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California High School Dropouts Cost State \$46.4 Billion Annually

California's high school dropouts cost state taxpayers approximately \$46.4 billion annually, according to a recent study by the California Dropout Research Project (CDRP) at the UC Linguistic Minority Research Institute located at UC Santa Barbara.

In addition, the authors estimate that the economic benefit from effective dropout intervention programs would be \$392,000 per high school graduate.

"Until now, we knew very little about the economic costs of California's dropout crisis," said Russell W. Rumberger, UCSB professor of education and director of the CDRP.

"These findings reveal severe economic consequences to the state and underscore the need for solutions to the dropout crisis."

A news release issued by the California Dropout Research Project explains the findings in detail. The text follows:

Dropout Crisis Costs California \$46.4 Billion Per Graduating Class

Landmark Studies Find Proven Interventions Will

Have Long-Term Economic and Social Benefits

Santa Barbara, Calif. -- A first-of-its-kind analysis of California's high school graduation reveals a state dropout crisis that places a massive burden on taxpayers.

The policy briefs from the California Dropout Research Project (CDRP), a privately supported research program based at the University of California, Santa Barbara, also estimate California's economic benefit from effective intervention programs at \$392,000 per high school graduate.

Each year, 120,000 Californians reach age 20 without a high school diploma.

Over a lifetime, that group of dropouts will cost the state \$46.4 billion dollars, according to the studies' authors Henry M. Levin, Columbia University professor of economics, and Clive Belfield, assistant professor of economics from Queens College, City University of New York.

Russell W. Rumberger, UCSB professor of education and CDRP director, says dropouts' fiscal impact comes in the form of lost tax revenues, medical costs, and the increased likelihood of being on welfare or committing a crime.

"Until now, we knew very little about the economic costs of California's dropout crisis," Rumberger said. "These findings reveal severe economic consequences to the state and underscore the need for solutions to the dropout crisis."

Specifically, the project's first policy brief, titled "The Economic Losses From High School Dropouts in California," concludes:

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California loses \$46.4 billion - 2.9 percent of the gross state product - for each cohort of Californians who reach age 20 without a high school diploma.

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High school graduates earn an average of \$290,000 more during their lifetime and pay \$100,000 more in taxes than dropouts. State and local government loses \$3.1 billion in tax revenue for each cohort of dropouts.

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High school graduation reduces violent crime by 20 percent, property crime by 11 percent and drug-related offenses by 12 percent. California loses \$2.5 billion in

crime expenditures for each cohort.

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More than two-thirds of dropouts use food stamps during their lifetime and high school graduates are 68 percent less likely to be on welfare. State and local government will spend \$400 million for each cohort of dropouts.

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Dropouts have a higher risk of stroke, heart disease, diabetes, depression and other serious conditions. State and local government loses \$3.5 billion in health expenditures for each cohort.

The project's second policy brief, "The Return on Investment for Improving California's High School Graduation Rate," explores the cost of proven dropout intervention programs around the United States. The briefs' authors found that the cost of using these programs to keep a student in school is far less than a dropout's lifetime burden on the state.

Researchers uncovered five intervention programs with proven records of success, and estimated their costs at anywhere from \$37,810 to \$131,000 per graduate. The project estimates a total economic benefit of \$392,000 when a potential California dropout stays in school and earns a diploma.

Based on those figures, there would be at least a \$3 return on every \$1 invested in dropout prevention in California.

"If similar intervention programs could be implemented in California at similar costs, they would certainly prove to be worthwhile investments for the state," Rumberger said. "Our goal is to fully understand the problem here and determine which programs will be most successful in raising California's graduation rates."

Over the next six months, CDRP will issue a series of additional research reports and statistical briefs that further study the economic and social costs of dropouts and explore potential solutions. In January 2008, the CDRP Policy Committee -- composed of researchers, policymakers and educators -- will draft a state policy agenda aimed at improving California's high school graduation rate.

CDRP is funded by \$850,000 in grants from the Bill & Melinda Gates Foundation, the James Irvine Foundation, the William and Flora Hewlett Foundation, and the Walter S. Johnson Foundation.

For more information, please visit the CDRP website at:

<http://lmri.ucsb.edu/dropouts/>.

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[Research Report](#)

[California Dropout Research Project](#)

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