



# Oregon's High School Dropouts: Examining the economic and social costs

The Foundation for Educational Choice recently commissioned a new study to examine the economic and social costs of Oregon's high school dropouts.

Emily House, the study's author, analyzed how dropouts in the state dramatically impact state finances through reduced tax revenues, increased Medicaid costs, and high incarceration rates. House's study describes how much high school dropouts cost Oregon's taxpayers each year, and how much could be saved by increasing the state's graduation rate.

## *Key findings of the report include:*

- Oregon's graduation rates are somewhere between **65 percent** and **75 percent**, a far cry from the 95 percent historically reported by the state and federal governments.
- On average, Oregon's working-age dropouts earn **\$10,000 less** a year than high school graduates and far less than college graduates.
- Approximately **\$173 million in tax revenue** is lost each year because of high school dropouts' decreased earnings.
- Oregon's dropouts are significantly more likely than high school graduates to require Medicaid assistance. More than 40 percent of high school dropouts receive Medicaid benefits, **costing the state more than \$200 million** in annual Medicaid costs.
- Oregon's current graduation rate leads to more than twice as many inmates as there would be if the state's graduation rate were 100 percent, costing the state **\$37 million annually**.
- At **9.2 percent**, the unemployment rate (prior to the recent economic downturn) of high school dropouts in Oregon is more than twice the rate of those who have graduated from high school.
- High school dropouts are **twice as likely to be incarcerated** as high school graduates. African American male dropouts are five times more likely to be incarcerated than African American males who have graduated from high school.
- The gap in incarceration leads to more than twice as many inmates as there would be if Oregon's graduation rate were 100 percent. For each year that graduation rates could be brought up to 100 percent, over **\$37 million could be saved** in incarceration costs of that year's dropouts alone. Over time this could lead to significant savings to the state.

## For more information:

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# The Foundation for Educational Choice RESEARCH BRIEF

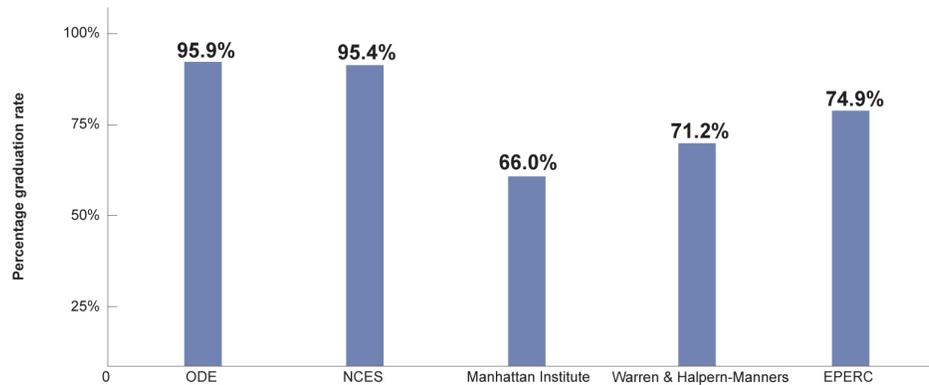
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## Report snapshots include:

### Graduation rates for 2006 differ by reporting organization.

Figure 3

Statewide high school graduation rates by reporting organization



Note: 2006 is the most recent year for which all organizations provided accessible estimates.  
Source: Oregon Department of Education (ODE), Graduation Rate Data; National Center for Education Statistics (NCES), Dropout Data, United States Department of Education; Manhattan Institute, April 2006; John R. Warren and Andrew Halpern-Manners, "Measuring High School Graduation Rates at the State Level: What Difference Does Methodology Make?", paper presented at the April 2007 meetings of the Population Association of America; Editorial Projects in Education Research Center (EPREC), "Ready for What? Preparing Students for College, Careers, and Life After High School." (2007).

### Dropouts reduce Oregon's tax revenue by \$173 million per year.

Table 4

Calculating lost tax revenue due to graduate-dropout income difference

	Population	Total Income	Tax Payments by Dependent Exemptions			
			No Children	1 Child	2 Children	3+ Children
HS Graduates	604,555	\$26,561	\$1,671	\$1,603	\$1,461	\$1,302
Dropouts	218,641	\$16,785	\$924	\$721	\$478	\$319
Difference			\$747	\$882	\$983	\$983
x						
Dropouts			111,372	27,857	42,218	24,555
Lost Tax Revenue			\$83,194,884	\$24,569,874	\$41,500,294	\$24,137,565
<b>TOTAL LOST TAX REVENUE</b>						<b>\$173,402,617</b>

Source: NBER TAXSIM Model, author's calculations.

### Higher Medicaid use by dropouts costs Oregon nearly \$219 million per year.

Table 5

Educational Attainment	Population	% on or w/Child on Medicaid	# on or w/Child on Medicaid	Total Cost to State	# If Graduated	Total Cost to State
Dropouts	218,641	43.2	94,453	\$424,093,970	0	\$0
HS Graduates	672,146	20.9	140,478	\$630,746,220	186,174	\$835,921,260
Some College	631,512	16.5	104,199	\$467,853,510	104,199	\$467,853,510
Associate's	192,032	13	24,964	\$112,088,360	24,964	\$112,088,360
Bachelor's	439,941	6.4	28,156	\$126,420,440	28,156	\$126,420,440
Master's/PhD/Prof	250,162	5	12,508	\$56,160,920	12,508	\$56,160,920
<b>Total</b>				<b>\$1,817,363,420</b>		<b>\$1,598,444,490</b>

**ESTIMATED ANNUAL MEDICAID SAVINGS IF ALL DROPOUTS GRADUATE** → **\$218,918,930**

Source: U.S. Census Bureau, "Current Population Survey, March Supplement 2007," data for Oregon, author's calculations.