

Lit Scan

Facts & Figures from the Colorado Literacy Research Initiative

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The Bottom Line

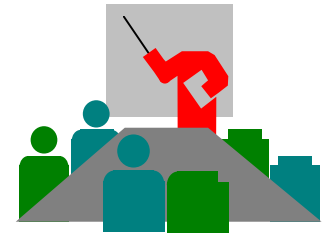
Individuals who participated in adult education programs during FY 1997 alone can be expected to generate additional tax revenues and welfare savings netting **\$3.6 to \$8.7 million annually**.

The Economic Value of Adult Education Programs to the State of Colorado, FY 1997

Adult education programs in Colorado generate a substantial return on investment to government coffers.

The 14,537 participants in Colorado adult education programs benefited measurably both themselves and their state during their initial year of study:

- ◆ One out of five participants who entered a program unemployed (933 out of 4924) gained a job within a year.
- ◆ One out of eight participants who entered a program employed (481 out of 4112) either kept a job that was in jeopardy or earned a promotion within a year.
- ◆ One out of ten participants who entered a program on public assistance (243 out of 2,461) was removed from the welfare rolls within a year.



Consider the fiscal impact of the 1,414 adult learners known to have improved their employment status and the 243 known to have gone off the welfare rolls: The average cost of adult education programs per adult learner for 1997 was \$239.93.

That includes Federal funding under the Adult Education Act received from the U.S. Department of Education and administered by the Colorado Department of Education as well as local matching funds. Following are two alternative scenarios for estimating the payoffs:

Increased Tax Revenues (Minimum Wage Scenario)

While it is impossible to know how much each of newly employed adult learners earned, we may make a conservative estimate of their earnings based on the minimum wage, \$5.15 per hour, assuming also that they work full-time (40 hours per week) for 50 weeks per year (allowing two weeks off for holidays, vacation, and sick leave). Annually, a full-time, minimum-wage job would thus pay \$10,300. Under the federal and state tax codes, no income tax would be due on such a low income, but FICA (i.e., Social Security) taxes would be paid at



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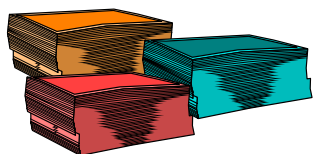
the rate of 15.3 percent (i.e., the combined contributions of the employer and the employee). On a single minimum wage income, FICA taxes would be \$1,576 annually. Multiplying that amount by the 1,414 adult learners who got or kept jobs, the increased **FICA revenues** would total \$2,228,323—**\$2.2 million dollars a year**.

In addition to paying FICA taxes, adult learners who take paying jobs also pay state and local sales taxes. The state revenue department estimates sales taxes paid as a percentage of lower incomes at 2.93 percent at the state level and 2.72 percent at the local level. Applying these rates to adult learners who got or kept minimum wage jobs, it may be estimated that they pay \$280 in state sales tax and \$302 in local sales tax annually. Adult learners who moved from welfare to minimum wage jobs may be estimated to pay an additional \$182 in state sales tax and an additional \$197 in local sales tax. Thus, the combined gain in annual sales tax revenue from adult learners may be estimated at \$773,781—**over three-quarters of a million dollars a year**.

Assuming minimum wage employment, successful adult learners who join and remain in the work force increase the annual tax revenues of federal, state, and local governments by \$3,002,104—**over \$3.0 million a year**.

Minimum Wage Scenario Increased Revenues (millions)	
FICA	\$2.2
Sales tax	\$0.8
TOTAL	\$3.0

Increased Tax Revenues (High School Graduate Wage Scenario)



A less conservative estimate of the tax contributions of adult learners who get or keep jobs can be based on the **average hourly wages of high school graduates**. For 1995, that figure was \$10.46 per hour. Assuming a 40 hour week and a 50 week year (again, allowing two weeks for holidays, vacation, and sick leave), that wage would generate \$20,920 annually. Again, FICA taxes would be paid on this income by the employer and employee, totaling \$3,201 a year. Multiplying that amount by the 1,414 adult learners who got or kept jobs, the increased **FICA revenues** would total \$4,525,875—**over \$4.5 million a year**.

