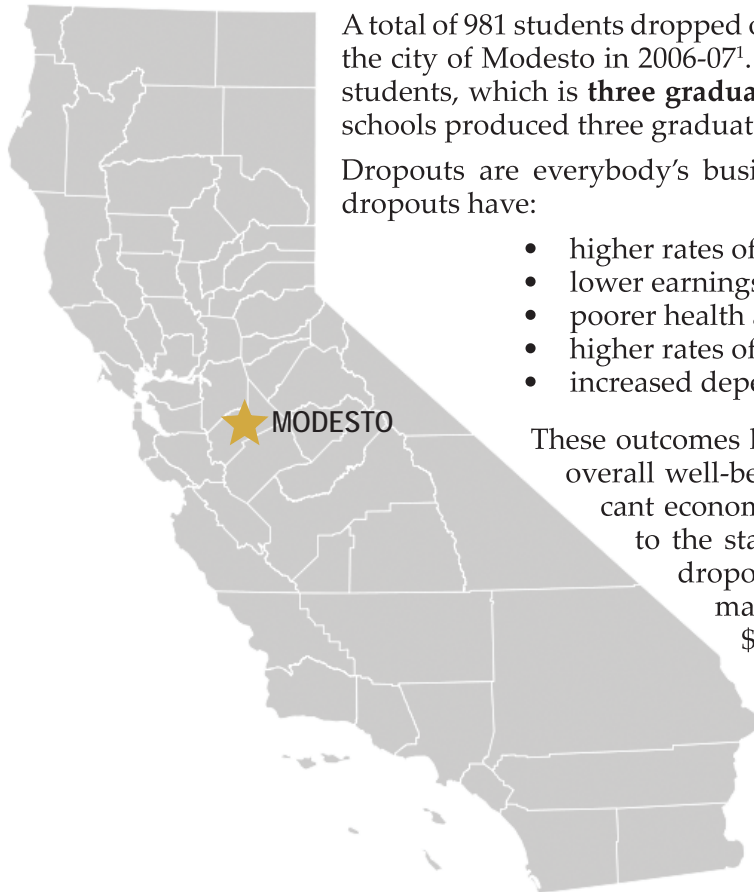


## HOW CALIFORNIA'S DROPOUT CRISIS AFFECTS COMMUNITIES

### ECONOMIC LOSSES FOR THE CITY OF MODESTO



A total of 981 students dropped out of middle and high schools located within the city of Modesto in 2006-07<sup>1</sup>. The city's high schools also graduated 2,868 students, which is **three graduates for every dropout**. Statewide, the public schools produced three graduates for every dropout.

Dropouts are everybody's business. Compared to high school graduates, dropouts have:

- higher rates of unemployment
- lower earnings
- poorer health and higher rates of mortality
- higher rates of criminal behavior and incarceration
- increased dependence on public assistance

These outcomes have a detrimental impact on the safety and overall well-being of our cities. They also generate significant economic losses to the local community, as well as to the state and the nation. Even if half of the city's dropouts eventually complete high school, the remaining half will cost the Modesto community \$168 million over their lifetimes<sup>2</sup>.

Reducing the number of dropouts by half would generate \$84 million in economic benefits to the community. It would also result in 113 fewer murders and aggravated assaults each year.

	City of Modesto	California
<b>Number of:</b>		
Graduates, 2006-07	2,868	356,641
Dropouts, grades 7-12, 2006-07	981	123,651
Violent crimes (homicides and aggravated assaults), 2006	883	113,954
<b>Lifetime economic losses from one year's dropouts<sup>3</sup></b>		
State and local government	<i>data not available</i>	\$3,310,199,190
Health care costs	\$2,226,870	\$1,823,142,555
Earnings ( <i>net of all taxes</i> )	\$92,527,920	\$11,654,273,520
Crime ( <i>victim costs</i> )	\$39,186,045	\$4,935,644,145
Other losses <sup>4</sup>	\$34,236,900	\$4,312,278,900
<b>Benefits of reducing dropouts by half:</b>		
Lifetime economic benefits	\$84,088,868	\$12,106,197,878
Annual reductions in homicides and aggravated assaults <sup>5</sup>	113	14,661

<sup>1</sup> Schools within each city were identified based on addresses from the California Basic Educational Data System (CBEDS) list of California Schools and Districts, retrieved March 2, 2009, from: <http://www.cde.ca.gov/ds/si/ds/pubschls.asp>. After examination of maps from city websites, schools that had city addresses, but were outside the city boundaries, were removed. Dropouts and graduates from county-run schools were apportioned to the city based on its relative share of grade 7-12 county enrollment. Figures include students from the primary city school district enrolled in private schools as reported in the CBEDS.

