## Aligning Resources to Meet State Needs:

# Educational Needs Index

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# Executive Summary

As states transition into an economic era in which their fortunes will be determined by the education and skill levels of their citizens, policymakers must remain diligent in their commitment to creating policies that promote the expansion of human capital. Given the strong correlation between educational attainment and the transmission of social/economic status, education is increasingly cited as a prime determinant of economic well-being. In order for states to compete in the human capital economy, they must raise both the knowledge and skill levels of their citizenry.

Through a focus on the benefits of education, this study demonstrates the causal link between educational attainment and social welfare at the county level in each of the 16 member states of the Southern Governors' Association. The Educational Needs Index includes 16 county-level variables that directly impact participation rates in postsecondary education, educational attainment levels, employment patterns, and socioeconomic status. The Index combines various statewide educational, demographic, and economic characteristics and allows for comparisons across all of the respective counties in the region.

To raise participation rates and educational attainment, policy makers need to have a broader understanding of the aspirations of potential students and the market forces influencing these citizens. The Educational Needs Index provides critical data that informs the educational planning process. The Index provides great insights for a variety of audiences, including elected officials, institutional presidents, K-12 leaders, educational researchers, planners, legislative staff, and policy makers.

# Project Overview

The coming decade for higher education in the southern region is one of unprecedented opportunity coupled with significant leadership, policy, and fiscal challenges. As states transition into an economic era in which their fortunes will be determined more by the human capital potential of their citizens rather than physical capital and natural resources, policymakers will be forced to increasingly rely on their state systems of higher education. Given the strong correlation between educational attainment and the transmission of social/economic status, education is increasingly cited as a prime determinant of economic well-being. In order for states to compete in the human capital economy, they must raise both the knowledge and skill levels of their citizenry. Growing awareness of the demands for an educated citizenry in a highly competitive, knowledge-based economy will put further pressure on state systems of secondary and post-secondary education.

In this knowledge-based economy, education, technology, and learning are the keys to sustainable economic growth. More specifically, higher education provides the foundation for economic growth. Higher education provides not only skills for employees, but a medium for advanced research and development activities on campuses across the region. In the old economy, fixed assets, financing, and labor were principal sources of competitive advantage for states. In order to remain competitive, states must work to develop policies that incorporate human, intellectual, and financial capital.

As recently noted by the Southern Growth Policies Board, states need to build and maintain a more complete demographic profile of their potential workforce. Such a profile should take into account educational, economic, and population growth factors to provide a clear picture of workforce opportunities and challenges. While elected officials often have a qualitative feel for the issues, they lack the quantitative data needed to educate and inform their decision-making process. The creation of a generalizable evaluative tool that informs the policymaking process would provide a powerful tool in the policy toolbox. This study attempts to answer this charge and presents a set of consistent data elements that allow policymakers to examine how their states, and the counties that comprise them, compare regionally. This research attempts to fill this void through the creation of an indicator-based model that measures the potential value of investments in higher education.

*The Educational Needs Index* includes county-level variables that directly impact participation rates in postsecondary education, educational attainment levels, employment patterns, and socioeconomic status. The goal of this research is to combine various statewide educational, demographic, and economic characteristics and to provide comparisons of the region's 1538 counties. The Index evaluates the educational needs and demands of the diverse counties of the region, allowing for economic, educational, demographic, and social variables to be included in the analysis. The model employs 16 unique indicators that are folded into five factor categories:

1. **Educational Factors** – Indicators assess the educational capacity of a county's adult population. Indicators measure the percent of the population with a high school degree, associate's degree, and bachelor's degree.
2. **Economic Factors** - Indicators in this category assess the degree of economic challenges and opportunities facing counties. Indicators measure the percent of population in poverty, unemployment rates, and the existing earnings capacity of residents.
3. **Growth Factors** – Indicators assess the potential opportunities for population growth within a county. Indicators measure projected population growth, rate of historical population growth, ratio of births to deaths, and population aged 19 and younger as a percent of the total population.
4. **Market Factors** - Indicators assess the potential need for increased emphasis on a human capital approach to address changes in the educational and labor pools. Indicators measure the population aged 20-44, relative size of a county's minority population, and percent of jobs in the manufacturing sector.
5. **Population Factors** – Indicators serve as corrective variables to control for the population size of each respective county.

In all cases, the report relies on the most recently published statistics available, but because of the delays in publishing federal statistics, the data in some cases may be several years old.