

Improving Education Leads To Huge Savings for American Taxpayers

Strong schools not only increase economic opportunity for individuals, but also pay huge dividends to American society as a whole. Just improving graduation rates would reduce the costs of crime, health care, and poverty to the tune of \$200 billion annually.¹

Improving education reduces crime.

- More than *two-thirds* of inmates in the nation's state and federal prisons and local jails are high school dropouts.²
- A dropout is more than *eight times* as likely to be in jail or prison as a high school graduate and nearly *twenty times* as likely as a college graduate.³
- For each additional year of schooling, the odds that a student will someday commit a crime like murder or assault are reduced by almost one-third.⁴

Improving education reduces costs related to crime.

- Each year, the United States spends \$9,644 per student compared to \$22,600 per prison inmate.⁵
- Increasing the high school completion rate by just 1 percent for all men ages 20-60 would save the U.S. up to \$1.4 billion per year in reduced costs from crime.⁶
- Increasing the graduation rate and college matriculation of male students by only 5 percent could lead to combined savings and revenue of almost \$8 billion each year.⁷

Improving education gives Americans longer, healthier lives.

- Those who graduate from high school live over *nine years* longer than high school dropouts.⁸
- The health of an 18-year-old high school dropout is similar to that of more educated persons over two decades older.⁹
- The more education, the healthier the individual. Among Americans over 45, college graduates are twice as likely as high school dropouts to report being in excellent or very good health.¹⁰

Improving education saves on health care.

- Over the course of his/her lifetime, each student who graduates from high school instead of dropping out will save state governments almost \$14,000 in health related expenses. Dropouts from the Class of 2006 will cost an additional \$17 billion in health care.¹¹
- High school dropouts are *25 times more likely* to be on Medicaid than college graduates, costing states over \$8,000 per dropout per year.¹²

Improving education increases personal income and tax revenue.

- The average annual income for a high school dropout in 2004 was just over \$16,000, compared to \$26,000 for a high school graduate; a difference of nearly \$10,000.¹³
- A high school dropout earns about \$260,000 less over a lifetime than a high school graduate and pays about \$60,000 less in taxes.¹⁴
- America loses \$192 billion – 1.6 percent of its Gross Domestic Product – in combined income and tax revenue with each cohort of 18 year olds who never complete high school. Adding just one additional year of schooling for those students would recoup nearly half those losses.¹⁵
- In 2001, high school dropouts aged 16-24 paid only \$1,445 in Social Security, state, and federal income taxes, compared with \$2,540 by high school graduates and nearly \$5,200 by four-year college graduates.¹⁶

Improving education saves costs of welfare and public assistance.

- If one third of all Americans without a high school education were to get more education, the savings would range from \$3.8 billion to \$6.7 billion for family assistance, \$3.7 billion for Food Stamps, and \$400 million for housing assistance.¹⁷
- Single mothers who are high school dropouts are almost 40 percent more likely to need family assistance than those mothers with a high school degree. Compared to mothers with more than a high school education, that number rises to over 96 percent.¹⁸
- If all dropouts who are single mothers earned a high school degree, welfare costs would be reduced \$1.5 to \$3.5 billion annually.¹⁹

¹ Richard, A. (2005, November 2). Researchers tally costs of education failings. Bethesda, MD: *Education Week*, 25(10), 6-7.

² Harlow, C. W. (2003, January. Revised April 15, 2003). *Education and Correctional Populations*. Washington, DC: U.S. Department of Justice, Bureau of Justice Statistics. Accessed at www.ojp.usdoj.gov/bjs/pub/pdf/ecp.pdf. Data are from 1997.

³ Ibid.

⁴ McKinsey & Company. (2007, May). *Education: The Global Challenge 2007*. London: Author.

⁵ Alliance for Excellent Education. (2006, August). *Saving Futures, Saving Dollars: The Impact of Education on Crime Reduction and Earnings*. Washington DC: Author.

⁶ Moretti, E. (2005, September). *Does Education Reduce Participation In Criminal Activity?* University of California, Berkeley.

⁷ Ibid.

⁸ Ibid.

⁹ Muennig, P. (2000, October). *Health Returns to Education Interventions*. Columbia University, Mailman School of Public Health. Paper prepared for the Symposium on "The Social Costs of Inadequate Education," Teachers College, Columbia University.

¹⁰ Baum, S. & Payea, K. (2004). *Education Pays 2004: The Benefits of Higher Education for Individuals and Society*. Trends in Higher Education Series. New York City: The College Board. Accessed at http://www.collegeboard.com/prod_downloads/press/cost04/EducationPays2004.pdf.

¹¹ The Alliance for Excellent Education. (2006, November). *Healthier and Wealthier: Decreasing Health Care Costs by Increasing Educational Attainment*. Washington DC: Author.

¹² Ibid.

¹³ The Alliance for Excellent Education. (2007, January). *The High Cost of High School Dropouts: What the Nation Pays for Inadequate High Schools*. Washington DC: Author.

¹⁴ Rouse, C. (2005, September). *The Labor Market Consequences of an Inadequate Education*. Princeton University and NBER. Prepared for the Equity Symposium on "The Social Costs of Inadequate Education" at Teachers College, Columbia University.

¹⁵ Ibid.

¹⁶ Sum, A., Khatiwada, I., Pond, N., Trub 'skyy, M., Fogg, N., Palma, S. (2002). *Left Behind in the Labor Market: Labor Market Problems of the Nation's Out-of-School, Young Adult Populations*. Prepared for the Alternative Schools Network. Boston: Center for Labor Market Studies, Northeastern University. Accessed at http://www.nupr.neu.edu/2-03/left_behind.PDF.

¹⁷ Ibid.

¹⁸ Waldfogel, J. Garfinkel, I., & Kelly, B. (2005, October). *Public Assistance Programs: How Much Could Be Saved with Improved Education?* Paper prepared for the symposium on "The Social Costs of Inadequate Education," Teachers College, Columbia University.

¹⁹ Ibid.