

Education Reform Urgent Priority for Business; Action Tied to State's Future Economic Health

“Ready-for-college and ready-for-work” is the driving theme for the California Chamber of Commerce emphasis on education policy. The importance of well-qualified high school graduates to California business executives and to the California economy was reiterated by two studies from the California Foundation for Commerce and Education. 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 is attracting and maintaining a qualified workforce.

A second study by the Foundation 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.

Recognizing this, CalChamber geared up for a robust education policy debate in 2008, spurred by Governor Arnold Schwarznegger's announcement that 2008 would be the “Year of Education.” Unfortunately, this policy debate was short-circuited and ultimately deemed irrelevant with the collapse of the state's fiscal health and the onset of the economic recession. The always-contentious education debate was unable to accommodate notions of reform as its financial base eroded.

2008 Activity

Nonetheless, CalChamber did engage on several important issues in 2008:

- CalChamber was successful in advocating a first-in-the-nation mandate that all eighth grade students be tested in algebra, not only to raise the standards, but also to gain a realistic view of students' progress in this mandatory graduation requirement. The California Superior Court recently ordered the state to postpone the test pending litigation

over the process used to adopt the new standard.

- CalChamber supported legislation intended to increase high school completion and motivate students to take college preparatory and career technical education classes (SB 890 – Scott; D-Pasadena). The bill was signed (Chapter 472, Statutes of 2008).

- CalChamber advocated legislation that would have made it easier for businesses to participate in work-based learning (AB 2078 – Fuentes; D-Sylmar); legislation that would have promoted accountability and performance-based measures in higher education (SB 325 – Scott; D-Pasadena); and legislation that would have allowed schools to use supplemental instruction funds for project-based learning (SB 1442 – Wiggins; D-Santa Rosa). These bills were ultimately vetoed.

- CalChamber was successful in opposing legislation that would have exposed private post-secondary institutions to a private right of action based on disclosures of vague graduation and job placement details (SB 823 – Perata; D-Oakland). This bill was vetoed.

Challenges from Unprepared Workforce

For 2009, the fiscal prospects are getting worse — but the overall need for improved student performance is only growing more critical.

The litany of challenges facing the state and national economies from an unprepared workforce and college entrance class is familiar, but bears repeating:

Many other industrialized nations are far outperforming the United States and California academically in preparing young people to compete in today's global economy. International surveys of student and adult populations indicate that while our average performance is no better than mediocre, our degree of inequality (the gap between our best and least proficient) is among the highest in countries belonging to the Organisation for Economic Cooperation and Develop-

ment (OECD) — nations committed to democracy and the market economy. (Irwin Kirsch, et al., *America's Perfect Storm, Three Forces Changing Our Nation's Future*, Educational Testing Service, 2007.)

Recent research published by the Mackinac Center for Public Policy estimates that addressing the lack of basic skills among students and employees costs billions of dollars for institutions of higher education and businesses each year. In California alone, the California State University (CSU) system provides remedial training in reading, writing or mathematics to more than half of its incoming freshmen at an estimated cost of \$30 million per year, according to a 2007 study by Just for the Kids-California in partnership with the California State University Office of the Chancellor. These remedial students also face their own increased financial costs as they take additional courses to make up skills.

The chart below shows the percent of incoming CSU freshman needing remediation for 2006. More than half needed remediation in at least one subject; and a quarter needed remediation in both math and writing.

Clearly, California high school graduates as a whole are neither ready for college nor ready for work.

This trend is not evenly distributed among the California student body.

Schools are failing to properly educate children disproportionately from Hispanic and African American families. The state-adopted proficiency assessments, called the California Standards Test, show a persistent and troubling trend in the achievement gap between, on the one hand, white and Asian American students, and on the other, Hispanic and African American students.

While overall proficiency rates for all groups are increasing steadily, the achievement gap is still unacceptably wide.

