

Building Human Capital in South Carolina:

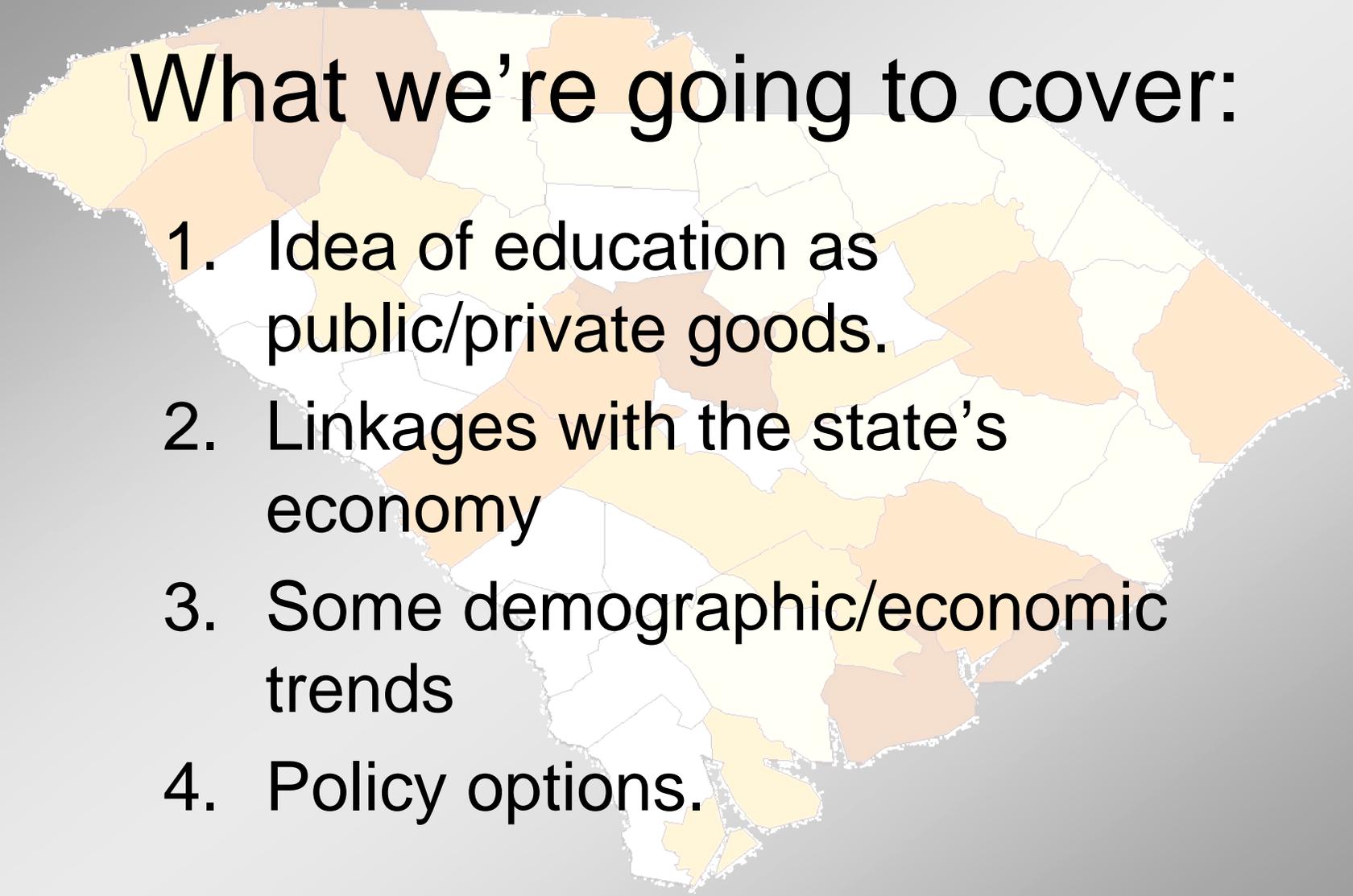
Closing The US/SC Income Gap

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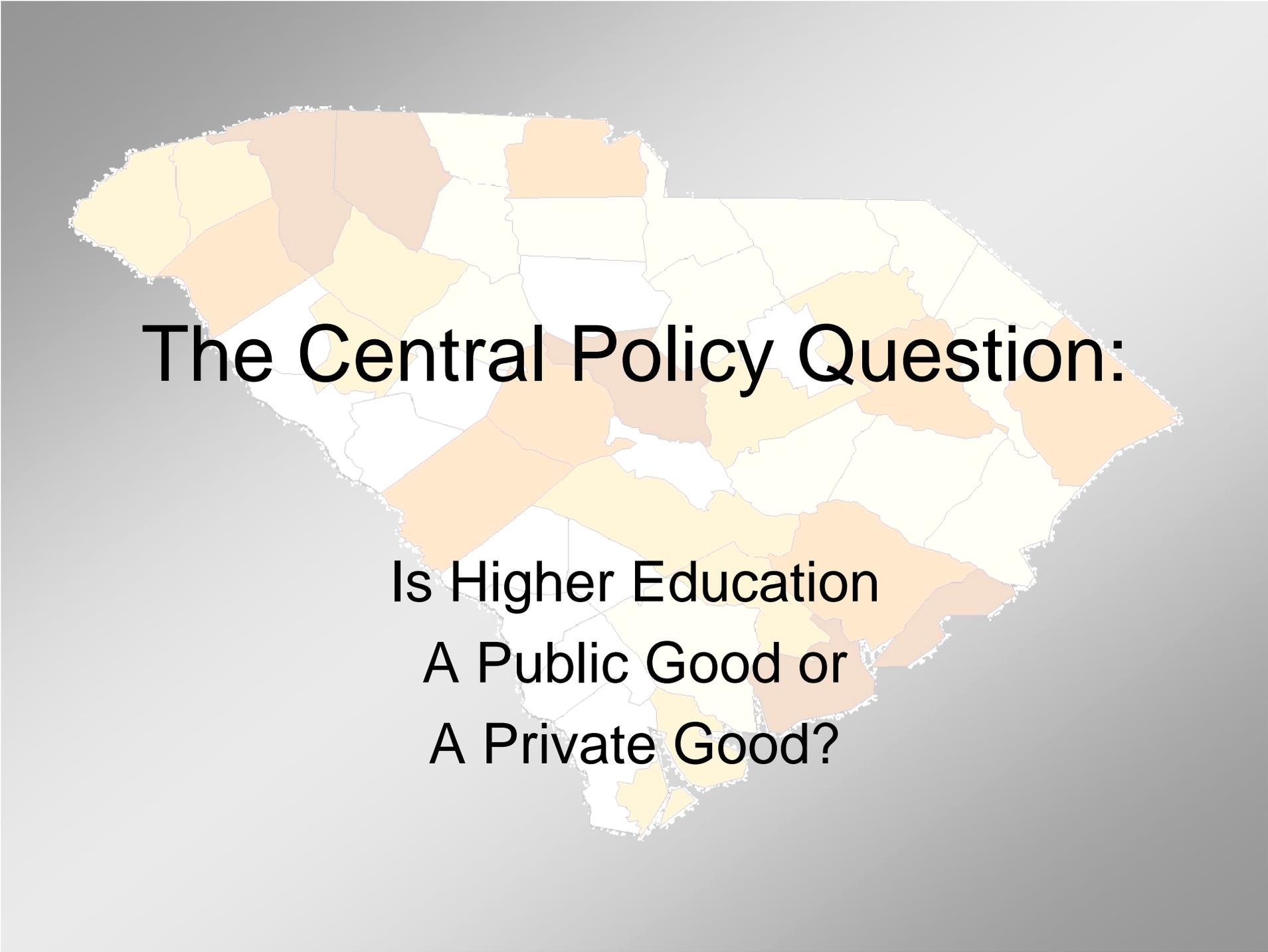
The Strom Thurmond Institute
Of Government & Public Affairs
Clemson University

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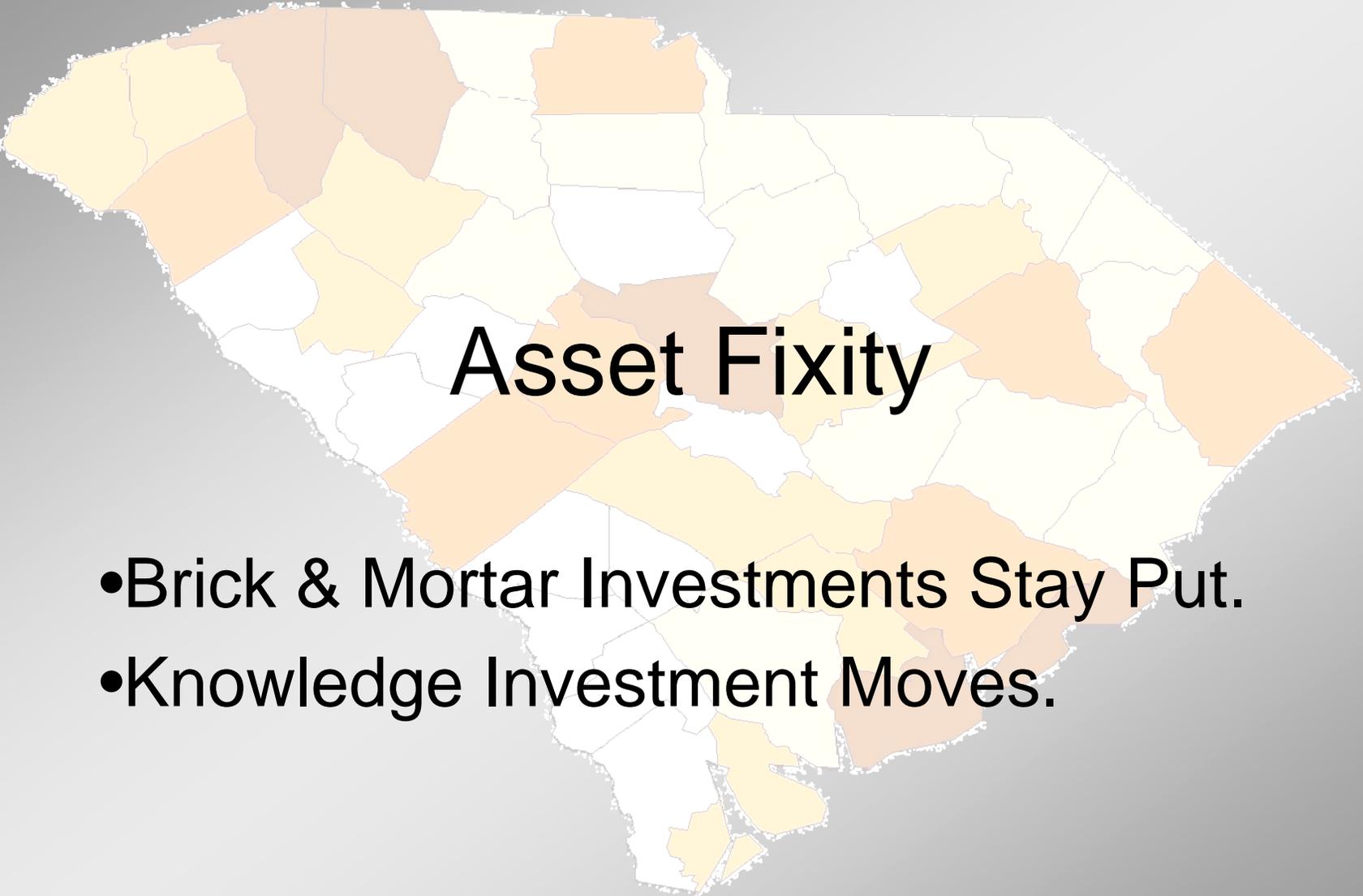
What we're going to cover:

1. Idea of education as public/private goods.
2. Linkages with the state's economy
3. Some demographic/economic trends
4. Policy options.



