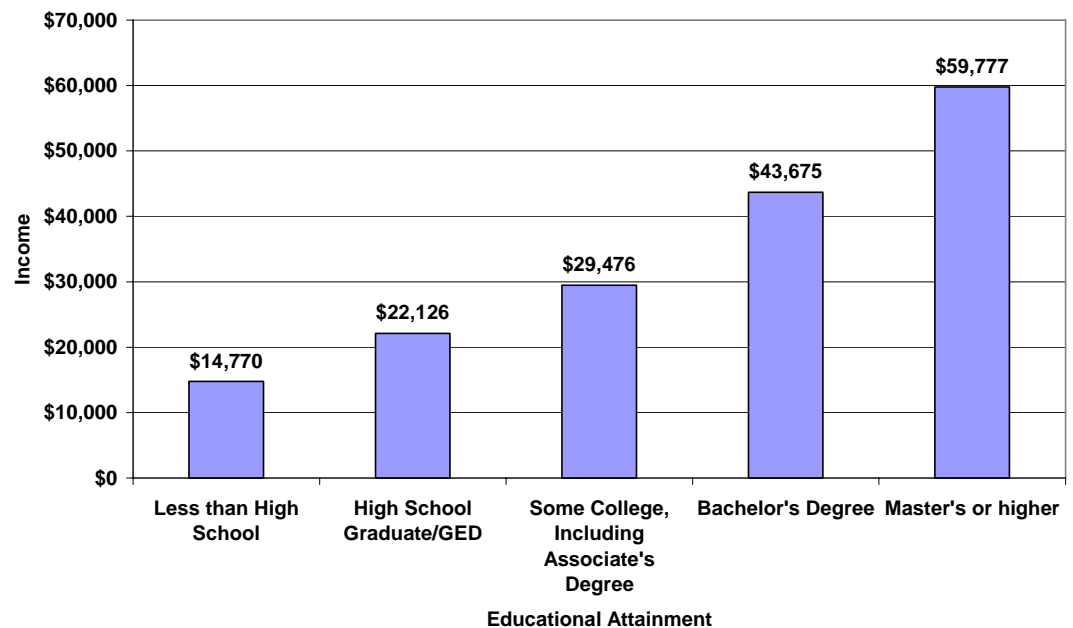


The Fiscal Consequences of Adult Educational Attainment in Colorado

Unsurprisingly, income level is highly correlated with educational attainment for adults in Colorado. According to data from the 2005 American Community Survey¹, for Coloradans between the ages of 16 and 64 who are not students, average annual income steadily increases from under \$15,000 for those without a high school diploma, to nearly \$60,000 for those with education at the Master's level or higher. This is an extremely dramatic difference, as the most highly educated earn more than four times as much as those on the opposite end of the spectrum.

Chart 1: Mean Annual Income for Colorado Residents Aged 16-64, by Educational Attainment, 2005



As pointed out in a study by the Council for Advancement of Adult Literacy², the fiscal consequences of these lower wages extends beyond just the individuals making lower salaries. More educated adults have more success than their peers in finding better jobs, but additionally, “as a consequence of their higher rates of employment and annual earnings...adults with more schooling generate substantially more favorable fiscal impacts for federal, state, and local governments.”

Types Cash and In-Kind Transfers Received

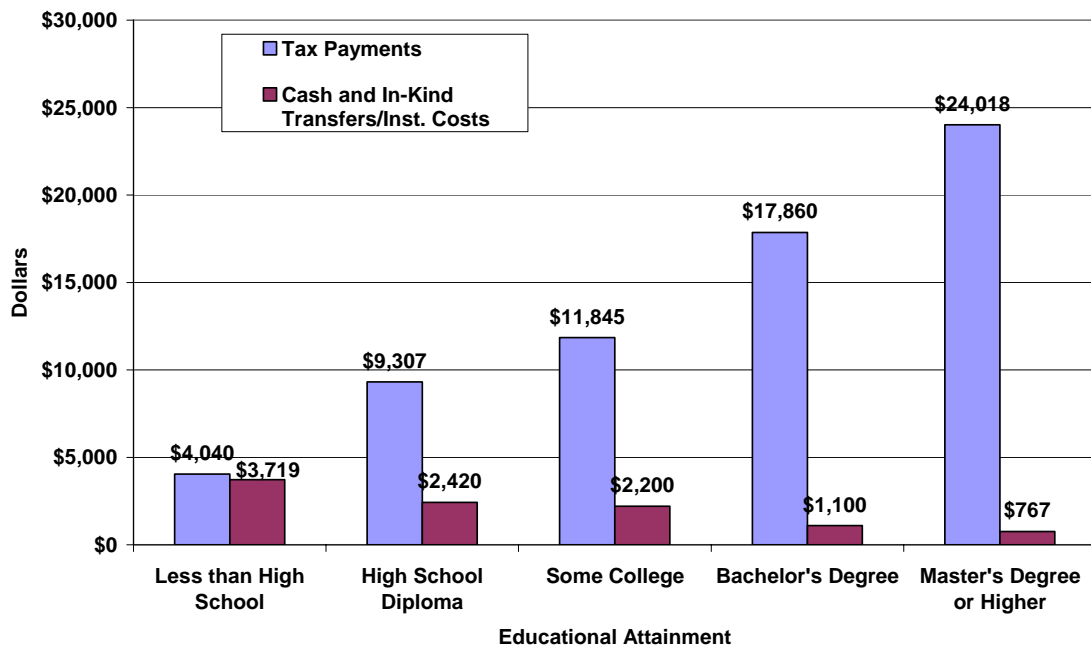
Cash Transfers include unemployment compensation, Temporary Assistance to Needy Families, Supplemental Security Income, and Social Security disability benefits.