Results on the college entrance test (called the EAP) for California State University for 2006 mirror trends on the California Standards Test over the last five years. Of the students who elected to take the EAP for language arts in 2006, 35 percent of white and Asian American students scored proficient (compared to the state average of 25 percent), while only 13 percent of African American and 11 percent of Hispanic students scored proficient. Only 11 percent of economically disadvantaged students scored proficient, compared to 32 percent of non-economically disadvantaged students.

Economic Consequences

The social, cultural, individual and economic problems that fall from this disparity in educational outcomes are manifold and deeply troubling. But the

consequences for the California economy are clear and present:

- First, tomorrow's workforce will look very different than today's. Today, the labor force is primarily (60 percent) white. But enrollment in California public schools shows a very different picture: nearly half (48 percent) of public school students are Hispanic, 8 percent are African American, 8 percent are Asian American and less than a third (30 percent) are white. California's economic future depends on how well the state educates Hispanic and African American public school students.

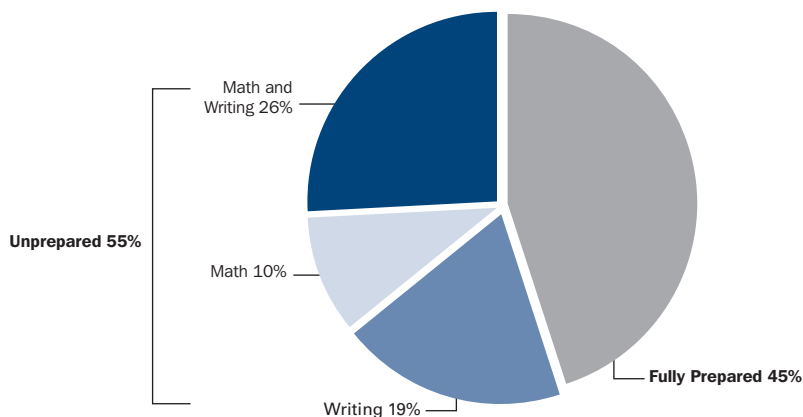
- Second, California's economic prosperity and competitiveness also will depend on the state's ability to produce (or import) enough college graduates to meet its workforce needs. Researchers for the Public Policy Institute of California (PPIC) project a significant mismatch between the skill levels that will be needed in California's increasingly highly skilled economy and the skill levels the future population is likely to possess.

According to PPIC estimates, only 32 percent of the state's working age adults are projected to have a college degree in 2025, but 41 percent of jobs in the state's economy are projected to need a worker who is a college graduate. The vast majority of the net increase in jobs will be from job growth at the high end; job growth will be weakest for high school graduates and for those with only some college.

- Third, income prospects for workers with college degrees are substantially better than for workers with little or no college. According to a national study published in 2007 by the Educational Testing Service, the expected lifetime earnings of males with a bachelor's degree in 1979 were 51 percent higher than their peers with only a high school diploma. By 2004, that difference had widened to 96 percent. Therefore, even though not every high school graduate will choose to attend or complete college, every student should be prepared for college so he or she has the choice to maximize income potential and economic contribution.

