

Portland's Path to Economic Growth

The Economic Benefits of Reducing Portland's Dropout Rate

November 2009

Halving the Number of Dropouts in Portland and Surrounding Areas

In the Portland metropolitan area, 7,215 students dropped out from the Class of 2008. These high school dropouts did so at a great cost not only to themselves but also to their communities. Reducing the number of dropouts by 50 percent for just this single high school class would result in tremendous economic benefits to the Portland region. The following are three examples of the economic impact that these 3,608 new graduates would have on Portland and its surrounding area:

1. *Increased Wages.* By earning their diplomas—and in many cases, continuing their education—these new high school graduates would together earn nearly **\$38 million** in additional wages over the course of an average year compared to their likely earnings without a diploma.
2. *Increased Human Capital.* After earning their high school diplomas, many new graduates would not stop there. An estimated **61 percent** of these students are projected to continue their education after high school, some earning as high as a PhD or other professional degree.
3. *Additional Tax Revenue.* As these new graduates' incomes grow, local tax revenues will also increase. Annual state and local property, income, and sales tax revenue would grow by over **\$4 million** during the average year as the result of increased spending and higher salaries.

Estimating the Economic Impact of Fewer Dropouts

The economic model used to predict these economic benefits was developed by the Alliance for Excellent Education (the Alliance) with the generous support of State Farm® and in partnership with Economic Modeling Specialists, Inc. The model is based on graduation rates calculated by Editorial Projects in Education and projects the economic benefits for U.S. Census-defined metropolitan statistical areas (MSA), which consist of a central urban area and the surrounding geographic area that has strong social and economic ties to that city.

The MSA that includes Portland also includes seven counties in Oregon and Washington. The eighty-six high schools located within this region have an average graduation rate of 72.8 percent. Three of these are considered dropout factories, i.e., schools where fewer than 60 percent of freshman progress to their senior year on time.

Stay tuned: The Alliance has calculated economic benefits for forty-five MSAs that encompass the fifty largest cities in the county. In January, the Alliance will release additional projected benefits of reducing dropout rates in these forty-five metro areas, including **spending and investment, job and economy growth, and home and auto sales.**

To obtain results for additional MSAs, learn more about this project, or read technical notes about the numbers presented above, visit http://www.all4ed.org/publication_material/EconMSA.