

# Lit Scan

## Facts & Figures from the Colorado Literacy Research Initiative

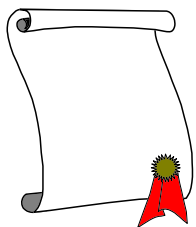
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### How Colorado Dropouts Who Return to School and Pass the GED Tests Increase Tax Revenues

Table 1 ▲ 1988 Colorado Eighth Graders Who Dropped Out of School Between 1988 and 1992

Year	Number of 1988 8 <sup>th</sup> Grader Dropouts
1988	175
1989	1,646
1990	2,478
1991	2,109
1992	1,707
<b>Total</b>	<b>8,115</b>



**What are the implications of these findings for Colorado dropouts and tax revenues?** To answer this question, we must begin by establishing the number of 1988 Colorado eighth graders who dropped out of school between 1988 and 1992. Table 1 reports these data.

**What happened to 1988 eighth graders who dropped out of school between 1988 and 1992?** By 1994, 29 percent earned a GED, 16 percent completed high school, and 24 percent were working on a diploma or GED. Only 32 percent were still dropouts six years later. These are the major findings of a June 1998 report from the National Center for Education Statistics. **Subsequent Educational Attainment of High School Dropouts** examines 1988-94 data on that topic drawn from the National Education Longitudinal Survey (NCES 98-085).

### Highlights

- ▲ More than one-quarter of dropouts earn a GED certificate within two years of when they should have graduated.
- ▲ Colorado dropouts from the Class of '92 who later completed their education can be expected to generate \$4.7 million a year in additional tax revenues—a total of \$216.2 million if they remain employed full-time through age 65.
- ▲ By 1998, Coloradans who earned GED diplomas between 1993 and 1997 generated an estimated \$49.3 million in additional tax revenues.

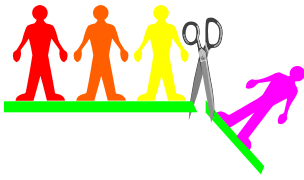
Table 2 ▲ Estimated 1988 Colorado 8<sup>th</sup> Grader Dropouts by Level of Educational Attainment by 1994

Level of Educational Attainment	U.S. Percentage	Estimated Colorado number
Returned to earn high school diploma	15.5%	1,258
Earned GED/alternative credential	28.5%	2,313
<i>Sub-total—diploma or GED</i>	<i>44.0%</i>	<i>3,571</i>
Working toward diploma/GED	23.7%	1,923
<i>Sub-total—diploma/GED/back in school</i>	<i>67.7%</i>	<i>5,494</i>
Stayed out	32.3%	2,621
<b>Total</b>	<b>100.0%</b>	<b>8,115</b>

Table 2 applies the NELS percentages to these state figures to estimate the numbers of Colorado dropouts achieving different levels of educational attainment between dropping out and 1994. According to these estimates, almost 3,600 of these 8,000-plus Colorado dropouts—or two out of five—completed their high school education by 1994. Including those who were working toward that goal, the figure rises to almost 5,500—or three out of five.

**Table 3 ▲ Percentages of U.S. and Colorado Dropouts Who Passed the GED Tests by Reason for Dropping Out**

Reason	U.S.	Colorado
Not interested in/did not like school	43%	40%
Pregnancy (females only)	25%	27%
Poor grades	38%	24%
To take a job	23%	18%
Peer pressure (friends dropped out)	16%	17%
Problems with drugs/alcohol	6%	17%
Problems with teachers	34%	17%
Expelled or suspended	18%	16%



The best available clues as to differences between the U.S. and Colorado groups are their stated reasons for leaving school (see Table). Similar percentages of U.S. and Colorado dropouts cited disinterest in school, pregnancy, peer pressure, and poor relationships with teachers as reasons for leaving school. U.S. dropouts were half again more likely to cite poor grades and almost twice as likely to blame problems with teachers. Colorado dropouts were almost three times as likely to blame drug or alcohol problems.

