



Equitable School Funding—A Must For Pennsylvania's Economic Competitiveness

Looming workforce skills gap demand adequate funding for all schools

Acknowledgements

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Supported by tax-deductible contributions from foundations, individuals, and corporations.

Major funders:

Annie E. Casey Foundation, Bezos Family Foundation, Bill and Melinda Gates Foundation, Bostock Family Foundation, David and Lucile Packard Foundation, Ethel Klein and Ed Krugman, First Five Years Fund, Fisher-Cummings Family Endowment Fund, George Wallerstein and Julie Lutz, Heising-Simons Foundation, Irene E. & George A. Davis Foundation, J.B. and M.K. Pritzker Foundation, LaundryCares Foundation – Coin Laundry Association, New Venture Fund, Postl Family Foundation, Robert Dugger, Robert Wood Johnson Foundation, The Kresge Foundation, William & Flora Hewlett Foundation, William Penn Foundation.

The views expressed here do not necessarily reflect the views of these funders.

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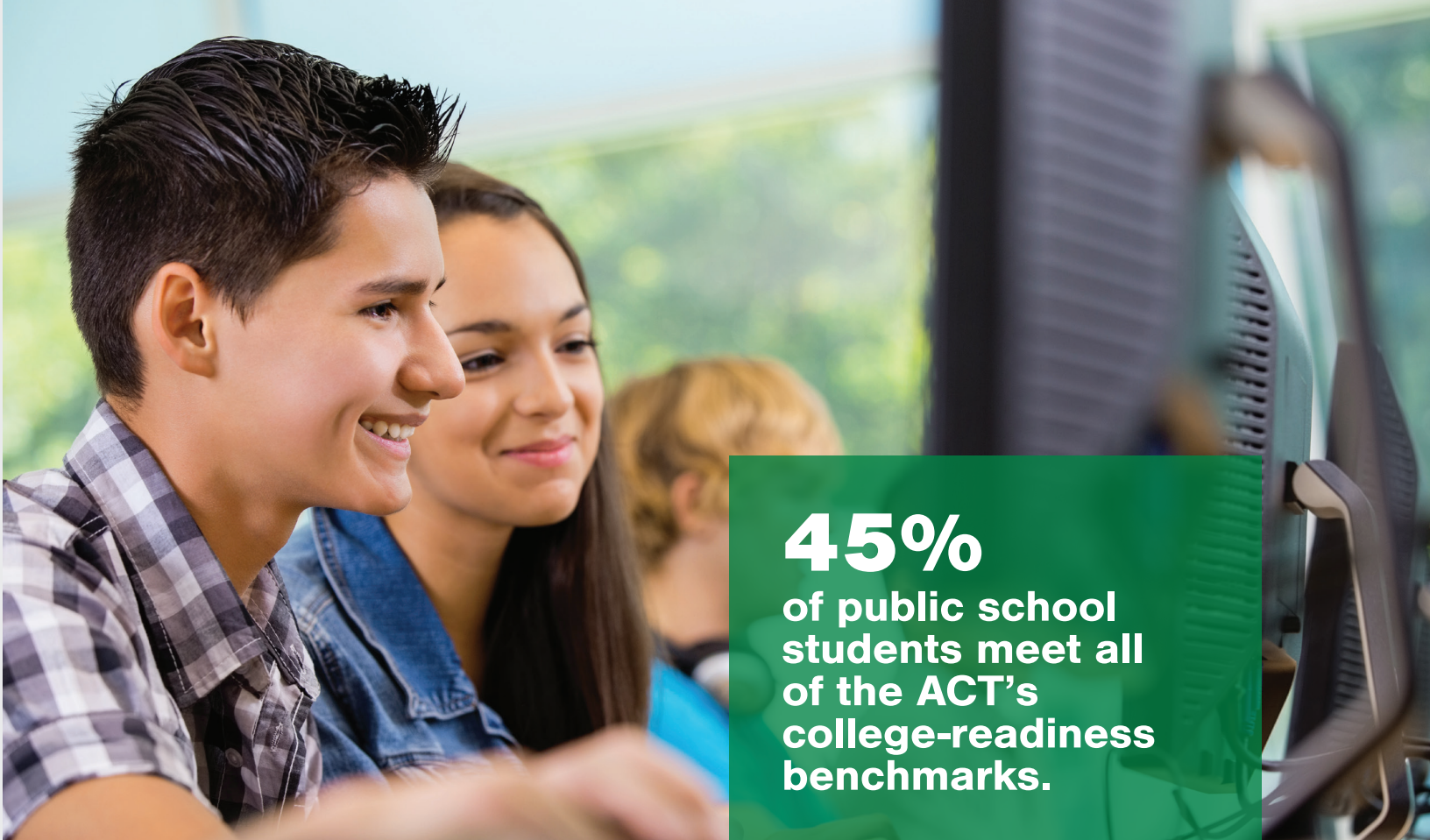
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October 2017

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45%
of public school
students meet all
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Summary

With only one in five Pennsylvania employers rating the readiness of the current labor force as excellent or good, it is clear that Pennsylvania is facing a serious workforce skills gap.

