

# Importance of Preventing Drop-outs

Fiscal Economic  
Consequences of  
Dropping out of High  
School



# A Great Deal has Changed

Less economic opportunities: No more factories  
Global economy drive industry  
Out sourcing for entry level jobs  
Employers are looking for skilled professionals  
People need advance training beyond high school

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The Fiscal Economic Consequences of  
Dropping Out of High School: Estimates of  
the Tax Payments and Transfers Received  
by Massachusetts Adults in a Selected  
Educational Subgroup

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# About the report

- Designed to identify economic, social, and fiscal consequences of dropping out of high school
- 5 subgroups: HS Drop-out, High School Grad, Associates Degree, B.A. Degree and Masters Degree
- Life time was established by looking at ages (18-64) and totaling working years.

## Data Sources (2002/2004)

- Annual Social and Economic Supplement to the March CPS household survey used by the U.S. Census Bureau
- U.S. Census Bureau and Center for Market Studies
- Massachusetts Department of Correctional Services

## High School Drop-outs will experience a wide array of adverse life experiences

- High School Drop-outs will be employed less
- High School Drop-outs receive lower hourly wages
- High School Drop-outs will earn less than better educated peers
- High School Drop-outs will pay less state and federal income taxes
- High School Drop-outs will receive more in cash and in-kind services provided by the state

## Fiscal Impact of Dropping-out of high school on the state of Massachusetts

Based on 2002-2004 data

A high school drop-out will receive \$5,300 more in cash and in-kind services from state and federal government agencies than he/she paid in state income or payroll taxes.

Annual Taxes Paid (Average)

- High Graduate: \$2,125
- Associate Degree: \$5,449
- Bachelors Degree: \$13,620
- Masters or higher: \$19,889

HS Graduate generates more than \$7,425 in net federal/state tax revenue

BA Degree generates more than \$19,000 in net federal/state tax revenue

# Something to Think About

Nationally 7,200 drop out of school daily.

Nationally 1.3 million per year.

Dropouts are not eligible for 90% of available jobs (NPR)

Yearly average earnings:

\$18, 121 No HS Diploma

\$24,572 HS Diploma

\$45,678 Bachelors Degree

Added to lifetime earnings:

