



### A Message from Treasurer Torsella

When the COVID-19 pandemic began, Pennsylvania was already facing a growing skills gap. As Chairman of the Tuition Advisory Board and custodian of our College Savings Plans – I have watched with alarm as our states' workforce falls behind other states and higher education costs continue to grow at an unsustainable pace. According to the [Pennsylvania Chamber of Commerce](#), 22% of our employers cited a shortage of qualified applicants as their “single most important issue” in 2019—the most cited issue overall and an 8 percentage point increase from the [year before](#). By 2025, [Pennsylvania's State System of Higher Education](#) (PASSHE) estimates there will be 963,100 skilled job openings in the Commonwealth and that technical and healthcare jobs alone will increase by 15.6 percent. Given that [42% of job layoffs](#) nationwide during the COVID-19 crisis are estimated to be permanent, millions of Pennsylvanians will be counting on a new path to economic opportunity.

In this issue of Treasury Notes, I present a practical, cost-effective higher education plan to help Pennsylvanians meet the current and future needs of the labor market: **the Pennsylvania Skills Compact**. Based on successful, bipartisan models from other states, the Skills Compact would significantly reduce the total costs of attendance for any Pennsylvanian to earn an associate's degree, technical certification, or occupational credential. The program's mission is to promote Pennsylvania's workforce development by expanding access to skills education and training, regardless of where an individual may be in their career.

### Why Invest in Pennsylvania Skills?

While 60% of job openings nationwide are expected to require postsecondary education by 2025, only [50.3% of Pennsylvanians](#) possess a short-term credential or higher. Below the current national average (51.3 percent), Pennsylvania's low postsecondary attainment is exacerbating its skills shortage. In fact, for “middle skill jobs” specifically—those requiring postsecondary education, but no 4-year degree—Pennsylvania had [11 percent](#) more positions available than qualified workers in 2018. Additionally, low funding and cost barriers are making it difficult for Pennsylvanians to catch up with the skills education needed. Pennsylvania had among the lowest [higher education funding per capita](#) in the country in 2017—almost half the national average—and, before the current economic downturn, Pennsylvanians faced some of the highest postsecondary education costs in the United States.

The COVID-19 pandemic is rapidly disrupting the labor market and economy. Since March, over [three million Pennsylvanians](#) have filed for unemployment and, based on national projections, up to [half](#) are likely to be permanent. Nationwide, workers without postsecondary education are experiencing higher levels of unemployment during the crisis

### Summary

Even before the crisis, Pennsylvania was experiencing a growing skills gap and insufficient levels of postsecondary attainment. As the COVID-19 crisis continues to disrupt businesses and delivery models, a statewide investment in the universal access to skills training will expedite our recovery and increase economic opportunity.

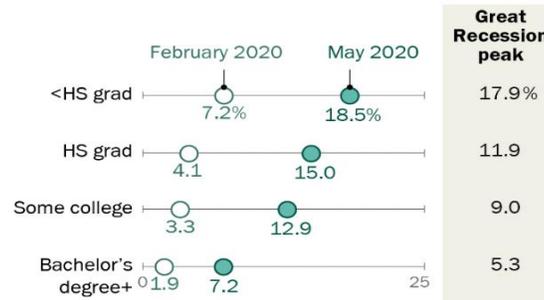
### Recommendations

Pennsylvania should establish the Pennsylvania Skills Compact. Modeled on similar programs in Tennessee and Arkansas, the Compact will expand access to postsecondary training like associate's degrees, technical certificates, and other credentials. By leveraging federal recovery funding, student aid, and workforce development assistance, the Commonwealth can cost-effectively provide “last-dollar” funds to make skills training tuition-free for Pennsylvanians.

and new employer needs will likely arise as businesses shift online and more investments are made in technology, education, and healthcare. Considering 93 percent of Americans with a Bachelor’s degree or higher have remained employed, postsecondary attainment has proven more necessary and valuable than ever before.

### Less-educated workers are seeing higher unemployment in COVID-19 downturn, as in the Great Recession

Unemployment rate (%)



Source: [Pew Research Center](#)

Community colleges, a leading source of skills education, have shown a number of benefits to students and their communities. Columbia University’s [Community College Research Center](#) has found that community college graduates earn higher incomes, on average, than non-graduates. Community colleges also offer [direct benefits](#) to their communities through skills development, increased wages, and higher rates of employment. Meanwhile, community colleges are leading sources of information and technology education, equipping students with skills needed to work in high-demand jobs. As changes in the labor market continue to accelerate after COVID-19, Pennsylvania community colleges—along

## National Best Practice: Tennessee Promise

In Fall 2015, Tennessee enrolled its first cohort of students in Tennessee Promise, the state’s community college program for recent high school graduates. Approved on a bipartisan basis in 2014, then-Governor Bill Haslam championed the Tennessee Promise program as part of his administration’s “Drive to 55” Compact, which promotes workforce development through increased postsecondary attainment. In addition to Tennessee Promise, the state offers Tennessee Reconnect, a similar program for Tennessee adults over age 25. Through both programs—which have received vocal support from the [state’s Chamber of Commerce](#)—Tennessee is able to offer tuition-free skills training to its residents in a bipartisan, cost-effective manner.