The existence of this gap makes sense in light of the fact that the majority of Pennsylvania 8th graders are not proficient in reading, math, and science. Moreover, only 45 percent of our public school students meet all of the ACT's college-readiness benchmarks. The lack of college and career-readiness will be costly for students, businesses, and our entire state—reflected in costly remedial education, lowered lifetime earnings, and diminished tax receipts.

To reverse its skills-gap troubles, Pennsylvania must invest greater long-term funding through its fair education

funding formula. Greater investments will give all Pennsylvania students, regardless of their zip code, the opportunity to receive a quality education making them ready for success in the twenty-first-century workplace.

The bottom line: The future of Pennsylvania's economy depends largely on the caliber of our workforce. If we expect to compete and succeed in the global marketplace, we must act now to ensure our employers have the skilled workforce we need.

Unprepared Students, Unprepared Workforce

Although businesses have always needed workers proficient in the “3 Rs”—reading, writing, and arithmetic—today's fast-paced, international marketplace requires even higher proficiency levels of these basic skills. But they are too often lacking, especially among those entering the workforce.

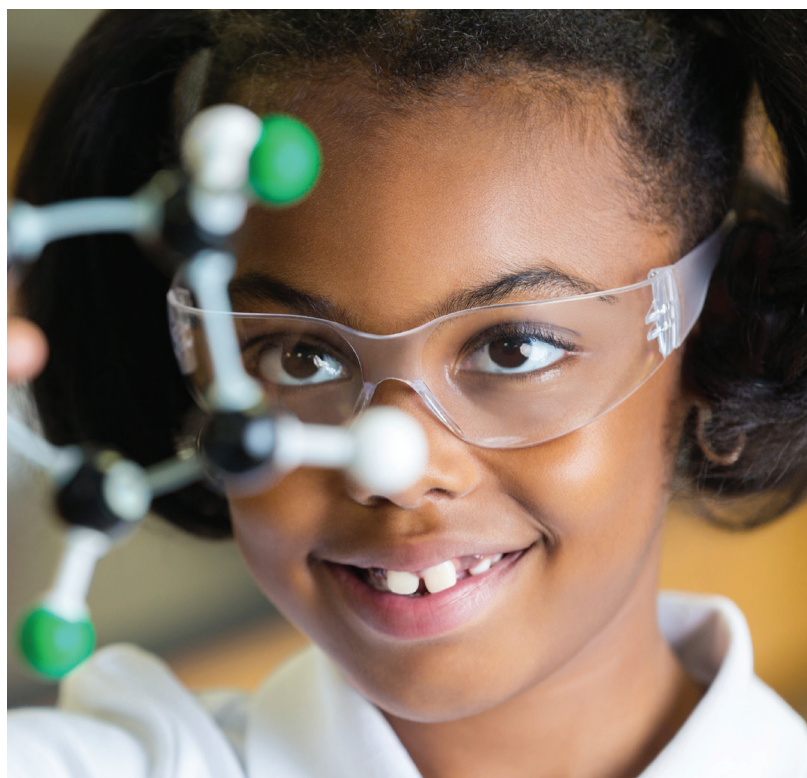
Consider that:

- According to the “Nation’s Report Card”—the National Assessment of Educational Progress—**only 39 percent of Pennsylvania’s 8th graders are proficient in reading, only 36 percent are proficient in math and only 33 percent are proficient in science.**¹ Scores were worse for students from economically disadvantaged families. For example, eighth graders who were eligible for free/reduced lunch had an average math score that was 32 points lower than for non-eligible students.²
- **More than 15 percent of Pennsylvania’s high school freshmen fail to graduate within four years;** this number climbs to nearly one quarter among economically disadvantaged students.³
- In 2017, only 45 percent of Pennsylvania graduates taking the ACT test met college-readiness benchmarks in the four subjects tested—English, reading, math, and science. ACT research shows that students meeting the benchmarks have a strong likelihood of being successful in college.⁴

In addition to basic competencies, **employers are increasingly concerned about a lack of communication, collaboration, and critical thinking skills—deeper learning skills.** In a survey of 900 executives conducted by the Wall Street Journal, the vast majority (92 percent) believed that these skills are as important or more important than technical skills.⁵ In that same survey, nearly nine out of 10 executives reported that they have difficulty finding employees with these skills.

