

## 21st Century Education: Highly Skilled Workers Critical to California's Future Economy

"Education is our top national priority—well ahead of health care, climate change and financial regulatory reform—and government and business policies need to reflect that. If we don't address this, we endanger our children, economy, businesses and national security."

This is not a statement from the National Education Association or a coalition of urban mayors. It is a recommendation from a council of CEOs convened by the *Wall Street Journal* in the fall of 2009. And it also accurately reflects the stake that California business leaders place on education for the state's economy and future.

Over the last several years, the importance of well-qualified high school graduates to California business executives and to the California economy has been reiterated by two studies from the California Foundation for Commerce and Education (CFCE). An opinion survey of California business leaders found that the quality of public schools was among the top issues of concern, primarily because one of the top challenges to doing business in California was attracting and maintaining a qualified workforce.

A second study by the CFCE found that student academic achievement is the single best public policy predictor of a successful state economy, based on trend data from all 50 states. Even more important than tax rates, infrastructure investment or job quality, the performance of students will predict whether a state will have high income, high employment and low poverty—or not.

### Increasing Demand for Highly Educated Workforce

More recently, the Public Policy Institute of California (PPIC) added strong evidence for business leaders' concerns about the need for more investment in higher education. The PPIC authors found that while demand for a highly educated workforce will only increase in California in the years ahead, "the state is unlikely to meet this demand unless decision makers implement policies that affect substantial changes in college attendance and college graduation among the state's young adults."

In other words, if California wants any chance to maintain a world-class economy with well-paid jobs and opportunities for its children, then it must accelerate its production of graduates from four-year institutions. According to the PPIC, "California will need to produce many more college graduates if it is to even partially meet its increasing economic demand for college graduates."

In fact, if current trends persist, California will be short 1 million college graduates by 2025. By then, the state's economy will demand 41 percent of workers have a college degree, but only 35 percent of adults will be on track to have that degree. (See box on next page.)

There are only three ways to increase production of college graduates in California:

- Increase enrollment of high school graduates in four-year institutions.
- Increase transfer rates from community colleges.
- Improve graduation rates at the University of California (UC) and California State University (CSU).

While four out of five freshmen graduate from the UC system within six years, only about half of students from the CSU system do so.

Increasing California's college-educated workforce by 1 million graduates by 2025 is an ambitious and doubtless expensive goal. The state's standard of living and quality of life, however, probably are more closely intertwined with a highly skilled workforce than almost any other attribute that can be influenced by state public policy.

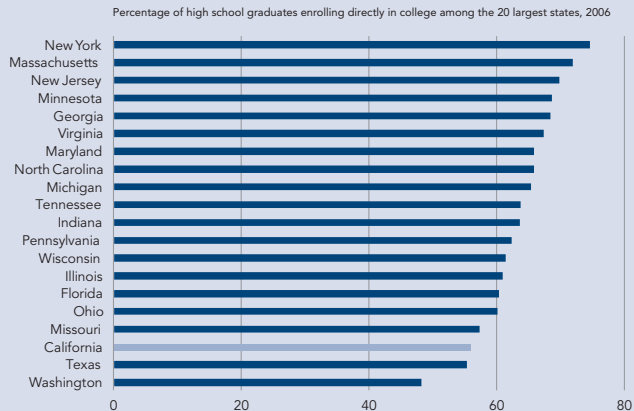
## California Lacks Potential Highly Skilled Workers

California's competitive weakness among other large states for highly skilled workers is evident from the low percentage of high school graduates enrolling in college and the lower rate of college graduation. The lack of potential highly skilled workers puts California in a weak position to capture the best jobs in a dynamic world economy.