The Central Policy Question:

Is Higher Education
A Public Good or
A Private Good?



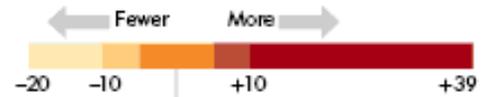
Asset Fixity

- Brick & Mortar Investments Stay Put.
- Knowledge Investment Moves.

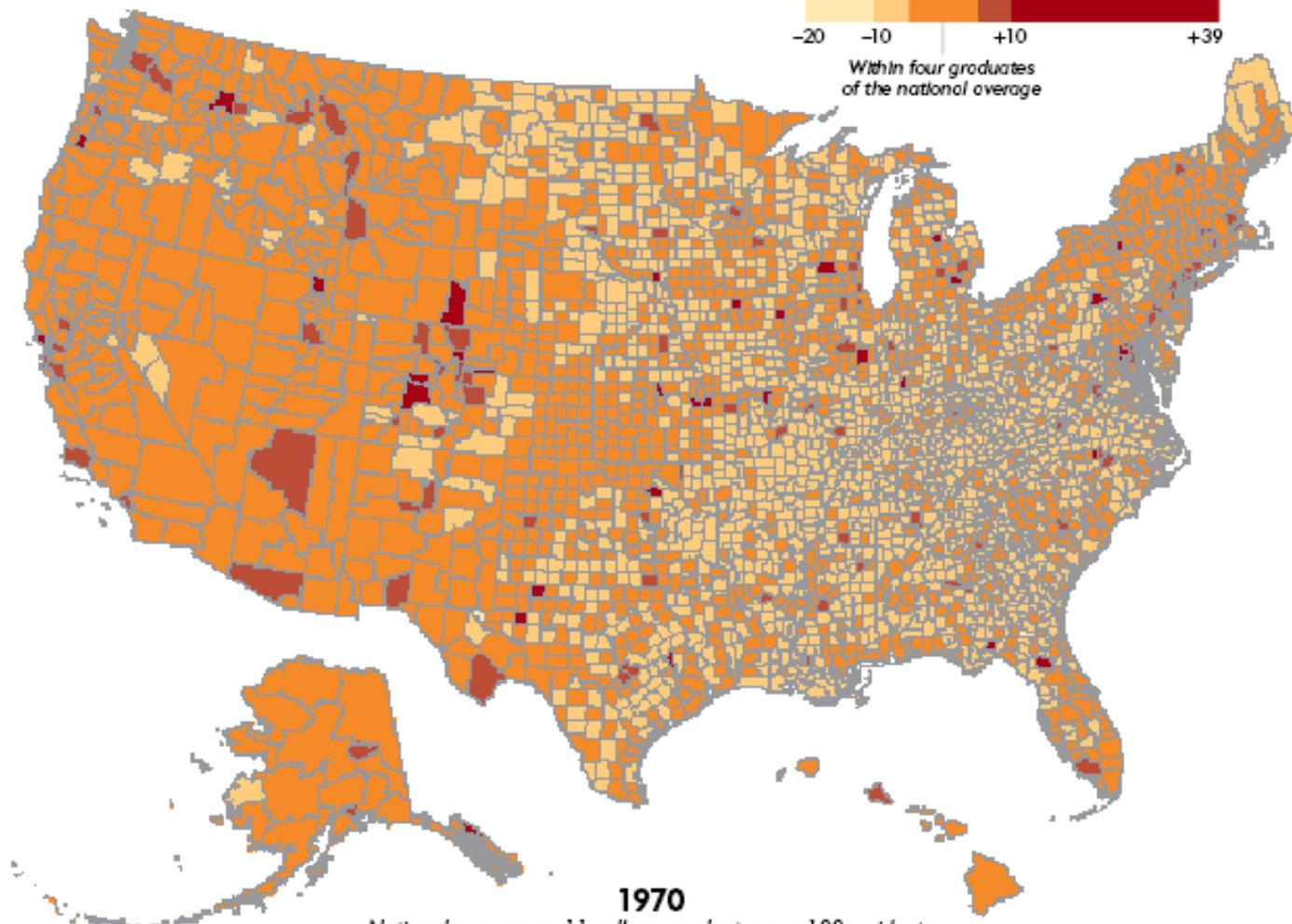
THE MIGRATION OF COLLEGE GRADUATES

Since 1970, college graduates have flocked to select American cities

College graduates in each county, compared with the national average (per 100 residents)

