

Utah's Economy:

The Future is Here



Investing in Utahns

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About the Working Poor Families Project

In Spring 2008, Voices for Utah Children was invited to participate in the Working Poor Families Project (WFPF). This initiative was launched in 2002 by national philanthropic leaders who saw the need to strengthen state policies affecting working families. The national initiative is now supported by the Annie E. Casey, Ford, Joyce and Mott foundations. The WFPF focuses on the states because many of their policies and investments critically affect the lives of working families.

The WFPF began work in five states and after six years is now active in 24 states and the District of Columbia.

Utah's Economy: The Future is Here is a publication researched and published by Voices for Utah Children as part of the project.

About Voices for Utah Children

Voices for Utah Children is the only statewide, multi-issue child advocacy organization that speaks out on behalf of children. We are a credible, nonpartisan, and forceful voice for children and families. For more than twenty years, we have improved children's lives by combining policy expertise with the power of strategic communications and advocacy to achieve real results. For more information, visit www.utahchildren.org.

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- Utah is preparing its economy for a more competitive and prosperous 21st century. In light of current budget constraints, state leaders must sharpen their focus to ensure that investments today guarantee the best returns for Utahns tomorrow.
- The state's transition to future prosperity depends on Utahns who are in the workforce today. With an average age of 28, the state's workforce of the next three to four decades is already hard at work.
- Three crucial systems—worker training, job quality, and work supports—must be strengthened, based on specific recommendations of policy approaches that are presented in this document.
- Worker training: Post-secondary education and training must be encouraged by increasing its availability to adults who are already in the workforce. These working adults are needed to begin filling jobs in the new economy as they are created. Because the entry requirement for jobs in the new, knowledge-based economy is typically an Associate's degree, the state must help more workers take advantage of career-focused higher education, particularly at community and technical colleges.
- Job quality: Substantial amounts of state spending are currently dedicated to economic development efforts by both the Executive and Legislative branches. In keeping with Utah's high standards of accountability and effective management, these investments must become more transparent and better focused. The overarching mission that should drive this spending is encouraging high-quality jobs that will provide wages that allow Utah workers to maintain or achieve self-sufficiency for their families.
- Work supports: The future economy will depend on a whole range of workers, including those who do not require post-secondary education but who are essential for the well-being of our communities. These Utahns should not be left out of the state's future prosperity. The state must review its support system for working adults and their families to ensure that all Utahns prosper in changing economic and social circumstances. This means providing a state tax system that encourages work, as well as more robust support for child care and health care.

INVESTING IN UTAHNS



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Utah's leaders understand that they must make investments today to achieve higher levels of economic competitiveness and prosperity for our children and grandchildren. They envision keeping pace in a quickly changing world by fostering the development of new technologies and new uses of information. These innovations will spring from local research and entrepreneurial efforts that will keep pace with, and even lead, changes in the global economy.

Still, just as in the past, the state's future prosperity is in the hands of working Utahns, people whose primary goal is supporting their families and contributing to their communities. Indeed, Utah's future is *already* here. With an average age of 28, the state's workforce of the next three to four decades is already hard at work.

Utahns pride themselves on hard work. The official state motto, "Industry," refers to the sustained cooperative effort that early settlers had to expend just to survive the harsh conditions of their new home. Today, mothers and fathers, teens and grandparents all over Utah continue to work hard.

For these Utahns—and Utah as a whole—to succeed in the fast-changing world economy, they need the right skills and training. Work in Utah looks different than it did a generation ago and Utahns look different, too. This growing diversity enriches the state with new skills and outlooks, and it also brings new challenges.

It is widely recognized that meeting the demands of a knowledge-based, technology-driven economy will require that greater numbers of today's young people go on to higher education. The Governor's 21st Century Workforce Initiative is one indication of Utah's commitment to that goal.

Utah's Economy: The Future is Here presents an additional, complementary argument: that Utah also must invest in the education of today's working adults so that they can begin filling jobs in the new economy as they are created. An illustration of this need is the fact that at the end of 2007 around 38,000 existing Utah jobs were unfilled, including many well-paid jobs that require advanced technical skills.¹

The state must redouble its efforts to help Utahns who are already in the workforce identify promising career paths and get the training they need to perform jobs in the new, knowledge-based economy. The entry requirement for these jobs is typically an Associate's degree, so the state must help more workers take maximum advantage of career-focused higher education. Particularly important are the offerings at community and technical colleges, since these institutions are already geared toward meeting the practical needs of working adults.

Utah's leaders should also be conscious of the fact that the future economy will depend on a whole range of workers. Highly-trained managers and technically-sophisticated engineers will lead growth, but these busy professionals must rely on food service workers, cashiers, maintenance teams, and a wide range of others who are essential for the well-being of our communities. These workers—the ones who do not require higher education—should not be left out of the state's future prosperity.

Indeed, the American Dream, one of the enduring values of this country, promises that each of us has the opportunity to better ourselves through hard work. Americans believe that an honest worker with a regular, full-time job should be able not only to cover basic household expenses for today but also to save for tomorrow.

State supports, like a state tax system that provides work incentives, and support for child care and health care, can help hard-working families who fill essential jobs in the economy maintain or achieve self-sufficiency. Reform of these systems also would help ensure that the most motivated of today's low-skilled workers can improve their educations, earning better wages over time, and filling new gaps in the workforce as they arise.

Preparing Utah and Utahns for a more prosperous future is a complex endeavor that will require much thought and commitment in coming years. *Utah: The Future is Here* focuses on three crucial systems—worker training, job quality and work supports—because these are the issues that set the bases today for progress toward Utah's economic future.

In the following pages, Chapter 1 establishes the context by examining the real challenges that face Utah's working families. Chapter 2 focuses on the first crucial system for the state's economic future: higher education, particularly its availability to today's Utah workers who need additional training and skills. Chapter 3 considers the second crucial system, the quality of Utah's jobs, by reviewing current state economic development policies with an eye toward whether they are doing enough to encourage jobs that can support families and that offer opportunities for advancement. Finally, Chapter 4 concentrates on the third crucial system, how state support can be targeted to working adults and their families, helping all Utahns prosper in changing economic and social circumstances.

By strengthening these three crucial systems—worker training, job quality, and work supports—Utah's leaders can ensure that the state's future economy supports greater well-being for all Utahns, helping them continue to achieve the American Dream for themselves and their families.

WORKING FAMILIES IN UTAH'S CHANGING ECONOMY



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Today, as in the past, the vast majority of Utah's families work. "Industry" is not just a motto: it is the foundation of Utah's culture. Still, in recent years—even before the onset of the current economic downturn—a growing number of Utah families found that their "industry" is no longer enough to get ahead. As hard as they work, many have difficulties earning enough money to cover the basic expenses of everyday life, including food, shelter and health care.

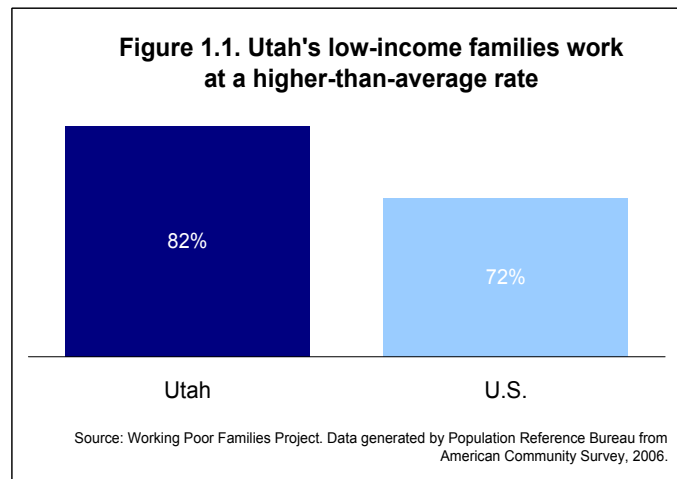
For too many Utahns, good-faith efforts to take part in the "American Dream" through full-time work are failing to provide economic security, much less advancement. They have trouble stretching their paychecks to meet monthly expenses. They find themselves lacking the skills or education to compete for better jobs. They puzzle over Utah's trumpeted economic successes of recent years, since the situation of their families bears little resemblance to the rosy descriptions they read in the newspapers.

These are Utah's low-income working families. Nearly all low-income families in the state have at least one member at work full-time (Figure 1.1). And true to our reputation as a hard-working state, these families are much more likely to be engaged in work than are low-income families in the nation as a whole.²

Family, in this context, means a primary married-couple or single-parent family with at least one child under the age of 18.

Working family is one in which family members aged 15 and over had a combined work effort of 39 or more weeks in the last 12 months, or a combined work effort of at least 26 weeks and one unemployed parent actively looking for work within the past four weeks.

Low-income working family is a working family with an income of less than 200% of the federal poverty threshold (\$41,400 for a family of four in 2008).

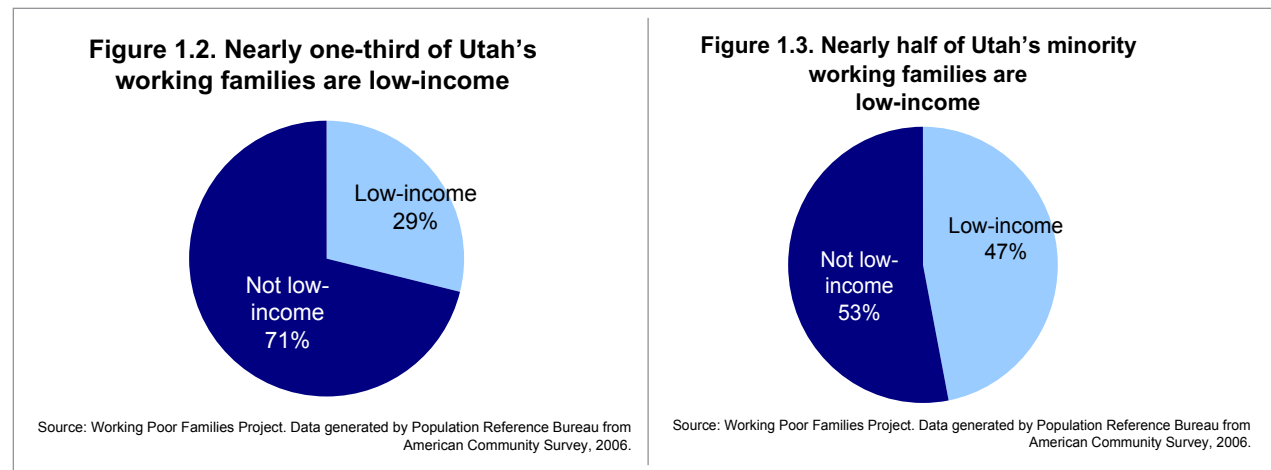


Still, all this industry is not enough for 93,985 Utah families, whose combined wages failed to raise them above 200% of the federal poverty level.³ This means that not only these adults but their children—242,745 children in 2006—must face decisions that none of us would like to have to make. After putting aside money for rent, they must decide whether health care should take precedence over car repairs so that they can get to work reliably. Or they must ponder whether it is worth picking up a few hours of overtime or a

second job if it means spending less time with their children.

