



Executive Summary

This analysis presents the public costs of high school dropouts in Oregon. It examines how dropouts in the state dramatically impact state finances through reduced tax revenues, increased Medicaid costs, and high incarceration rates. This 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.

The educational attainment gap in Oregon, though seemingly small relative to other states, is still troubling. While 89 percent of white students earn high school diplomas, only 79 percent of African American students graduate. More concretely, African American students are twice as likely to drop out as white students. A single cohort (e.g., class year) of dropouts costs Oregon hundreds of millions of dollars each year.

It is important to note that this analysis uses both the graduation rate and dropout rate when calculating the costs to the state when students do not complete high school. For the purposes of this analysis, graduation rate is defined as the percentage of students who complete high school in a given year, while the dropout rate refers to the percentage of students who withdraw from high school in a given year.

Key findings include:

- Over 5 percent of high school seniors did not complete high school during the 2007-08 school year. Estimates of Oregon's total high school graduations rate differ greatly – ranging from 96 percent to about 66 percent – depending on the time frame being considered.

- On average, working-age dropouts in Oregon earn \$10,000 less each year than those who graduate from high school, reducing the overall earnings of the state significantly each year.
- 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.
- Approximately \$173 million in tax revenues is lost each year due to the decreased earnings of high school dropouts.
- Oregon's dropouts are significantly more likely than high school graduates to require Medicaid assistance. Over 40 percent of high school dropouts receive Medicaid benefits, costing the state more than \$200 million in annual Medicaid costs.
- 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.
- Compared to other states, Oregon spends a much larger proportion of money on the provision of Medicaid for high school dropouts, and loses a larger share of tax revenue than many other states.¹

¹ Comparisons are drawn between Oregon and other states recently profiled by the Foundation for Educational Choice. These profiles may be accessed online at <http://www.edchoice.org/research/Show-Research.do>