Estimating the Economic Benefits of Reducing High School Dropouts

The Alliance for Excellent Education has developed, in partnership with Economic Modeling Specialists Inc., a model to predict the economic benefits that a particular region could expect to see if it were to reduce the number of students who drop out from area high schools. The model was developed with the generous support of State Farm®.

The model allows these projections to be made for the forty-five largest U.S. Census-defined metropolitan statistical areas (MSA), which consist of both a central urban area and the surrounding geographic area that has strong social and economic ties to that city. The projections for economic benefits are estimated using graduation rates calculated by Editorial Projects in Education for the Class of 2008 for all public school districts located within a metropolitan area.

In its initial analysis, the Alliance examined the projected economic benefits that the America's Promise Alliance's twelve featured communities would see if they were to reduce by 50 percent the number of students in just one graduating class who fail to earn their diploma on time or at all. These economic benefits include, but are not limited to the following:

- ✓ ***Increased Wages:*** By earning diplomas, and in many cases, continuing their education, these new high school graduates would earn additional wages each year compared to their likely earnings had they dropped out.
- ✓ ***Increased Human Capital:*** After earning their diplomas, many new graduates would continue their education after high school, some as far as a PhD or professional degree.
- ✓ ***Increased Home Sales:*** With their additional degrees and increased wages, these new high school graduates would be better positioned to buy homes rather than rent.

The following table presents these region-specific benefits should just one class of dropouts be reduced by half.

Metropolitan area	Combined additional wages in average year	Percent of new graduates continuing education beyond high school	Number of new graduates who would purchases homes in the metro area
Atlanta, GA	$145 million	44 percent	8,000
Chicago, IL	$200 million	50 percent	10,000
Detroit, MI	$130 million	45 percent	8,000
Houston, TX	$150 million	45 percent	7,500
Indianapolis, IN	$40 million	47 percent	2,000
Jackson, MS	$16 million	49 percent	1,000
Louisville, KY	$25 million	34 percent	1,500
Nashville, TN	$28 million	35 percent	1,800
New Orleans, LA	$41 million	43 percent	2,500
New York, NY	$500 million	53 percent	14,000
Oakland, CA	$108 million	71 percent	2,500
Washington, DC	$143 million	57 percent	3,000

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Over the next few months, the Alliance will release this data and other findings for each of the forty-five metro regions included in this study. For more information on this project visit http://www.all4ed.org/publication_material/EconMSA. To stay informed on this and other Alliance efforts, join our mailing list at http://www.all4ed.org/what_you_can_do.