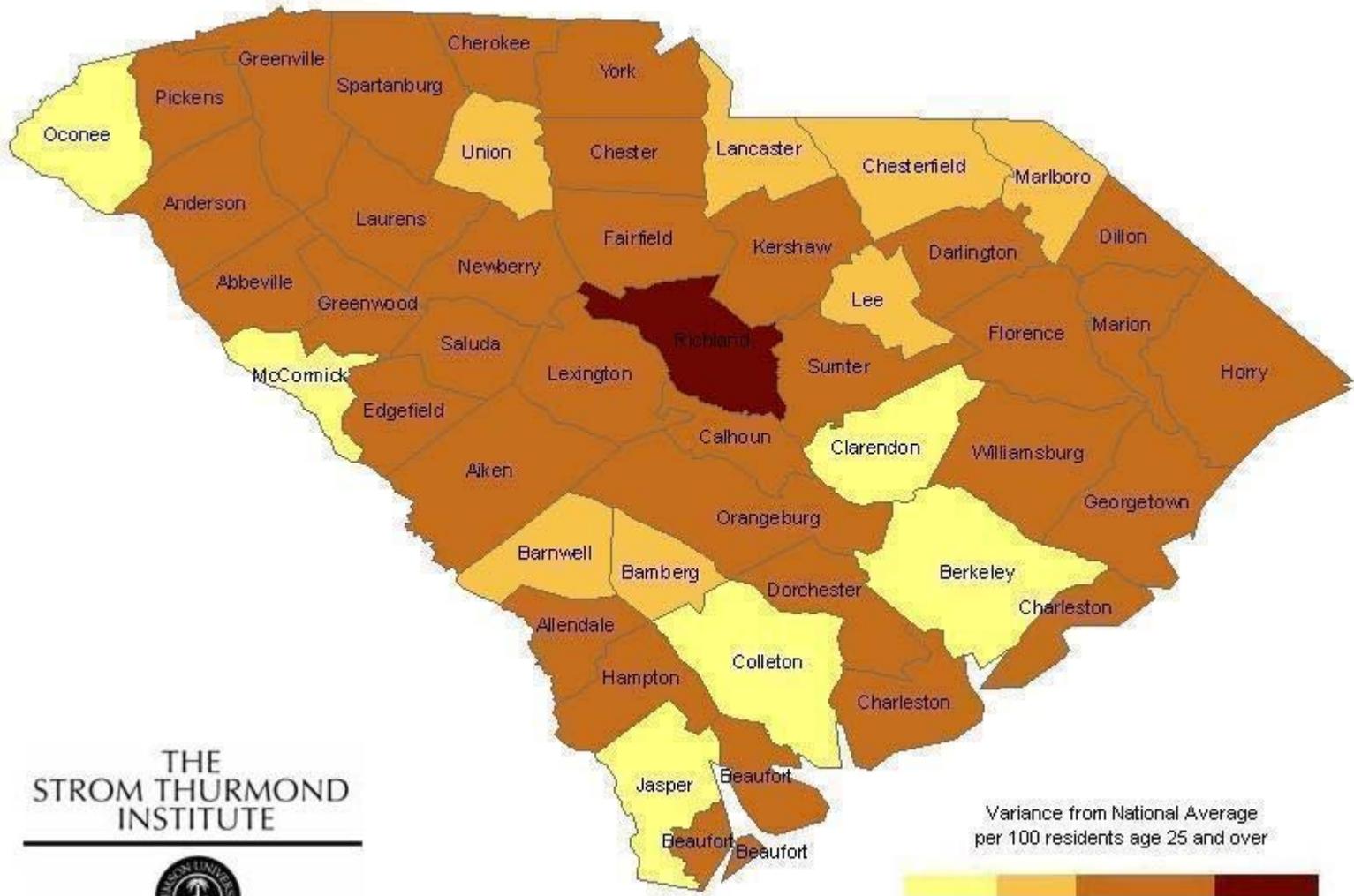


Within four graduates of the national average

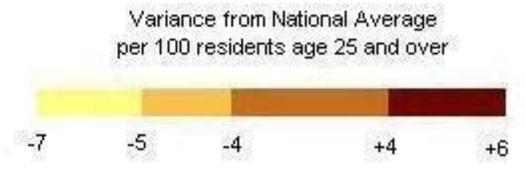


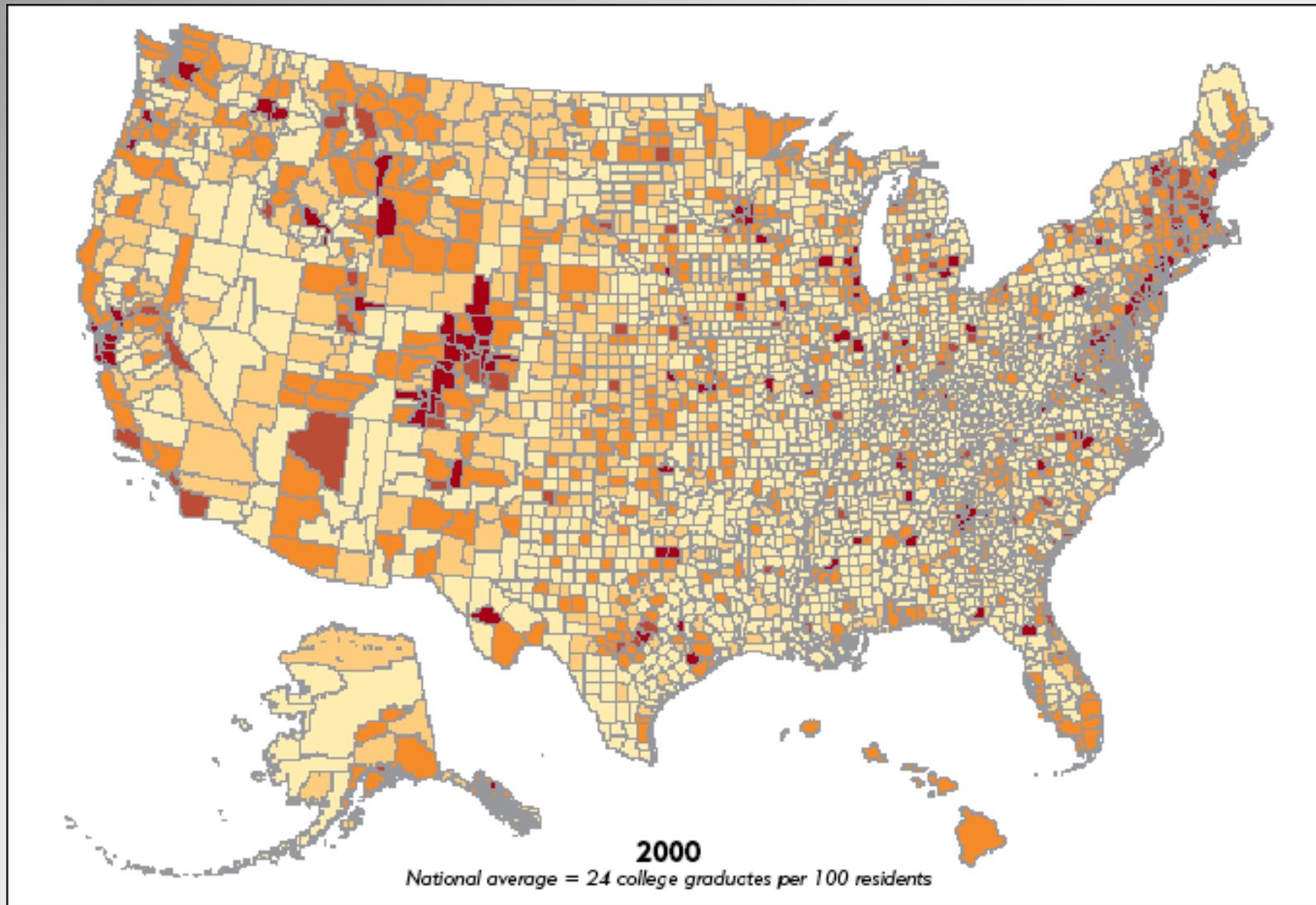
1970

National average = 11 college graduates per 100 residents

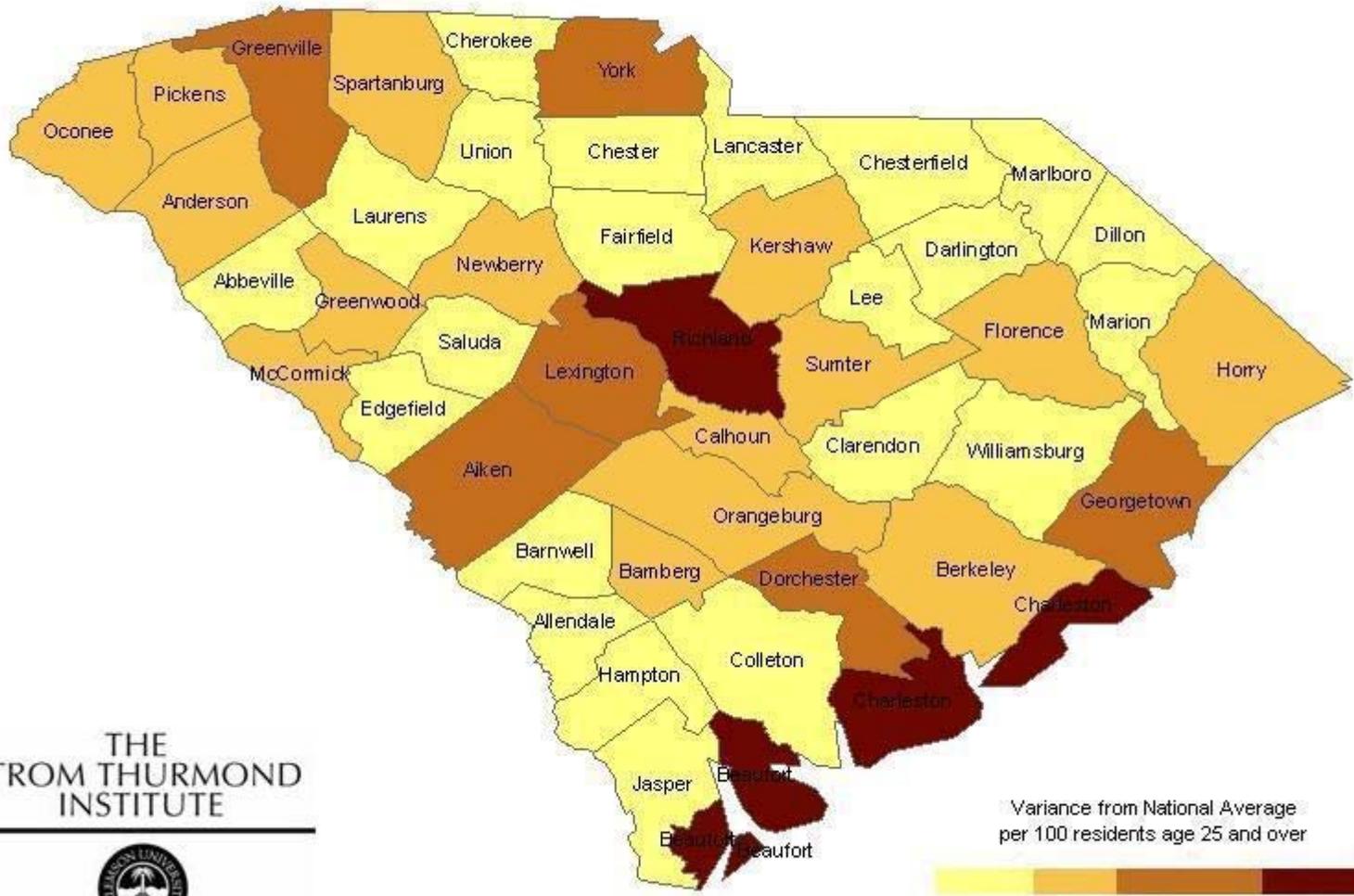


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Source: Atlantic Monthly Oct. 2006

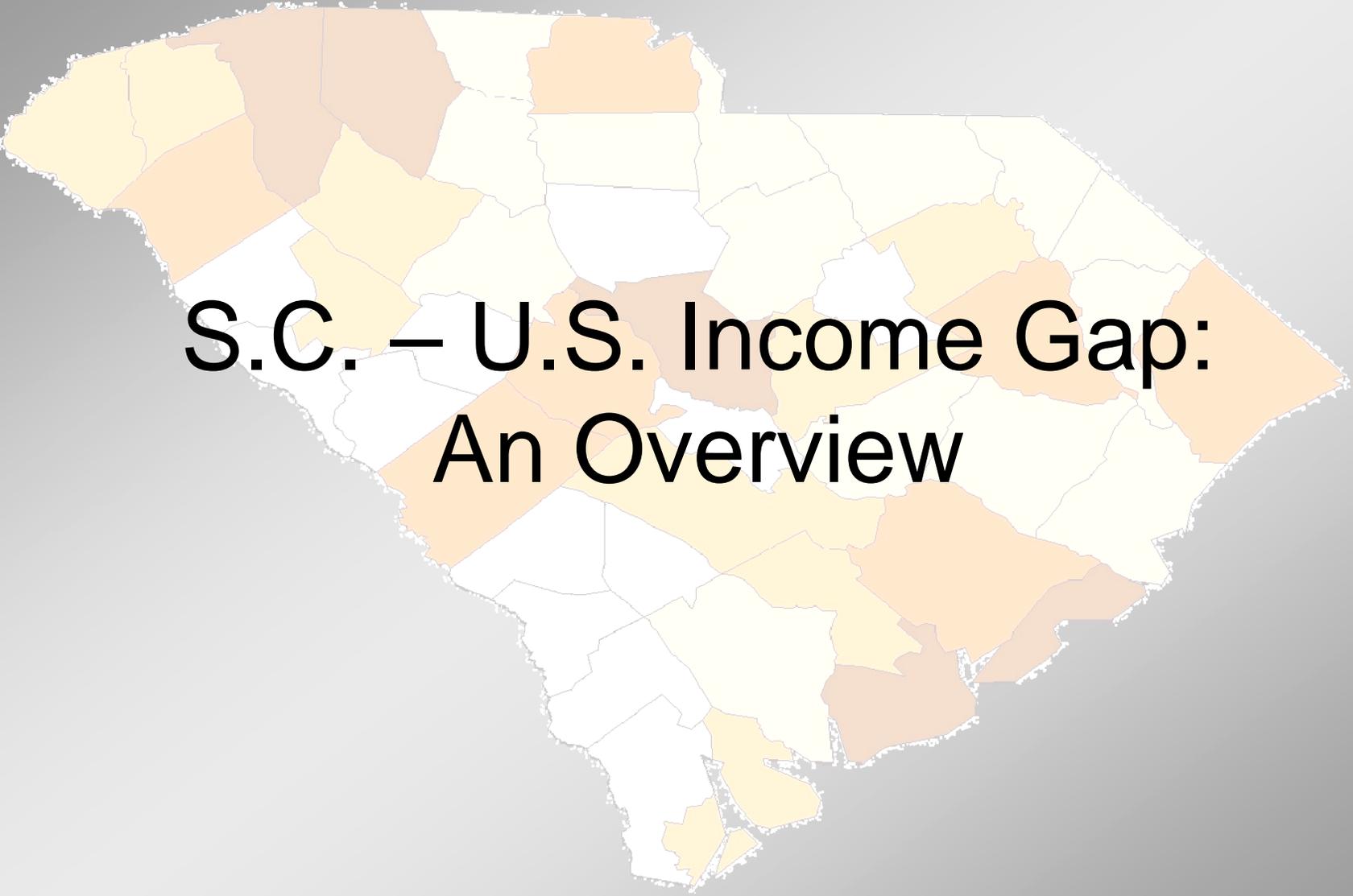


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Variance from National Average per 100 residents age 25 and over

