

ECONOMIC ANALYSIS

As Rhode Island feels the effect of this economic crisis, the fiscal impact of legislation becomes more relevant than ever. This economic analysis evaluates solely the fiscal costs and benefits to Rhode Island of the Student Equal Economic Opportunity Act, determining that Rhode Island stands to gain millions of dollars from passing the legislation.

What is the net cost to taxpayers?

- A college education results in a large break to taxpayers, since a person **pays more in taxes and uses fewer social services.**



Returns on Education

Education has an impact on the likelihood of finding and maintaining employment. Adults without a high school diploma in Rhode Island are almost five times as likely to be unemployed as those who receive a bachelor's degree. In Rhode Island in 2008, the median income of adults without a high school diploma or General Education Development (GED) certificate was \$23,302 compared to \$31,058 for people with a high school degree, and \$48,596 for those with a bachelor's degree.

High school graduation is also the minimum requisite for college and most employment. Higher Education is fast becoming a necessity for the majority of workers in the growing high-tech economy. According to U.S. Department of Labor projections, about 90% of the fastest-growing jobs in the U.S. will require some post-secondary education or training. High school dropouts are more likely to have a range of negative social outcomes as compared to people who graduate from high school, including living in poverty, receiving public assistance, incarceration, having poor health, being divorced, and being single parents of children who also drop out of school.¹

The Fiscal Consequences of Dropping Out of High School in Rhode Island²

According to an analysis by the Center for Labor Market Studies at Northeastern University, the projected lifetime earnings of a Rhode Island high school dropout are \$827,438, compared with \$1,206,250 for high school graduates and \$2,150,076 for those with a bachelor's degree. Based on savings from reduced use of public services, lower incarceration rates and increased tax payments, the report estimates that federal, state and local governments would potentially gain \$389,000 for each successful graduate who would otherwise have been a dropout

¹ Improving High School Graduation Rates in Rhode Island (Issue Brief), RI Kids Count. October 2009

² Harrington, P. E., Fogg, N. P. & Khatiwada, I. (2009). The fiscal consequences of dropping out of high school in Rhode Island. Providence, RI: Prepared by the Center for Labor Market Studies, Northeastern University for the RI Board of Governors for Higher Education, the Association of Independent Colleges and Universities of RI, & the Greater Providence Chamber of Commerce.