\$338,040 HS Diploma

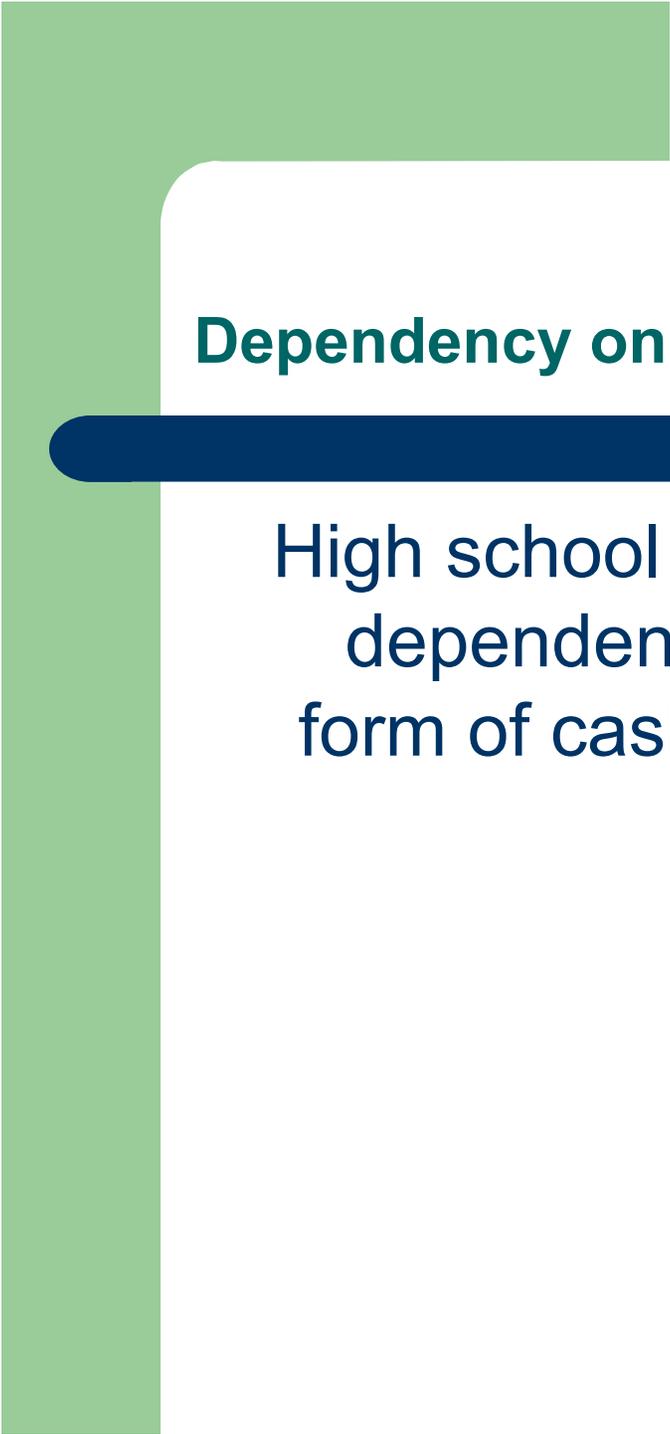
\$541,040 Bachelors Degree

\$2,828,480 Doctoral Degree

## Differences between the lifetime (47years) fiscal impacts of High School Drop-Outs

High School Dropouts and High School Graduates will be found to exceed: \$450,000 dollars in tax revenues

High School Drop-out and a B.A. Degree will be found to exceed: \$1,000,000 dollars in tax revenues



## Dependency on Government Support



High school drop-outs are more likely to be dependent on government support in the form of cash transfers and In-Kind services.

# Government Services

## Cash Transfers

- Unemployment Benefits
- Workers Compensation
- Social Security
- Supplement Security (SSI)
- Public Assistance Income
- Veteran's Payment
- Energy Assistance
- Survivor Benefits

## In-Kind Transfers

- Medicare
- Food Stamps
- Medicaid
- Housing Subsidy
- EITC

## Cost of Supplemental Services based on Educational Attainment to the State

### Cash Transfers

- ❖ Drop Out: \$3252
- ❖ H.S. Grad: \$1474
- ❖ B.A. Degree: \$688

### In-Kind Transfers

- ❖ Drop Out: \$5764
- ❖ H.S. Grad: \$1083
- ❖ B.A. Degree: \$455

Medicaid alone for HS  
Drop-out: \$3451

## Cost of Correctional Institutionalization in Massachusetts

Estimated cost of housing and supervising jail and prison inmates who dropped-out of high for the state of Massachusetts was estimated at \$43,025 for 2006.

The annual cost of institutionalization of male high school drop-outs was two times higher than those who graduated and twenty times higher than those with a B.A. degree.

## Lifetime fiscal Impacts of Drop-outs on the state of Massachusetts

Over the course of their working years a high school drop-out will create a fiscal burden to the state estimated at \$221,000 dollars

Over the course of their working years a high school graduate will contribute \$205,000 to the state in taxes

Over the course of their working years a graduate with a B.A. degree will contribute \$828,704 to the state in taxes

## Fiscal revenues to the government over a life time

A High School Drop-out will cost the government an estimated \$275,000 dollars

A High School Graduate will produce a net benefit to the government approximately \$180,000

A graduate with a B.A. degree will produce a net benefit to the government approximately \$1.1 million.

# The Future

The public education system that is able to convey to every student a solid combination of academic content and skills and competencies necessary to thrive in a global society will be the educational system that leads not only the nation but leads the world.

# 21<sup>st</sup> Century Skills

## Key Cognitive Strategies

- Intellectual Openness
- Inquisitiveness
- Analysis
- Reasoning, argumentation, proof
- Interpretation
- Precision and accuracy
- Problem Solving

# College and Work Readiness

## Skills needed by students upon leaving college:

- ✓ Strong content area knowledge (math, English, science, history, technology)
- ✓ Deal with new ideas and abstracts
- ✓ Good with analysis and synthesis
- ✓ Creative and innovative
- ✓ Self-disciplined and well organized
- ✓ Learn quickly and work in teams
- ✓ Flexibility and adaptability

# Importance of an Education

High School Dropouts cost this country billions of dollars in lost taxable wages, welfare, and medical funding, and billions more for those who end up in prisons.

- 4.5 Billion in lost taxable wages