



TACIR

The Tennessee Advisory Commission
on Intergovernmental Relations



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MEMORANDUM

TO: TACIR Commission Members

FROM: Harry A. Green *Harry*
Executive Director

DATE: September 17, 2008

SUBJECT: *Education Crossroads*

Dr. Matt Murray, Professor of Economics and Associate Director of the University of Tennessee's Center for Business and Economic Research (CBER), will discuss the contents of the December 2007 publication *Education Crossroads*.

The report, a joint effort between CBER and the Comptroller of the Treasury, looks at economic prosperity and the relationship education has regarding family, society and quality of life.

Among the report's key points:

- Tennessee is below average when it comes to school funding, educational attainment, graduation rates and test scores, as well as income and many other quality-of-life measures. In fact, the report notes, Tennessee earns a "D" in academic achievements from the U.S. Chamber of Commerce's 2007 Education Report Card.
- Tennessee's high school graduation rate has shown improvement over time, but still trailed the national average by over 10 percent in 2003. Only seven out of every 10 teenagers who entered ninth grade in 2004 will graduate in May 2008 with their classmates. The other three teenagers will not.
- There is a shift to a knowledge-based information economy. Many of the occupations expected to see strong growth in the years ahead—such as computer software engineers, physician assistants and home health aides—will require more education and training than was required in the

past. The shortage of skilled workers is real and will continue to grow.

- Business leaders in Tennessee say the state is at risk of falling behind nationally and globally. "Other countries are graduating more engineers and technical people than we are, and Tennessee will have trouble competing in the global market if that trend continues," Murray said. "The ongoing globalization and transformation of the economy puts many workers at risk while creating opportunities for other workers. Education is the means to adapt to this changing economic environment and make the most of emerging job opportunities."

- A better educated workforce means greater regional prosperity. One of the most obvious benefits of education is greater personal earning potential. For instance, the report says, in 2005, someone with a bachelor's degree in Tennessee earned \$51,554 per year, while someone with a high school degree earned \$28,645 per year. A female worker with some college experience earns \$7,251 more per year than her counterpart who has no more than a high school degree. The report also compares 20 Tennessee counties—10 where 76 percent of the population has a high school diploma and 10 where only 66 percent of the population has a high school diploma. The counties with a higher-educated population had a higher rate of employment.

Attached is the report's preface which will further summarize the important role that education plays in Tennessee's future. A copy of the report will be distributed at the meeting.

79,572 children were born in Tennessee in 2004.

This year (3 years later), approximately 14,000 3- and 4-year-olds will be enrolled in a Tennessee pre-kindergarten program.

The state spends about \$7,000 per child for each year he or she attends K–12 school.

The American states now spend more on Medicaid than elementary and secondary education.

Only 7 out of every 10 teenagers who entered 9th grade in 2004 will graduate high school in May 2008 with their classmates.

The other 3 teenagers will not.

Between 1967 and 2004, households headed by someone with a high school degree or less actually saw their earnings *decline*.

In 2005, someone with a bachelor's degree in Tennessee earned \$51,554 per year, while someone with a high school degree earned \$28,645 per year.

Tuition at Tennessee's higher education institutions remains relatively low compared to other states.

The state's most rapidly growing jobs require at least some post-secondary education.

Tennessee's business leaders tell us they want to locate where the workforce is well educated.

Infant mortality rates fall as a mother's educational attainment rises.

A high-school dropout lives 2.5 fewer years than the average person.

In 2003, cigarette companies spent over \$15.2 billion on advertising.

In 2006, TennCare spending totalled \$6.9 billion.

Education has everything to do with it. *Quality* education has everything to do with all of it.

Education crossroads: opportunity for you, me, Tennessee, and society

Explore many paths—

We have 6,038,803 reasons to care.

6,038,803 reasons to care*

EDUCATION CROSSROADS

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December 2007

A project for the public funded by the Comptroller of the Treasury, State of Tennessee

Opportunity for You, Me, and Tennessee

****How many reasons to care?***

Every single person living in Tennessee = (at least) one reason to care about education.

**Census Bureau estimate for 2006, <http://cber.bus.utk.edu/census/06stpop.xls>*

Welcome

Education Crossroads Preface

As the world economy transforms itself, it has become increasingly apparent that education is the most essential ingredient to our future economic security. We cannot affect in any meaningful way the external forces that bear down upon us here in Tennessee. Globalization, exchange rates, outsourcing, interest rates, and so on are simply beyond our control. Like the weather, we can complain; but it is to no avail. We do, however, have the power to influence our future through the investments in education that we make as individuals, parents and members of our community. These investments represent the best insurance policy we could possibly buy to protect us from the risks of the marketplace. The state makes investments as well; the budget for the 2007–08 fiscal year includes a \$290 million increase in funding that will flow through a revised version of the basic education program. When fully implemented in the years ahead, this influx will mean \$524 million in new education money each year.