The bottom line is that too many of Utah's working families, nearly one out of every three, are engaged in a constant struggle to make ends meet (Figure 1.2). For Utah's racial and ethnic minorities, the situation is even more troubling, with nearly one out of two workers earning low-income wages (Figure 1.3).

These difficulties are not the result of the economic downturn that began in late 2007, since the data used in this report is from 2006. In fact, Utah's working families struggled since at least 2002 in the midst of the state's strong overall economic growth. As the nationwide recession that began in late 2007 unfolds, their situation is likely to deteriorate still further.



What has Changed for Utah's Workers?

Many of us can remember when Utahns did not seem to have so much trouble making ends meet. Even with just one parent in the workforce—a machinist or a firefighter, a teacher or a nurse—families had enough income to buy a modest home, raise children and eventually put away a bit of money for retirement. Things have clearly changed from previous generations. In this sense, it appears that the situation for Utah's workers is beginning to resemble more closely that of the rest of the United States.

For example, Utah's economy was once based primarily on the extraction of natural resources and on agriculture, but now jobs in the service sector make up the majority in the state economy. As in the rest of the country, this shift toward services implies that workers will need to rely on a new mix of job skills to prosper.

Utah's low-income working families are also experiencing problems similar to those of others around the nation in terms of the buying power of their earnings. In 2006, inflation-adjusted wages for full-time, year-round workers in Utah amounted to about 95% of the nationwide average.⁴ This may have been enough in the



past, since Utah's cost of living was traditionally lower than the U.S. average. There are indications, however, that this is no longer true.

According to the ACCRA COLI (Figure 1.4), the price of key items like groceries, housing and transportation for the highest-income Utah households had caught up with the national average by 2007 (Figure 1.5). In other words, Utah's major urban areas are no longer particularly inexpensive by U.S. standards. With wages for full-time, year-round workers in Utah reaching only 95% of the nationwide average, this suggests that even workers who earn average wages have experienced increasing difficulty in keeping up with the basic costs of living.

Data on the prices of housing and health care for low-income Utahns suggest that inflation in these two major elements of family budgets have taken a particular toll in recent years. In 2006,

Figure 1.4. Estimating Utah Costs of Living

It is surprisingly difficult to find credible data on the cost of living for Utah, as well as for different regions within the state. For example, the well-known Consumer Price Index (CPI), published by the U.S. Department of Labor's Bureau of Labor Statistics, is an annual national update for inflation, but it cannot be used to measure price differences among geographic locations within the country. CPIs are calculated for some specific regions but these do not measure underlying cost-of-living differences.

The ACCRA Cost of Living Index (COLI) is widely used to estimate cost of living, in spite of some serious limitations. Many researchers—even within Utah government—turn to this non-governmental source because of its convenience. The ACCRA COLI computed by the Council for Community and Economic Research (C2ER) includes several of Utah's urban areas, but it is limited by its focus on cost-of-living for professional and managerial personnel. Indeed, C2ER explicitly cautions that its index considers only "the price of consumer goods and services appropriate for professional and managerial households in the top income quintile." This means that it is not a good gauge of differences among regions for average and low-income working families.

For example, out-of-pocket expenses for medical care are relatively low for professional and managerial workers because they tend to have employer-provided health insurance. Therefore, the ACCRA COLI weights these expenditures low in its overall index. In contrast, since average working families are much less likely to have high-quality health insurance (and increasing numbers have no health insurance at all), their out-of-pocket medical expenses can consume substantial portions of their overall incomes.

Low-income households also tend to allocate their total spending in a different way than do those with higher incomes. For example, they are likely to visit health care providers less frequently than other families because so much of their income must be dedicated to rent or mortgage payments. With less discretionary income, low-income families must ration unnecessary expenses, like some visits to the doctor, whenever possible. This means that the weighting of individual items and categories in the overall budgets of low-income families is different than it appears in the ACCRA COLI.

Figure 1.5. Utah's cities are no longer cheap

ACCRA Cost of Living Comparisons, First Quarter 2007

	Groceries	Housing	Utilities	Transportation	Health Care
U.S. Average	100.0	100.0	100.0	100.0	100.0
Salt Lake City metro area	103.5	97.8	89.0	104.8	99.8
Cedar City	100.5	89.3	85.7	99.7	84.7
St. George metro area	99.8	110.1	82.7	105.3	87.4

Source: derived by Utah Department of Workforce Services from ACCRA Cost of Living Comparisons, Council for Community and Economic Research, <http://jobs.utah.gov/opencms/wi/pubs/costofliving/costof.html#accra>.

nearly two out of three Utah low-income working families spent over one-third of their incomes on housing.⁵ In spite of the frantic pace of housing construction of recent years, increases in housing prices exceeded wage gains for these workers.

Indeed, housing price declines in 2008 appear to have principally affected the highest-priced homes, not the ones that low-income families could potentially afford. For example, the price of Salt Lake City's relatively low-cost single-family homes and condominiums at the end of 2008 remained well above where it was in 2006.⁶

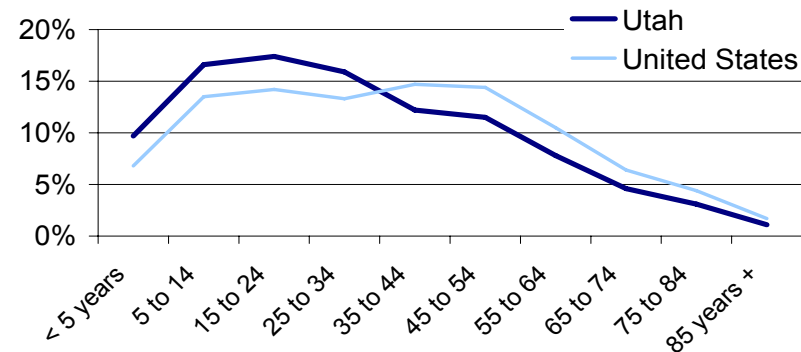
Lack of health insurance is another growing problem that working families in Utah share with others across the country. While out-of-pocket costs for health care in Utah for upper-income families appear to be below the nationwide average in the ACCRA COLI, these data represent prices for only the sector of the population that is most likely to have adequate health insurance coverage.

For the thirty-three percent of low-income working families in Utah who have at least one parent without health insurance (31,537 families),⁷ these statistics are meaningless. Without health insurance, the cost of most medical treatment is far beyond what their earnings can cover. Already struggling to make ends meet, Utah's low-income working families are just one step away from financial catastrophe should an uninsured mother or father fall ill or suffer an accident.

Utah Still has Some Unique Demographics

Figure 1.6. Utah's population is younger than the US as a whole

Share of total population in each age range, 2006



Source: derived by author from American Community Survey, 2006.

Some notable differences remain in Utah's economy in spite of the transformations discussed above. Large families are one of Utah's best-known characteristics. The average size of families here, at 3.56 persons, is 11% higher than the U.S. average.⁸ In addition, the state's labor force is younger than the national average (Figure 1.6). Utah workers tend to fall into the youngest age groups (15 to 39 years),

while in most other regions of the country, more workers are in later stages of their careers.

Utah's large families typically begin with earlier child-bearing than elsewhere.⁹ This pattern can increase the pressure on young parents to join the labor force at the same time that they try to complete their higher education. Indeed, Utah's women and men of all ages participate in the labor force at rates equal to or higher than those for the country as a whole.¹⁰ In some cases, the demands of parenthood and wage-earning mean less time for education. These pressures may be one element of Utah's high college drop-out rates, and result in one or both young parents accepting lower wages throughout their lifetimes.

Because of the special demands of child-bearing and child-raising, it may not be surprising that Utah women often opt for part-time employment.¹¹ Still, the size of the contrast with other working women in the U.S. is striking: in 2006, 41% of Utah women were working part-time versus 30% of all U.S. women. Unfortunately, however, there are some serious consequences of choosing part-time work. Namely, Utah's women subject themselves to the lower hourly pay and fewer employee benefits that are typical of part-time employment. (Work support programs are considered in more detail in Chapter 4.)

The youthfulness of Utah's population presents advantages and disadvantages in terms of work and economic development. Some industries—particularly those that rely on heavy physical la-



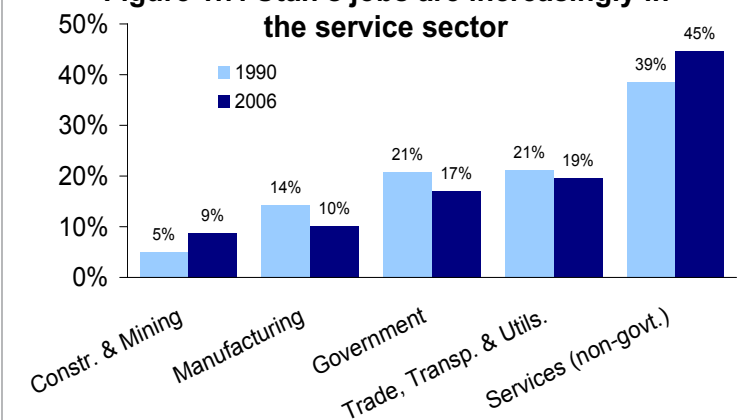
bor—find a young labor force attractive, especially amid the aging of the rest of the country's population.¹² There is also a common perception that younger workers have greater potential to be trained in new technologies.