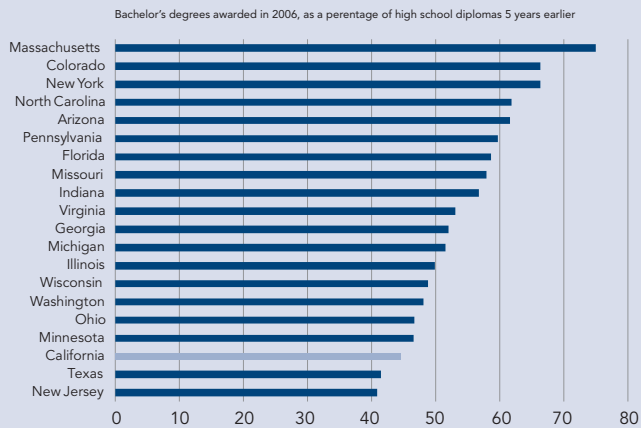
But this is not just a case of falling short of California's economic potential; there are major social consequences to falling behind in production of college graduates. An increasing portion of California's workforce is made up of Latino workers, who have a low college participation rate.

Access to college education is important to parents. The 2009 PPIC survey of California education issues found that at least seven in 10 public school parents across political and demographic groups hope their youngest child will graduate from college, including 75 percent of Latino parents.

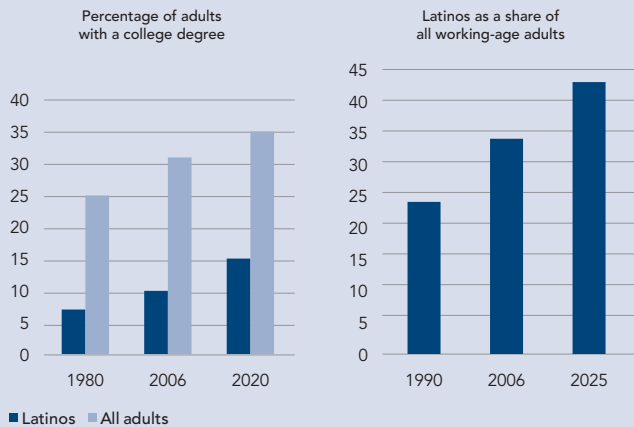
### Enrollment Rates Are Low



### California Already Lags Other States in Production of College Graduates



### College Education Is Low Among Fast-Growing Latino Population



Source: Public Policy Institute of California

## Race to the Top

Inspired by President Barack Obama's Race to the Top grant competition, state policy makers passed two comprehensive pieces of legislation in early 2010, hoping to open the door for bigger changes in education at the local level. While many of the changes they put in place were significant, fierce opposition from teachers unions prevented the local buy-in necessary to secure any federal dollars in the national grant competition in either round of applications.

President Obama's Race to the Top initiative was adopted in February 2009 to encourage states to develop policies in four areas:

- Adopting standards and assessments that prepare students to succeed in college and the workplace and to compete in the global economy;
- Building data systems that measure student growth and success, and inform teachers and principals about how they can improve instruction;
- Recruiting, developing, rewarding and retaining effective teachers and principals, especially where they are needed most; and
- Turning around the lowest-achieving schools.

When the eligibility and selection criteria were first announced in July 2009, however, California did not even qualify for the competition because state law prohibited the use of student performance to evaluate teachers. Legislators acted quickly to repeal the prohibition (SB 19 - Simitian; D-Palo Alto; Chapter 159, Statutes of 2009), but much more needed to be done, and quickly, if the state hoped to apply during the first round of applications at the end of January 2010.

After several months of debate, the Senate, led by President Pro Tem Darrell Steinberg (D-Sacramento) and Senate Education Committee Chair Gloria Romero (D-East Los Angeles), passed legislation to comprehensively address the federal incentive grants, and ensure California met the basic criteria to compete with other states for valuable federal dollars. Governor Arnold Schwarzenegger signed the legislation into law on January 7, 2010. Together, SBX5 1 (Steinberg) and SBX5 4 (Romero):

- Allow districts to tie teacher and administrator evaluations to student performance if allowed by collective bargaining agreements.
- Require the governing board of a school district to implement one of four interventions set forth in federal Race to the Top legislation if one of its schools has been identified as persistently low-achieving.
- Require the state to participate in the Common Core State Standards Initiative consortium sponsored by the National Governors Association and the Council of Chief State School Officers, or other interstate collaboration efforts.
- Establish a longitudinal data system(s) to aid in educational reform efforts at all levels of government.
- Empower parents to bring meaningful reform to

persistently failing schools by requiring districts to take drastic steps to improve persistently failing campuses when more than 50 percent of parents served by that school sign a petition demanding action (limited to 75 schools statewide).

