

Pomp and Circumstance

States are looking for an economic boost by pushing for more college graduates.

BY BRENDA BAUTSCH

A college degree is a worthwhile investment. Someone with an associate or bachelor's degree earns about \$25,000 more a year than a person with a high school diploma. And college degrees are a pretty good deal for states, too. They translate into more revenue flowing into government coffers.

Given an average career of 40 years, that extra \$25,000 a year translates into an additional \$1 million in earnings. Higher incomes translate into 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, according to the National Center for Higher Education Management Systems.

College graduates also are more likely to be employed. The unemployment rate for all college degree holders is currently 4.2 percent, compared to the overall jobless rate of 8.8 percent. While the recession affected everyone, the average unemployment rate for recent college graduates was of 9.2 percent in 2010 while the jobless rate for recent high school graduates was a staggering 35 percent. Currently, about 38 percent of the U.S. population over age 25 has an undergraduate degree.

GRADUATING, NOT JUST ATTENDING

A big problem for states is that at least two out of five college students don't graduate. That makes it a risky investment—not just for states, but for those left with student loans to pay back but no degree.

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.

Several factors increase the likelihood that a

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student will drop out of college, including full-time employment, dependent children, financial problems and weak academic preparation.

State lawmakers want to increase completion. Indiana and Ohio are basing their funding on a university's performance, such as graduation rates, rather than on enrollment numbers. Supporters hope this will give colleges an incentive to focus on student success.

Florida and Louisiana have made it easier for students to transfer between colleges in the state. Rhode Island and Texas encourage students to graduate on time or early. Texas gives a \$1,000 tuition rebate to students who graduate on time, and Rhode Island's Bachelor's Degree in Three program allows students to earn their degree in three years. The longer students remain in college, the less likely it is they will graduate, according to data from the National Center for Education Statistics.

Other states are setting college completion goals. In Oregon, a bill in the Senate sets a lofty goal that by 2025, 40 percent of Oregonians will have a bachelor's degree, 40 percent will have an associate degree or certificate, and 20 percent will have a high school diploma. That would be

a 12 percent increase in bachelor's degrees, a 32 percent increase in associate degrees, and a 12 percent increase in high school diplomas. The legislation is one of three major higher education reform bills the legislature is considering.

“The 40-40-20 goal is not just aspirational, but specific” and will serve as a “compass for policy direction,” says Senator Mark Hass, chair of the Education Committee. “As a working and productive society, education is the great equalizer.”

EDUCATION AND GROWTH

The Utah System of Higher Education calculates each graduating class means an extra \$450 million a year in economic output for the state. Economic forecasting by the Georgetown University Center on Education and the Workforce found 66 percent of jobs in Utah will require some postsecondary education by 2018.

To prepare, the Governor's Education Excellence Commission—made up of legisla-



**SENATOR
MARK HASS
OREGON**

Brenda Bautsch tracks higher education issues for NCSL.



RETURN ON EDUCATION

| Income and Government Health Expenses | Less Than High School | High School Graduate or GED | Some College. No Degree | Associate or Bachelor's Degree | Graduate or Professional Degree |
|--|-----------------------|-----------------------------|-------------------------|--------------------------------|---------------------------------|
| Average personal income | \$17,282 | \$27,379 | \$34,662 | \$52,002 | \$85,480 |
| Average spent per person on Medicaid by government | \$1,620 | \$762 | \$550 | \$243 | \$121 |
| Average spent per person on Medicare by government | \$633 | \$405 | \$313 | \$158 | \$97 |

Source: National Center for Higher Education Management Systems, 2010.

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tors, education and business leaders—wants 66 percent of Utah adults to have a postsecondary degree or certificate by 2020, up from 55 percent currently.

Nationwide, jobs requiring some form of training or education beyond high school will continue to increase, according to the Georgetown study. 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 degree. At the current rate of college graduation, the nation will be short by 3 million.

So what are policymakers doing now to ensure their states are well-positioned to meet current and future workforce demands?

In Kansas, Governor Sam Brownback proposed a University Economic Growth initiative during his State of the State speech, and the Legislature then put the proposal in this year’s appropriations bill. The initiative aims to foster job growth by funding university programs in aviation, cancer research and animal health.

“These are all high-tech programs designed to achieve research results and attract businesses to the state,” says Senator John Vratil.

The universities are required to match the state’s funding dollar for dollar by raising private money.

The Kansas Senate introduced an additional initiative that focuses on increasing the number of engineering graduates by 60 percent over 10 years. “Employers are telling us there are not enough engineers in the state,” says Vratil. The engineering initiative, which would expand capacity at engineering schools, is designed to keep employers from moving out of state to look for employees.



**SENATOR
JOHN VRATIL
KANSAS**

Virginia lawmakers unanimously passed a bill this year to increase the number of college graduates who are prepared for the top job opportunities in the state. Among its many initiatives, the legislation aims to increase the number of degrees in science, technology, math and engineering by providing incentives to universities to work with local businesses

“The health of Virginia’s economy and the overall well-being of our citizens are directly tied to the level of education in the Commonwealth,” says House Majority Leader Kirk Cox, one of the prime sponsors of the bill. “Improving education in [science, technology, engineering and math] fields will help Virginians obtain high-income jobs while strengthening and growing the Commonwealth’s economy.”



**HOUSE MAJORITY
LEADER
KIRK COX
VIRGINIA**

ONLINE

Learn more about the effect of college graduates on state and local economies at www.ncsl.org/magazine.