On the other hand, because of their lack of experience, young people are generally not paid as much as older workers. Some companies may see this as an advantage, but from the point of view of Utah as a whole, low wages are problematic because they can lead to the inability of families to be self-sufficient.

Whether today's low wages will lead to problems in the future is a matter of debate in the state. For example, some Utah analysts argue that as they age, young workers will move up the salary ladder, just as previous generations did. However, this "upward mobility" in wages depends on whether the jobs that these young workers occupy today have the same kind and number of paths for advancement that jobs for previous generations held. Unfortunately, the shift to a service-based economy in Utah means that the lifetime earning patterns of today's young workers may not resemble those of the past.

Indeed, many of the jobs that are being

Figure 1.7. Utah's jobs are increasingly in the service sector



Source: derived from Economic Policy Institute analysis of Current Population Survey.

created in Utah today do not include opportunities for significant on-the-job training or clear career paths that lead to better wages over the long run. From 1990 to 2006, some share of rapid service sector growth was composed of career-type employment—doctors, researchers, managers and the like—but these are unlikely to represent the majority of jobs or workers in this sector (Figure 1.7).¹³

During this period, many jobs were also added in Utah’s construction sector, which does include some higher-paying jobs. Still, this sector represents a small share of total employment and tends to be very volatile; it has collapsed since the end of 2007.

Meanwhile, fewer jobs were added in sectors like manufacturing and transportation, which traditionally provided longer-term, stable employment for workers who ended their formal education with high school.

Education, without a doubt, is a key for increasing the job opportunities of today’s Utahns, and it is no coincidence that low-income families tend to have education levels below those of other state residents (Figure 1.8). The lack of education and occupational skills appropriate to the rapidly changing economy is a barrier facing many

of Utah’s low-income workers. Without the basic skills on which to build future training, these Utahns can become trapped with few prospects for advancement to better jobs and better pay. In the next chapter, we evaluate the extent to which the needs of these families—and Utah as a whole—are being addressed.

Figure 1.8. Utah’s low-income workers tend to have lower educational achievement

	No high school degree	High school degree but no post-secondary
General population	11%	36%
Low-income working families	25%	41%

Source: Working Poor Families Project. Data generated by Population Reference Bureau from American Community Survey, 2006.

BUILDING THE WORKFORCE THAT UTAH NEEDS

Utah prides itself on its high levels of education: 90% of the population aged 25 to 54 had a high school degree as of 2006. Unfortunately, a high school degree alone is quickly becoming insufficient for obtaining and keeping a job that pays enough to support a family. Moreover, the transformation of Utah’s economy into one that competes on a global scale is simply not possible unless greater numbers of workers go beyond high school to earn certificates and degrees that attest to their readiness for higher-skilled employment.

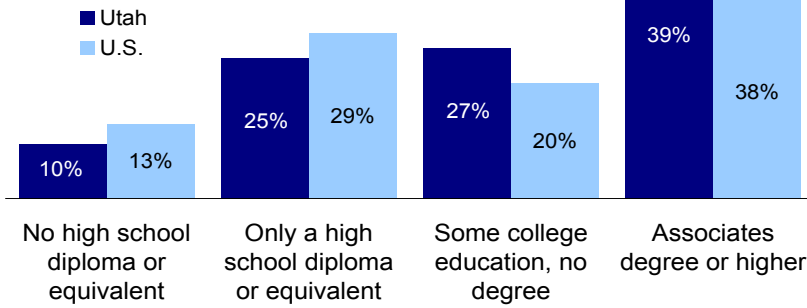
In this sense, there is much work to be done. Over 97,000 Utahns in their prime working years (ages 25 to 54) lacked a high school diploma or its equivalent in 2006 (Figure 2.1). Another 250,885 adults, accounting for nearly 25% of the population in this age group, had a high school diploma but no post-secondary education. An even larger number, 268,750 adults, had begun college but had not finished. This means that over 616,000 adults in Utah—nearly two out of three of the state’s prime working age population—lack post-secondary degrees.¹⁴ Yet these are the very people who comprise Utah’s workforce now and in the coming decades.

The reality of over half a million workers without post-secondary degrees clashes with the Utah Department of Workforce Services’ forecast of an increasing number of new jobs that will require an Associate’s degree or higher.¹⁵ Changes in the state’s workforce cannot wait until today’s children reach working age. Already in 2008, a workforce in which only 39% have a post-secondary degree appears to be limiting Utah’s growth and competitiveness.

Post-secondary education includes courses at community colleges, colleges and universities. Ideally, these courses lead a student to an Associate’s or Bachelor’s degree, or further, to the Master’s and PhD levels.

Figure 2.1. More Utah students need post-secondary degrees

Adults 25 to 54 years old in 2006



Source: Working Poor Families Project data generated by Population Reference Bureau from American Community Survey.

A recent international comparison suggests that by 2025 the need for higher education among Utahns will be even more urgent, since the best-performing nations will attain a rate of 55% of adults with post-secondary degrees.¹⁶ Recognizing the shortfall, the Governor’s Office of Economic Development (GOED) initiated the “Utah Recruitment Initiative” to attract skilled workers from other states and elsewhere in the world.¹⁷ A better option for competing in the new

global economy would be for Utah to engage more of its own adult workers in post-secondary education today.

It makes sense to “home grow” our needed workforce and help put more skills and higher salaries into the hands of Utahns who are already working hard to improve their futures. This strategy begins with the understanding that today’s low-income workers in particular represent an underutilized resource for Utah’s economic future. Some investment will be necessary to help them achieve their full potential, but the pay-off is potentially enormous, with benefits for Utah’s entire economy.

By advancing toward the objective of a more highly trained workforce, Utah can move low-income families, and the state economy as a whole, in the right direction for the future. In contrast, without enhanced efforts to include today’s workers in plans for tomorrow, Utah’s low-income families will continue to struggle to make ends meet. To identify specific areas where reform is appropriate, this chapter focuses on Higher Education, Adult Education, and two major programs offered by the Utah Department of Workforce Services (DWS).

Higher Education

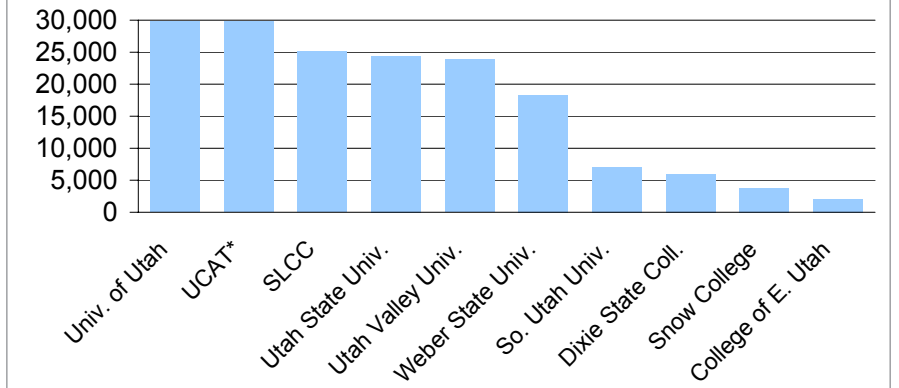
Utah’s post-secondary institutions offer students the opportunity to gain greater levels of education and skills that lead to increased economic opportunity. The Utah System of Higher Education consists of ten public colleges and universities governed by the Utah

State Board of Regents and assisted by local Boards of Trustees.¹⁸

The system includes two major state universities, two regional universities, two state colleges, three community colleges and the Utah College of Applied Technology (UCAT). All told, 142,331 students were registered in the universities and colleges for the 2007-2008 school year, with another roughly 30,000 post-secondary students in UCAT (Figure 2.2).¹⁹

Figure 2.2. Enrollment in Utah’s System of Higher Education Varies

School year 2007-2008



Source: Derived from data at www.utahsbr.edu and www.ucat.edu.

The community colleges and UCAT campuses are especially important for Utah’s economic future because their programs are specifically targeted to workers who are looking to improve their prospects for better employment in the short run. By offering a wide variety of career Associate’s degrees, certificate programs and continuing education courses, they serve many Utahns who cannot afford to leave work while they study.

These non-traditional students are highly motivated—enough to spend their free time attending classes offered evenings and weekends, as well as on-line. In addition, at both the community colleges and UCAT, class sizes tend to be small and support services are designed to address the needs of first-generation college students and other students in high risk categories.

Utah’s community colleges also provide an entry point to four-year degree programs for many high school graduates who need additional preparation. This dual role in worker training and developmental education means that community colleges are increasingly important to the state’s overall prospects for economic development. It also means that their resources are stretched thin as they try to respond to these two, not necessarily complementary, demands.

Utah's Custom Fit program provides training to currently-employed workers to help them move into higher-skilled and better-paid positions. According to UCAT's Annual Report, the program served nearly 20,000 workers in 2007 at over 1,110 companies. The companies provided approximately one third of the \$4.6 million used for this training.

UCAT's role is simpler, but equally important for the state's economic future. Its programs aim to provide education and training that translate directly to employment opportunities through statewide open-entry, open-exit, competency-based education for high school and adult students.²⁰ The nine applied technology campuses provide a range of specialized long-term and short-term certificate training. With their broad geographic coverage, these programs are critically important to helping workers all over Utah obtain important short-term training. However, they are limited to this role, since they do not offer course credits that are transferable to other degree-granting colleges.

Degree completion

How does Utah's higher education system compare with others around the country in meeting the need for advanced training and education? The state ranks only slightly better than average among all states in its rate of completion of post-secondary degrees (both Associate's and Bachelor's), and Utah has one of the highest shares of adults with *incomplete* college education in the country.²¹ With over one out of every four Utahns aged 25 to 54 having begun but not finished a post-secondary degree, it is clear that students who wish to complete their programs of study face some significant challenges.

Indeed, retention rates are low for Utah's community colleges in particular, with only 46% of students returning for a second year. Many of the apparent drop-outs may move on to institutions that offer four-year degrees or transfer to other community colleges, but this rate still places Utah near the bottom among states for student retention. In contrast, Wyoming, the best-performing state, achieved a community college retention rate of 65% in 2006.²²

There are some profound consequences of this high level of unfinished post-secondary education. As noted earlier, it is at odds with the knowledge-based, technology-driven future envisioned by state leaders. In addition, a family's income level and employment security are strongly correlated with degrees earned, not merely classes taken.