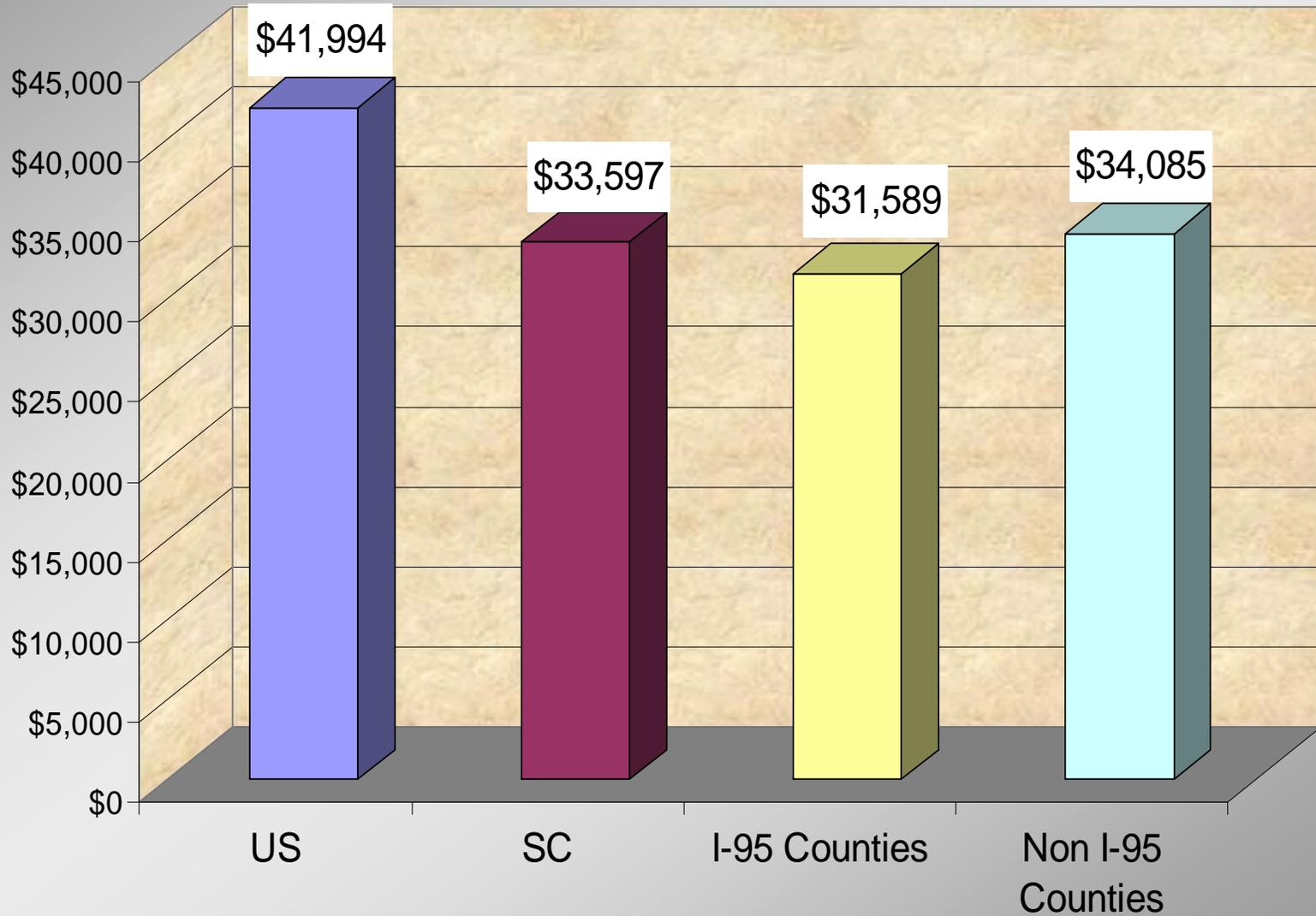




The map displays the 46 counties of South Carolina, each shaded in a color representing its income gap relative to the U.S. average. The shading ranges from light yellow (low gap) to dark brown (high gap). The highest income gaps are concentrated in the western and central parts of the state, particularly in counties like Spartanburg and Anderson. The lowest income gaps are found in the eastern coastal and piedmont regions, such as Charleston and Columbia.

S.C. – U.S. Income Gap: An Overview

S.C. Median Household Income (1999)



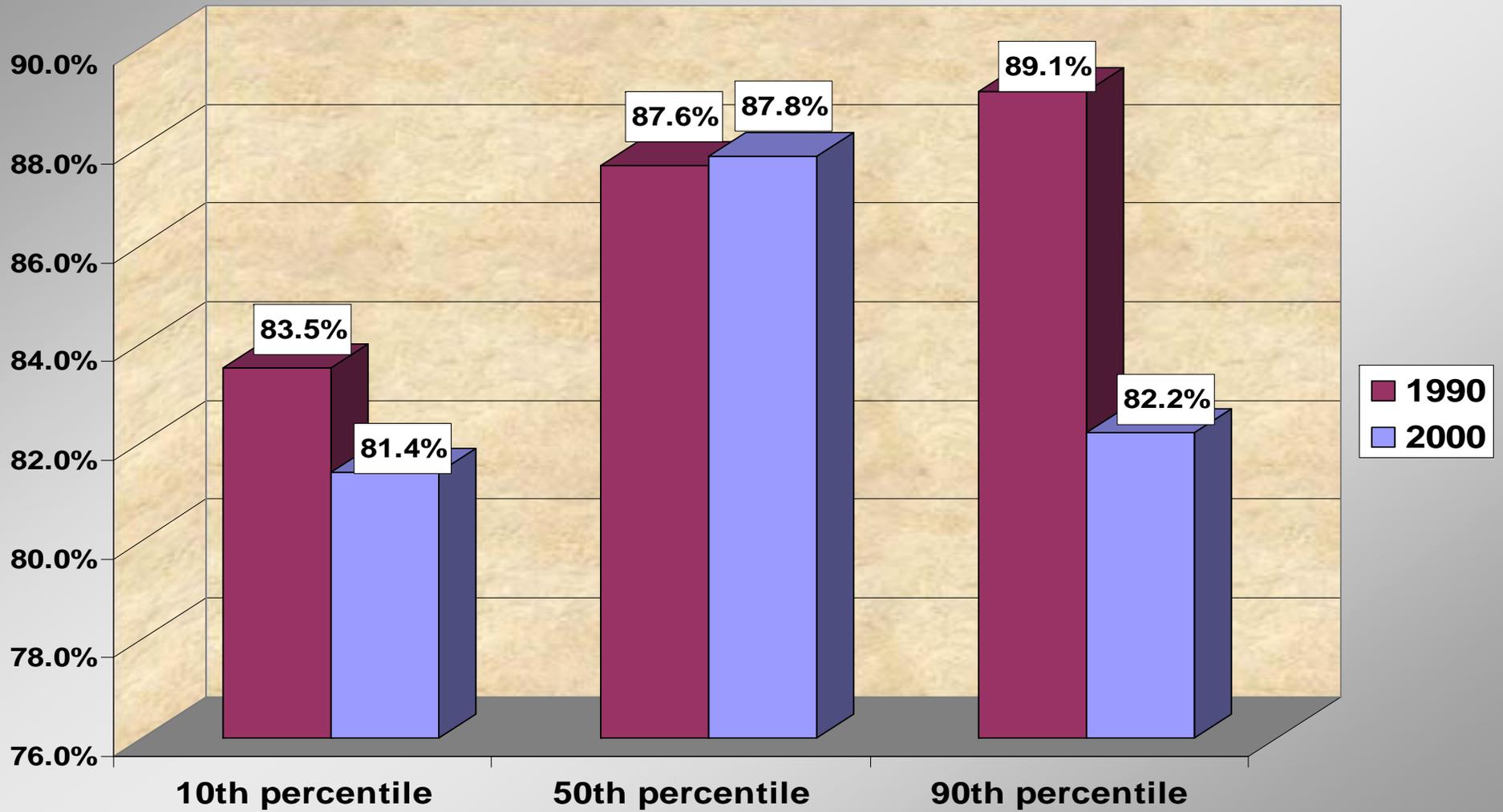
S.C. Income as a Share of U.S. Income 1990 & 2000, by Income Percentile

Income Percentile	South Carolina		United States		S.C. % of U.S.	
	1989	1999	1989	1999	1989	1999
10th	\$7,264	\$8,439	\$8,694	\$10,365	83.5%	81.4%
50th	\$35,512	\$37,511	\$40,523	\$42,728	87.6%	87.8%
90th	\$88,828	\$94,406	\$99,642	\$114,841	89.1%	82.2%

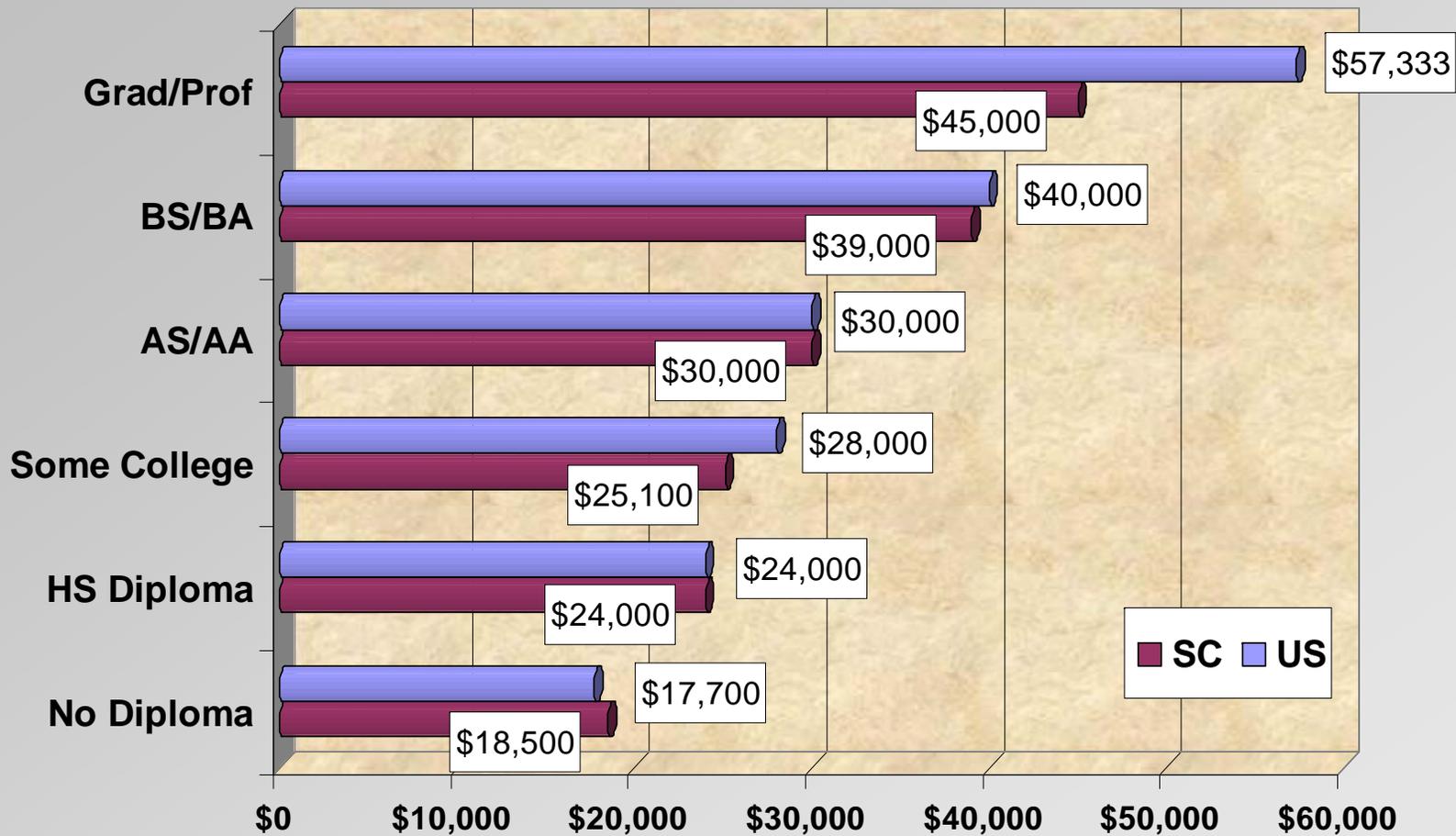
Source: U.S. Census, Census Scope 2004

South Carolina Income by Income Group

(Share of US Average - Not Discounted)

