



The Iowa Policy Project

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Statement by Lily French Research Associate, The Iowa Policy Project November 3, 2009

Investments in workforce education improve economic prospects for Iowa families, and in the process boost the state budget. Our analysis finds that investing in postsecondary education for low-income adults returns tax revenue more than double the state's costs. In fact, the state can garner \$3.70 in increased tax revenue for every dollar invested in an associate's degree and \$2.40 for every dollar invested in a bachelor's degree for low-income adults. (See *Education Pays in Iowa*, Executive Summary <http://iowapolicyproject.org/2009docs/090528-ROI-educ-xs.pdf>; Full Report <http://iowapolicyproject.org/2009docs/090528-ROI-educ.pdf>)

State investments in workforce education can also greatly improve the economic futures of Iowans struggling to support their families. **No matter the indicator — unemployment rates, wages or poverty — it is undeniable that education pays for Iowans.** In a state where wages are stagnating for less-educated workers, many Iowans were having a difficult time making ends meet even before the current recession began. Further, a projected shortage of skilled labor combined with the rising cost to families for postsecondary education demands that Iowa invest in workforce education to address our state's education gap.

Policy Recommendations

When low-income adults have access to increased education and training, their lifetime earnings increase substantially, generating tax revenue for the state that more than offsets the cost of investing in this access. To garner the largest fiscal returns and set the state firmly on the path toward economic growth, Iowa must ensure that low-income workers get the education, training and supports they need to gain the skills and credentials required to access good jobs with family-sustaining wages. Based on a review of relevant research and our return-on-investment findings, Iowa should:

- Expand financial aid to help low-income working adults pay for postsecondary education, by
 - Creating a tuition scholarship program for low-income workers to pursue an associate or bachelor's degree at one of Iowa's public colleges;
 - Fully funding Iowa Work-Study at its standing-limited appropriation of \$2.75 million.
- Promote education and training within Iowa's TANF program, by
 - Directing program administrators and case managers to promote education with Promise Job clients;
 - Using American Recovery and Reinvestment Act (ARRA) TANF Emergency Contingency funds to support education and training for a greater number of TANF participants.
- Modify Iowa's WIA plan to enhance training provisions, by
 - Setting local funds for training at minimum level required for eligibility to additional discretionary funds;
 - Using discretionary funds to advance postsecondary educational opportunities.

Conclusion

Iowa is already struggling with declining wages and will face a workforce shortage and a critical skills gap when the economy recovers. While education boosts wages, Iowa's current investments are inadequate to assure access to education for those who need it to improve skills, but cannot afford it. Without skills, Iowa workers face increasing difficulties in securing a family-supporting wage. Without skilled workers, Iowa businesses and the state's economy suffer. Providing education and training opportunities can improve workers' long-term employment and earnings prospects, as well as generate additional revenue.

Our analysis finds that a scholarship program for low-income workers to obtain an undergraduate degree yields a positive fiscal return. With stimulus funding available to serve more families, under both TANF and WIA, now is the time to make investments for Iowa's growth. Expanding access to education and training for low-wage workers is particularly important when economic prospects are dim. An investment in workforce skills would prepare Iowans for the future and contribute to rebuilding our economy.