Utahns themselves are clearly aware of the importance of college. Although many never do complete their degrees, this is not due to

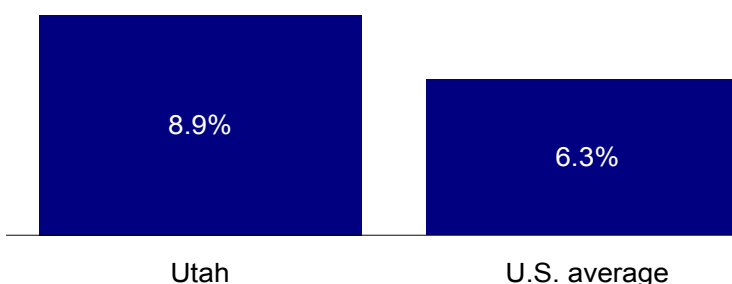
lack of effort on their part. The state has the highest share in the nation of adults aged 25 to 54 enrolled in post-secondary education (Fig. 2.3).²³ Utahns are motivated to participate in classes and training to help improve their job prospects and their incomes. The question, then, is why more students do not complete post-secondary degrees?

Utahns today face some challenges to graduation that have their roots both in local culture and, ironically, in the state's recent economic success. On the one hand, as noted in Chapter 1, early family formation is common in Utah. The pressures of bearing and raising children, as well as earning the money needed to support them, likely interfere with many young Utahns' plans for higher education. In addition, members of the LDS Church who suspend their college careers while they serve a two-year religious mission may find it difficult to return to college afterward to finish their degrees.

To complicate matters, the thriving state economy of recent years made jobs easily available, especially in the booming construction sector. During this period many young Utahns traded the delayed benefits of higher education for immediate wage-earning, which was one reason for declining college enrollment from 2003 to 2007.²⁴ Young people from Utah's low-income families especially may have been drawn by the opportunity to help their parents weather the financial strains of low-wage jobs and decreased buying power, as mentioned in earlier chapters.

The problem is that the jobs available to young workers without post-secondary degrees no longer provide opportunities for significant advancement over the long term. This means that Utah's system of higher education needs to do more to draw workers back to college so that they can improve their skills and earn that all-important Associate's or Bachelor's degree. The success of Utah's transition to a high-skill, high-tech economy for the 21st century depends on them.

Figure 2.3. Utah ranks first in adult post-secondary enrollment
Adults ages 24 to 54



Source: Working Poor Families Project. Data generated by Population Reference Bureau from American Community Survey, 2006.

Attracting new students

Encouraging degree completion is important, but it cannot be the only focus for improving the skills of Utah's workforce. To increase competitiveness, the state also needs more workers to enter post-secondary education for the first time.

About 34% of Utah's 18 to 24 year olds were enrolled in degree programs in 2006. This rate essentially matches the national average, but it is not sufficient for a state that is betting its economic future on high-technology industries staffed by high-skilled employees. By way of comparison, the ten states that have the greatest share of young adults in post-secondary education all had enrollment rates of 40% or higher.²⁵

To meet Utah's economic development objectives, adult workers who ended their studies with high school must be convinced to pursue post-secondary education. The state needs more skilled workers in the short run to set the bases for tomorrow's prosperity.

Other states have found that an important aspect of connecting with working adults is the availability of information on the programs and opportunities that the post-secondary system has to offer. Amid the many demands on their time and attention, adult workers are not always aware of the extent to which existing programs can contribute to their career development and update their skills.

For example, in Utah many potential students do not realize that community colleges offer programs similar to those advertised by private colleges and training schools, but at a much lower cost. These institutions must do more to actively pursue adult workers in order to meet new workforce demands that are evident already today. Kentucky is a leader in this area: its "Go Higher" and "Project Graduate" programs are considered models for effectiveness at getting working adults back to the classroom.

Affordability

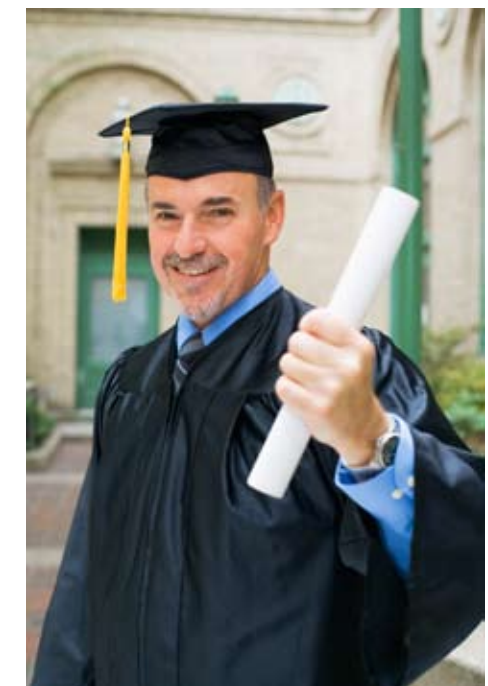
Unfortunately, tuition costs can pose a barrier to both new and returning students, even at Utah's lowest-priced colleges. Indeed, in 2006, a family in the lowest income quintile would need to devote a full 14% of its earnings to tuition in order to attend Utah's lowest-priced community college full-time.²⁶ At the other extreme, tuition at California's lowest-priced colleges amounted to less than half as much as it does in Utah, equivalent to only 6% of a low-income family's income.

Need-based financial aid for adult students is also important for Utah's working adults. They typically do not qualify for merit-based assistance because of their ages, their status as part-time students, or because of high school records that do not reflect their current levels of motivation. Utah ranks relatively low in terms of the availability of need-based aid, investing only 6% as much as the amount of total Federal Pell Grants awarded to Utah students.²⁷ On the other hand, the most ambitious states invest nearly 100% of the amount of their residents' Pell grants, ensuring that more low-income families can take advantage of community college degree and certificate programs.²⁸

Incentives for colleges

Utah could also develop incentives for post-secondary institutions to make comprehensive efforts to attract low-income adult workers, support them in remedial programs when necessary, and assist them in completing certificate programs or Associate's degrees.

If Utah chooses to adopt these types of performance incentives for higher education, they must be closely linked to a well-designed measurement system so that the success of different efforts can be evaluated. Today, Utah's higher education system has limited ability to track students, including those who do not complete their degree programs. Concerted effort must be made to develop a system of information collection so that adult students and their needs are better understood by institutions.



Adult Education and Literacy

Adult Education is designed to provide access to a high school diploma or its equivalent—General Equivalency Development (GED) credential—to persons who are 16 years of age and older and out-of-school. Literacy education provides instruction to those who are academically below a federally-defined level in reading, math or English. The Department also provides literacy instruction to non-native speakers through English as a Second Language.

Not all Utah workers are prepared to take advantage of improvements to the post-secondary system. For over 97,000 adults who lacked a high school diploma or equivalent in 2006, economic opportunity and advancement must begin with basic education and literacy training.²⁹ Many of these students are served by developmental education courses at post-secondary institutions.

In addition, the Department of Adult Education Services in Utah's State Office of Education provides opportunities to workers without high school degrees through three main programs, which served nearly 25,000 Utahns in 2007. These included:

- 11,883 in Adult Basic Education
- 3,650 in Adult Secondary Education, and
- 9,336 in English as a Second Language (ESOL) courses.

These programs also include prisoner education, which helps some of the state's least-skilled and least-educated adults prepare to re-enter the workforce upon release. About 63% of Utah's 12,500 prison and jail inmates received basic literacy, GED preparation and testing and high school completion services from Adult Education in 2007.³⁰ Another 9% took part in occupation training offered by universities, colleges and community colleges.

In spite of these efforts, the need is much greater: only one out of every four Utah adults without a high school degree or General Equivalency Development certificate (GED) is enrolled in any Adult Education program. This surpasses the national average of around one in ten, but still leaves 72,000 Utah adults who could benefit beyond the reach of these programs.

In addition to the significant need to expand participation in adult education, demand for English as a Second Language courses has risen with the growth of Utah's immigrant and refugee populations over the last decades. In 2006, 111,935 Utahns aged 18 to 65 (7.3% of the state total) reported speaking English less than "very well."³¹ While many of these residents are learning English on an informal basis, additional support and access to courses could lead to the enrollment of many more than the 9,336 who took Adult Education ESOL classes in 2006. The ability of these

workers to support their families and contribute to Utah's economy will only improve as their English skills increase.

There is also substantial room for improvement in the performance of Adult Education programs, according to outcome measures.³² For example, only 20% of students in Adult Basic Education (ABE) Beginning Literacy courses completed this level, that is, 210 out of 1,030 who registered. The number of students who both completed the course and advanced one or more levels was even smaller, at 32. This places Utah in the bottom quartile of states nationwide. Secondary students in Adult Education did post greater success rates for 2007, with 40% completing this level (1,442 students); the number who advanced one or more levels was 52. However, the total number of students enrolled in Adult Secondary Education classes (Low and High) was only a third the size of the number of ABE Beginning Literacy students, and this may help explain these better outcomes.

Finally, very few of Utah's Adult Education graduates appear to proceed to college-level courses, in spite of Federal policy that explicitly encourages states to ease the transition to post-secondary academic or vocational education. Several states have had success in programs that encourage greater attention to this objective. For example, Kentucky's program nearly doubled the number of adult education students entering postsecondary from 12% to 21% in just seven years.³³

Utah's underlying problem may lie in the allocation formula that the State Office of Education uses to distribute annual funds. This formula places highest priority for Adult Education on annual GED obtainment and secondary diploma completion.³⁴ There is less incentive, therefore, to dedicate attention to other objectives, like basic literacy, ESOL and the transition of adult learners to post-secondary or vocational education. Adult Education administrators are currently working to correct this unintended consequence of the complex education funding system.

Overall scarcity of funding is also a large part of the problem. The state allocated the equivalent of only \$54 for each Utah adult without a high school degree in 2006. This is slightly below the national average of \$61, and only about one-quarter of the amount that Florida, the highest-spending state, devotes to this objective.³⁵

Beginning in 2008, the Utah State Office of Education began to track Adult Education students who go on to take at least one course in a post-secondary public institution. The new system is designed to measure how effectively students transition from one system to another, and may also help orient the office toward encouraging adult students to continue their education, much as Florida, Kentucky, Illinois and Washington have done with their data systems.