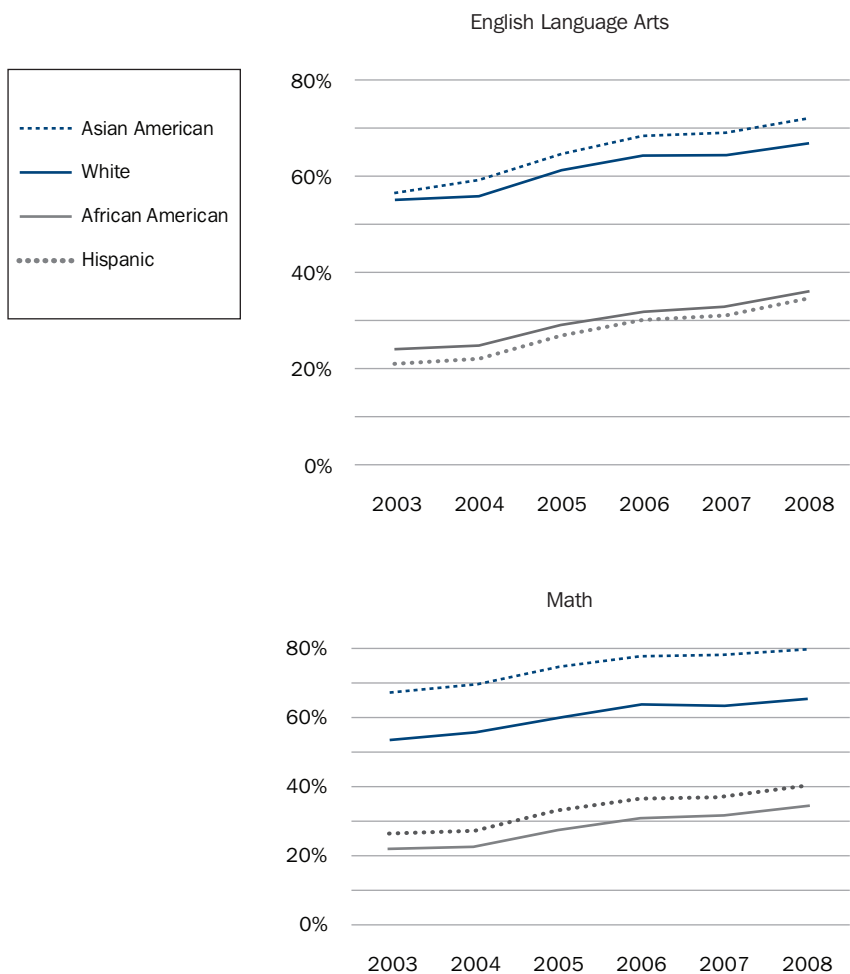
These demographic and economic trends demand focused attention by California public policy makers and opinion leaders on student performance and educational outcomes — driven by world-class academic standards and measured by accurate, timely student assessments.

California State University Incoming Freshman 2006



Source: California State University, Just for the Kids-California

Statewide Proficiency Rates by Subgroup



Source: California Department of Education

Keys to School Success

To this end, a study of successful principals and schools, undertaken by California Business for Education Excellence (a project of the California Business Roundtable), assisted by the California Foundation for Commerce and Education, found these key elements to school success:

- High expectations and shared accountability;
- Frequent assessment data drives improvement;
- High quality teachers with a laser focus on achievement;
- Low performers should learn from high performers;
- Success with today's resources.

The shortest and most effective route to sustainable school success is to use the best practices learned from high-performing schools to aggressively and systematically intervene to raise student academic achievement and reduce achievement gaps in chronically low-performing schools. Any new funding should be tied directly to this process and to school and student improvement.

2009 Agenda

The 2009-10 legislative session will again be dominated by a persistent and large budget deficit. The Legislative Analyst estimates that the two-year deficit from today through June 2010 amounts to \$28 billion, compared to a "workload

budget" (one that would pay for all enrollment, caseload, inflation and statutory requirements).

All levels of education will likely receive substantially less in state funding than they had come to expect. For example, in the current fiscal year, which is about half over, the Governor has recommended the University of California and California State University take a further reduction together of \$130 million, which — in addition to budget reductions adopted in September — would amount to a 10 percent reduction from their business-as-usual budget.

Public schools are protected by a constitutional funding guarantee (Proposition 98) that can be overcome in any year only by a two-thirds vote of the Legislature. But the factors that drive the formulaic guarantee have deteriorated along with the economy, so the Governor has proposed reducing K-14 education by about \$2.5 billion from the adopted fiscal year budget. This amounts to a 4 percent cut from the adopted budget, but since it would apply to a year half over, would have local impacts much greater than that.