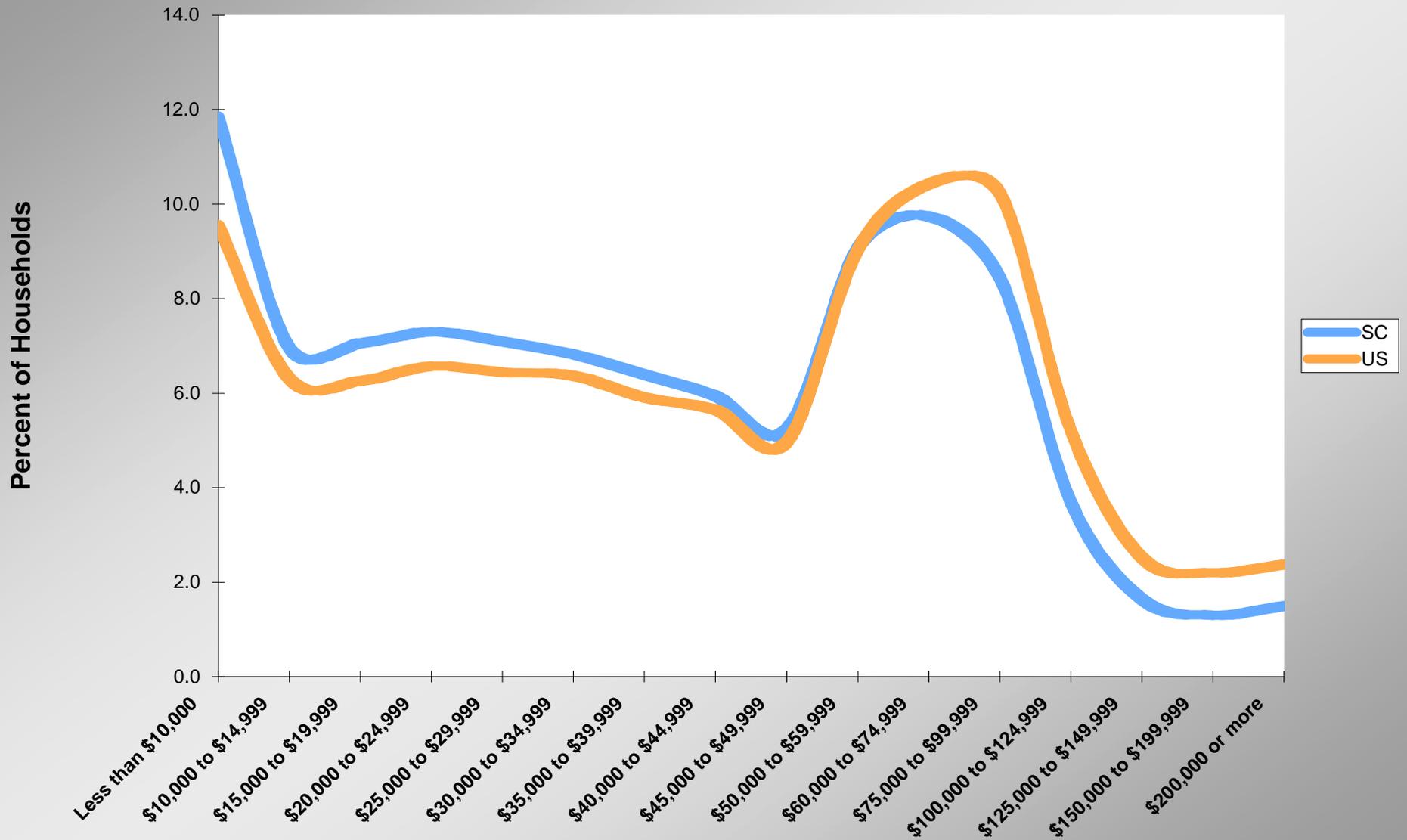


Median Annual Earnings by Degree Level 30 to 64 Year-Olds (2000)



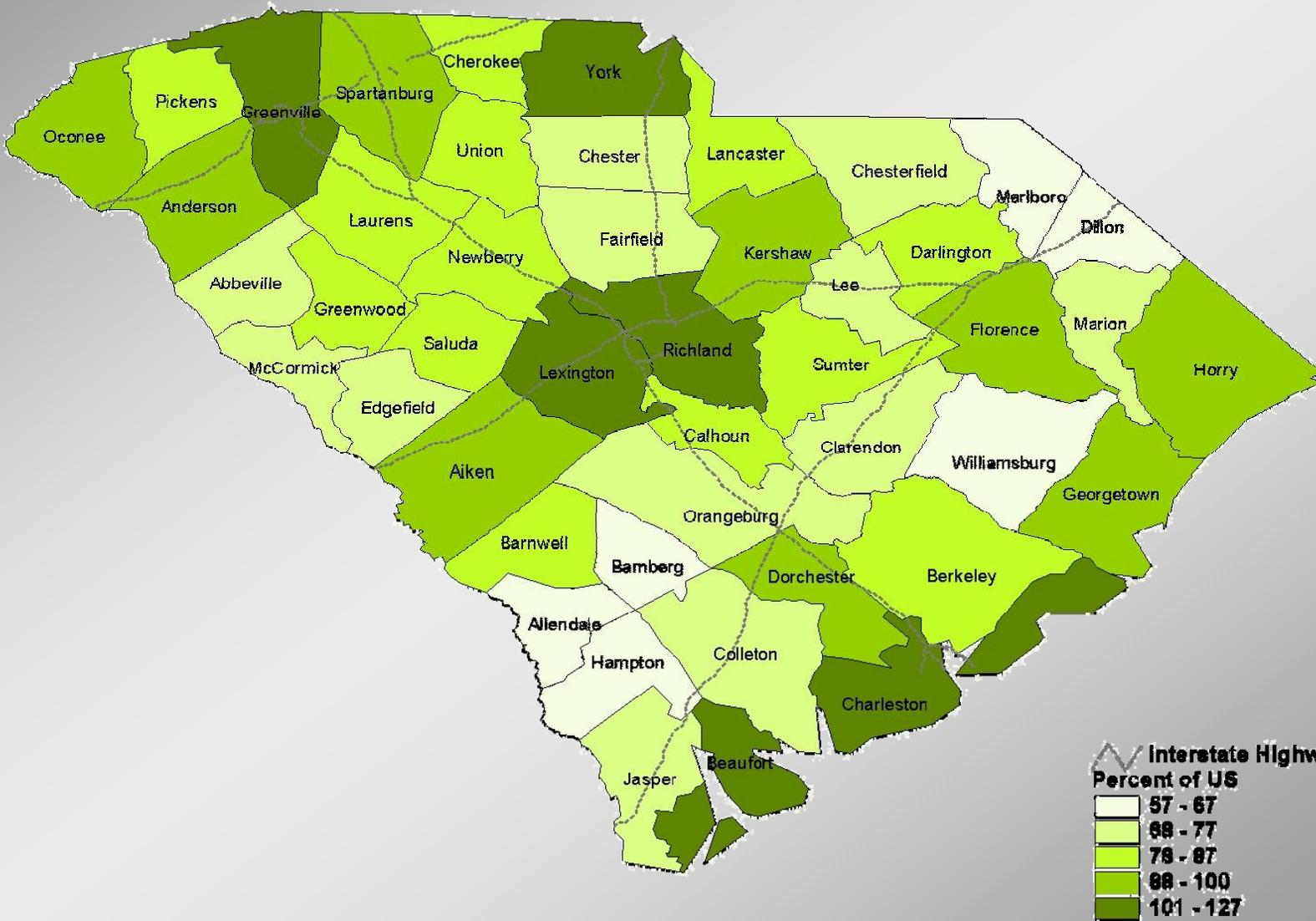
Source: US Census Bureau, 2000 Census; 5% Public Use Microdata Sample (PUMS) Files.

Income Distribution for SC vs. US (Not Discounted)

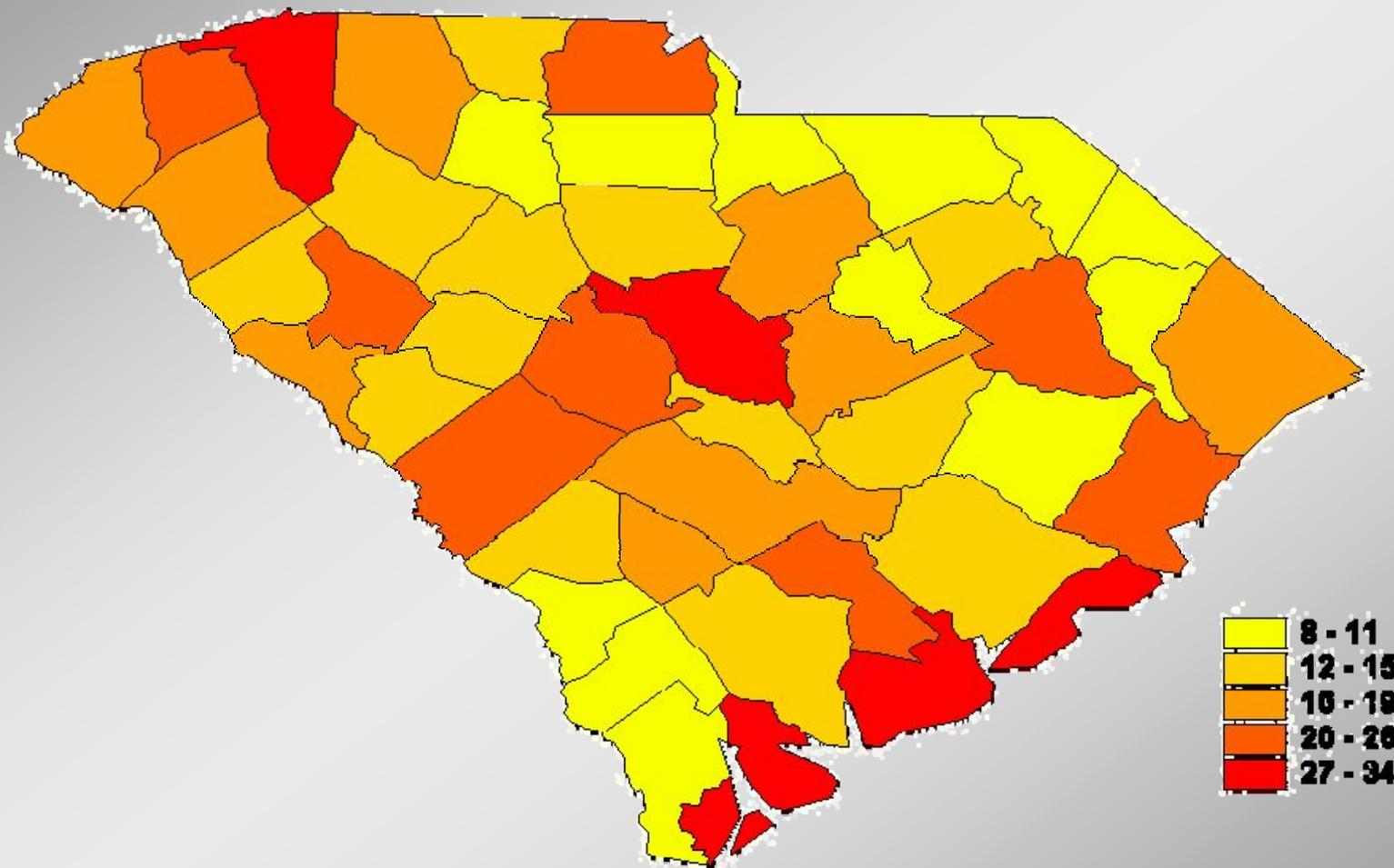


SC Per Capita Personal Income 2000

(As a Discounted Percentage of US Per Capita Income)