Even the allocation per student enrolled in Adult Education—\$498 for 2007—seems minimal compared to the importance of the task.³⁶

Finally, given the number of adults who return to higher education later in life it is critical that the developmental education role of community and technical colleges be maintained, in addition to support through Adult Education.

Workforce Services Programs

Post-secondary institutions and Adult Education programs form the core of Utah's support for adult skills and educational advancement. Programs offered through the Department of Workforce Services (DWS) are also vital components of Utah's overall adult workforce development system. The state has received high marks for efficiency and effectiveness in the management of these programs, which link particularly low-skilled and low-income Utahns to education and training programs.

The transformation of Utah to the knowledge-based, technology-driven economy that leaders envision will require taking maximum advantage of *all* of the state's available and motivated workers. Current participants in DWS programs can be considered a resource for increasing the pool of skilled workers. Success in tapping this resource would lead to even greater opportunities for Utah's economic growth, as well as security for low-income working families.

Workforce Investment Act

In 1998, Utah implemented the federal Workforce Investment Act (WIA), which provides funding for employment services and training programs to assist adults, disadvantaged youth, and dislocated workers. In 2006, WIA funding for adults provided 1,320 Utahns with work-training services.

Through WIA, Utah funds employment centers throughout the state, providing direct services or referrals to partner agencies to meet the needs of its customers. For example, the local employment centers refer adults who do not have high school degrees

to the Adult Education system or other entities for basic education remediation.

Utah has integrated most federal and state training programs for low-income workers into the state's "one-stop system" to promote efficiency. This integration reduces duplication of effort and allows public resources to reach the largest number of customers possible. It also ensures that the vast majority of Utah's WIA funds continue to be dedicated to training.

To the extent that cross-state comparison of systems is possible, Utah's WIA program has achieved good results. For example, the latest available national data shows that of the 1,320 Utah adults who received training resources, over 75% obtained employment, surpassing the national average of 65%.³⁷ In addition, nearly three-quarters of Utah's unemployed adults who exit WIA received an Individual Training Account (ITA), which is used to purchase training services from eligible providers. This places Utah among the top ten states in this measure, and is more than double the national average of 29%.³⁸



Indeed, Utah's WIA program serves as an example of the potential for state government to efficiently manage complex programs and policies while achieving results that exceed national averages. Their efforts have attracted the attention of agencies in other states that have studied and emulated the systems implemented by DWS.

Temporary Assistance to Needy Families & the Family Employment Program

Temporary Assistance to Needy Families (TANF) is a federal program that works with Utah's Family Employment Program (FEP) to

provide certain low-income parents who are transitioning into the workforce with temporary cash assistance and support services. An average of 5,261 Utah families per month received TANF/FEP support in 2006. Cash benefits of \$498 per month for a family of three offered temporary income assistance to these families. Non-cash benefits, such as training, child care, transportation and mental health services alleviated some of the other obstacles they face. According to Utah policy, each family can receive these benefits for no more than 36 months in a lifetime (the federal limit is 60 months).³⁹



TANF-eligible adults who are enrolled in FEP are required to engage in federally-defined work activities as part of the program. According to federal guidelines, up to 30% of recipients are allowed to count education and training toward that work requirement. Of Utah's nearly 3,700 TANF/FEP recipients in 2006, 848 participated in education and training, which placed Utah at the third highest rate in the country, 23%. This is nearly three times greater than the national average of 8%.

Still, even though Utah's low-income adult population continues to grow over time, TANF/FEP has enrolled fewer families. Between January, 2002 and January, 2006, Utah reduced its adult TANF/FEP population from 6,043 to 5,261. By July, 2007, enrollment fell all the way to 2,637 families.⁴⁰

There is little doubt that part of the reason for falling TANF/FEP caseloads lies in the state's overall economic climate during this period. Many potential participants realized that the program's cash benefits amounted to less than they could make with low-wage, part-time employment.

The other major reason for these caseload declines, however, is much more ominous in light of the current deterioration of the state and national economies. The Federal Deficit Reduction Act (DRA) of 2005 had a major effect on the eligibility of Utahns for TANF/

FEP. The changes mandated by the DRA coincided with the dramatic drop in participation during 2007. This suggests that as the recession takes hold in Utah, several thousand additional families will not be able to count on support from TANF/FEP.

Policy Recommendations

- The ability to evaluate success and weakness in all education and workforce training programs depends on the continued collaboration of the Utah System of Higher Education, Adult Education and DWS in the development of a coordinated and comprehensive data system. In particular, tracking both successful graduates and those who drop-out of Utah's post-secondary system would allow administrators to learn more about why students interrupt their education and how they might be drawn back to school. As noted in the Governor's 21st Century Workforce Initiative, the participation of Utah's Public Education system would substantially expand the potential of these efforts.
- Building public awareness of the benefits of degree and certificate programs at community colleges and UCAT would help these institutions reach out to working adults. At the same time, retaining their role in developmental education would serve students who return to school later in life.
- Adopting state policies that support post-secondary institutions in their efforts to coordinate and articulate non-credit and credit education and training would help maximize the efficiency of these programs.
- Greater investment in workforce training programs would reflect the increasing importance of community colleges and UCAT to the state's overall prospects for economic development. Utah's future prosperity depends on its success in "home-growing" high-skilled workers
- In particular, minimizing tuition costs and expanding need-based financial aid for adult post-secondary students would demonstrate the commitment of state leaders to this investment in Utah's economic development. In addition, the Utah System of Higher Education could offer incentives to commu-

nity colleges and other institutions of higher education to reach out to adult workers and support them through completion of their degrees.

- Utah's Adult Education programs could do even more to help low-income families prepare for and participate in today's changing labor markets if state leaders increase its funding. With greater funding, program performance could be improved, and more adults who need these programs could gain access to them.
- Expanding the reach of Utah's well-regarded workforce training efforts for the lowest-income residents would require state leaders to provide funding beyond WIA and TANF/FEP training. Over the longer run, this would help more Utahns become self-sufficient and reduce state spending in support programs.

DEVELOPING QUALITY JOBS FOR UTAHNS

Hardworking Utahns need jobs that offer the chance both to support their families and to move up a career ladder as their experience and skills grow. As discussed in Chapter 1, relatively fewer jobs today than in the past offer workers the opportunity to achieve these objectives. Recognizing this problem, state governments around the country, including Utah, implement a variety of economic development strategies that aim to increase the number, range and quality of jobs for workers. This chapter assesses Utah's efforts to the extent possible, given the limited amount of information about them that is available to the public. Indeed, the primary recommendation of this chapter is that the state should devote more effort to transparency in expenditures for this purpose so that the effectiveness of economic development policies and programs can be evaluated and possibly improved. Utah's need for jobs with wages that support families and that offer opportunities for future advancement is simply too important accept less than optimal results.

Taking Stock of Utah's Economic Development Outcomes

As noted in earlier chapters, Utah's economy boomed from 2005 to the end of 2007, resulting in rapid growth of gross state product and total personal income, as well as unemployment rates that were among the lowest in the nation.⁴¹ With the state now reeling from the sudden worldwide economic downturn in 2008, it is important to learn from successes as well as limitations to Utah's recent boom. Two key questions that should be considered regarding this period are:

- Who or what was responsible for the successes during these years?
- Did overall economic growth affect different sectors of Utah's population in different ways?

In response to the first question, it should come as no surprise that elected officials are eager to take credit for Utah's recent economic successes. To their credit, it can be argued that state policies, including the overall tax framework and specific economic development programs, contributed to growth in the gross state product and in employment. Still, state tax policies and economic development programs are only two factors among the many that contribute to the rise or fall of different states and regions.

At least three other factors in Utah's recent growth probably were more significant. First, the strong national economy meant that many U.S. corporations were actively looking for new places to expand their operations. Second, overall changes in the global economy provoked the continued flight of industries from the old industrial core of the U.S. Northeast to locations in the West and Southwest. Third, Utah's demographics were favorable to companies looking to relocate, since its young workers are eager for entry-level jobs. Without the fortuitous combination of these three factors, it is unlikely that Utah's overall success during the 2005 to 2007 period would have been as remarkable.

In today's environment of economic crisis, it is difficult to predict how the factors that previously favored Utah's growth will play out. This is why the evaluation of state investments in economic development is so important. Utah's policymakers need to know which expenditures were most fruitful in the past to help guide the use of scarce resources in the future, especially during fiscal years when public resources are most limited.

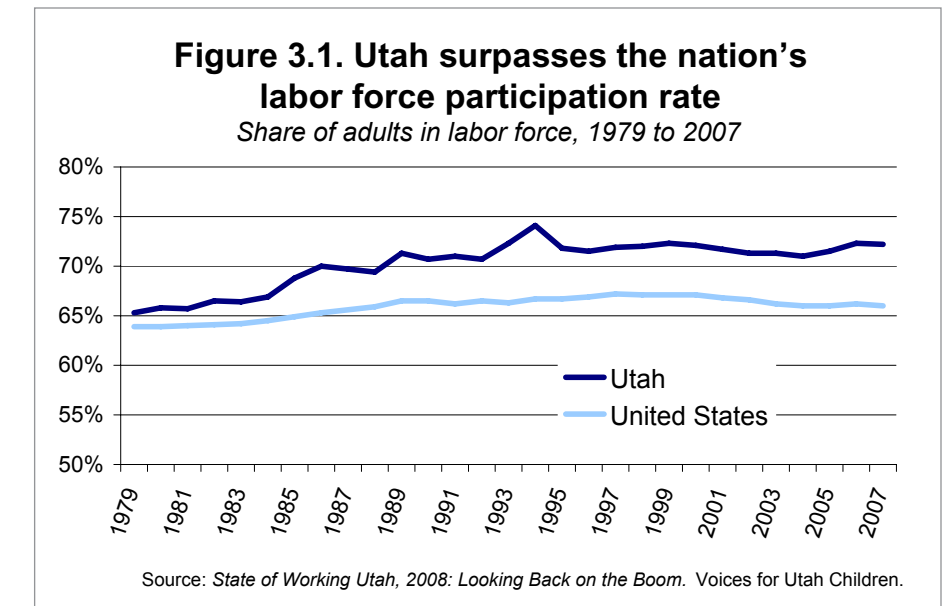
The response to the second question raised above—whether the benefits of Utah's economic growth were equitably distributed—is clearer, thanks to the availability of wage data from the U.S. Census Bureau. Generally, during the 2005 to 2007 period, job quantity appears to have substituted for job quality. That is, while jobs were plentiful, an excessive number of them offered low salaries and minimal benefits. For example, almost one of every three of Utah's working families remained below 200% of the Federal Poverty Level in 2006.⁴² As another example: from 2000 to 2007, the share of Utah workers with private health insurance dropped by 5%.⁴³

These figures suggest that to the extent that Utah's economic development policies have had any measurable impact, they have not been sufficient to result in the creation of quality jobs for large sectors of working residents. Indeed, between 2000 and 2007, the pre-tax earnings of most Utah workers did not keep pace with the state's broader economic expansion: while gross state product per capita reached 8.9% during that period, Utah's median wage growth was only 2.2%. The median wage did grow to a record high in real terms, to \$14.55 per hour in 2007, but by definition half of all workers earned less than this amount.⁴⁴

As noted in Chapter 1, one common justification for Utah's low median wage by national standards is the large share of part-time workers in Utah's economy. Indeed, this share does exceed the national average (28% versus 22% in 2006⁴⁵) and certainly affects how local wages compare. Still, these figures beg the question of why so many Utahns feel obliged to work at part-time jobs, which typically offer low pay and few or no benefits.

