will make up a greater share of the workforce in the near future, which is an important reason why policymakers need to intentionally target college completion efforts to the Latino population.

To bolster state economies, policymakers are focusing on ensuring that Latinos have the preparation to obtain jobs in high-demand, high-paying fields and become positive contributors to the economy. In addition to being a large and growing segment of the population, Latino college students also are much more likely than white students to have low incomes. Thus, Latino students potentially have the most to gain from a college education. Helping Latinos successfully complete a postsecondary education and be able to earn higher wages positively affects individual living standards, and state economies will reap the benefits of this increased worker productivity.

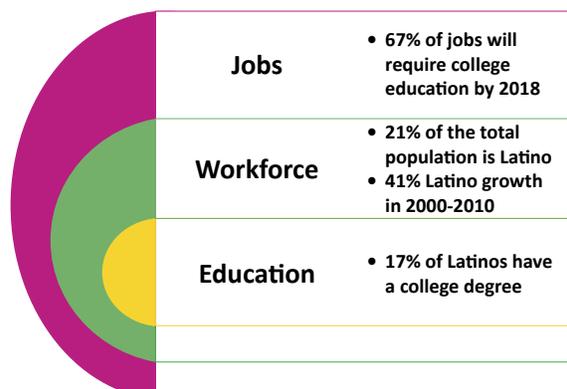
Where do states stand now?

The Latino population is growing everywhere, which makes improving postsecondary completion an important issue for all states. Currently, however, some states have much larger Latino populations than others. California, Colorado, Florida and Texas account for 57 percent of the nation's Hispanic population.⁷ This brief provides a snapshot of these states in terms of job forecasts, workforce profiles and education levels. In California, for example, 61 percent of jobs will require some postsecondary education by 2018.⁸ According to the 2010 census, 38 percent of the total population reported they are of Hispanic or Latino origin, which is one indicator of the state's workforce make-up. Between

California



Colorado



2000 and 2010, California’s Latino population grew by 28 percent.⁹ Of the Latinos in the state who are over age 25, only 16 percent have a college degree.¹⁰ (For data on all 50 states, please see the interactive map on the NCSL Web page: Latino Education and Workforce.)

Strategies to Link Higher Education and Economic Development

Policymakers are acting to guarantee that their state is well-positioned to meet current and future workforce demands. States are ensuring that all citizens, including Latinos, receive the necessary education and training to thrive in an increasingly knowledge-based economy. States also are investing in high-demand fields that will have a large return for both the individual and the state. The following examples highlight broad-based actions state legislatures have taken to better align higher education with economic development.

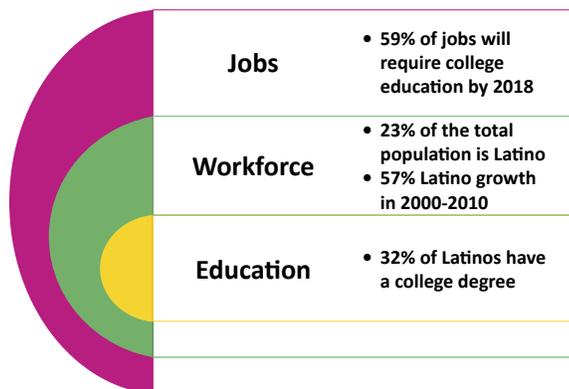
Georgia

The Georgia Work Ready program was created in 2006 by Governor Sonny Perdue and the Georgia Chamber of Commerce to help job seekers improve their skills and find employment and to spur economic growth in the state. The program, administered by the Governor’s Office of Workforce Development, partners with the Technical College System of Georgia to provide computer training courses, skills gap training, job profiling, help with on-line job applications, and skills assessments—all free of charge. Georgia House Bill 500 (Act 93), enacted in 2011, authorizes the Georgia Work Ready program to continue operations using federal funding sources. The legislation requires the state Department of Labor to disseminate information about the program to those receiving unemployment benefits, and it requires the state Department of Economic Development to promote the program to businesses and industry. The law also calls for a yearly evaluation of the program.¹¹

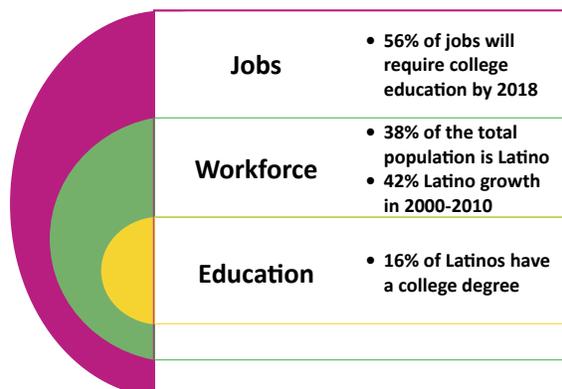
Kansas

Governor Sam Brownback proposed a University Economic Growth initiative during his 2011 state-of-the-state speech, and the Kansas Legislature then enacted the proposal in an appropriations bill. The initiative aims to foster job growth by funding university programs in aviation (at Wichita State University), cancer research (at the University of Kansas) and animal health (at Kansas State University). Legislators are investing in these high-tech programs to promote research and attract businesses to the state. Each university will receive \$5 million a year for three years and are required to match the state’s funding dollar for dollar by raising private funds.

