



Economic Impact of the Publicly Funded K-12 Education on the Eastern Shore of Maryland

The Public School Systems (grades K through 12) of the Eastern Shore of Maryland provide a wide array of benefits to the residents of each of the counties. In addition to the educational services provided to the students of the counties, the expenditures of the school system provide a significant economic impact in the counties and region. **The return on investment (local economic impact compared to taxpayer investment) of the public school systems within the Eastern Shore region is approximately 92% with a total annual impact of over \$1.8 Billion and close to 20,000 jobs supported.**

The benefits that make up this return on investment fall into three categories.

1. Type 1 Benefits:

The most obvious Type 1 benefit of publicly provided K-12 education is the income boost graduates receive as they improve their level of education and their education outcomes. Using the Eastern Shore Average Median Income and Educational Attainment Statistics in a statistical model, we estimate that the Shore counties operate at an aggregate 28% deficit compared to the Maryland average. This means that at current levels of spending, Shore graduates will enjoy 28% less on average in lifetime earnings that the "Average" Maryland graduate will. Further, using a simple economic model, we can state that for every 2% increase in annual spending (within an additional spending range of 0-25%), the Shore graduates' average lifetime earnings will increase by 1%. Conversely, for each 2% decrease in annual spending the average lifetime earnings will decrease by 1%. These increases/decreases will, over time, lead to increases/decreases in the total tax base of each jurisdiction because of the direct correlation between total income and property values. Both total jurisdictional income and property taxes can be expressed as a function of the total jurisdictional income. **The total for Type 1 benefits is over \$65 Million.**

2. Type 2 Benefits:

These are the benefits derived from the public expenditures churning in the local economy through the employment of those involved in the public education enterprise, the expenditures that support the private sector vendors to the education enterprise, and the various induced economic, employment, and fiscal impacts. **The Type 2 benefits for all nine Eastern Shore county public school systems total over \$1.5 Billion, with close to 18,000 jobs supported.**

3. Type 3 Benefits:

These benefits include the ability of the jurisdiction to attract and/or retain families with skilled and/or professional workers who are net wealth creators. On the Eastern Shore, some of these benefits include:

- Quality-of-Life measures that push parents to use school quality as a residential location factor;
- Quality-of-Life issues that transcend location and extend into a "Sense of Well Being" for parents who believe high quality public education is essential to the success of their child's transition from high school to higher education or the labor market;
- Property value enhancements attributable to the presence of good local public schools;
- Productivity enhancements in local businesses due to quality K-12 education;
- Business, economic, workforce, and community enhancements due to increases in the number of post-secondary institution graduates in a jurisdiction due to quality K-12 education.

These benefits assume the presence of good quality education in each jurisdiction. However, it is also clear that if spending levels drop precipitously, each and every one of these benefits would decline, equally precipitously. **Annual Type 3 benefits for the Eastern Shore are approximately \$280 Million.**