What may help explain these high levels of part-time work? Some Utah workers may prefer part-time jobs to maintain the flexibility to attend to other matters, like school or the care of their children. Utah's high labor force participation rates, however, suggest that factors besides flexibility also influence the decision to work part time (Figure 3.1).

In fact, Utahns appear to use part-time work to supplement full-time jobs whose wages do not meet their families' needs. Indeed, this hypothesis would help explain why Utah household incomes recently have ranked above the national average. More workers per family are in the Utah labor force, whether working full- or part-time, and this contributes to household incomes that averaged around \$3,300 more than the rest of the country in 2007.⁴⁶



Further supporting the argument that Utahns work especially hard to compensate for low wages is the fact that 7% of Utahns actually worked two jobs in 2006.⁴⁷ While the simple availability of jobs at the time may help explain this high level, it is noteworthy that Utah's rate surpassed the U.S. average of 5% and nearly doubled the rate in neighboring Nevada (4%), where the median wage surpassed Utah's by just over \$1.00 per hour that year.⁴⁸

This view of recent economic trends suggests that far too many Utahns enter the workforce simply to compensate for full-time jobs that do not provide wages and other benefits sufficient to support their families. In other words, too many Utah workers have not felt the effects of state policies and programs that are designed to bolster economic development.

The Task of Economic Development in Utah: GOED

The task of economic development in Utah is currently shared between the Governor's Office of Economic Development (GOED) and the State Legislature. The precise division of responsibilities has shifted several times in recent years under the administrations of Governors Michael O. Leavitt and Jon M. Huntsman, Jr., but the most important elements of the current arrangement have now been in place for several years.

GOED is the largest state actor that is specifically devoted to economic development. This office views its principal mission as "To foster an environment where Utah companies can be successful and the business community can create jobs that raise Utah's citizens' standard of living."⁴⁹

In practice, much of GOED's work appears to be focused on what it describes as a mandate to "provide rich business resources for the creation, growth and recruitment of companies to Utah and to increase tourism and film production in the state."⁵⁰ To fulfill these objectives, GOED has developed programs in four major areas: business creation, business development, recruitment, and promoting the state. GOED has the authority to offer financial assistance to particular companies from its own funds and from dedicated funds, like the Tourism Marketing Performance Fund and

the Motion Picture Incentive Fund. Receipts from these dedicated funds amounted to \$11 million and \$4 million respectively in 2008.⁵¹

Unlike other state agencies, GOED also makes use of off-budget tax incentives to encourage companies to locate or expand in Utah. These monies are essentially drawn from future tax collections and represent forgone revenue that does not appear in the state budget and is not subject to legislative appropriation. For example, while GOED's 2007 budget amounted to just over \$35 million, the same year the office signed agreements with companies to provide "incentives" of up to \$25 million over the next ten years. In 2008, the amount of such incentives jumped to over \$172 million, dwarfing the "on-budget" allocation (\$31.6 million) for this task.⁵²

The most relevant data on GOED's performance would indicate how much public revenue was actually spent on incentives each year and how many jobs were actually created. A Legislative Audit in 2007 stated:

"The job creation data and some state revenue data on the incentives program's [Basic Score Card] were projected, not actual, figures and did not clearly specify whether the projections represented one year's or cumulative data over the multi-year incentives; the Fiscal Analyst had concerns about unavailability of actual data in this area as well."⁵³

In sum, greater transparency regarding the incentives actually granted and the jobs actually created by companies that have signed contracts with GOED, would make it possible to evaluate whether these subsidies represent the best use of significant shares of Utah's public revenue.



Other Actors in Utah's Economic Development

Like GOED, the Utah State Legislature also has the power to grant tax incentives to companies, through exempting certain sectors of the economy from sales and use taxes. The list of these exemptions appears in the Utah State Tax Commission's Annual Report as a specific category for exemptions that are designed to boost the state's economic development. These "off-budget" exemptions amounted to over \$112 million in 2007.⁵⁴

In contrast to GOED's programs, however, the "incentives" offered through sales and use tax exemptions involve no explicit agreement between beneficiary companies and the state regarding job creation or other goals. Indeed, they are subject only to periodic review by the legislature and are not coordinated with other state economic development efforts.

Members of the legislature also participate in economic development on an ad hoc, case-by-case basis. At times, companies approach an individual legislator for assistance in negotiations with GOED, or they may request legislation that changes the state tax code in ways that are important to their firms. By their very nature, these activities tend not to be coordinated with broader state economic development efforts.

Ironically, the state agency that has the greatest direct involvement with Utah's workers, the Department of Workforce Services (DWS), appears to have little direct role in broader economic

development policy and programs. DWS offers a variety of services aimed at improving the skills of the workforce and placing workers in appropriate jobs, as well as statistical functions related to the state's labor force and economy. These are certainly critical roles for ensuring Utah's future prosperity.

Still, the mission statement of DWS illustrates the degree to which it depends on GOED and



the Legislature to set the broader climate for the future of Utah's workers: "We provide employment and support services for our customers to improve their economic opportunities."⁵⁵ In other words, the focus of DWS is the individual worker, not the jobs that are available to the worker.⁵⁶

Economic Development: Finding the Balance

In today's competitive global economy, many states have struggled to find the right balance in economic development between efforts directed to business support and efforts to improve their workforce. Utah's policies, including both GOED's programs and the sales and use tax exemptions authorized by the legislature, tend to focus on companies. The implicit assumption is that successful firms will inevitably provide the types of jobs that Utahns need to support themselves and their families.

This assumption also helps explain why relatively little of the state's economic development spending takes place under the rubric of policies and programs that emphasize the creation of quality jobs, that is, jobs that offer salaries and benefits sufficient to support Utah's families. Evidence of the uneven impacts of Utah's recent economic boom on workers suggests that more attention needs to be paid to job quality, but without more detailed information, it is hard to know whether this is an intrinsic flaw in the economic development approaches, or whether job quality will improve over time.

Recognizing the importance of transparency and of regular evaluations of effectiveness in economic development policy, thirty-three states around the U.S. produce "tax expenditure" reports to help track their forgone spending.⁵⁷ Tax expenditures, in this sense, are defined as "special tax provisions that are designed to accomplish some social or economic goal unrelated to equitable tax collection."⁵⁸ Among these states that emphasize accountability in economic development expenditure, Missouri stands out by making this information easily available to the public through its well-regarded accountability website.⁵⁹

Economic development officials should take heart from understanding that their work, by its nature, is not more difficult to evalu-

ate than are the projects of many other state agencies. For example, our public schools are expected to produce competent young citizens in about twelve years, but they also produce indicators of annual progress. Similar efforts would surely serve the broader goal of helping Utah workers support their families.

Policy Recommendations

- The production of an annual tax expenditure report would allow the Executive and the Legislative branches, as well as the public, to more closely monitor “off-budget” spending and provide greater opportunity to evaluate the effectiveness of various approaches to economic development.
- Utah’s high standards for transparency and accountability could be met by GOED if it published data on its annual spending (on- and off-budget), rather than projections into the future or 10-year summaries, as it does currently. Publication of more precise measurements of the results of economic development programs, including job creation and the generation of state revenue, would also help GOED and others evaluate the effectiveness of each of its programs.
- The Legislature could do more to guarantee the effectiveness of the state’s broader economic policies if, in its periodic reviews of state sales tax exemptions, it explicitly evaluated the role of each exemption in meeting overall economic development goals, particularly the creation of quality jobs for Utahns.

JOB SUPPORT IN UTAH

Utahns work hard, and they deserve jobs that offer decent pay and benefits. Unfortunately, as shown in Chapter 1, over one in four Utah jobs qualified as “low-wage” in 2006. In many cases, these low-wage jobs are crucial to other sectors of the economy, but they are essentially unattractive, with unpleasant conditions, little chance for advancement and few benefits.

Of course, a low-wage job is certainly better than no job, and they do play a useful role in the economy. In particular, some of these jobs can provide flexibility in terms of working hours or can ease (re-) entry into the labor force. This makes them useful for workers at certain stages of their careers, including students and mothers of young children.

Unfortunately, however, when low-income wages are eaten into by regressive state taxes, as well as the expenses of child care and health care, even full-time permanent workers can find themselves trapped in dead-end jobs. They must devote long hours to earning enough to support their families, and this means less time to look for better work or to engage in additional education and training that would expand their job options in the future.

To make matters worse, many low-wage jobs do not provide important benefits, like health insurance or time off with pay. This leaves low-income workers especially vulnerable when unavoidable problems crop up, like accidents, illness or even car repair. The precarious nature of low-wage employment means that a

relatively minor misfortune can lead to the complete unraveling of households: missed work can mean lost wages or even the loss of a job.

