Center for American Progress

Investing in Education Powers U.S. Competitiveness

Education Funding Must Be Preserved

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Introduction

Education is the key to American competitiveness and a strong economy, and continued federal investment in education is needed in order to support improvements in student achievement and put our economy on the path to sustained growth. The United States suffers from persistent differences in achievement between groups of students defined by race/ethnicity or family income, and our students also rank well behind those in economically competitive countries on international tests. We must continue to invest in education in order to create a system that is more equitable and that produces American students who are more competitive in the global marketplace for talent.

Federal education spending needs to be protected in the congressional super committee negotiations this fall. The super committee is charged with coming up with at least $1.2 trillion in deficit reduction, which comes on top of additional caps that were imposed on future discretionary appropriations as part of the debt-ceiling deal. Federal education spending is included in the pot of discretionary money subject to deficit-reducing cuts. If the committee can't reach agreement and the automatic sequestration kicks in, education programs are projected to be cut by about 9 percent.[1] That translates to about $4 billion worth of cuts to the education system. This would be a devastating blow to children across the country, especially during a time when almost half the states have slashed their education budgets.[2]

Education has already taken a hit in this year's budget battle. The spring continuing resolution cut about $1.3 billion from the Department of Education, excluding Pell Grants—the federal program for qualified low-income college students.[3] While President Barack Obama's budget wisely proposed consolidating some education programs into new funding streams, the complete elimination of funding means fewer resources available to advance important education priorities. Of course, it matters how money is spent—education funding needs to be efficient and effective, and targeted to where it is needed most. In addition, innovations in federal funding such as the competitive Race to the Top program have demonstrated that federal funds can be used as a powerful lever to prompt important reforms in longstanding state policies.

Cutting education spending would be shortsighted and harmful to our country's future. Education spending makes up only 3 percent of the total federal budget,[4] and cuts in this area would put a miniscule dent in the deficit. Not only would education cuts fail to contribute meaningfully to deficit reduction, but every cut now is a missed opportunity to lay the necessary foundation for future economic growth and a strong middle class. Education is one of those areas where spending now may not pay off right away because it takes years for school-age children to become working adults. This means it can be difficult for policymakers concerned with short-term election cycles to effectively make the case for this kind of long-term investment. Nonetheless, the strength of the American economy depends on a well-educated workforce. Smart and efficient federal investments in education can improve student achievement and put our economy on the path to sustained and robust growth.

The public supports a strong education system

The American people understand the critical importance of investing in education. The public has clearly expressed in nine different public opinion polls since January that it does not support cuts in education.[5] In a January USA Today/Gallup poll, two-thirds of Americans opposed cuts in education—more than opposed cuts to any other area including Social Security, Medicare, and national defense.[6] Similarly, when asked whether it was more important to reduce the deficit or prevent cuts in education, respondents to a January CNN poll chose to preserve education by a margin of 75 percent to 25 percent.[7] In fact, lack of funding and financial support was cited as the biggest problem facing local schools, according to a new poll of the public's attitudes toward public schools.[8]

People appear to be less supportive of increasing education spending, however, if it means they would have to pay more taxes. When asked about the level of government funding for public schools in their district, about 90 percent of respondents to a 2011 Education Next poll felt that funding should either increase or stay the same. Only 28 percent, though, felt that local taxes should increase to fund their district schools while 35 percent felt that local taxes should increase to fund schools across the nation.[9]

The American people are right to want to protect education funding. The United States suffers from persistent achievement gaps between groups of students defined by race/ethnicity or family income. For example, on the National Assessment of Educational Progress exam, black students scored 27 points below white students in fourth-grade reading and Hispanic students scored 26 points below white students in eighth-grade mathematics.[10] Racial/ethnic and income achievement gaps run counter to America's commitment to an equal and just society, and lower levels of achievement are also associated with poorer health, lower earnings, and higher levels of incarceration.[11]

Federal education programs provide more equitable resources for students who need it most—without federal support, many hard-fought gains would erode for children living in poverty.

International tests demonstrate that U.S. students have fallen behind many of their international peers. The Program for International Student Assessment, or PISA, assesses reading, math, and science literacy among 15-year-olds in the 34 member nations of the Organisation for Economic Co-operation and Development, or OECD, and 31 other countries and education systems. On the 2009 PISA exam in mathematics, the average score for U.S. students was below the OECD average, and 17 OECD countries had higher average scores than the United States. On the 2009 science exam, the U.S. average score was similar to the OECD average, and 12 OECD countries had higher average scores than the United States. The U.S. students scored at the OECD average in reading, though six other OECD countries scored higher than the United States.[12]

To achieve desired levels of economic growth and live up to our founding ideals, the United States must increase the overall level of achievement of students in the K-12 education system and close both international achievement gaps and the persistent achievement gaps between groups of American children defined by ethnicity or family income.

