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### **Economics column by Haas Center Researcher Allison Tyler**

*Raising the high school graduation rate would add millions to the Pensacola economy*

**Pensacola, Fla. – March 2, 2016** – In a new column, Allison Tyler, economic development coordinator with the Haas Center at the University of West Florida, shares her perspective on high school graduation rates. Tyler has found that raising the Pensacola area's high school graduation rate from 77 percent, where it currently stands, to 90 percent would result in \$30 million in additional earnings and \$1 million in additional tax revenue through 2022. Her article on the subject is below.

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### **90% high school graduation rate would add millions to area economy**

*New grads collectively would earn an extra \$30M, raise tax revenue by \$1M by 2022*

By ALLISON TYLER | [atyler1@uwf.edu](mailto:atyler1@uwf.edu)

*Allison Tyler serves as economic development coordinator for the Haas Center at the University of West Florida in Pensacola.*

Officials in Alabama are celebrating a recent announcement that the state's high school graduation rate has reached 89 percent, one percentage point shy of the 90 percent goal the state set for students to meet by 2020. This is a 15-point increase since 2012 when the state's Board of Education set out to improve its education system through a series of initiatives and goals collectively referred to as Plan 2020.

A high school diploma has long been a minimum requirement for most employment but increasingly that is no longer enough. As the demand for a high-skilled, knowledge-based workforce continues to increase, the employment opportunities for individuals without some form of post-secondary education will continue to decrease. The U.S. Census Bureau American Community Survey estimates nationwide only 73 percent of high school graduates age 25 to 64 are in the labor force, and only 66 percent are employed. Meanwhile, an estimated 86 percent

of individuals with a bachelor's degree or higher are in the labor force and 82 percent are employed.

Furthermore, it is well documented that income typically increases with level of educational attainment. Nationwide, the ACS estimates an individual with a bachelor's degree earns on average \$50,515 annually, compared to only \$27,868 for an individual who has only completed high school. Those receiving graduate and professional degrees earn even more – \$66,944 on average.

Higher earnings benefit not only the individual but also the local economy in the form of increased spending, tax revenue and gross domestic product.

The 2014 report, "Obstacles into Opportunities," by the Public Affairs Research Council of Alabama and economists from Auburn University at Montgomery calculated the impact a 90 percent high school graduation rate would have on the state of Alabama. They estimated a 10-point increase from 80 to 90 percent between 2014 and 2020 would result in 5,643 additional graduates in 2020. An estimated 3,564 of those graduates would be employed resulting in \$112.9 million more in earnings.

The authors then looked at what these 3,564 graduates would have earned had they not completed their degrees. It is assumed that 2,397 of those graduates would have entered the workforce even if they had not earned their high school diploma, collectively earning \$44.7 million. Moving to a 90 percent graduation rate in 2020 would result in a net increase in employment of 1,167 and \$68.1 million in annual earnings in Alabama.

The cumulative impact between 2014 and 2020 is even greater. The state would see an additional graduation of 22,597 high school seniors, additional employment of 15,291 full-time jobs, a net new employment of 4,673 jobs, and net new earnings of \$280 million.

The Haas Center conducted similar calculations to determine the impact a 90 percent high school graduation rate would have on the two-county Pensacola area. Using the area's 2015 graduation rate of 77.1 percent as a baseline, reaching a 90 percent rate by 2020 would require an average annual increase of 1.8 percent.

Using the Florida Department of Education's current enrollment data, the number of graduates was calculated for each year using the current graduation rate of 77.1 percent and the elevated graduation rate. A 90 percent graduation rate in 2022 would result in 644 additional graduates that year. Cumulatively, this would result in 2,537 additional graduates across the Pensacola area.