Florida



Texas





The Kansas Legislature also passed the 2011 University Engineering Initiative Act (Senate Bill 127), which focuses on increasing the number of engineering graduates by 60 percent over 10 years. According to state legislators, local employers are struggling to find enough engineers in the state to fill jobs. To keep these employers from moving out of state and to stimulate economic growth in the engineering sector, the Legislature passed the initiative, which is funded by state casino gaming revenues. Kansas State University, the University of Kansas and Wichita State University will receive a share of \$10.5 million annually starting in 2013 to expand capacity at their engineering schools. The institutions must match the state funding.¹²

Maine

One concern for states regarding the return on investment for higher education is that, if a college graduate moves to a different state for a job, the original state loses its investment in the student's education. Opportunity Maine is an example of a state-created program to give students an incentive to remain in state after they graduate from college. The program provides tax credits to reimburse student loans for Maine residents who earn an associate's or bachelor's degree at a state college or university and continue to live, work and pay taxes in Maine.¹³

New Mexico

In 2010, New Mexico passed the Hispanic Education Act, which focuses on improving the educational success and postsecondary attainment for the state's Hispanic students. The main provisions of the bill follow.

- Establishes a "Hispanic Education Liaison" to focus on Hispanic education issues and policies. The liaison will contribute to development of a "five-year strategic plan," meant to close the achievement gap for Hispanic students. The liaison will serve as a resource for communities, encouraging creation of "equitable and culturally relevant" learning environments and instructional materials. The liaison also will work to foster ethnic diversity on school district committees.
- Creates the "Hispanic Education Advisory Council" to formally address the improvement of public schools and enhance community involvement and support for Hispanic education.
- Requires an annual statewide Hispanic education status report. The report will examine the current educational opportunities for Hispanic students from preschool through college. The status report will include various measures of Hispanic student achievement, including attendance rates, high school graduation rates, bilingual and multicultural programs, and college enrollment and completion rates.

Virginia

The Virginia Higher Education Opportunity Act of 2011, which passed the legislature unanimously, aims not only to increase the number of college graduates who are prepared for the top job opportunities, but also to reform and innovate how the state provides higher education. A study conducted by the Weldon Cooper Center for Public Service found that, for every \$1 Virginia invests in higher education, \$13 is generated in economic output. The clear return on investment helped the legislation garner widespread support.

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The act's provisions are centered around three main goals: improved economic opportunity, reform-based investment in higher education, and affordable access for low- and middle-income students.

Economic Opportunity

- Establishes a goal to confer an additional 100,000 degrees over the next 15 years.
- Creates a public-private partnership to increase degree attainment in high-demand science, technology, math and engineering (STEM) fields and in health care professions. The partnership will develop and implement strategies to improve STEM education in K-12 to better prepare students to study those fields in college. The partnership also will provide financial incentives to encourage students to pursue STEM and health care degrees at Virginia's colleges.
- Establishes "economic opportunity metrics" to help students understand the economic value of various degree programs as they make career choices, and to help policymakers as they allocate funding. The metrics may include market demand for the degree, earning potential and employer feedback.

Reform-Based Investment

- Creates incentives for institutions to meet the goals of the legislation, which include increased enrollment, increased degree completion, improved retention and graduation rates, increased research output, and increased degree production in STEM fields. Incentives also exist for achieving efficiency gains through year-round use of campus facilities, online courses, resource sharing and better use of technology.
- Creates a Higher Education Advisory Committee that brings together executive, legislative and institutional representatives to assess how colleges and universities are progressing toward the goals of the Higher Education Opportunity Act.

Affordable Access

- Establishes a model for stable higher education funding, and commits both the state and institutions to increasing financial aid for low- and middle-income students.
- Provides performance-based funding for institutions that meet the goals listed above.

Strategies to Improve Latino College Completion

Although linking higher education and economic development policies is important for a state's future, it also is important to help students complete their degree programs. States can invest in certain high-demand fields, such as engineering, but when students do not complete the engineering degree, neither the state nor the student benefits.