Six reasons to support continued federal investment in education

Investment in education makes intuitive sense to the American people, but in this tough budgetary climate, it seems that every public investment is on the table to be cut. Let's look at six reasons why continued federal investment in education should be a no-brainer as the super committee negotiates this fall.

Global competitiveness

Too few of our students are performing at the levels needed to compete for the high-skill jobs that allow us to maintain global competitiveness. Only 33 percent of fourth graders and 33 percent of eighth graders scored at or above proficient in reading on the 2009 NAEP exam; only 39 percent of fourth graders and 34 percent of eighth graders were at or above proficient in mathematics.[13] Furthermore, achievement tests demonstrate that international competitors are performing better than U.S. students, and in a globalized economy we cannot afford to fall any further behind.

Research shows that investment in education is essential for our country's short- and long-term economic growth. A recent report by McKinsey & Company estimates that bringing lower-performing states up to the national average between 1983 and 1998 would have added $425 billion to $710 billion to our 2008 GDP.[14] Closing the racial/

ethnic and income achievement gaps between 1983 and 1998 would have also added to our GDP. The estimates are that closing the racial/ethnic gap would have added $310 billion to $525 billion by 2008 and closing the income achievement gap would have added between $400 billion and $670 billion to our 2008 GDP.[15] Continuing to tolerate these achievement gaps is tantamount to accepting a chronic, self-induced economic recession.

Closing the international achievement gap between 1983 and 1998 would have added $1.3 trillion to $2.3 trillion to our 2008 GDP. Another study found that increasing students' scores on the PISA test by 25 points—one-fourth of a standard deviation—between 2010 and 2030 would result in economic gains for OECD countries. U.S. students currently rank below the students from many OECD countries on this test, but if the United States and other countries improved by this amount, the payoff to the United States would be more than $40 trillion by 2090.[16]

Ensuring all students reach high standards of achievement

It is critically important that we close achievement gaps between groups of students defined by race/ethnicity and family income. As our population continues to become more diverse and as income inequality continues to increase, the federal government plays an essential role in funding schools so all children have the resources they need to achieve high standards. These types of achievement gaps run counter to America's commitment to an equal and just society.

Economic returns

There are large economic returns to increasing our country's high school and college graduation rates. Approximately 1.3 million students dropped out of the class of 2010; if half of those students had graduated from high school, the class of 2010 alone would earn $7.6 billion more per year and generate an additional $5.6 billion in increased spending and $2 billion in increased investing per year.[17] Economic returns would be even higher if the dropout rate were cut further.

Looking back to the beginning of the education pipeline, research shows that investing in early childhood has huge payoffs. Studies of the highly regarded Perry Preschool and Chicago Parent-Child Centers estimated a positive 9-to-1 benefit-cost ratio for Perry and 8-to-1 for CPC, with Perry's annual return on investment estimated to be 4 percent for participants and 12 percent for society.[18] The United States is one of only a handful of advanced countries that does not provide universal early childhood education—there are currently 5 million children ages 3 to 5 who are not attending preschool or kindergarten.[19] Even if universal access is not possible in this budget climate, continued federal spending in this area is a prudent investment in terms of both long-term economic outcomes and future student achievement.[20]

Jobs

The American Recovery and Reinvestment Act, otherwise known as the stimulus, saved between 250,000 and 350,000 jobs in education.[21] Now those ARRA funds are drying up and states and local governments are cutting education budgets right and left. Cutting education further would mean eliminating more educator jobs, whereas investing in education could translate directly to job preservation and employment growth. Furthermore, the additional spending and investment gained by producing more high school graduates would lead to more job creation. Cutting the class of 2010's dropout rate in half would have added up to 54,000 new jobs to the economy.[22]

Savings elsewhere

Taxpayers are spared up to $13 for every $1 invested in quality early education, according to estimates.[23] A key goal of early childhood education is to ensure children enter the K-12 system with the pre-literacy skills and vocabulary necessary to learn to read. Children who fail to learn to read by the third grade are far more likely than their peers to wind up receiving special education and related services.[24] Investment in early childhood education reduces spending on K-12 special education as fewer children need to be classified as learning disabled.

Continuing to invest federal resources in K-12 and early childhood education produces cost savings in other areas as well, including savings in higher education due to a decrease in the resources that must be spent on remediation. Higher graduation rates and generally greater skill levels among graduates may help reduce the rate of incarceration and lower participation in poverty-related programs, both of which result in future cost savings.