25 to 64 Year-Olds With at Least a B.S./B.A. Degree (%)



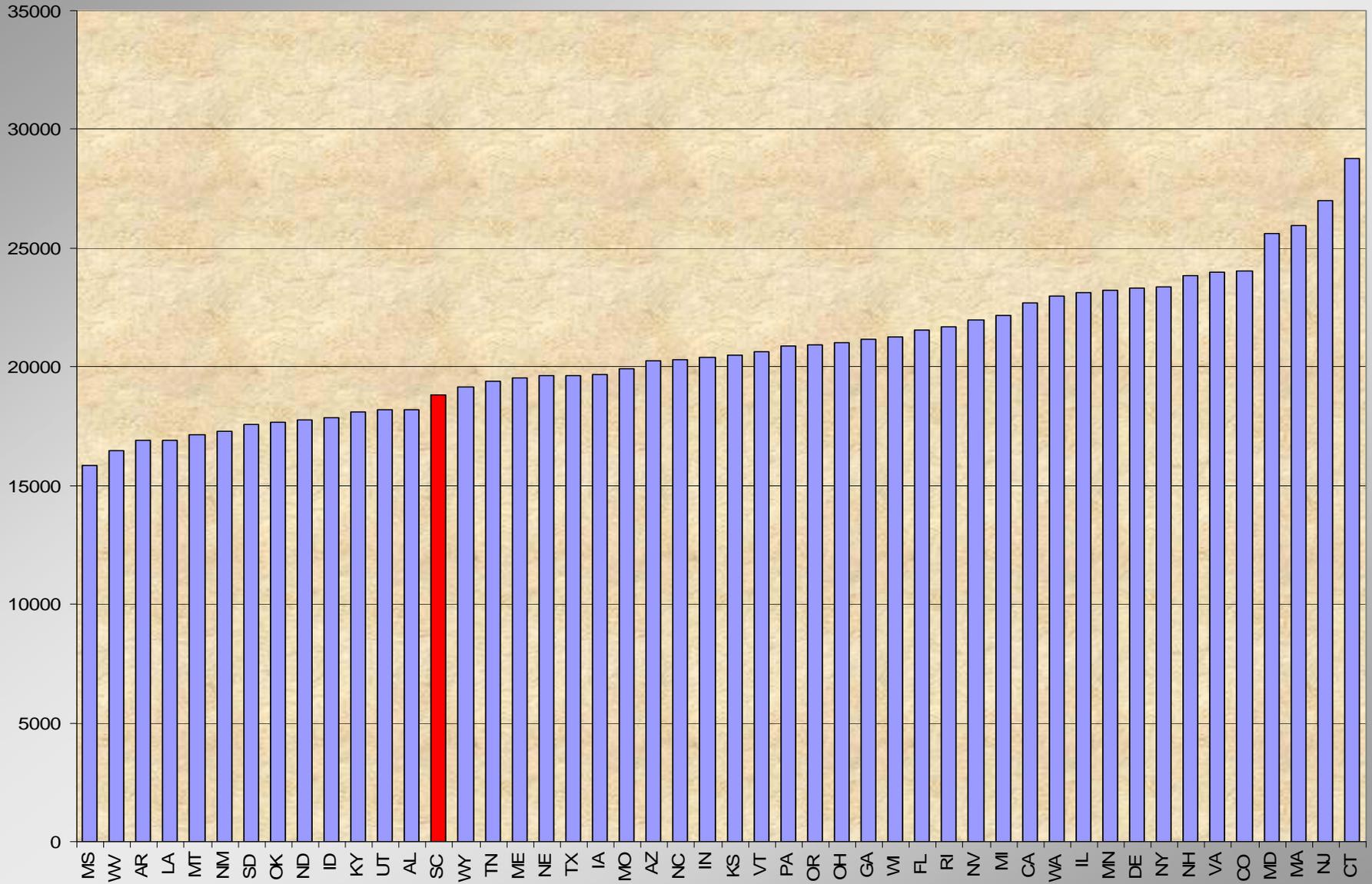
Source: US Census Bureau, Census 2000

The two strongest contributors were the education related variables.

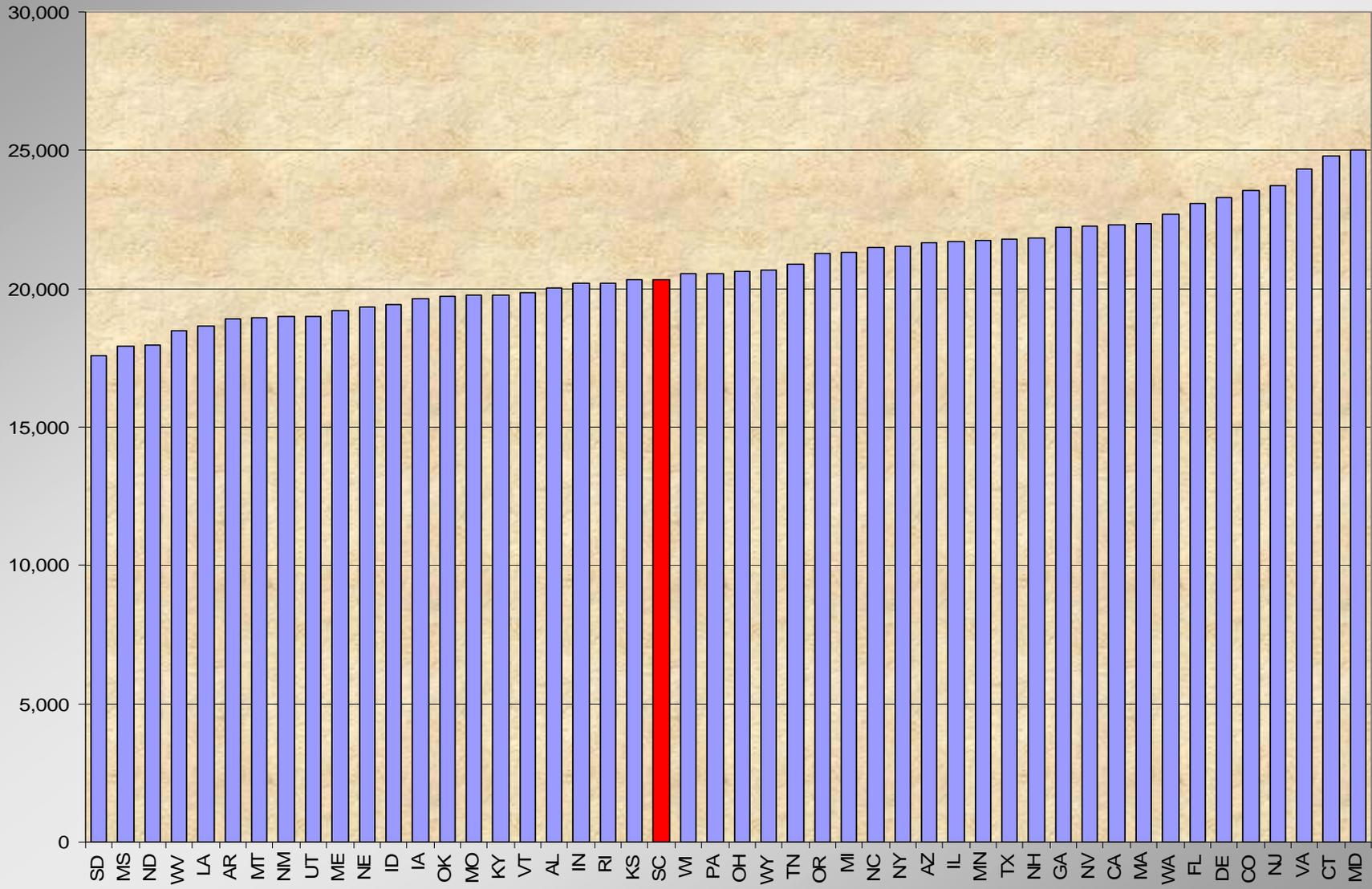
- The closer ratio of South Carolina per capita income to U.S. per capita income was significantly explained by the *percent of county population over 25 with at least a BS degree* (probability .002).
- The wider the ratio of South Carolina per capita income to U.S. per capita income was significantly explained by the *percent of county population over 25 without a high school diploma* (probability .006).

These two variables explained almost **79%** of the difference between the ratio of South Carolina per capita income to U.S. per capita income.

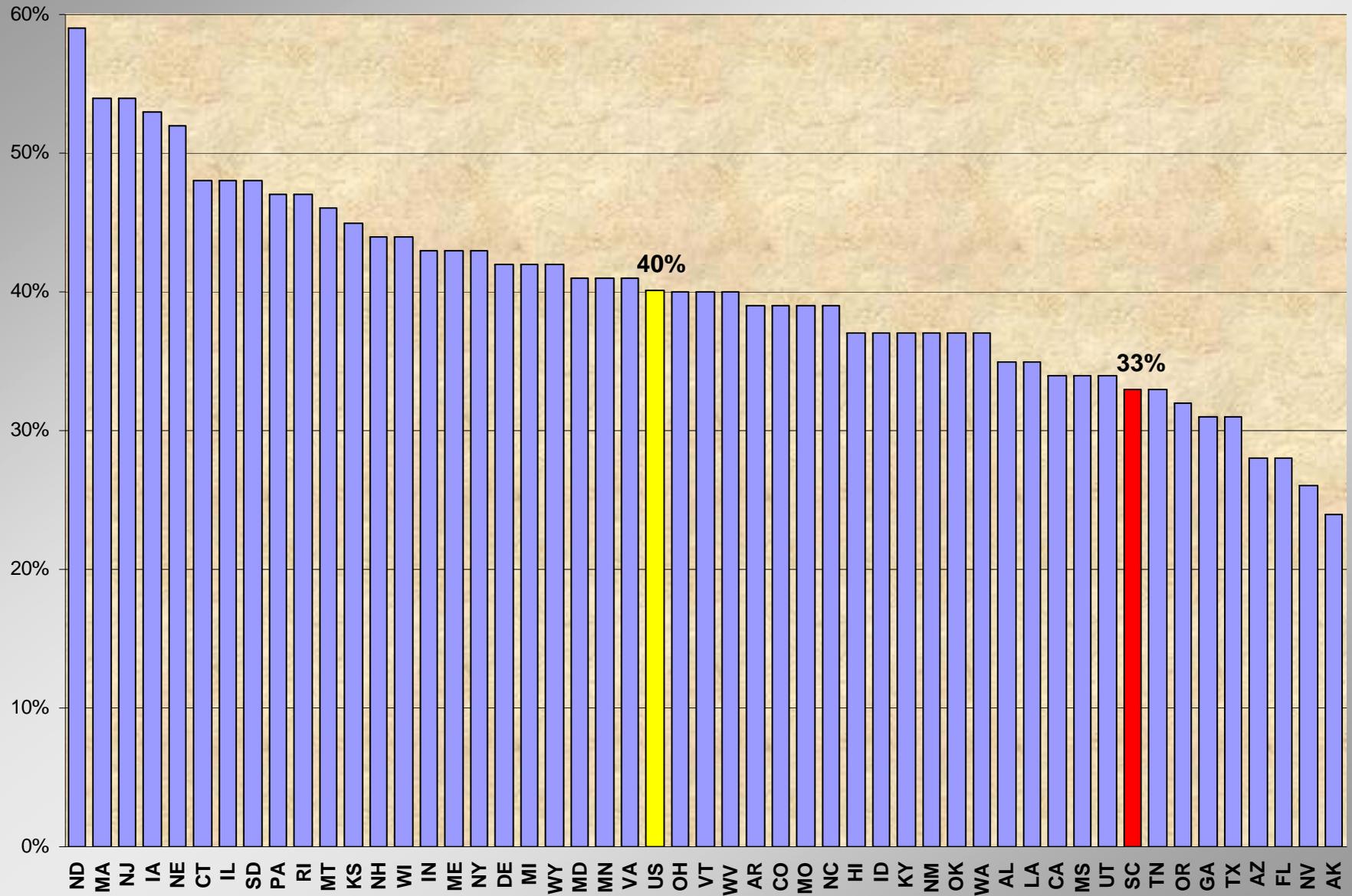
State Per Capita Money Income (1999)



