

# The Best Kept Secret in Higher Education

Why a Focus on Community Colleges in Higher Education Act Reauthorization Is Important for Business



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This report was authored by Kara Billings.

The following individuals contributed to this report: Bill Christeson, Cristin Kumar, Nancy Fishman, Sara Hutton and Miriam Rollin.

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## Why a Focus on Community Colleges in Higher Education Act Reauthorization is Important for Business

### A Lack of College-Educated Workers Is Hurting the Economy

The future workforce depends on a supply of people who have the skills, education and work habits that will keep our country competitive. Yet as business leaders look ahead to the coming years, we see a gap between the level of education and skills that American companies need and that of those entering the workforce. By 2020, there will be an estimated five million jobs in the United States that will require a level of postsecondary education that workers do not have. Roughly 30 percent of those jobs will require some college, a certificate or an associate degree. The other 70 percent will be for individuals with a bachelor's degree (17 percent of whom earn an associate degree first).<sup>1</sup>

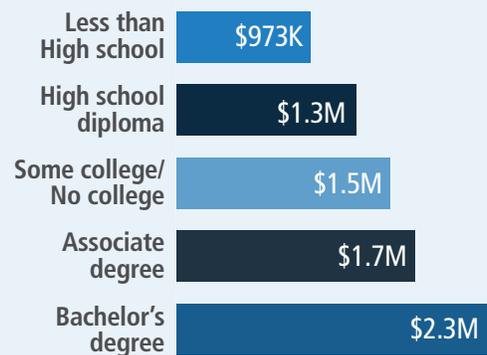
**Uniquely positioned to respond to the needs of businesses, community colleges (public, two-year schools) can help more Americans acquire the education and skills necessary for these future job openings.** And there are clear opportunities within the reauthorization of the Higher Education Act to help them do so. Specifically, policymakers can reward institutions that are helping students acquire the skills businesses need, increase the amount of grant aid that students can access year-round, and simplify the application process for such aid. Together, these reforms will enable more students to get a quality community college education and qualify for today's jobs.

### Community Colleges Are Creating Paths to the Middle Class

One-third of the college population—nearly seven million students—are enrolled in community colleges.<sup>6</sup> Attending community college costs roughly half as much as attending

### Median Lifetime Earnings by Highest Educational Attainment

Completing an Associate degree boosts lifetime earnings by one-third compared to a high school diploma.



Source: The College Payoff: Education, Occupation, Lifetime Earnings, Georgetown University 2009

**Taxpayers gain \$142,000 in revenue for each community college graduate compared to a high school graduate.**

## Community Colleges Are Filling Skills Gaps Across the Country

Community colleges are actively filling skills gaps in local economies by developing relationships with high schools and local businesses.<sup>2</sup>

There are a number of examples of community colleges playing this role across the nation. For example, one community college near Washington, D.C. offers courses in geospatial information systems—a skill applicable to nearby jobs in the federal government.<sup>3</sup> Another community college in Silicon Valley offers a wide range of graphic design and computer graphics courses to cater to jobs in the technology industry.<sup>4</sup> Meanwhile, community colleges in mountainous areas in California offer Wilderness Emergency Health classes to support the growing tourist industries in their areas, and community colleges in southeast Michigan are working with business to fill jobs in the automotive industry.<sup>5</sup>

a four-year public college (\$6,800 vs. \$13,300 per year), and a third as much as attending a two-year for-profit college (\$6,800 vs. \$19,600 per year).<sup>7</sup>

For a relatively small investment, a community college education pays dividends. Those who complete an associate degree earn 33 percent more than a high-school educated worker—a boost of \$450,000 in lifetime earnings—and are 34 percent less likely to be unemployed.<sup>8</sup> Similarly, individuals who finish a certificate, half of whom complete them at community colleges, earn 20 percent more than high-school educated workers—a boost of \$240,000 in lifetime earnings.<sup>9</sup> In addition, 12 percent of community college attendees go on to earn a bachelor's degree, increasing their earnings even more.<sup>10</sup>

Community college students aren't the only ones to benefit. Research shows that taxpayers gain \$142,000 in revenue for each associate degree earned at a community college compared to a high school graduate.<sup>11</sup>

## Despite Their Payoff, Community Colleges Are Undervalued and Underfunded

Despite community colleges' clear value to today's workforce, they receive fewer resources than other institutions. For example, public universities receive \$16,600 per student in government funding, while community colleges receive roughly \$8,000.<sup>12</sup> Yet community colleges arguably need more resources, given that they enroll lower-income and less academically prepared students than the typical four-year university.<sup>13</sup> Approximately 39 percent of full and part-time students at community colleges graduate or obtain a certificate, compared to 63 percent of students at public, four-year colleges.<sup>14</sup> With more resources, community colleges could help even more students succeed by strengthening advising systems, creating pathways to the workforce and giving students faster remedial education—strategies that have been shown to boost certificate and degree completion.<sup>15</sup>

## Five Ways to Strengthen Community Colleges and the Workforce through Reauthorization of the Higher Education Act

### 1 Incentivize improvement at community colleges

Policymakers can encourage the innovation that community colleges are known for by making performance one of the criteria for receipt of a Federal Supplemental Educational Opportunity Grant (FSEOG), which administers



funds directly to colleges. This can be accomplished by using existing data to determine which schools that consistently enroll a large portion of low-income students are having success (such as by looking at completion, transfer and/or retention rates), and then directing more resources to those colleges.<sup>16</sup>

## **2** Maintain funding for Pell Grants (need-based aid)

Community college students make up one-third of Federal Pell Grant recipients, and research shows that such aid increases students' attendance and persistence at two-year colleges.<sup>17</sup> While colleges need to do their part to lower costs, Pell Grants are a crucial investment in our country's economy.

## **3** Allow students to access Pell Grants year-round

Currently, students receive one Pell Grant award per year that can be used for two semesters. This prevents students who are looking to accelerate their education from doing so. Recent evidence from random assignment studies shows that year-round grant aid increases community college students' enrollment and persistence.<sup>18</sup> Lawmakers should allow students to access Pell Grant aid year-round without reducing the average award.

## **4** Allow students to use Pell Grants for modern programs

Work-based experiences and assessments that verify the skills acquired in these programs are currently not allowable uses of Pell Grant aid.<sup>19</sup> Both community college students and businesses would benefit if students were allowed to use aid for these purposes.<sup>20</sup>

## **5** Simplify the financial aid application process

Another way to make a community college education in reach for more students is to remove the barriers to receiving grant aid. Simplifying the grant aid application process (the Free Application for Federal Student Aid, or FAFSA), and incentivizing businesses to help families fill out forms, could increase students' college attendance by as much as 30 percent over two years.<sup>21</sup>

## **Conclusion**

Unless we act soon, businesses will have trouble finding workers with the education and skills necessary to fill open jobs. The reauthorization of the Higher Education Act offers a chance to produce more qualified workers by increasing the number of students who get a quality community college education.

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**National Office**

1212 New York Avenue NW  
Suite 300  
Washington, DC 20005  
P (202) 776-0027  
F (202) 776-0110

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