Pennsylvania Skills Gap

Pennsylvania employers are already seeing workforce gaps that affect their bottom line.



A recent survey of the state’s employers by the Pennsylvania Chamber of Business and Industry found that:⁶

- 52 percent believe that recruiting qualified candidates is very or extremely difficult, and 56 percent think it will get even more difficult in the next five years.
- 56 percent said they have difficulty filling technical/skilled trade jobs.
- Just 21 percent believe the current labor force is “good” or “excellent” when it comes to meeting the needs of Pennsylvania’s employers.
- An estimated \$189 million is lost each year training new employees and in lost productivity while recruiting workers.
- More than nine in 10 employers consider skills like verbal communication, reading comprehension, critical thinking, and basic math skills (which are largely attained in school) to be very or

somewhat important when considering job applicants.

Rising Education Requirements

If these current education and labor market trends continue, Pennsylvania's skills gap could grow. Consider these projections:

- Of the 6.2 million jobs expected in Pennsylvania through 2024, an estimated 3.1 million of these will be skilled jobs.⁷ **Skilled jobs are growing at a faster level (10.9 percent) than low-skilled jobs (8.1 percent), and STEM (Science, Technology, Engineering, and Math) jobs are growing at an even faster rate.**⁸ Significant workforce gaps are expected in many high-demand fields, meaning there won't be enough workers with the knowledge and skills needed to fill all of the available positions.
- By 2020, 63 percent of Pennsylvania's jobs will require some form of postsecondary education, but only 55 percent of today's Pennsylvanians have that level of education.⁹ **That eight-percent gap will result in more than 170,000 positions for which there won't be qualified applicants,** thus leaving business teams disrupted and making Pennsylvania less competitive.

The mismatch between the skills of job candidates and what employers need is "a serious threat to growth for businesses and opportunity for individuals."¹⁰ The quality of the workforce and its alignment with employer needs is a critical factor in regional success, as competition for skilled workers and jobs puts more pressure on communities.¹¹

High Cost of the Skills Gap

The lack of a skilled workforce comes at a high cost for individuals, businesses, and the

Quick Facts: Pennsylvania's Skills Gap

170,000+

positions will not be filled with qualified in-state employees who have the educational credentials their employers seek.¹⁴

52%

of employers have difficulty hiring people with adequate skills, training or education.¹⁵

56%

of employers expect the recruiting problem to continue to get worse.¹⁶

\$188.9 million+

per year on retraining employees.¹⁷

28%

of students entering state system universities are enrolled in remedial courses. The rate for low-income students is 40%.¹⁸

\$153 million

per year spent on remedial education at colleges and universities.¹⁹

Source: Carnevale 2013, "Recovery"; Pennsylvania Chamber of Business and Industry and Pennsylvania Department of Labor and Industry 2016; Complete College America 2012; Commonwealth Foundation 2011.

economy. The unemployment rate for Pennsylvania workers with only a high school diploma (8.6 percent) is almost twice the rate of workers with a bachelor's degree or higher (4.6 percent).¹² Additionally, attaining postsecondary education has a strong impact on wages: **Pennsylvania workers with bachelor's degrees earn almost \$21,000 more annually than those with just a high school diploma.**¹³

Remedial courses and training to help students catch up and get on track for higher education and training are helpful, but they are often expensive. More than a quarter of students entering Pennsylvania's State System of Higher Education require remedial education in math and English which costs Pennsylvania taxpayers approximately \$153 million annually.¹⁴

A recent RAND Corporation report found that:¹⁵

- The costs of these achievement and attainment gaps—from lost earnings and from lower gross domestic product (GDP) growth—are substantial, and likely to get worse over time.
- Closing achievement gaps based on family economic status not only helps students, but boosts the state's economy. It is projected to produce lifetime private and social economic gains ranging from \$2.8 billion to \$5.1 billion (in 2013 present value). Still more savings would be generated through lower rates of crime and welfare dependency, which result from better education outcomes.