<b>Pensacola MSA High School Graduation Rate, Status Quo vs. Projected Elevated Rate</b>						
Year		No Change	Elevated Rate	Number Potential Graduates	Number graduates current rate	Number Graduates Elevated Rate
2015		77.10%		4300	3,315	
2016	1	77.10%	78.8%	4,289	3,307	3,381
2017	2	77.10%	80.6%	4,795	3,697	3,864
2018	3	77.10%	82.4%	5,078	3,915	4,184
2019	4	77.10%	84.2%	5,503	4,243	4,635
2020	5	77.10%	86.1%	5,064	3,904	4,361
2021	6	77.10%	88.0%	4,892	3,772	4,307
2022	7	77.10%	90.0%	4,992	3,849	4,493

The PARCA study assumes that 36.8 percent of high school graduates will not pursue college, and only 30 percent of those who do will graduate. In Pensacola, 85 percent of college graduates enter the labor force, and 90 percent who do are employed with median annual earnings of \$43,185. Applying those figures means that in 2022, Pensacola would have 93 additional college graduates collectively earning over \$4 million.

At the same time, only 69 percent of high school graduates in Pensacola enter the labor force, and 87 percent of those who do are employed with median annual earnings of \$25,215. Applying those figures would mean that in 2022, there would be 313 additional high school graduates collectively earning approximately \$7.9 million.

<b>Annual Direct Impact 2016 to 2022</b>								
Year		Additional HS Graduates	Additional HS Employees	Additional HS Earnings	Additional College Graduates	Additional College Employees	Additional College Earnings	Additional College Earnings
2016	1	74	36	\$907,734	14	11	\$463,516	
2017	2	167	81	\$2,048,534	32	24	\$1,046,042	
2018	3	268	130	\$3,287,468	50	39	\$1,678,678	
2019	4	392	191	\$4,808,535	75	57	\$2,455,380	
2020	5	456	222	\$5,593,602	86	66	\$2,856,259	
2021	6	535	260	\$6,562,669	101	78	\$3,351,093	
2022	7	644	313	\$7,899,737	122	93	\$4,033,839	
<b>Totals</b>		<b>2,536</b>	<b>1,233</b>	<b>\$31,108,280</b>	<b>480</b>	<b>368</b>	<b>\$15,884,807</b>	

We then looked at what these 644 graduates would have earned had they not completed their high school degrees. In Pensacola, 53 percent of non-high school graduates enter the workforce anyways, albeit with lower earnings. Seventy-four percent of those in the workforce would be employed earning approximately \$16,770 annually. Collectively, this would result in 253 individuals earning approximately \$4.2 million annually.

With this assumption, one can expect that by year 2022, the area would see a net increase of 154 employees earning approximately \$7.7 million and an additional \$250,000 in tax revenue.

The cumulative impact of a 13-point increase in high school graduation rates between 2016 and 2022 is more than 2,500 additional high school graduates and more than 600 additional employees earning approximately \$30.3 million and contributing an additional \$1 million in tax revenue.

A limitation of these calculations is the assumption that additional high school or college graduates entering the labor force have the requisite skill sets local employers need to fill available positions. It is not enough to simply graduate more students. Communities across the country are faced with the challenge of adequately preparing graduates to meet the current and future needs of local employers in order to retain local talent.

<b>Annual Net Impact 2016 to 2025</b>								
Year		Graduation Rate	Additional HS Grads	Additional Employment	Additional Employment w/o rate increase	Net Increase	Net Additional Earnings	Additional Tax
2016	1	78.8%	74	47	29	18	\$884,537	\$29
2017	2	80.6%	167	105	65	40	\$1,996,185	\$65
2018	3	82.4%	268	169	105	64	\$3,203,458	\$105
2019	4	84.2%	392	248	154	94	\$4,685,656	\$154
2020	5	86.1%	456	288	179	109	\$5,450,661	\$179
2021	6	88.0%	535	338	210	128	\$6,394,964	\$210
2022	7	90.0%	644	407	253	154	\$7,697,863	\$253
		<b>Totals</b>	<b>2,536</b>	<b>1,602</b>	<b>995</b>	<b>607</b>	<b>\$30,313,323</b>	<b>\$997</b>
Note: 7% average sales tax and 47% taxable rate								

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