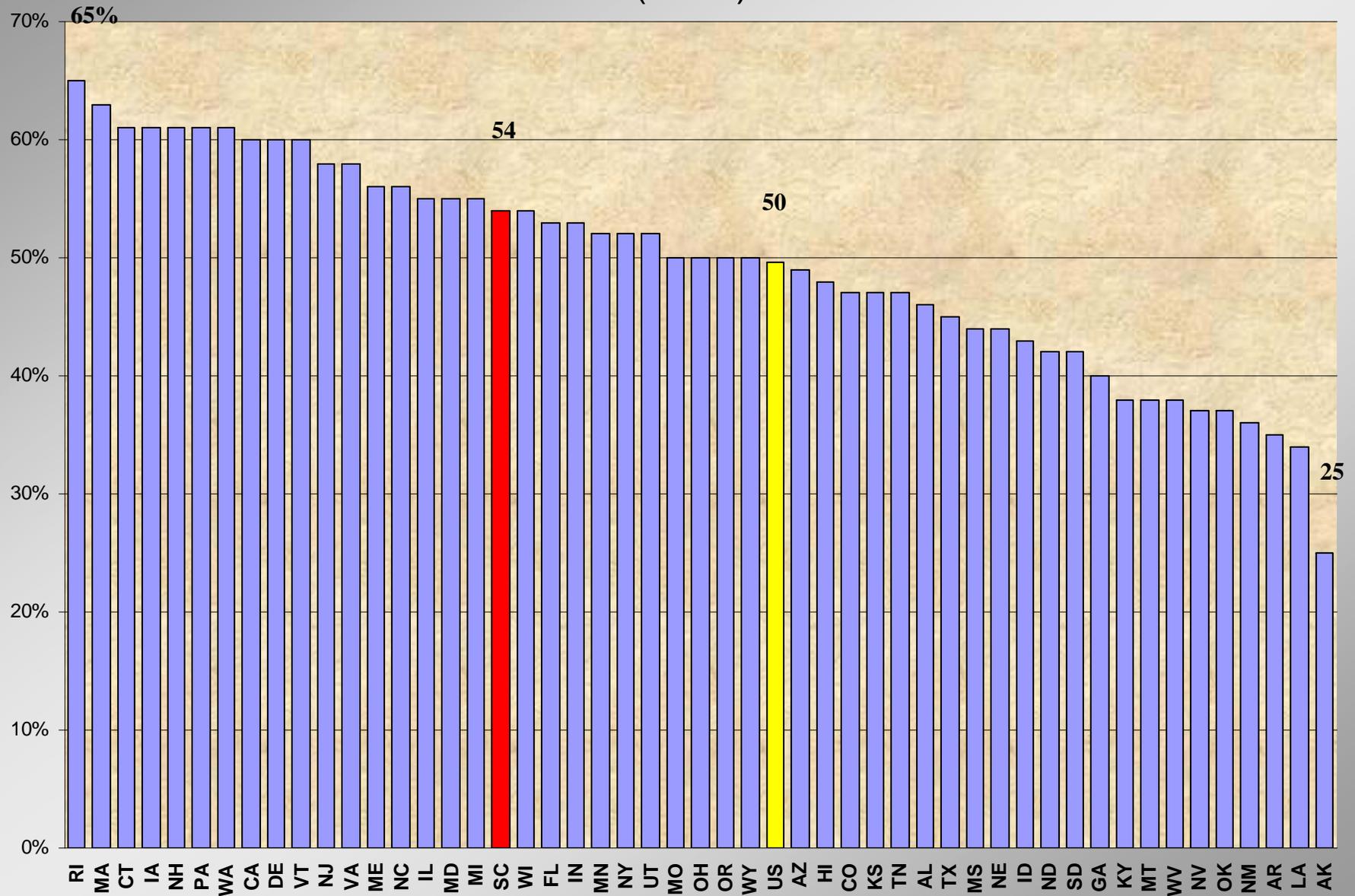
Discounted State Per Capita Income (1999)



College Going Rates – High School to College as % of Recent HS Graduates (2002)

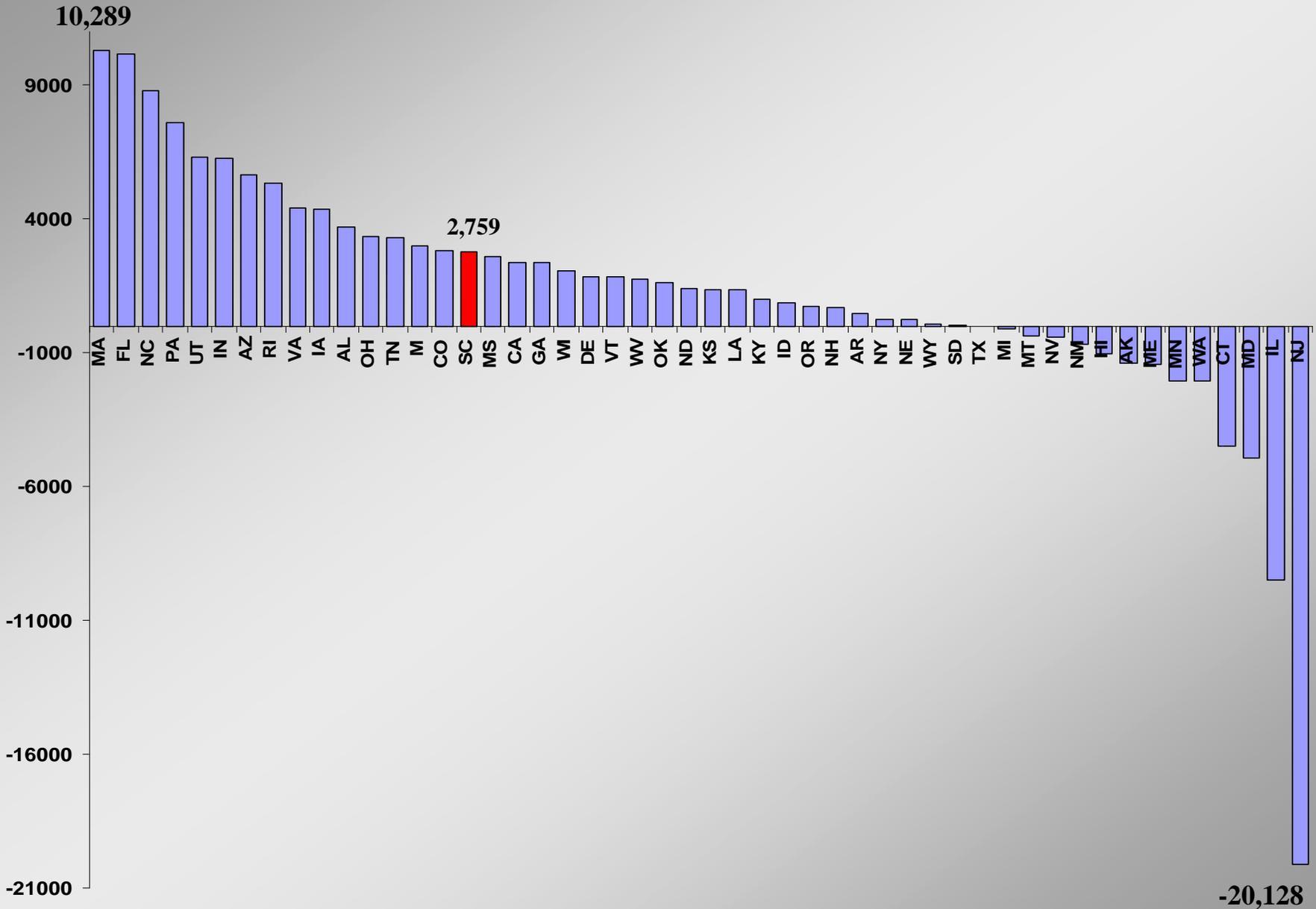


Graduation Rates – % BS/BA Students Graduating within 6 Years (2002)



