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INVESTING IN EDUCATION FUELS THE ECONOMY

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EXECUTIVE SUMMARY

Texas' education system is currently inadequate to meet the state's future needs for millions of young Texans and there is much at stake for the state's business and economic interests. Advocates for improving our system for all students – from major educational stakeholders to concerned parents wanting a bright future for their children in terms of economic stability and prosperity – are too-often unheard by our state's governance and, sometimes, business leaders. These leaders face numerous challenges confronting our state and have not prioritized funding public education at the necessary levels. While it is true that our state has many needs, the main emphasis of this paper is to illustrate how much is at stake for the business community of Texas if we continue to under-educate our children and ill-prepare them for rewarding careers that allow them to properly contribute to both the state and nation's economy.

Educate Fir\$T believes that, based on these realities, the business community must fully understand what is at risk from the perspective of their future ability to maintain our financial well-being. This paper seeks to emphasize the irrefutable link between the concerns of public education and those that pertain to the business sector. Education is an investment that affects everyone; it is not a special interest sector impacting only those who work or learn in schools and colleges across the nation. The quality of public education has a notable connection to the proliferation and survival of businesses. We are hopeful that this message will resonate with the business community as well as educational stakeholders, communities that rely on public education, and the legislators who are positioned to help usher in a new generation of better educated, more highly skilled Texans.

Many factors in both Texas and the United States contribute to the problems facing public education and will have a major impact on the business community. Among them are a notable increase in the state's already impressive child population, the constantly evolving technology required by our state's businesses demanding a workforce with updated skill sets, and the decreased funding of higher education – a vital part of the educational pipeline that provides a link between public primary and secondary schools and the job market.

DEMOGRAPHIC CHANGES

A GROWING CHILD POPULATION

- **Between 2000 and 2014, nearly 90 percent of child growth in the United States came from Texas. To put that in perspective, the number of children in Texas increased more than 1.2 million, while the country itself had an overall growth of 1.4 million children. The state currently has the second largest population of children, with 7.1 million.**¹
 - **Education Impact:** Texas' public education system is currently inadequately funded to serve the needs of children who are already attending school. *Quality Counts* gave Texas a D on overall finance and spending in 2016.² A growing population of children depend on public education because many live in poverty – in Texas, one in every four children

is considered poor.³ These children must receive a quality education that is equitably funded to achieve their immense potential.

- **Business Impact:** This vast increase to an already robust child population speaks to the capacity for incredible economic success and a boon to business ventures. Unfortunately, if current educational trends continue, especially for economically disadvantaged and minority populations, many of these children could end up undereducated and a potential liability for the state, the nation, and the economy.

INCREASED DIVERSITY

- **In rankings based on 50 states and the District of Columbia, Texas currently ranks 3rd in the percentage of children who are Latino, with 49.1 percent of its children being classified as such.⁴ 33 percent of Latino children are living in poverty, and Latino and Black children are three times more likely to live in poverty than children classified as White or Asian.⁵**
 - **Education Impact:** Strong numbers of Latino children in the state of Texas, with a notable percentage of these children being classified as poor, has implications for public education, especially if these children attend inadequately funded schools. Children of all races, ethnicities, and socio-economic status deserve a quality education, but the historically underserved children need the most help to succeed.
 - **Business Impact:** This increase in a minority population has the potential to be a major asset to business in terms of diversity and the sheer size of this new group of citizens. The future workforce in Texas will consist largely of minority individuals. Unfortunately, if these children are forced to cope with a poorly funded education system, they will not be prepared for both secondary education and any lucrative careers that require a college degree or specialized technical training.

ECONOMIC FACTORS

A DIMINISHED MIDDLE CLASS

- **Texas currently ranks 5th overall in economic inequality.⁶ Returns from Texas in 2015 show that 46 percent of all individual tax returns in the state have an adjusted gross income (AGI) of \$25,000 or less, while the top income brackets of \$75,000 and above only account for 22 percent of individual returns filed.⁷**
 - **Education Impact:** Economic inequality already has ties to poorer educational outcomes and if it increases, a new group of undereducated, underserved children will not reach their full potential.
 - **Business Impact:** If the middle class is already struggling, adding more undereducated and low-paid workers to the pool will not improve matters. A lack of disposable income severely limits an individual's ability to purchase products or services other than basic

necessities, and families will likely defer or be unable to acquire many large purchases that drive our local tax base, such as homes.

PATENTS AND INNOVATION

- **Educational underachievement also points to a lack of innovation in patents. No Texas city is included in the top 10 metropolitan areas with the greatest number of patents in the nation.⁸ This is especially important because patents and innovation are a vital link between post-secondary education and business investment and growth. Also, none of Texas' top institutions were ranked in the national top 25 trailblazers for innovation in academia.⁹**
 - **Education Impact:** Colleges and universities will continue to struggle with funding and financial aid for their students if there is no competition or innovation at Texas universities. Additionally, if public education is inadequate, innovators will be less likely to move here, and the ones we have may move to other states.
 - **Business Impact:** If there is no innovation in business, Texas' economy will stagnate and there will be a corresponding drop in high-paying job creation.