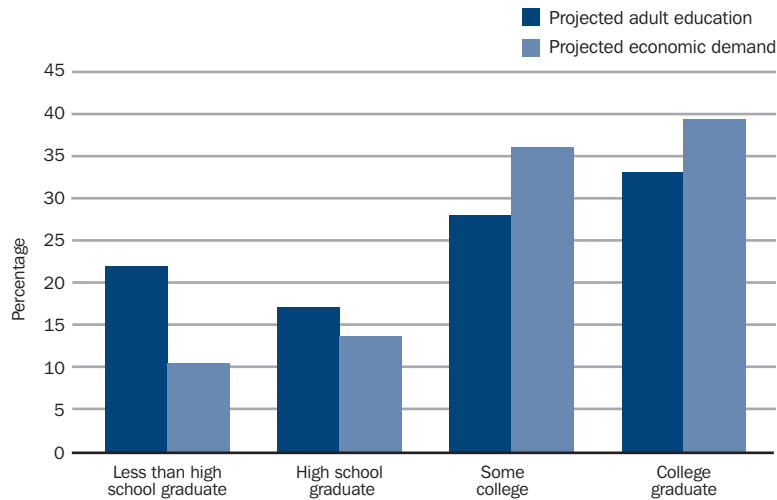
In this environment, further progress on education reforms is unlikely, since the policy debate will be dominated by maintaining financing and using the tight budgets as an excuse to reject further accountability or responsibility. Any new tax revenues that might typically "buy" more education reform would inevitably be used to support the current state budget, rather than enhancing education programs.

CalChamber Education Reform Principles

Nonetheless, the CalChamber will articulate a set of education reform principles and promote those principles with education leaders, elected officials and opinion leaders in the state. Education reform is an urgent priority for California business that should be undertaken no matter the state's fiscal situation.

● **Defend the current accountability system.** Efforts are made every year to roll back some of the important accountability measures adopted and implemented over the last decade, such as the high school exit exam, other regular student assessments and California's world-class academic standards. CalChamber will oppose rolling back the

California's Troubled Future: Too Many Workers Without a College Education, Too Few with a College Degree in 2020



Source: Public Policy Institute of California

state's accountability measures.

- **Extend current accountability measures.** Hold schools accountable for attaining a minimum of grade-level proficiency for all students by utilizing appropriate incentives and interventions, such as immediately implementing corrective actions for failing schools, and developing standardized end-of-course examinations in core high school subject areas.

- **Improve assessment systems.** Increase the rigor of the California High School Exit Exam, which measures proficiency at 10th grade levels for language arts and eighth grade for math. Also consider implementing a Sixth Grade Exit Exam to ensure that students bound for middle school are sufficiently prepared, and reduce the epidemic of dropouts in California high schools.

- **Align workforce and college readiness.** Require all 11th grade

students to take the Early Assessment Program and aggressively remediate students in the 12th grade to reduce college and workplace remediation.

- **Define "teacher quality" as the ability to improve and maintain student academic achievement.** This measure should be used to implement a performance pay system for outstanding teachers and administrators, and as a tool for evaluating, remediating or terminating school professionals who do not perform adequately.

- **Improve fiscal transparency and effectiveness.** Improve disclosure of the costs of education and hold schools and districts accountable for their use of taxpayer funds.

- **Ensure career technical education is high quality and aligned with academic standards.** These programs should be designed to supplement

academic requirements, not replace them, and should be integrated into the curriculum without reducing standards.

- **Maintain a long-term financial and policy commitment to higher education.** California's university and college systems are the envy of the world and a clear competitive advantage for the state. Investments in these institutions will continue to pay dividends to California's economy, and should be at the top of the public policy and financial priorities.

- **Promote state and private investment in science, technology, engineering and mathematics (STEM) education.** Consistent with California's world leadership in scientific and technological leadership, state leaders should pursue every opportunity to encourage and nurture students in these fields. College and university investments, high academic standards and performance in these fields, investment in training for allied fields, and appropriate tax and regulatory treatment will ensure California remains competitive in this highly value-added sector.

(Loren Kaye of the California Foundation for Commerce and Education prepared the content of this article.)



Staff Contact
Marc Burgat
Vice President,
Government Relations

marc.burgat@calchamber.com
California Chamber of Commerce
P.O. Box 1736
Sacramento, CA 95812-1736
(916) 444-6670
www.calchamber.com
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