

# The Economic Benefits from Halving Sacramento's Dropout Rate

A BOOM TO REGIONAL BUSINESSES

*"The best economic stimulus package is a high school diploma."*

GOVERNOR BOB WISE  
PRESIDENT, ALLIANCE FOR EXCELLENT EDUCATION

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In the Sacramento metropolitan area, an estimated 7,100 students dropped out from the Class of 2008 at great cost not only to themselves but also to their communities. Reducing the number of dropouts by 50 percent for this single high school class would result in tremendous economic benefits to the Sacramento region. Below, see the likely contributions<sup>1</sup> that these 3,600 "new graduates" would make to their regional economy:

**\$54 MILLION**  
IN INCREASED  
EARNINGS



This single class of new graduates would likely earn as much as **\$54 million** in combined earnings in the average year compared to their likely earnings without a diploma.

**INCREASED**  
HOME SALES  
OF \$181 MILLION  
AND AUTO SALES  
OF \$5 MILLION



By the midpoint of their careers, these new graduates would likely purchase homes totaling a value of as much as **\$181 million** more than what they otherwise would have spent without a diploma. In addition, they would likely spend up to an additional **\$5 million** on vehicle purchases each year.

**\$8 MILLION**  
IN INCREASED  
TAX  
REVENUE



As a result of increased wages and higher levels of spending, state and local tax revenue within this region would likely grow by as much as **\$8 million** during the average year.

**AN ADDITIONAL \$37**  
MILLION IN SPENDING  
AND \$15 MILLION  
IN INVESTING



Increased earnings would likely allow new graduates to spend an additional **\$37 million** and invest an additional **\$15 million** during the average year.

**400 NEW JOBS**  
AND ECONOMIC  
GROWTH OF  
\$68 MILLION



This additional spending and investment would likely be enough to support **400** new jobs and increase the gross regional product by as much as **\$68 million** by the time these new graduates reach the midpoint of their careers.

**INCREASED**  
HUMAN  
CAPITAL



After earning a high school diploma, **79 percent** of these new graduates would likely continue on to pursue some type of postsecondary education.

## Every Student Counts

Moving even just one student from dropout status to graduate status will make positive contributions to a local economy. This box offers a scaled-back look at the figures presented to the left, projecting the likely benefits if just 1,000 local dropouts had graduated. These 1,000 new graduates would likely

- earn **\$15 million** in additional earnings each year;
- spend an additional **\$1.3 million** each year purchasing vehicles and, by the time they reach the midpoint of their careers, would buy homes worth **\$51 million** more than what they would likely have spent without a diploma; and
- support **110** new jobs in the region, increase the gross regional product by **\$19 million**, and pour an additional **\$2.1 million** annually into state and local coffers, all through their increased spending and investments.

## About the Sacramento Metro Area

- Sacramento's metro area includes the city and four surrounding counties (see map above).
- The Sacramento metro area is home to seventy high schools. Fourteen of these are considered dropout factories, i.e., schools where fewer than 60 percent of freshmen progress to their senior year on time.
- Twenty-four percent of high school students in the region do not graduate on time with a regular diploma.

<sup>1</sup>These figures represent estimates of gross benefits to the regional economy and are not intended to reflect the net impact of additional graduates.