While the minimum wage scenario made no allowance for income taxes, adult learners whose incomes reach the norm for high school graduates pay approximately \$1,000 annually in federal income tax and about another \$400 in state income taxes. Multiplying that amount by the 1,414 adult learners who got or kept jobs, the increased **income tax revenues** would total \$1,979,600—**almost \$2.0 million a year**.

In addition to paying FICA and income taxes, adult learners who take paying jobs also pay state and local sales taxes. The state revenue department estimates sales taxes paid as a percentage of lower incomes at 2.93 percent at the state level and 2.72 percent at the local level. Applying these rates to adult learners who got or kept minimum wage jobs, it may be estimated that they pay \$569 in state sales tax and \$613 in local sales tax annually. Adult learners who moved from welfare to minimum wage jobs may be estimated to pay an additional \$472 in state sales tax and an additional \$508 in local sales tax. Thus, the combined gain in annual sales tax revenue from adult learners may be estimated at \$1,622,663—**over \$1.6 million a year**.

Assuming jobs paying average high school graduate wages, successful adult learners who join and remain in the work force increase the annual tax revenues of federal, state, and local governments by \$6,148,538—over **\$8.1 million a year**.

High School Wage Scenario Increased Revenues (millions)

FICA	\$4.5
Income tax	\$2.0
Sales tax	\$1.6
TOTAL	\$8.1

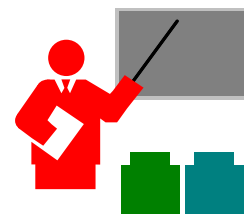
Welfare Savings



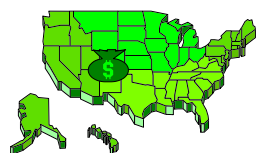
The average annual welfare payment per individual for 1997 was \$3,576. Multiplying that cost times the 243 adult learners who went off welfare, the **reduced welfare costs** attributable to adult education programs is **\$868,968**.

Education Costs

What does the State of Colorado have to invest in adult learners to achieve the increased tax revenues and welfare savings described here? The per student cost of adult education programs, including federal Adult Education Act funds and local matching funds, is \$239.93. Thus, Colorado's investment in successful adult learners during FY 1997 was **only \$339,261**.



Summary and Conclusions



Taken together, **increased tax revenues** and **welfare savings** may be estimated to be **at least \$3.9 million and as much as \$9.0 million annually**. Subtract from that the \$339,261 spent on 1,414 successful adult learners and the **net financial benefit** to Colorado—including increased federal, state, and local tax revenues—ranges from **\$3.6 to \$8.7 million annually**.

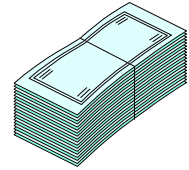
Notably, these figures are based on extremely conservative assumptions and represent a one-year-only statistical snapshot of a subset of successful adult learners, for whom the benefits of adult education programs are known. In fact, the 1,414 individuals represented in these figures are only a sample of the larger universe of all adult learners. For some of program participants, this type of impact data is simply unavailable. In addition, the cumulative benefits of adult education programs over time, particularly considering their likely intergenerational impact, must be many times what these figures suggest. Notably, 1,183 adult learners reported reading more to their children.

Net Gains: Both Scenarios (millions)

Factors	Minimum Wage	High School Wage
Tax Revenues	\$3.0	\$8.1
Welfare Savings	+ \$0.9	+ \$0.9
Education Costs	-- \$0.3	-- \$0.3
TOTAL	\$3.6	\$8.7



Compassion for educationally disadvantaged Coloradans—and their children—or concern about their potential negative impact on society (e.g., public health, crime, “children having children”) is not required to justify the state’s expenditure of Federal funds on adult education. It is justified more than adequately by the state’s own clear financial interests. The only remaining question is this: With this kind of return-on-investment—more than ten to one, at least—why isn’t the State of Colorado investing some of its own resources to increase the payoff?



SOURCES

- ◆ Colorado Department of Revenue, **Colorado Tax Profile Study 1994** (n.d.)
- ◆ Economic Policy Institute (<http://epinet.org/fids19.html>).
- ◆ Elroy Kelzenberg, Arapahoe Douglas Works, (303) 752-5820 ext. 328, fax (303) 752-5850, ekelz@adworks.org (telephone conversation, December 4, 1997; e-mail message, December 16, 1997).
- ◆ Office of Adult Education, Colorado Department of Education (annual report).

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