The RAND study determined that, had achievement gaps related to family economic status closed in 2003, the state's economy would have grown between \$12 billion to \$44 billion more in 2013, equivalent to 2- to 7-percent in economic output, respectively.¹⁶

Average Annual Earnings by Level of Education

High school dropout	\$26,000
High school graduate	\$35,000
Some college, (no degree)	\$38,000
Associate degree	\$42,000
Bachelor's degree	\$59,000
Master's degree	\$70,000
Professional degree	\$90,000
Doctoral degree	\$84,000

Source: Earnings and unemployment rates by educational attainment; Bureau of Labor Statistics (2015); Calculated using median usual weekly earnings, multiplied by 52 weeks in a year, rounded to the nearest thousand.

Closing the Skills Gap Through Adequate Funding for All Schools

Adequately funded schools can help close this skills gap allowing all students to gain the knowledge and skills they need to be career- or college-ready. Studies show that school finance reforms (SFRs) that invest in K-12 education over the long-term can have significant impacts on student achievement.¹⁷ This is especially true when additional school funding is directed to underfunded public schools to help those students most in need, is reliably available each year, and is allocated to improving the classroom and direct services to children.¹⁸

In short, money (and how you spend it) does impact student success.

Investing in Education Yields a Good Return

Research shows that education funding affects student achievement, and that investing in our public schools is a good return on investment for Pennsylvanians.

A recent multi-state study found that a 10 percent increase in per-pupil spending each year for 12 years led to:

- 0.27 more completed years of education;
- 7 percent higher wages each year; and
- A nearly 4 percentage-point reduction in the annual incidence of poverty.¹⁹

All of these effects were greater for children from low-income families. The study estimated a benefit-cost ratio of 2:1 and an internal rate of return of nearly 9 percent.²⁰

Pennsylvania's School Funding Shortchanges Many Students

Unfortunately, not all schools in the Commonwealth have adequate funding to ensure student success. In fact, Pennsylvania is home to the widest per-pupil spending gap in the nation between wealthy and poor school districts. This gap has a very real impact on students.²¹

Pennsylvania's wealthiest districts spend 33.5 percent more than its poorest school districts, a gap significantly higher than the national average of 15.6 percent.²²

Additionally, an evaluation by the American Institutes for Research of Pennsylvania's School Finance system found that Pennsylvania "ranks third overall in the statewide percent of children attending severely financially disadvantaged districts, behind only Illinois and New Hampshire."²³

Funding Makes a Difference

When schools are adequately funded, they are equipped with the necessary resources to provide a quality education that leads to positive outcomes for students and their teachers. Below is a comparison of these outcomes:

Sufficient funding

- Smaller class sizes so teachers can focus more on each student;
- Access to skilled teachers and critical lab, computer, and other equipment for STEM education;
- Increased learning time for students;
- Increased opportunities for full-day kindergarten; and
- Increased opportunities for diverse academic offerings and other specialty programs such as Career Academies

Insufficient funding

- Teacher layoffs that lead to larger class sizes and decreased instructional time;
- Cuts in academic courses and other programs; and
- Insufficient or outdated technology, science equipment, library resources, or even textbooks



Pennsylvania's overreliance on local property taxes to fund public education has severely limited these poorer communities' ability to adequately fund their schools. **On average, states across the country cover 47 percent of school funding costs, but Pennsylvania's state contribution to education funding is less than 37 percent, ranking 47th in the nation.**²⁴ Here in Pennsylvania, local taxpayers, including many businesses, cover more than 56 percent of public education funding on average—one of the highest rates in the nation.

Poorer school districts often struggle to fund their schools adequately because of depressed property values. This limits educational opportunities for students in these communities and fails to meet the goal of equipping them with the skills necessary for success in the twenty-first-century workplace.



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Conclusion

In order to combat this looming skills gap, Pennsylvania's business community—whether in rural, urban, or suburban markets—has a strong stake in making sure that all our students emerge from school prepared for postsecondary education or a career. Providing sufficient resources for all schools in Pennsylvania is a must. That's a first, necessary step in adopting educational approaches that will help students master core content and the skills needed to become a world-class, competitive workforce.

State leaders have made significant progress toward full and fair school funding by enacting a more equitable way to distribute education dollars based on student and community needs such as student enrollment and the percentage of students living in poverty. The new formula also takes into account district size, wealth, and the local tax effort.

Lawmakers must now approve greater long-term funding through this formula to ensure that all Pennsylvania students, regardless of zip code, are ready for success in the twenty-first-century workplace. Their individual success and Pennsylvania's economic future depend on it.

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