Combined with unexpected medical or other bills, debt can accumulate quickly, spiraling into missed mortgage or rent payments. With little access to low-cost credit, a low-wage family can go from getting by to economic collapse in the space of just a few months. The unfortunate families that sink into homelessness face still greater difficulties in regaining self-sufficiency in the future.

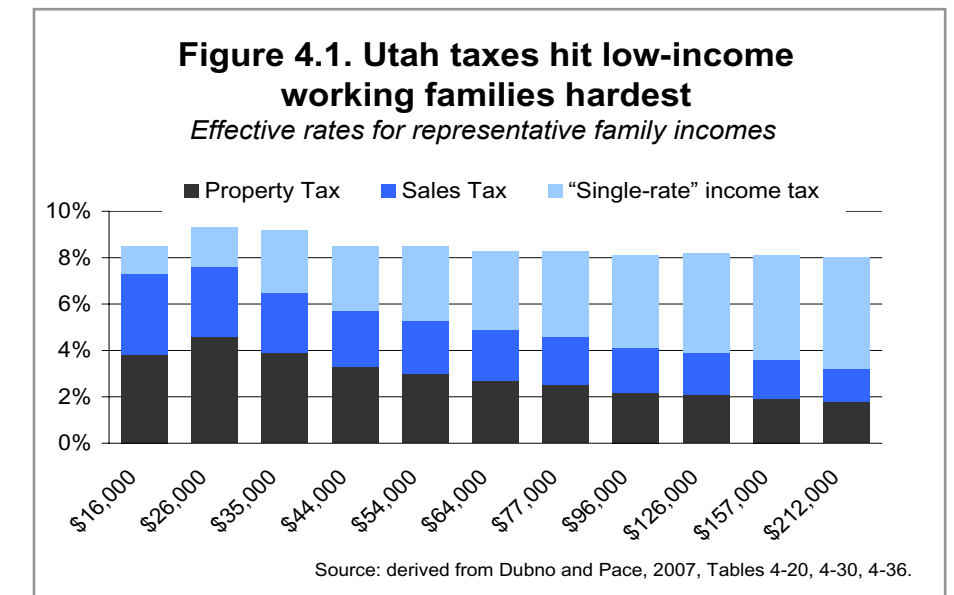
No one benefits from these family tragedies. In fact, Utah would have less need for many kinds of social services if low-income working families could depend on a basic work-support infrastructure to help avoid these costly disasters in the first place. Additionally, in today's rapidly changing global economy, Utah would benefit from programs that increase the opportunities for low-income workers to advance to better-paying jobs and that remove barriers and disincentives to engaging in paid work. The following pages discuss the key changes that Utah should adopt to build a more robust system of support for low-income workers: state tax policy, child care, and health care.

State Tax Policy

It is a terrible irony that a state that has earned the label of one of the best-managed in the country continues to impose a regressive tax system on its residents.⁶⁰ Extensive reform to Utah's personal income tax for 2008 has likely improved the situation for many very low-income families who will benefit from the increased income threshold (below which they pay no income tax). It remains to be seen, though, how the overall incidence plays out in practice, especially when all the new tax credits are taken into account.

On the other hand, it appears that the new "single rate" income tax system will *not* compensate for the regressive nature of the other state taxes that hit low-income families the hardest: sales and property taxes. These two make up over half the total taxes paid by families with incomes of less than \$96,000, so their impact is far more crucial to low-income working families' budgets.⁶¹

Indeed, the most comprehensive available estimates suggest that Utah's state and local tax systems actually penalize many low-income working families. Utah households with earnings of \$26,000 and \$35,000 must devote higher shares of their incomes than any others to taxes (Figure 4.1). Meanwhile the wealthiest households pay the least.



Simple logic suggests that the state is unwise to place its heaviest tax obligation on the poorest families. To correct these inequities, Utah could follow the lead of the federal government and 23 other states by enacting a state Earned Income Tax Credit (EITC). This type of credit is often described as a work incentive, since it effectively reduces or eliminates income taxes for low-income working families and provides a refund for amounts paid that surpass the credit. The EITC acts as a wage supplement to offset sales and property taxes, and helps low-income families maintain or achieve financial self-sufficiency.

The importance of the Federal EITC in compensating low-income working families for the regressivity of some Federal taxes is striking. In 2006, 139,998 Utahns benefited from this federal work-support program. This brought \$256 million to low-income working families throughout the state and helped inject needed cash into local economies.⁶² A state EITC would have a similar effect, addressing inequities in the state tax system, while putting cash into the hands of families who will spend it where they live to support local businesses.

Child Care

With Utah's early family formation and high labor force participation rates, reliable child care is essential for working parents. Adults must balance employment and education while ensuring that their children are provided safe and loving environments. For many low-income working families, child care is one of the largest living expenses, and it can become a significant barrier to self-sufficiency.

In the Salt Lake City-Tooele area, for example, the cost of center-based care for an infant ranged from \$275 to \$944 per month in 2008. This means that child care can consume over half of the earnings of a low-income family with two adult workers and two young children. Indeed, at the lowest-cost facilities, annual child care expenses of such a family would exceed tuition and fees for a year at the University of Utah.

To help overcome this potential barrier to work and self-sufficiency, the Federal government provides funding for child care subsidies through the Child Care and Development Fund (CCDF). The federal eligibility guidelines for CCDF allow families with incomes of up to 85% of the state median to apply for assistance.

However, to ration limited funds, Utah has set more stringent guidelines, allowing only families with incomes of up to 61% of the state median to apply.⁶³ These families make a co-payment of 1% to 15% of their monthly income (depending on earnings and family size), and they must pay additional out-of-pocket amounts if they prefer higher-priced child care centers. There are slightly higher income maximums and subsidies for children with special needs.

In 2007, Utah began to pay child care providers at the recommended 75th percentile rate. According to the Utah State Plan for Child Care Services, reimbursement varies by region, reaching high of \$564 for licensed center-based care. These low reimbursement rates strain the system in two ways, making it difficult to hire and retain competent providers, as well as to offer high-quality services.

Health Care

Eight out of ten uninsured Utahns belong to working families. Two-thirds of the uninsured in Utah report affordability as the primary barrier to health insurance.⁶⁴ Between 2000 and 2007, the cost of health insurance premiums for a working family in Utah rose nearly five times as fast as median earnings. This rapid increase in cost is the primary reason for uninsurance among working families.

Lack of health insurance has a host of negative impacts on low-income families. The uninsured are more likely to skip routine, preventative care and are more likely to have worse health outcomes than the insured. Without the protection that insurance provides, even middle class families face significant financial risk. For example, a routine occurrence, such as the birth of a child, can wipe out household savings. The average price of uncomplicated hospital childbirth in Utah in 2008 was \$4,889, while the price of a cesarean birth (one-third of all births) was \$7,650.⁶⁶ A serious accident or health tragedy can shatter a family's financial security. Indeed, medical debt is now the leading cause of personal bankruptcy in the United States.⁶⁷



During 2008, the Utah State Legislature convened a health care reform task force to help guide the state in a major overhaul of its health care system. However, progress has been slow and legislation proposed for the 2009 session will likely address only isolated components of the system such as medical malpractice reform, transparency, and the removal of health plan benefit mandates.

Although designed as the major fallback for low-income Utahns without health insurance, the state's Medicaid program offers direct support to very few working adults. The entire program serves 243,000 people, or one of every 10 state residents, but close to 90% of these are children, or the aged, blind and disabled.⁶⁸ Among Utahns at the Federal Poverty Level (FPL), 17% were enrolled in Medicaid.⁶⁹

Low-income adults can qualify for Medicaid only if they are disabled, pregnant or parents with dependent children. Utah's working parents may earn up to 54% of FPL (around \$5,600 each) before losing eligibility, although the limit is higher for pregnant women, at 133% of FPL. Low provider payments have caused some health care providers to refuse or limit Medicaid patients, increasing the difficulty of access to care for beneficiaries.

Lack of access to health insurance is compounded by lack of Workers' Compensation insurance for many Utahns. Workers' Comp is a critical safety net for people whose families depend on them to provide income. This insurance is designed to help families survive in case of physical injury sustained on the job. However, Utah provides only low minimum weekly benefits, at \$45 (\$180 per month). This is nowhere near the amount needed to sustain a family whose primary wage earner is unable to work.

Finally, many states have adopted family and medical leave legislation that extends unpaid leave and job protection beyond the scope of the Federal Family Medical Leave Act of 1993. These policies open eligibility to more workers, require more generous leave time, or expand the types of circumstances that are covered, such as routine medical exams for children and school-related functions. Some of these state-level policies are aimed at public employers or large private employers only, while certain other policies apply to employers of every size, both public and private.

Policy Recommendations

- Address the regressivity of Utah's overall tax system by enacting a state Earned Income Tax Credit (EITC). This would serve as a work incentive and help employers who rely on low-wage workers make these jobs more attractive.
- Make child care more accessible to Utah's workers by opening eligibility to the Federal maximum of family income, 85% of the state median. Increase child care reimbursement rates to make it easier for centers to hire and retain competent providers.

- Strengthen Medicaid and SCHIP as part of broader reform. Simplified enrollment and renewal procedures would increase participation and ensure seamless transition to other sources of coverage in a reformed system including employer-sponsored insurance and new insurance pools. In addition, Utah should expand Medicaid eligibility for parents to 100% of the Federal Poverty Level.
- Include effective and reasonable cost-containment measures in health reform.
- Ensure health insurance affordability for low-income individuals and families. As a first step, Utah should invest in an affordability study on health insurance coverage, with a particular focus on families under 300% of poverty.



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¹ *State of Utah Job Vacancy Study*, Department of Workforce Services, <http://jobs.utah.gov/opencms/wilpubs/jvs/2007q4/>.

² Working Poor Families Project data generated by Population Reference Bureau from 2006 American Community Survey.

³ Working Poor Families Project data generated by Population Reference Bureau from 2006 American Community Survey.

⁴ *Is Utah Really a Low-Wage State?* Utah Foundation Research Brief, June 5, 2008. http://utahfoundation.org/briefs/2008_02_incomes.html.

