Higher Education: A Critically Needed Investment in the Economy of the State and Region:
Remarks for MSUSA Media Day
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When I began to consider presidencies, I decided that I wanted to come to a state that valued higher education and had a higher education system focused on students and the economy of the state and region. I am proud to say that is one of the major reasons I chose Minnesota and the Minnesota State Colleges and Universities system (MnSCU). The MnSCU system is one of the most forward thinking in the nation. Through coordination rather than competition among the two and four year institutions, the system focuses on the development of human capital and the preparation of the workforce for the state. In fact, the MnSCU system prepares 78% of the state’s nursing graduates, 92% of the law enforcement graduates, and 51% of the state’s new teaching graduates. When we consider that 81% of the system’s graduates choose to live in Minnesota, it is clear that the MnSCU system is critical to the infrastructure of the state (MnSCU, 2005).

Today, I worry that the proposed budget policies will take us in the wrong direction. Without some change, the state will lose ground in the competitive global economy. My argument is based on the following premises, which I will explain briefly. First, higher education is directly related to earnings. Second, global competition requires an increased array of well educated workers. Third, higher education is inversely related to the need for social services. Fourth, the proposed cuts are likely to have disproportionate impact on the most needy students and families. Fifth, and finally, our regional demographics suggest particular vulnerability.

Even as we reduce budgets, we must strategically invest in our future. To do this, we must carefully review and prioritize all of our programs and services (both academic and administrative). This review will inform discussions and decisions regarding future investments. In addition, if we are not able to achieve the necessary base reductions through attrition and spending limits, the review will inform discussions and decisions about which programs or services to suspend, reduce, or reorganize. Following is a brief outline of the process.

Higher Education and Earnings
According to the Fall 2006 Occupational Outlook Quarterly, level of education is directly related to earnings. Those with associate degrees, on average, earn more than $100 per week more than those with only high school degrees. Those with bachelor’s degrees average in excess of $200 per week more than those with associate degrees. In addition, higher education impacts not only the income of those who study but also those around them and future generations.

Increased earnings mean increased tax revenue. Thus higher education pays a relatively quick return on investment that can then be used to support K-12 schools and other needs for tax revenue. Conversely, budget cuts that decrease higher education graduates will also decrease available tax revenue in the relatively near future.

Global Competition and Education
Over the last decade and more, we have seen repeated reports suggesting threats to our global competitiveness related to education of our workforce. Both of Tom Friedman’s recent books, The World is Flat (2005, 2007) and the Hot, Flat, and Crowded (2008) suggest economic crises for this country. They also suggest an important role for higher education that is vitally connected and responsive to the rapidly changing global context. The National Academies (2007) report, Rising above the Gathering Storm, also points to important roles for higher education and K-12 in maintaining global
competitiveness, especially in the growing science and technology sectors.

The MnSCU system provides multiple levels of response to the urgent needs for a well educated workforce. The two year schools provide the technical skills needed by many growing industries, retraining for displaced workers, the first two years of a four year degree, and programs specially tailored for local businesses. The four year schools provide various professional degrees, versatile liberal arts preparation, and graduate degrees that serve the needs of the state and regional economy. There is little doubt that these cuts will erode the gains that Minnesota has made in preparing workers for the global economy.

Higher Education and Social Services
Educational level is inversely related to the need for some tax supported social programs. Specifically, higher rates of education are related to lower incidence of disease (Grossman, 2006), lower unemployment, and less criminal behavior (Lochner & Moretti, 2004).

The Census Bureau Current Population Survey (2006) places Minnesota as 8th in the nation in educational attainment with 33.5% of the population having a bachelor’s degree or higher compared with our neighbor Wisconsin, which is at 24.6%. In fact, Wisconsin holds Minnesota up as its model in a plan to use higher education to grow the state’s economy (see http://www.wisconsin.edu/growthagenda/).

In a report by the Pew Project on the States, cited in Inside Higher Education last year, Minnesota was reported to spend the least on prisons relative to higher education. Considering the inverse relationship of educational level and incarceration, this is an excellent distinction reflecting many years of strong support for higher education. I fear that this distinction may erode as a result of proposed cuts to higher education.

Disproportionate Impact
As state appropriations for higher education decrease, the amount that must be covered by students and families increases (State Higher Executive Officers, 2009). Unfortunately, this situation is likely to have disproportionate negative impact on those students and families with lower incomes. This is particularly problematic because of the critical role played by college education in the economic mobility of poor families (Haskins, 2008). Put another way, without the benefit of higher education, fewer low income families will increase their earnings and increase their contributions to state revenues.

Regional Vulnerability
The Department of Employment and Economic Development used census data to show the relative household income and educational attainment by county. These data suggest that our region is particularly vulnerable to adverse impacts from higher education budget cuts. Although the household income for Clay County is near the state median and our educational attainment is above the median, most of our surrounding and nearby counties are in the bottom two quintiles. In fact, more than half of the state’s poorest counties are in our immediate region. Further, the educational attainment of our region of the state is well below the state average.

Given the above points, I fear that the proposed budget cuts will stimulate a downward spiral for the state and especially for our region of NW Minnesota. Lower funding for higher education will limit access, especially to those with lower incomes. Lower access will erode the state’s level of educational attainment at a time when education is particularly critical for competition in the global workforce. At the same time, a less well education citizenry will need more prisons and social services, thus increasing the tax burden on the state and further eroding support for education.

References and Sources
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