In-Kind Transfer payments include Medicare/Medicaid health insurance benefits, food stamps, rental subsidies, and energy assistance.

The Fiscal Consequences of Adult Educational Attainment in Colorado

These favorable fiscal impacts are generated in two ways. First, and rather obviously, since more highly educated people as a whole earn more money than those with lower educational attainment, they also pay more taxes, on average. On the other side of the equation, more highly educated people receive less federal, state, and local dollars by the way of cash and in-kind transfers (see box). Additionally, more educated people are less likely to be institutionalized, and to impose publicly-funded costs associated with such institutionalization. See Chart 2 for a synopsis of estimated average tax payments and costs for Coloradans, by education level.

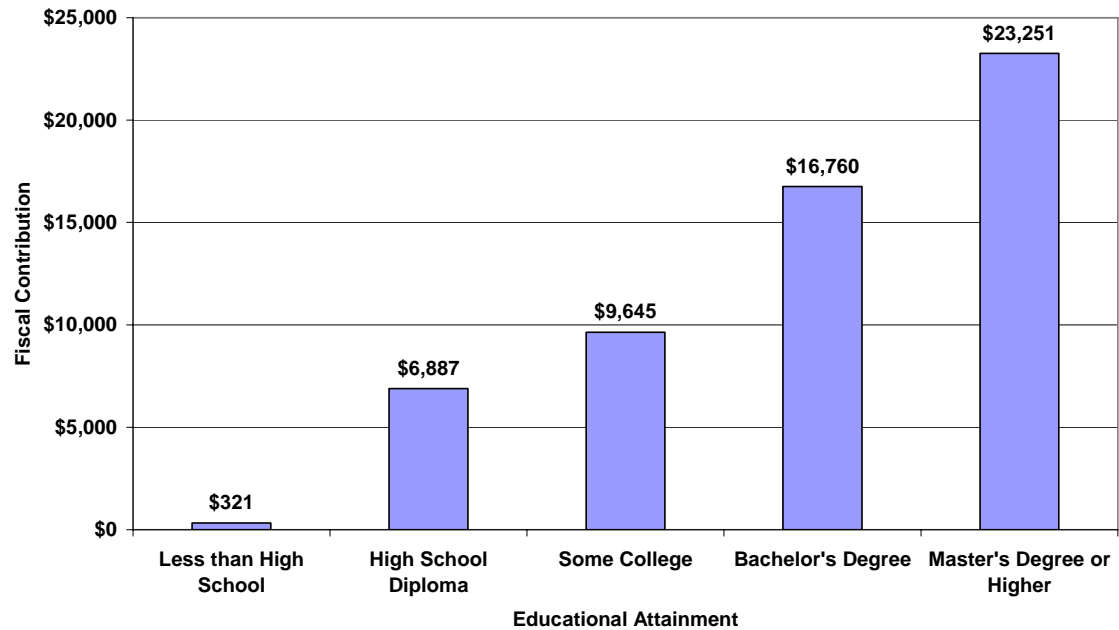
Chart 2: Average Estimated Tax Payments and Costs for Colorado Residents Aged 16-64, by Educational Attainment, 2004-05



These tax payments and costs can be combined to estimate the average net fiscal contribution to federal, state, and local governments – essentially, the amount they paid in taxes less the amount they received in benefits. Chart 3 clearly demonstrates that the fiscal contribution climbs steadily with increased educational attainment.

The Fiscal Consequences of Adult Educational Attainment in Colorado

Chart 3: Average Estimated Annual Net Fiscal Contributions of Colorado Residents Aged 16-64, by Educational Attainment, 2004-05



These findings underscore the importance of assisting those Coloradans who have less than a high school education³ by providing adult basic education leading to a high school diploma and beyond. Adult basic education pays off—both for individuals as they climb higher on the economic ladder, and for the State of Colorado through the increased fiscal contributions of those whose levels of education rise.

Sources:

¹ Data downloaded from the Public Use Microdata Sample (PUMS), http://factfinder.census.gov/home/en/acs_pums_2005.html. Accessed May 9, 2008.

² *The Fiscal Consequences of Adult Educational Attainment*. National Commission on Adult Literacy. December 14, 2007. <http://www.nationalcommissiononadultliteracy.org/pandp.html>. Accessed May 14, 2008.

³ Colorado Family and Adult Literacy Indicators: State of Colorado, <http://www.literacyresearch.org/download/indicators/colorado.pdf>. Accessed May 14, 2008.