Path to the middle class

A recent article in The Atlantic Monthly by Don Peck discussed the decline of the middle class in America and how it might be restored.[25] The richest 1 percent of Americans command an increasingly huge share of national income and wealth, while median incomes have declined. The Great Recession exacerbated this trend due to job losses concentrated in traditionally middle-class sectors compared to either high-level white-collar or low-skill blue-collar sectors. As the article points out, many of the manufacturing jobs the United States lost in recent years were available to workers without advanced education, but many of the middle-class jobs of the future will require at least some education beyond high school.[26] Fields such as health care will grow, and many of these jobs require some level of postsecondary training though not necessarily a college degree.

In addition to educating workers for these expanding fields, the United States will also need to create high-skill jobs requiring high levels of education in order to produce the continuing innovation that is necessary for economic growth. Improving our education system and increasing educational attainment is clearly one of the most important paths to restoring a strong and vibrant middle class.

What happens if Johnny can't read?

Understanding the importance of education is not an abstract idea—everyone went to school at some point in their lives, and most people know of at least one child currently in school. To understand the difference between a good education and a poor one, let's look at a hypothetical 3-year-old child named Johnny.

Johnny doesn't have access to high-quality early childhood education so he enters kindergarten behind his peers. He goes to a high-poverty school that is under-resourced and lacks a stable cadre of highly effective teachers. Johnny falls further and further behind and is unable to read by third grade, a critical benchmark for future success.[27] By high school, Johnny is chronically absent, far below proficient in reading and math, and eventually drops out. He can't get a job without a high school diploma and is far more likely to become incarcerated, which will cost taxpayers an average operating cost of about $24,000 per year on top of $65,000 in capital costs.[28]

But Johnny didn't have to end up on this path. If he had been enrolled in a high-quality early childhood program, he would have started school on track. Attending a school where he had a series of highly effective teachers would have increased his achievement by leaps and bounds.[29] Simply graduating high school would make him more likely to be employed. With a diploma, he would earn about $9,000 per year more or $300,000 (33 percent) over a 40-year working career.[30] Adult Johnny pays taxes and buys goods, increasing demand and contributing to job creation and economic growth. Rather than drain resources from taxpayers, he invests in his community.

Johnny realizes that he would have greater opportunities with some postsecondary training, so he goes to the local community college and earns a technical certificate and then later an associate's degree. He is now qualified for a higher-paying job—$10,000 more per year than if he had only a high school diploma.[31] With these increased earnings, he puts more money back into the economy, further stimulating demand and leading to even more job creation and economic growth. And what if Johnny had gone to college and earned a bachelor's degree? His lifetime earnings would be 74 percent more than if he had stopped at a high school diploma, 31 percent more than if he had earned only an associate's degree.[32]

One child, two dramatically different paths. Now imagine that child is like the 100 other children in your local school, the 1,000 in your town, the 1 million in your state, or the 50 million in the United States. Pretty soon the power of education becomes clear—as do the consequences if we fail to provide all children with the quality education they need to succeed.

How we spend money matters

Of course, investing in education isn't going to increase student achievement by itself. It matters how we spend that money, and now more than ever we have to ensure money is spent fairly, efficiently, and effectively. Here are a couple of key principles to follow.

Spend scarce federal money where it is most needed

We need to increase student achievement overall, but we also need to do a much better job of closing achievement gaps in order to ensure all children are prepared for higher education and securing future employment. To this end, federal education funds should go to students with extra needs, including low-income students, students with disabilities, and English language learners. Money should be used to close vast disparities in educational achievement between low-income and minority students and their more affluent peers. Resources—including effective teachers—should be distributed equitably among schools within a district and among districts within a state.[33] And, though states are struggling as well, we should use federal taxpayer dollars to encourage states to direct the resources they do have to school districts with many low-income students.

Education funding should be efficient and effective, emphasizing returns on investment

Results should drive funding decisions so ineffective programs are eliminated, outdated programs are updated, and overlapping programs are consolidated into new funding streams.[34] We should require districts to report real expenditures at the school level, rigorously evaluate state and local results on that spending, and make future funding decisions accordingly. More effort should be devoted to evaluating the returns on education spending achieved by states and local school districts, providing crucial data for smart budgeting.[35] Finally, we should explore innovative funding strategies that reward performance, such as pay-for-success contracts and social impact bonds.

Conclusion

Education is the key to future American competitiveness and a strong economy, and we must continue to invest in education in order to put our economy on the path to sustained growth and rebuild the middle class. The payoffs to investing now will not be fully realized for decades, but every moment lost is another child not prepared for kindergarten, another high school dropout, another low-skilled worker who cannot secure employment. Investment in education is a social and economic imperative, and efficient and effective federal education spending must be protected in this fall's super committee negotiations.

Endnotes

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