So what is this book about? As you can tell from the title, it is about education. More to the point, it is about how education affects our lives and the lives of those around us. As individuals, we tend to earn more income and have greater economic security when we have a better education. We also choose healthier lifestyles. Children in families with well-educated parents benefit from their parents' income and lifestyle choices. Society at large bears many of the costs associated with a poorly educated population. For example, lifestyle choices like smoking are closely linked to educational attainment. Yet all of us bear the consequences of cancer through the loss of friends and loved ones and through the costs to the health care system.

Our state and our home communities don't stack up well in terms of adult educational attainment. In fact, we lag the nation in most measures of attainment as well as in investment in education. As a result, our income lags the nation, and many Tennessee communities experience sluggish growth, if not outright economic contraction. Finally, education affects the state budget and the budgets of cities and counties across Tennessee. Poorly educated individuals dominate the Families First and TennCare rolls as well as our prison system. These are examples of some of the issues we explore and document with data in this book.

Why is the book entitled *Education Crossroads*? Because it is about taking one more step down the education path. For each of us as individuals, and for each of our schools and communities, this path may be very different. We will likely take different turns along the way. But the key is to take one more step. Instead of dropping out and bearing the lifetime consequences of this choice, take another step toward graduating. Instead of being satisfied with a high school diploma, go to a technical school and get a certificate in the trades or pursue a college degree, either of which can provide greater economic security than simply a high school degree alone.

A note about data and numbers. We have tried to rely on data that are easily accessed and verified through online and other sources. As this book moved closer to completion, we quit updating data, a process that could go on forever. Some of the data we used will look old. A good example is educational attainment data linked to income for 2000. More recent data are simply not available. There are also apple and orange problems with data, in particular data in dollar denominations for different years. We decided to live with apples and oranges, because we think this enhances the transparency of this report by allowing you to verify facts and figures directly with the source. Despite these decisions, it is important to understand that even as more recent data become available, it is unlikely that these relationships will change in any appreciable way.

Some will take exception to the content of this book — here are some reasons why. First, we make no effort to offer solutions to the many problems confronting our education system. It would be presumptuous for us to do so. But we do need to work together and talk among ourselves to address these problems, building on a common understanding of the important role education plays in our society. *If we cannot articulate and document how education matters, we cannot develop the momentum for change.* This book is about documenting how education matters in order to empower stakeholders.

Second, some will view this book as simply a prop to support public education in Tennessee. This is not our intent. This book is about education, including public and private education, home schooling, formal and informal education, and so on. An important goal of this book is to motivate people to embrace education — and **take one more step** — regardless of its form.

Third is our heavy reliance on measures of educational attainment rather than measures of achievement and knowledge acquisition. This is simply a matter of practicality. We know there are kids who graduate from high school who are functionally illiterate. And we know there are people who have little or no formal education who have become learned and prosperous. Even so, attainment still says something significant about who we are and what we aspire to.

A fourth issue is the question of correlation versus causation. Can we say with certainty that education causes us to make lifestyle choices that affect ourselves, our children and others? How confident can we be that low levels of attainment are the causal influence on welfare participation and incarceration rates? Of course we cannot make such statements with certainty — so we don't. But how could education affect, for example, lifestyle choices and thus our health status? There are two mechanisms. One argument is that those who are better educated will enjoy a higher stream of lifetime earnings, and in order to protect these returns on the education investment, people choose healthier lifestyles. Another argument is that better educated people have access to better information on how lifestyle choices may affect personal well-being and that they adjust their behavior accordingly. There is evidence that education exerts an independent influence on many of the choices we make, even the propensity to donate blood. The evidence goes beyond simple correlations; in the end, you will have to make up your own mind on how important a role education plays in affecting your life and all of our lives.

Finally, you will see a form of repetition take place as you move from chapter to chapter, something that is especially true of chapters 3 through 6. This is intentional. One of our goals is to look at the differing ways education affects us and present this information to different stakeholder groups. So in one instance, we speak to the role of education in enhancing a worker's income, but in another instance we look at how communities with a better educated population enjoy higher per capita income. In the first instance, our interest is in the well-being of the individual and the family; in the second, our focus is the economy and the well-being of our communities. As another example, we look in one place at parental educational attainment and the likelihood of a child being on welfare, but another chapter considers the relatively low level of educational attainment of the entire welfare population. These are different but also complementary perspectives on the influences of education.

Now it's time to take *one step forward* and turn the page.