Early data has shown success. After five semesters, the first cohort of Tennessee Promise students in Fall 2015 had significantly higher [overall rates of success](#) in completing their education than non-Promise students. Through Tennessee Promise and Tennessee Reconnect, the [state witnessed](#) a twenty percentage point increase in its FAFSA completion rate and an increase in minority and first-generation enrollment/completion. In 2018-2019, Tennessee was [ranked second](#) in the country for FAFSA completion rate among high school seniors and was almost twenty percent above the national average, securing millions of dollars in federal education funding for the state. For Tennessee adults, almost 50% of all Tennessee Reconnect students [received a federal Pell Grant](#) in the program’s first cohort of students in Fall 2018.

with technical schools and four-year institutions with shorter-term degrees—are well positioned to educate students for the future with over [1,800 workforce partners](#) and accessible locations throughout the Commonwealth.

## What is the Pennsylvania Skills Compact?

The Pennsylvania Skills Compact would make tuition and mandatory fees free for every Pennsylvanian to earn an associate's degree, technical certification, or occupational credential. The program is last-dollar—requiring students to complete the FAFSA and use all existing aid *before* Pennsylvania contributes any funding for the remaining tuition and fees. As a last-dollar program, the Pennsylvania Skills Compact is a cost-effective approach for the Commonwealth, pulling in under-used federal resources. According to the Pennsylvania Higher Education Association, over 22,000 Pennsylvania students missed out on nearly \$90 million in Pell Grants in 2018 alone.

The Skills Compact will also help reach Governor Wolf's [60 percent](#) postsecondary attainment goal by 2025 through engaging non-traditional students and increasing coordination across the Commonwealth's institutions of higher education. Since many of these schools—not just community colleges—offer skills training and other shorter-term programs, eligible institutions should include two-year and four-year institutions, both public and private. In addition, Pennsylvanians of all ages will have access to the program and the ability to attend part-time, a recognition that many potential students in the Commonwealth confront non-academic challenges like working full-time, providing child care, and looking after parents and grandparents.

Since the intention of the program is a long-term investment in skills development for all Pennsylvanians, the Skills Compact should not generally impose complicated qualification restrictions, such as a post-completion residency commitments for graduates, as this has been shown to [severely depress enrollment](#) or does not account for potentially rapid labor market changes post-COVID. Instead, Treasury recommends that the Skills Compact rely on existing federal and state guidelines for satisfactory academic progress, in-state tuition, and related guidelines. This will both ease the costs of compliance for higher education institutions and accelerate implementation.

Pennsylvania may need to adopt rules in order to avoid incentivizing higher tuition prices, as [Maryland](#) incorporated in their program. Additional components may include statewide metrics for integrating higher education and employment data collection—based on standardized federal measures—to enhance decision-making in accordance with the performance of the program, all of which have been proposed by California's nonpartisan [Legislative Analyst's Office](#). Second, a [stackable credential policy](#) in Pennsylvania can promote access for the many students with significant non-academic responsibilities who need to earn their certification incrementally, while boosting overall attainment levels and skills training opportunities. Lastly, in achieving an effective program, the Commonwealth should require a long-overdue new five-year master plan for higher education—as required in the Public School Code—increasing coordination, accountability, and efficiency among all applicable higher education institutions.

More states are enacting tuition-free training programs. Currently, at least [15 states](#) have such a program, including [Arkansas](#), [Kentucky](#), and [West Virginia](#). In 2019, the Republican-controlled West Virginia Senate [passed](#) the West Virginia Invests Program with unanimous support. After being introduced by Governor Gina Raimondo, the Rhode Island General Assembly passed Rhode Island Promise with broad support in 2017. Through this program, [Rhode Island](#) saw enrollment for students from low-income families and students of color double and triple, respectively, between Fall 2016-Fall 2018 and the percentage of community college graduates within two years increased significantly.

## What About the Costs?

While the Pennsylvania Skills Compact provides a tuition-free training benefit for all Pennsylvanians, the program is inexpensive considered against its benefits. An October 2019 analysis of this proposal from the Upjohn Institute for Employment Research (Upjohn) found that the program's *total* cost will not exceed \$83 million in the first year, depending on the final program design. This total cost is not the *net* cost to the Commonwealth, if we leverage federal funding streams such as workforce development money, COVID-related recovery aid, and general higher education funding. It could even be structured to avoid meaningful impact to the General Fund: Arkansas, for example, [funded](#) its tuition-free training program by simply repurposing federal workforce development dollars before COVID-19.

Based on the Tennessee experience, Upjohn's model also assumes a 20 percent increase in student enrollment and thus higher program costs. Despite the economic downturn (enrollment tends to go up during a recession), this may prove an overestimation as [early figures](#) imply a decline in total enrollment in addition to Pennsylvania's aging-related [decline](#) in higher education.

The last-dollar nature of the Pennsylvania Skills Compact, i.e. requiring that students must complete the FAFSA and exhaust other student aid, will also mean decreased costs for non-traditional students who too often assume they do not qualify for aid. Assuming Pennsylvania realizes a significant gain in FAFSA completion—Tennessee saw a twenty-percentage point increase—this would result in tens of millions of dollars in additional funding for the states' higher education systems.

## Conclusion

The Pennsylvania Skills Compact can raise postsecondary attainment, equip Pennsylvanians with the tools needed to succeed in the post-COVID economy, and promote long-term economic growth in the Commonwealth. The program is designed in a way for Pennsylvania to utilize new and existing sources of federal funding. Through the Pennsylvania Skills Compact, the Commonwealth has the opportunity to set a national standard for workforce training, accelerating its economic recovery and opening the door to a promising future for millions of Pennsylvanians.