⁵ Working Poor Families Project data generated by Population Reference Bureau from 2006 American Community Survey. Note: Utah's high rate of home ownership also includes above-average rates for low-income families. In 2006, just over half (52%) of Utah's low-income working families owned their homes, a rate which substantially surpassed the national rate for this income group (44%). However, it is likely that many of these homeowners purchased their homes before the run-up in prices in 2005 and 2006. The situation facing today's potential low-income home buyers are substantially more challenging.

⁶ Detailed data on housing prices that breaks them down by median, 25th percentile (the least expensive homes and condominiums) and 75th percentile (the most expensive) is only available for Salt Lake City and only since April 2006. These data show that in April 2008, the median asking price for homes and condominiums had risen by 6% during those two years, while that for the 25th percentile was a full 35% higher. Meanwhile asking prices for the 75th percentile had dropped by 1%. These trends are likely similar to other regions of the Wasatch Front and perhaps Washington County as well. Figures derived by author from <http://www.housingtracker.net>.

⁷ Working Poor Families Project data generated by Population Reference Bureau from 2006 American Community Survey.

⁸ If the growing numbers of single-member households are included in this calculation, Utah's difference rises to 18%. Figures are derived from US Census Bureau, American Community Survey, 2006.

⁹ Although Utah's teen pregnancy rate is lower than the national average, Utah women are substantially more likely to give birth in their twenties than are women in the U.S. as a whole. See, for example, data from *National Vital Statistics System*, Centers for Disease Control and Prevention.

¹⁰ *The State of Working Utah, 2007*, Voices for Utah Children, www.utahchildren.org.

¹¹ "Other family/personal obligations" was listed as the reason for working part-time by nearly 56% of female workers, according to *Is Utah Really a Low-Wage State?* Utah Foundation Research Brief, June 5, 2008. http://utahfoundation.org/briefs/2008_02_incomes.html.

¹² Indeed, the Economic Development Corporation of Utah begins the Utah Labor Force section of its Utah Business & Economic Profile 2008—a document designed, presumably, to attract companies to Utah—with the following statement: "High employment, low average wages and workers who are younger and more educated than the national average characterize Utah's labor force." Source: <http://www.edcutah.org/workforce.php>, accessed August 14, 2008.

¹³ Unfortunately, the level of detail in the data is insufficient to determine the share of Utah's job growth that is composed of high-skill versus low-skill services.

¹⁴ Working Poor Families Project data generated by Population Reference Bureau from 2006 American Community Survey.

¹⁵ *Workforce Information*, Utah Department of Workforce Services, May 2008.

¹⁶ *Mounting Pressures Facing the U.S. Workforce and the Increasing Need for Adult Education and Literacy*; Prepared for the National Commission on Adult Literacy by Dennis Jones and Patrick Kelly. National Center for Higher Education Management Systems (NCHEMS), May 21, 2007, page 42.

¹⁷ The effectiveness of this program in increasing the number of skilled workers in Utah—not to mention its cost compared to alternative strategies—is not clear. According to GOED’s Annual Report 2008, the Utah Recruitment Initiative “provides the resumes of more than 2,000 candidates, most of who [sic] are living out of state, to Utah companies seeking these individuals.” However, the report does not indicate how many of these candidates have actually taken jobs with companies in Utah.

¹⁸ Some change in the UCAT system is anticipated as a result of the 2009 Legislative session. At this writing the extent of this change is unknown.

¹⁹ Enrollment in UCAT fluctuates greatly because of its open enrollment/open exit policy. Data derived from http://www.utahsbr.edu/prospective_students/institutions/Facts.htm.

²⁰ Although UCAT is focused on non-credit training using an open-entry, open-exit, competency-based format, it should be noted that most USHE institutions also provide non-credit coursework. Several of those institutions also use the open-entry, open-exit format for delivery.

²¹ Working Poor Families Project data generated by Population Reference Bureau from 2006 American Community Survey.

²² *Measuring Up*, National Center for Public Policy and Higher Education, 2006.

²³ Working Poor Families Project data generated by Population Reference Bureau from 2006 American Community Survey.

²⁴ Utah System of Higher Education, *Databook*, Table 1, Five Year History – Annualized FTEs by Level of Instruction, www.utahsbr.edu/new05e.html

²⁵ Working Poor Families Project data generated by Population Reference Bureau from 2006 American Community Survey.

²⁶ *Measuring Up*, National Center for Public Policy and Higher Education, 2006.

²⁷ *Measuring Up*, National Center for Public Policy and Higher Education, 2006.

²⁸ For example, New Jersey (95%); New York (89%); and Washington (86%). Working Poor Families Project data generated by Population Reference Bureau from 2006 American Community Survey.

²⁹ Working Poor Families Project data generated by Population Reference Bureau from 2006 American Community Survey.

³⁰ *2006-2007 Academic Year-end Report, Corrections Education, USOE* and personal communication with Mr. Jeffrey Galli, Corrections Education Specialist, USOE, May 16, 2008. Note that these figures do not distinguish between eligible inmates and those who may be unable to take part in these programs because of personal characteristics or conditions of incarceration (whose number is unknown).

³¹ *Measuring Up*, National Center for Public Policy and Higher Education, 2006

³² Utah State Office of Education report to Office of Vocational and Adult Education, U.S. Department of Education, 2007. Table 4, Educational Gains and Attendance by Educational Functioning Level.

³³ *A New Framework for Adult Education*, May 2007, Kentucky Office of Adult Education.

³⁴ Federal funds for Utah Adult Basic Education have not been reauthorized for several years, which means that state funding priorities are the biggest determinant for the orientation of these programs

³⁵ Calculations use FY04 expenditures from U.S. Department of Education, 2004, and 2006 population numbers from American Community Survey, 2006, for adults without HS/GED.

³⁶ *Adult Education Fingertip Facts 2008*, Utah State Office of Education, www.schools.utah.gov/adulted.

³⁷ *State Annual WIA Performance Reports, 2006* as provided by FRED <http://www.fred-info.org/cgi-bin/broker.exe>.

³⁸ *State Annual WIA Performance Reports, 2006* as provided by FRED <http://www.fred-info.org/cgi-bin/broker.exe>.

³⁹ TANF/MOE funds are used both for education and training for low-income workers who do not receive case assistance and for those who do.

⁴⁰ Personal communication with Helen Thatcher, Assistant Director, Operations Support Division, Utah Department of Workforce Services, December 8, 2008.

⁴¹ *State of Working Utah, 2007*, Voices for Utah Children, September 2007. Available at www.utahchildren.org.

⁴² Working Poor Families Project data generated by Population Reference Bureau from 2006 American Community Survey.

⁴³ *State of Working Utah, 2008: Looking Back on the Boom*, Voices for Utah Children, November 2008. Available at www.utahchildren.org.

⁴⁴ All figures adjusted for inflation. Source: *State of Working Utah, 2008: Looking Back on the Boom*, Voices for Utah Children, November 2008. Available at www.utahchildren.org.

⁴⁵ *State of Working Utah, 2007*, Voices for Utah Children, September 2007. Available at www.utahchildren.org.

⁴⁶ *State of Working Utah, 2008: Looking Back on the Boom*, Voices for Utah Children, November 2008. Available at www.utahchildren.org.

⁴⁷ Working Poor Families Project data generated by Population Reference Bureau from 2006 American Community Survey.

⁴⁸ Source: Economic Policy Institute analysis of Current Population Survey data.

⁴⁹ See <http://performance.utah.gov/agencies/goed.shtml>.

⁵⁰ This statement appears on GOED’s website, <http://goed.utah.gov>.

⁵¹ *Compendium of Budget Information for the 2009 General Session*, Economic Development and Revenue Appropriations Subcommittee. <http://www.le.state.ut.us/lfa/reports/cobi2009/cobi2009.htm>.

⁵² Budget information drawn from *Compendium of Budget Information for the 2009 General Session*, Economic Development and Revenue Appropriations Subcommittee. <http://www.le.state.ut.us/lfa/reports/cobi2009/cobi2009.htm>. Incentive amounts appear in GOED’s Annual Report 2008.

⁵³ Office of the Utah Legislative Auditor General, 2007.

⁵⁴ This amount refers only to sales tax exemptions listed in the Economic Development category, and not those exemptions made for “Economic Efficiency,” “Governmental,” or “Social Service, Health, Charitable & Other” purposes. Source: Utah State Tax Commission *Annual Report 2007*.

⁵⁵ See <http://jobs.utah.gov/edo/dwsdefault.asp>.

⁵⁶ There are a few exceptions to this general pattern, including collaboration between DWS and GOED on WIRED (Workforce Innovation in Regional Economic Development) and several other initiatives, but these do not represent the largest programs of either agency.

⁵⁷ *2007 – 2008 Assets and Opportunities Scorecard*, Corporation for Economic Development, <http://www.cfed.org>.

⁵⁸ *The Hidden Entitlements*, Citizens for Tax Justice, 1996, www.ctj.org.

⁵⁹ See "Tax Credits" on Missouri Accountability Portal, <http://mapyourtaxes.mo.gov>.

⁶⁰ The best-managed label comes from *Grading the States 2008*, The Pew Center on the States, www.pewcenteronthestates.org.

⁶¹ *An Evaluation of Utah's Tax System and A Comparison of Eight Intermountain Western States*, Janis Dubno and Levi Pace, Center for Public Policy and Administration, University of Utah, 2007.

⁶² *Using EITC to Stimulate Local Economies*, The Brookings Institution. Brookings Institution analysis of Census Bureau and IRS data, 2006. <http://www.brookings.edu>.

⁶³ As the result of 2008 legislation, a new "step-down" provision allows families to remain on the program with declining subsidies for up to 70% of state median income before becoming ineligible.

⁶⁴ Utah Department of Health, *Health Status Survey 2007*.

⁶⁵ See www.familiesusa.org/assets/pdfs/premiums-vs-paychecks-2008/utah.pdf.

⁶⁶ *Utah Hospital Comparison Report on Maternity and Newborns*, Vaginal Delivery Average Hospital Charge, 2007, Utah Department of Health.

⁶⁷ *Illness and injury as contributors to bankruptcy*, Health Affairs Web Exclusive, by DU Himmelstein, et al. February 2, 2005.

⁶⁸ Kaiser State Health Facts. Available at: <http://www.statehealthfacts.org>.

⁶⁹ Kaiser State Health Facts. Available at: <http://www.statehealthfacts.org>.

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