<sup>2</sup> This is based on the assumption that the differences in earnings and crime between dropouts and high school graduates are the same in the community as they are statewide, which may not be the case.

<sup>3</sup> Lifetime economic losses are projected over the course of the working lifetime from age 20-65, based on half of all dropouts, assuming the other half will eventually graduate. More than 50 percent of dropouts from the class of 2004 had completed or were in the process of completing high school two years later (see: Rumberger, R. & Rotermund, S. [2008]. *What Happened to Dropouts From the High School Class of 2004?* Santa Barbara: California Dropout Research Project. Retrieved December 8, 2008, from <http://lmri.ucsb.edu/dropouts/pubs.htm>).

<sup>4</sup> Other losses consist of “externalities,” which measure the added economic impact that results from workers with more education making their co-workers more productive (see Belfield and Levin).

<sup>5</sup> Reductions in homicides and aggravated assaults based on the assumption that if the number of dropouts were reduced by 50 percent, half of those (25 percent) would graduate anyway, and the other half (25 percent) would increase the graduation rate (based on the formula:  $graduation\ rate = graduates / [graduates + dropouts]$ ) and reduce the number of homicides and aggravated assaults by 20 percent for each 10-percentage-point increase in the graduation rate (see: Lochner, L. & Moretti, E. [2004]. The effect of education on crime: Evidence from prison, arrests, and self-reports. *American Economic Review*, 94, 155-189).

#### Sources:

Figures on graduates and dropouts are from the California Department of Education, Dataquest. Retrieved December 7, 2008, from: <http://data1.cde.ca.gov/dataquest/>

Economic losses are based on figures from the report: Belfield, C. R. & Levin, H. M. (2007). The economic losses from high school dropouts in California. Santa Barbara: California Dropout Research Project. Retrieved December 8, 2008, from <http://lmri.ucsb.edu/dropouts/pubs.htm>

Figures on crime are from the California Department of Justice, Criminal Justice Profiles - Statewide, Counties & Cities, 2006. Retrieved March 6, 2009, from: [http://stats.doj.ca.gov/cjsc\\_stats/prof06/index.htm](http://stats.doj.ca.gov/cjsc_stats/prof06/index.htm)

#### About California City Profiles:

The California City Profiles are produced by the **California Dropout Research Project** to support the work of the **California Mayors' Education Roundtable** (<http://www.camayors.org/>), a group of mayors from major cities throughout California who have elected to work on the issue of high school dropouts. The Profiles provide data on the scope of the dropout problem, and related problems at the community level, the economic losses to the community from students who drop out of school each year, and the economic savings and reductions in violent crimes that would be realized if the dropout rate were reduced by half. Dropout data are for school districts located within their respective cities, although the boundaries may not exactly coincide.

City Profiles in this series include: Berkeley, Chula Vista, Fresno, Long Beach, Los Angeles, Modesto, Oakland, Pasadena, Riverside, Sacramento, San Bernardino, San Diego, San Francisco, San Jose, Santa Ana, Santa Barbara, and Stockton.

#### About the California Dropout Research Project:

The **California Dropout Research Project** was established in December 2006 to synthesize existing research and undertake new research to inform policymakers and the larger public about the nature of—and effective solutions to—the dropout problem in California. To date the project has produced 42 research reports, policy briefs, statistical briefs, and a policy report (available from the CDRP website: <http://www.lmri.ucsb.edu/dropouts/pubs.htm>). The current work of the project is being supported by the **William and Flora Hewlett Foundation**, the **James Irvine Foundation** and the **Walter S. Johnson Foundation**.

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