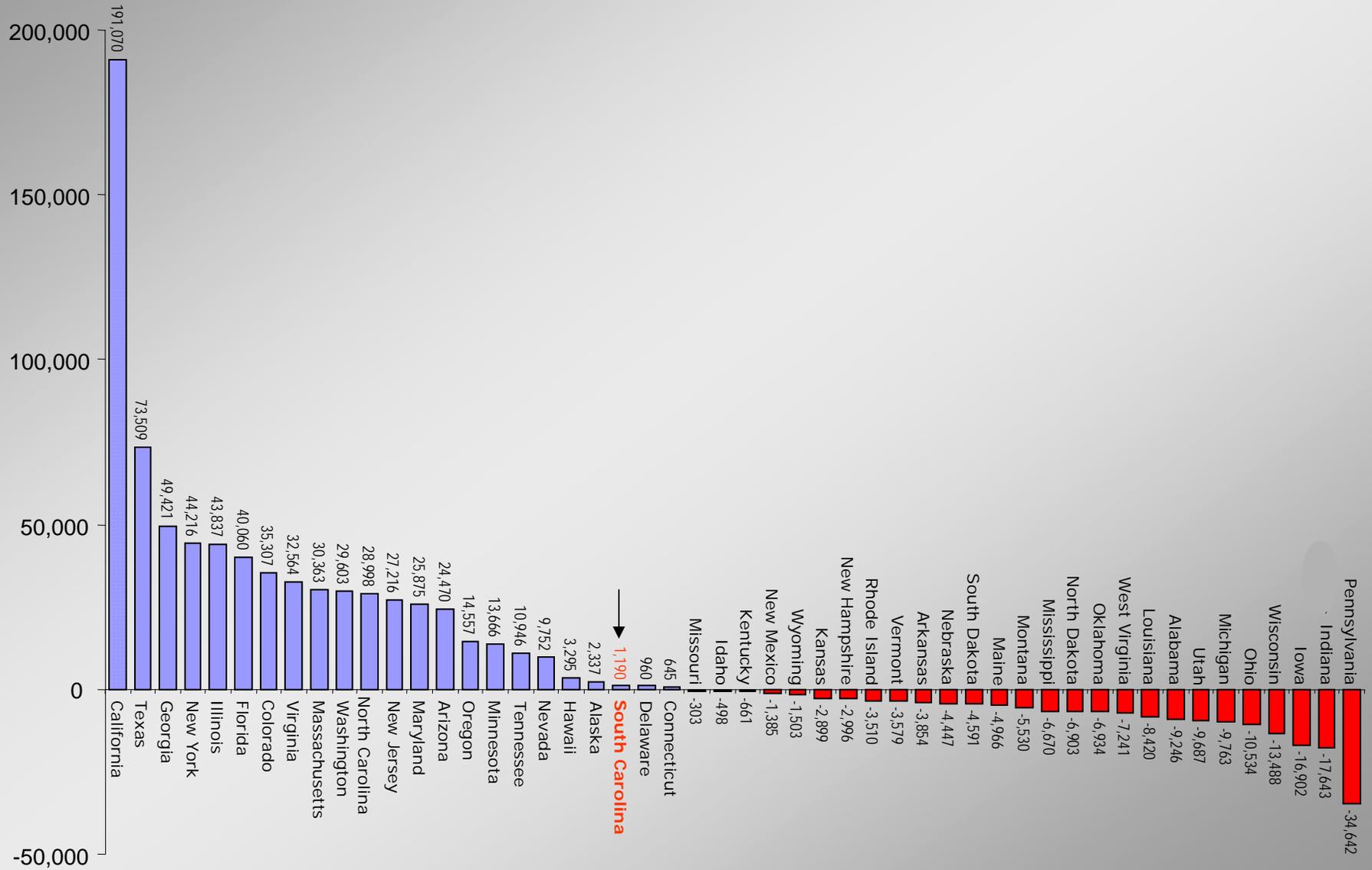
Source: The National Center for Public Policy and Higher Education

Net Migration of Students

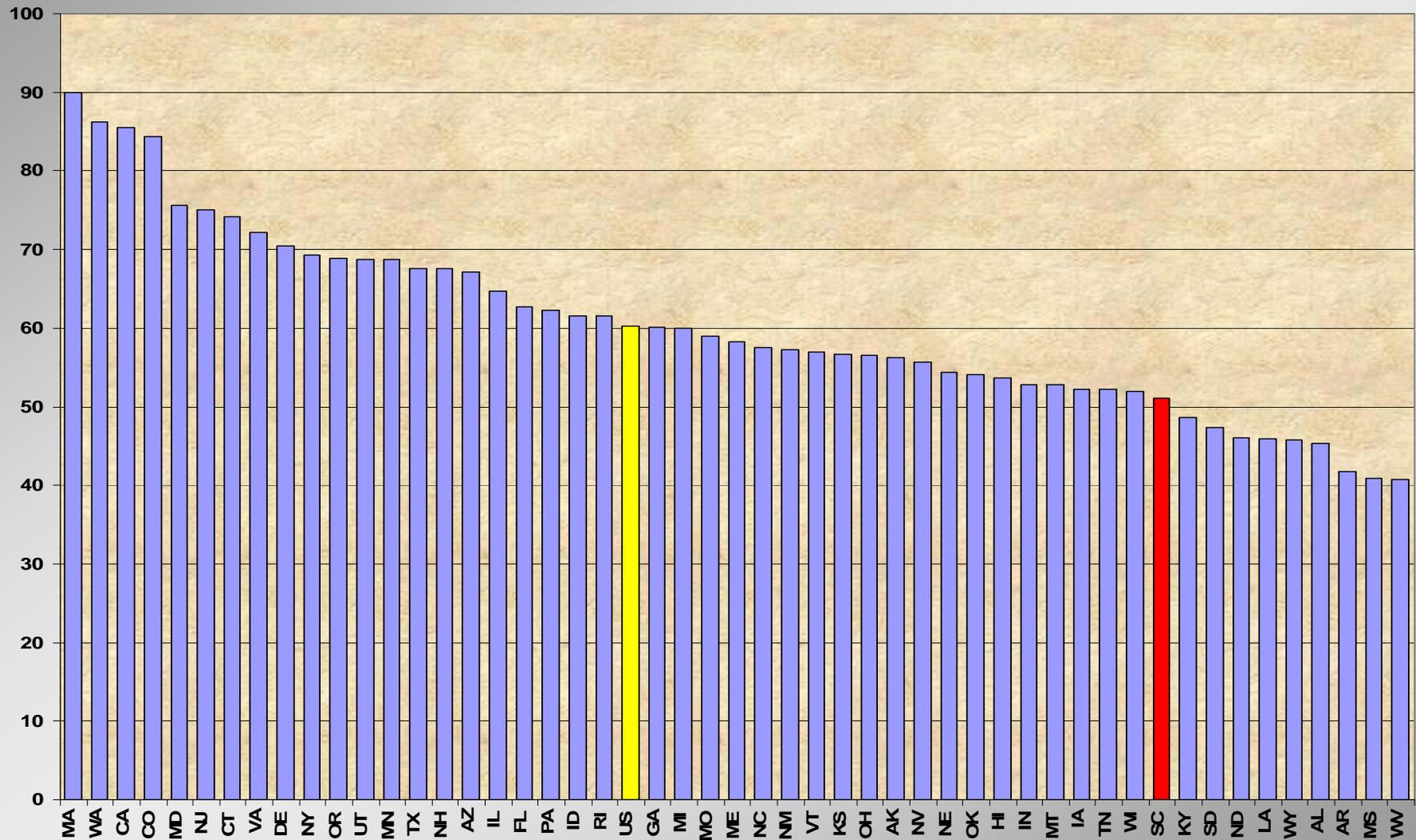


Source: The National Center for Public Policy and Higher Education

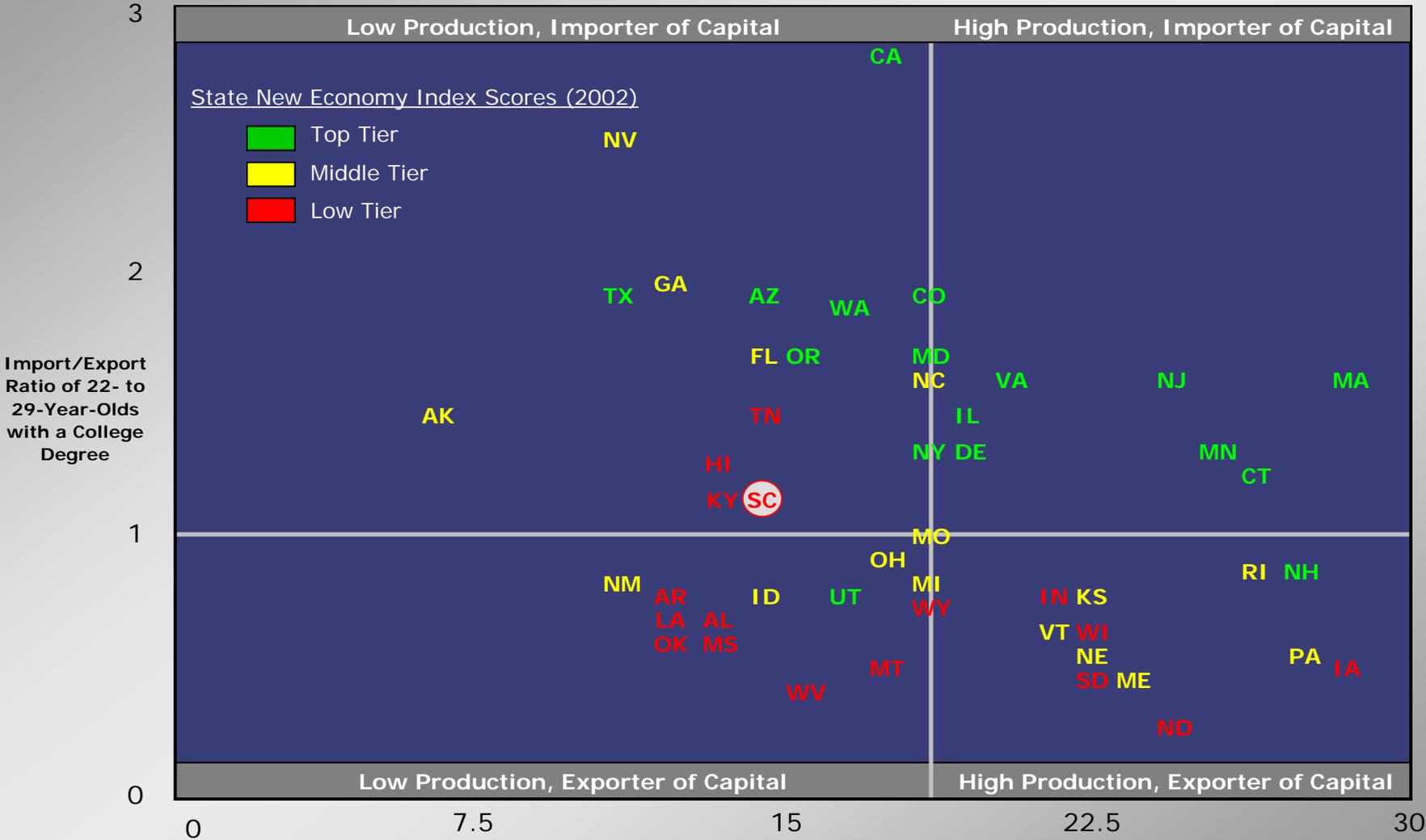
Net Migration of Residents with BS/BA or Higher (1995-2000)



Progressive Policy Institute New Economy Index (2002)



States' Ability to Produce Graduates vs. Ability to Keep and Attract Graduates



Student Pipeline (Of 100 9th Graders—the Number Graduating from High School on time, Going Directly to College, Returning Their Second Year, and Completing College within 150 Percent of Degree Time)

Strategy for Competitive Improvement: Attract Human Capital (Capture Wealth)

- Centers of Higher Ed as magnets for enhancing residential educational achievement.
- Capture the Investment of other States: Each out of state student who remains in SC transfers at least \$125,000 net investment.
- Tax credit to encourage out of state students to become SC residents would only cost \$25,000 apiece - A great return on investment.

Strategy for Competitive Improvement: Improve Human Capital (Prevent Leakage)

- Is the cost of Higher Education excessively high for state residents?
- Offer a tax credit for a portion of tuition paid for those students who chose to work in South Carolina
- Tax credit could be set to a maximum level of recovery (e.g. \$40,000 over 10 years)
- Applicable to students from both public & private institutions.