Just over one-third (36 percent) of Latino students complete a two- or four-year degree program, compared to 49 percent of white students. Between 2003 and 2008, state governments spent more than \$7.6 billion on appropriations and financial aid to support college freshmen who dropped out before their second year, according to the American Institutes for Research.¹⁴

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Many strategies are available for states to improve completion rates.

The following sections highlight actions states currently are taking to boost college access and success. While these strategies benefit all students, they will be most effective for Latino students when they are intentionally targeted to that population.



To improve college access for Latinos, states are...

- Distributing more and better information about college targeted to Latino students and families. Latino families often lack information about which college their student should attend, how much college will cost, what financial assistance is available, and what college life is like.¹⁵ Many Latino students are the first in their family to attend college, so many do not have a role model to show them the way. A recent survey found that only 44 percent of Latino parents are aware of the Federal Pell Grant program, compared to 81 percent of white parents and 82 percent of African American parents.¹⁶
- Advising students on why attending college is a good financial investment. Latino students are more likely to be reluctant to borrow money to pay for college, and that may prevent them from enrolling. Taking out loans to pay for college, however, can be a good investment because of the benefits of increased employment opportunities and income.
- Promoting and preserving financial aid programs—especially need-based grant programs, which increase access for underrepresented students. Need-based grants are a better alternative than loans because they do not have to be repaid.
- Developing partnerships between the education and community sectors. For example, local college access networks bring together schools, colleges, community groups, corporations, and non-profit organizations to provide financial aid, one-on-one counseling, and support to students who most need it.¹⁷
- Funding or providing incentives for schools to strengthen English language learner programs. About 78 percent of English language learners were born in the United States but speak Spanish at home and consider English their second language. More than two-thirds of these students score below proficient on basic English and math exams, placing them in remedial courses.¹⁸
- Preparing Latino students for college by improving high school standards and rigor, linking K-12 exit standards with college entrance requirements, and providing summer bridge and orientation programs.
- Turning around low-performing high schools to increase graduation rates and college readiness.
- Encouraging teachers and counselors to pay attention to early warning signals that indicate a student is at risk of dropping out of high school.¹⁹

To improve college success for Latinos, states are...

- Investing in Hispanic-Serving Institutions (HSIs)—colleges where at least 25 percent of students are Latinos. These institutions educate half of all Latino undergraduate students, although they represent only 5 percent of colleges and universities.
- Fully leveraging federal funding such as the TRIO programs, which award grants to institutions for student support.
- Funding or giving institutions incentives to expand support services that help students progress from first year to graduation. These support services include financial aid guidance, tutoring, mentoring and career counseling. Latino students often need more personal and institutional supports than other students.
- Recommending that institutions expand programs that keep students engaged academically and socially, such as first-year seminars, research with faculty, service learning courses, and internships. These programs have proved to be particularly effective for Latino students.



- Pressing institutions to measure and report the comparative effectiveness of their programs.
- Ensuring that students have the option to take courses in the evening, on weekends, or online. Latino students particularly may need this flexibility to accommodate work and personal responsibilities.
- Requiring schools and institutions to provide options for students to receive career and workforce training as part of their high school and college experience.

Summary

States that are interested in economic growth are focusing on ensuring that Latinos have the education and training to find jobs in high-demand, high-paying fields and become positive contributors to the economy. States can take steps to better align higher education with economic development goals by, for example, funding and providing incentives to earn degrees in certain in-demand professions such as engineering.

As the fastest-growing and least educated population, Latino students need targeted support. States can pursue numerous strategies to boost college access and success, including increasing awareness of financial aid options, improving academic preparation, and providing more supports for students throughout college. Improving education outcomes for Latino students will result in a significant, positive return on the state investment.

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Notes

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2. Data provided from the National Center for Higher Education Management Systems, 2010.
3. Current Population Survey, Household Data, A-5. Employment status of the civilian noninstitutional population 25 years and over by educational attainment, seasonally adjusted (Washington, D.C.: U.S. Bureau of Labor Statistics, July 2011).
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9. Ennis, Ríos-Vargas, and Albert, *The Hispanic Population*.
10. Lumina Foundation for Education, *A Stronger Nation*, 2010.
11. Learn more about the Georgia Work Ready program at <http://www.gaworkready.org/>.
12. Tim Carpenter, "Legislature salvages engineering expansion," *The Capital-Journal*, May 13, 2011.
13. Learn more about the Opportunity Maine program at <http://www.opportunitymaine.org/opportunity-maine-program>.
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19. For more on high school dropout prevention, see Sunny Deyé, *A Path to Graduation for Every Child: State Legislative Roles and Responsibilities* (Denver: NCSL, 2011).



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