- Allow parents of students in 1,000 of the state's low-achieving schools, as identified annually by the State Superintendent of Public Instruction, to apply for a transfer to a school in another district.
- Establish the Science, Technology, Engineering, Math and Career Technical Education Educator Credentialing Program to increase the number of highly qualified teachers in these critical fields.

The California Chamber of Commerce supported both bills, including the more controversial "parent-trigger" and "open-enrollment" provisions, which will help make school reform a more democratic process and provide better opportunities for the state's most underserved student populations.

## Community College Transfer Degrees

The other significant piece of education reform in 2010 was SB 1440 (Padilla; D-Pacoima), which requires all California community colleges to offer an associate of arts transfer degree to students who complete the necessary coursework and the required units to transfer to a UC or CSU. Students may fill out their degree requirements with a general education focus, or take classes toward a common major field.

In the past, some community colleges had offered a transfer degree, but there was no uniform set of requirements. SB 1440 started as a simple attempt to provide this uniformity, while allowing community colleges to continue offering the degree on a voluntary basis. As the year progressed, however, it became clear that, at least on behalf of the California Community Colleges and CSU system, there was a desire to do more for students, and this desire aligned with the political will necessary to make it happen.

Ultimately, SB 1440, coupled with AB 2302 (Fong; D-Cupertino) established a mandatory transfer degree program for all California community colleges, and aligned the degree requirements with entrance requirements for the CSU and UC systems. The degrees will help employers identify highly qualified individuals in the workforce, and increase the number of students who go on to obtain a four-year degree by streamlining the education pathway between public higher education institutions.

## Pervasive Budget Crisis

With the exception of these two legislative victories, and notwithstanding the importance of education outcomes to the California economy, any concentrated effort to improve public policy was mostly stymied by the pervasive state budget crisis. State spending on public schools and higher education accounts for nearly half of the state's budget each

year, but this also means education reform efforts are very dependent on the strength of the economy. According to the forecast from the office of Governor-elect Jerry Brown in December 2010, legislators will need to deal with a \$28.1 billion shortfall by the time they enact a budget for 2011–2012.

Given this fiscal reality, the education community faces similar, if not more serious challenges, than in 2010, where there actually was some good news. For K-12 and community colleges, cuts to spending eventually will be restored through the Proposition 98 mechanism, and actual budget reductions may be offset by federal subventions.

The UC and CSU systems together also received \$911 million over their 2009–10 funding levels. That said, the Legislative Analyst’s Office predicts student fees will continue to rise to cover new costs such as inflation and expansion of institution-based financial aid programs.

Governor Brown acknowledged the crisis facing higher education during his campaign, and has called for development of a new Master Plan to help reverse the trend of “transferring state support from higher education to prisons.” He argues that the state can free up funds for higher education through relentless cost savings, and also has proposed using online learning and new technologies to expand access and help cut costs.

### CalChamber Position

For California employers, education reform is an urgent priority that should be undertaken no matter the state’s fiscal situation. Despite the financial difficulties facing the state, the CalChamber will continue to advocate for education reform across a broad range of issues, working with legislators and education leaders to:

- Defend and extend current accountability and assessment systems across all grade levels.
- Better align workforce and college readiness.
- Define “teacher quality” as the ability to improve and maintain student academic achievement.
- Improve fiscal transparency and efficiency.
- Ensure career technical education is high quality and aligned with academic standards.
- Maintain a long-term financial and policy commitment to higher education.
- Promote state and private investment in science, technology, engineering and mathematics (STEM) education.



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