JOB GROWTH

- **Texas has been increasingly creating jobs that will require a post-secondary degree: an estimated 1.8 million are projected between 2008 and 2018.¹⁰ Texas currently ranks first in the number of jobs for high school dropouts and 31st in jobs that need post-secondary education.¹¹ Unfortunately, Texas still has an issue with attrition, both in secondary and post-secondary schools. Colleges and universities, in particular, are not retaining enough students in science, technology, engineering, and math (STEM) fields, which is a priority for Texas labor and development.¹² The state ranks only 30th in the number of STEM majors per 1000 persons, with an overall rate of only 27.5 workers in STEM fields per 1,000 persons in the labor force.¹³**
 - **Education Impact:** If the educational pipeline is hemorrhaging children in the form of dropouts in secondary and post-secondary institutions, the labor demands of Texas will not be met. Furthermore, the increased focus on STEM fields demands students who are adequately prepared in these areas before they enter college and once they begin relevant coursework.
 - **Business Impact:** Texas' workforce and, ultimately, its economy will suffer if the children of Texas are not being adequately prepared for college and their careers, particularly if employment demands require increasingly specialized skills and degrees that students are not currently attaining.

COLLEGE AFFORDABILITY

- **The economic downturn from the 2008 recession, the deregulation of higher education tuition in 2003, and reductions in state appropriations for colleges and universities have contributed to a sharp decline in college affordability in Texas, particularly for students from low-income families. Federal support for Pell grants is declining and state financial aid in Texas has not kept pace with the rising costs associated with paying for college. For families in the lowest income brackets (average annual income of \$0 – \$30,000, which represents 25 percent of all families in Texas), 33 percent of their income would be needed to cover the costs at a community college, 45 – 51 percent at a public four-year university, and 99 – 120 percent at a private four-year university in Texas.¹⁴**
 - **Education Impact:** The increased population of minority and lower-income children measured against the increased cost of college means that fewer qualifying students will elect to take on huge amounts of debt or work a minimum of 21 hours a week¹⁵ to fund their post-secondary education. These students need more support, not less.
 - **Business Impact:** Fewer students attending college means an undereducated and unprepared labor force to meet the needs of the economy. Lowering the cost of a college education should significantly increase the pool of children from low income families that attend college. This is important to business because this demographic represents the majority of Texas' future workforce.

MINORITY SERVING INSTITUTIONS

- **Collectively, minority serving institutions (MSIs) enroll large percentages of Texas' minority student population. During fall 2013, an estimated 73 percent of all underrepresented minority students who were pursuing either an undergraduate degree or some other post-secondary education at a Texas institution did so at an MSI.¹⁶ Compared to non-MSIs, these institutions also enroll more students who tend to be first-generation, less-affluent, or less academically prepared.¹⁷**
 - **Education Impact:** Because approximately half of Texas children are minority students, institutions that appeal to these unique and diverse groups of men and women must be supported through federal funding for the universities that serve them so that they may provide financial aid for the students themselves.
 - **Business Impact:** Better educational outcomes in college will create a skilled, better prepared workforce. Businesses should take the opportunity to forge partnerships between MSIs, in particular, to connect with these students and to help provide the quality education that they need. The payoff will be a more diverse, well-educated workforce trained in curriculum areas deemed more relevant by the business community based on their internal forecasts.

In addition to meeting the needs of the projected labor pool, there is a clear connection between education and earning power throughout a student's life.¹⁸ Unemployment, poverty, and a lack of educational attainment are also linked. The goal for the business community should be to acknowledge and recognize the cycle of investment that comes from equitably financing education and reaping the benefits of a prepared, skilled workforce.

Public education is at the heart of employment and economic opportunity, so the question remains what can be done to improve schools for all children. Enriching public education in the long term requires systemic changes that address the numerous aspects of the educational environment that come together to allow children and adults to learn. We must introduce or better fund programs and initiatives that are empirically shown to benefit students. Our recommendations include:

- **Extending Texas' current half-day pre-Kindergarten programs to full day.** Research has shown that educating the most underserved populations at a young age provides greater success throughout the educational pipeline.¹⁹ Eventually, pre-K access should be available to all children, beyond those who currently qualify.
- **Increasing funding and acceptance of bilingual programs that encourage English language learners (ELLs) to achieve academic success** in their first language while simultaneously learning English, as is developmentally appropriate.
- **Improving support for teachers and recruiting quality teachers into educational programs.** This may include important steps like increasing the overall salary of educators so that they are adequately compensated for such a stressful, vital career.
- **Using research-supported teaching models for all children.**
- **Increasing the relationship development between families and their schools.** The community is an asset that is often overlooked despite being linked to positive academic outcomes.
- **Increasing college affordability by providing more financial support, such as grants, to public university students.** Solutions should help mitigate the current system's reliance on loans that leads to excessive debt and, in turn, drives students away from seeking an undergraduate degree. Increased financial support should also be extended to minority serving institutions (MSIs), which are vital fields of growth for minority populations.
- **Forging partnerships between local schools (both secondary and post-secondary) and businesses** to fund quality programs that will increase the skilled labor pool and help reduce shortages within the business community at-large.
- **Increasing funding to universities as part of a cycle of investment to improve the number of patents and overall innovation.** These developments may also pave the way for more partnerships between schools and businesses.