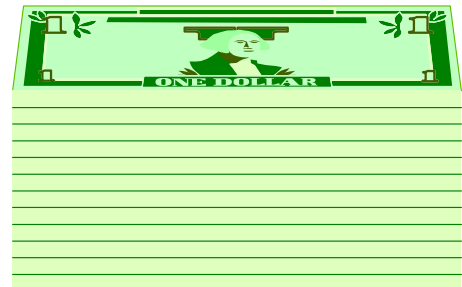
**Table 4 ▲ Annual Increased Tax Revenue from 1988 8<sup>th</sup> Grader Dropouts Who Completed or Were Working Toward Completing High School Education, 1994 (1988 dollars)**

Type of tax revenue	Completed diploma/GED	Completed & working toward diploma/GED
Increased FICA taxes	\$3.4	\$5.3
Increased sales taxes	\$1.3	\$1.9
Annual increased tax revenue	\$4.7	\$7.2

*How do dropouts who return to earn a high school or GED diploma affect government revenues?* (See Table 4.) In 1998 dollars, the difference in average hourly wages between those who complete high school or earn a GED and those who do not is \$3.03 per hour—a 37.7 percent increase. On that difference, former dropouts pay FICA taxes of 15.3 percent, state sales taxes of 2.93 percent, and local sales taxes of 2.72

percent—or a total of 5.65 percent in combined state and local sales taxes. If Colorado's 3,571 dropouts from the Class of '92 who completed their high school education by 1994 worked full-time, year-round, they would generate an additional \$4.7 million in tax revenues—\$3.4 million in FICA taxes and \$1.3 million in state and local sales taxes. (If the 1,923 dropouts who reported working toward a diploma or GED are also included, the annual revenue gains jump to \$7.2 million—\$5.3 million in FICA taxes and \$1.9 million in state and local sales taxes.)

If those who actually finished school by 1994 stay in the labor force from at least 1994 until 2040, when they will reach age 65, they will generate an additional \$216.2 million (1998 dollars) in federal, state, and local tax revenues.

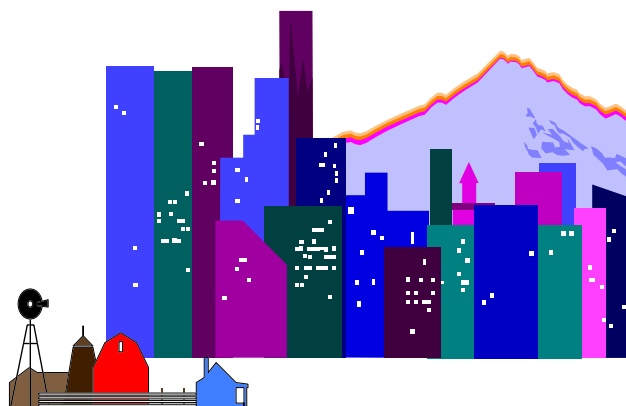


### How have recent Colorado GED graduates alone already affected tax revenues?

Between 1993 and 1997, the Office of Adult Education awarded almost 38,000 GED diplomas (see Table 5). While many of these GED graduates may have been short-term dropouts of the sort focused on in the NCES study, they may also have included others, such as older dropouts, recent immigrants, and individuals who dropped out of high schools in other states. Also, it is important to note that this group differs from the one studied by NCES, because it does not include individuals who returned to traditional or alternative high schools and earned diplomas. Applying the average wage increase and tax rates described above, the increased tax revenues generated by those graduates may be estimated at \$49.3 million.

**Table 5 ▲ Colorado GED Graduates & Estimated Increased Tax Revenues, 1993-97 (1998 dollars)**

Year	Colorado GED graduates		Cumulative Increases (millions of dollars)		
	Number	Cumulative	FICA (15.3%)	Sales taxes (5.65%)	TOTAL
1993	6,983	6,983	\$10.4	\$3.9	\$14.3
1994	7,056	14,039	13.3	5.0	18.3
1995	7,525	21,564	20.4	7.7	28.1
1996	8,126	29,690	28.1	10.6	38.7
<b>1997</b>	<b>8,168</b>	<b>37,858</b>	<b>\$35.8</b>	<b>\$13.5</b>	<b>\$49.3</b>



### NOTE

For information about the financial benefits to dropouts themselves of completing high school—and higher—education, see **LitScan: Facts & Figures from the Colorado Literacy Research Initiative**, v. 2, n. 2, *The Economic Value of High School--& Higher—Education to Coloradans*, April 15, 1998.

### OTHER SOURCES

- ▲ **Colorado Public School Annual Dropout Rates, Grades Seven Through Twelve, 1988-89, 1989-90, and 1990-91** (Denver: Colorado Department of Education, 1989, 1990, and 1991).
- ▲ **Colorado Graduation Rates for Class of 1992 and 1991-92 Annual Dropout Rates for Grades 7-12** (Denver: Colorado Department of Education, 1992).
- ▲ Office of Adult Education (unpublished records on numbers of GED graduates).

### CONTACT INFORMATION

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