

## What Is TEF?

Do you think about the future? If so, you should think about TEF — **T**ax structures, **E**conomic development policies, and **F**unding for schools. Nothing has a greater impact on our future than the kind of government and tax systems we'll have, the kind of economy we'll have, and the kind of educational opportunities we'll have.

TEF is a bold new economic idea. Its central principle is simple and powerful: Investing in education pays — always. But now more than ever. TEF Integrates **T**ax structures, **E**conomic development policies, and **F**unding for public education into one inseparable concept. It places investment in public education at center stage of the economic development debate. It is grounded in human capital theory in economics, and it is based on empirical analysis of 30 years of TEF data in all 50 states.

### The TEF Premise

A fair and equitable tax system combined with a level economic playing field for business and adequate and equitable funding for public education is the best way to create and maintain a civilized, safe, and prosperous society. Furthermore, in the new knowledge-based global economy investing in public education — in our human capital — provides a greater return to our economic prosperity than investing in tax cuts and subsidies

### Why TEF?

America's economy has transformed several times over — from agriculture to manufacturing, from manufacturing to service, and now from service to knowledge and information. During these transformations, different forces drove growth in different ways.

During the transformation from agriculture to manufacturing, forces of supply and demand were thought to be of equal importance to driving growth. When the Great Depression hit, stimulating demand through government investment (in programs like Unemployment Insurance and Social Security) revived American prosperity. Later, demand-side policies drove the American economy's transformation from manufacturing to service.

Since the Reagan years, most policymakers continue to rely on supply-side formulas — especially tax cuts and price stabilization through interest rate manipulation — to drive America's economic growth. Such formulas have had only a mixed record. Now we're in a knowledge and information economy, so we need new ideas about how best to drive American economic growth. Supply-side formulas like tax cuts and subsidies don't create knowledge and information. Education creates knowledge and information, and these are the new economy's two most valuable commodities.

### Why Now?

The world is changing and so must we. To drive America's growth in the 21st Century we must invest in public education. Empirical evidence using regional economic models (the same models business uses) clearly demonstrates that, dollar for dollar, investing in public education grows the economy — more jobs, higher incomes, and reduced disparities — more than tax cuts and corporate subsidies.

### The TEF Vision

TEF is the bold, simple, and powerful new idea that meets the criteria of our changing world. Imagine a world that has the three essential, inseparable characteristics of TEF —

- *Tax structures that are fair, broad-based, stable, and in sync with our economy.* Taxes are the collective investment we make to create and maintain a prosperous, safe society. A fair system of taxation is the best way to maintain such a society. Today, state and local tax structures are

### What Is TEF? *(cont.)*

unfair. On average, the richest among us pay about \$5 of every \$100 of their income in state and local taxes while the poorest pay about \$11. In the meantime, the share of taxes paid by corporations as a percentage of their profits has declined 50% over the last 20 years. *All* citizens should pay a fair share. **Make taxes fair. Close tax loopholes.**

- **Economic development policies that level the playing field for business.** The economic playing field for business is not level. Big business gets tax subsidies — without any accountability or regard for their impact on schools and on school-age children — while small businesses struggle to compete. It's not government's job to pick winners over losers. *All* businesses should have a fair chance to compete in the new global economy. **Level the economic playing field for business.**
- **Funding for schools that is adequate and equitable.** Adequate and equitable funding for public schools is *the* necessary first step toward building schools' capacity to do their job. In no American state is funding for public schools adequate or equitable. *All* students deserve a fair chance to succeed in the 21st Century. *All* students have a basic right to a great public school. **Make funding for schools adequate and equitable.**

NEA recognizes that we now live in a global knowledge and information economy. Adequate investment in public education is vital to maintaining our leadership in the 21st Century. We can achieve adequacy by addressing harmful trends in tax structures and economic development policies. We can achieve adequacy through TEF.

State affiliate presidents and executive directors in all six NEA regions have decided to develop and pursue regional TEF agendas. TEF is one of the top strategic priorities of NEA.

For more information contact [TEF@nea.org](mailto:TEF@nea.org).

