

AVID's Value Proposition

An Economic Perspective on AVID's Financial Impact on Society

By Tom Holman
Director, Morning Foundation
Saint Paul, Minnesota

I was introduced to the AVID program in 2002. At that point in time, we were refocusing the mission of our Foundation on education, specifically, to help more students from lower socio-economic backgrounds succeed. We had come to believe that closing the gap in educational attainment was not only an issue of social justice, but was also an issue important to the economic health and quality of life within our communities.

My first exposure to AVID was when I was invited to a meeting at the Saint Paul Public School District by Dr. Rebecca Wallin, the Executive Director of the Wallin Scholarship Program in Minnesota. Through her own research, Dr. Wallin had come to believe that AVID had great potential for the urban school districts in the Twin Cities of Minnesota, so she set up a meeting for representatives from the AVID Center to meet with St. Paul district staff.

This initial meeting eventually led to the expansion of AVID into Minnesota, with pilots in six schools. Six years later, AVID is now successfully operating in over 52 schools across 13 school districts in Minnesota, with over 1,500 students enrolled. These schools and districts in Minnesota have come to experience the value of AVID that we found compelling back in 2002 - that AVID provides a comprehensive framework for systemic improvement that has a positive benefit on individuals and society as a whole.

To quantify this benefit, our Foundation considered the following:

- The impact of AVID on postsecondary attainment
- The impact of increased postsecondary completion on the individual and society
- The return on investment in the AVID program

The Impact of AVID on Postsecondary Attainment

One of the aspects of the AVID program that impresses us is their process of measurement and evaluation, which shows their dramatic impact on student academic success. AVID's national studies show that 99% of the seniors in their program graduate from high school and an estimated 96% enroll in postsecondary institutions (68% in four-year and 28% in two-year programs). AVID's historical data shows that college retention for these students is also very high at 89% during the first two years. While AVID does not measure postsecondary completion, we can look at national data for an estimate. The National Center for Higher Education Management Systems (NCHEMS) reports that about 70% of students enrolled in college after 2 years earn their degrees or certificates. By multiplying these percentages (96% x 89% x 70%), we estimate that the postsecondary completion rate is around 60% for students who were enrolled in AVID programs in their high schools.

By contrast, studies by the National Center for Education Statistics

(NCES) and others, report that the postsecondary completion rate for 9th graders from similar demographics as AVID students is less than 10% (those from lower income backgrounds in urban schools). At a 60% completion rate, AVID students are far more likely to attain a college degree or certificate than their demographic peers who are not in AVID. The next step in our analysis is to quantify the impact of this academic success.

The Impact of Increased Postsecondary Completion on the Individual and on Society

We know that increased postsecondary attainment benefits the individual served by AVID, but we also believe that it provides tremendous value to society as a whole. We became interested in quantifying this value, or at least estimating it, as a means to understand the Return on Investment (ROI) of our Foundation's grants to the AVID program. In order to estimate the value of the AVID program, we underwent the following analysis. We realize that the analysis is somewhat simple and presumptive, but we believe it to be directionally correct.

Our analysis began with an assessment of the impact of AVID, not only on the individual, but also on society as a whole. The table at the top of the next page from the Institute of Higher Education Policy categorizes the impact on individuals, as well as the ripple effect on society, of increasing the level of higher education attainment. The table

	Public	Private
Economic	<ul style="list-style-type: none"> • Increased Tax Revenues • Greater Productivity • Increased Consumption • Increased Workforce Flexibility • Decreased Reliance on Government Financial Support 	<ul style="list-style-type: none"> • Higher Salaries and Benefits • Employment • Higher Savings Levels • Improved Working Conditions • Personal/Professional Mobility
Social	<ul style="list-style-type: none"> • Reduced Crime Rates • Increased Charitable Giving/Community Service • Increased Quality of Civic Life • Social Cohesion/Appreciation of Diversity • Improved Ability to Adapt and Use Technology 	<ul style="list-style-type: none"> • Improved Health/Life Expectancy • Improved Quality of Life for Offspring • Better Consumer Decision-Making • Increased Personal Status • More Hobbies and Leisure Activities

**Benefits
of a Higher Education**

Source: Institute of Higher Education Policy

breaks the benefits into “Public” and “Private” benefits, as well as “Economic” and “Social” benefits. The “Social” benefits increase the quality of life of our society and of the individual, and we believe they also provide an economic stimulus, for example, in the decreased cost to society of reduced crime rates.

The Economic Value to Society of Postsecondary Completion

The next step of our analysis was to attempt to quantify the financial value of the “Public,” “Economic,” and “Social” impacts of postsecondary completion. Our estimate is that the average incremental financial value to society per person completing higher education is at least \$1.6 million over their lifetime (in today’s dollars). The components of this financial value are listed below.

Increased Personal Tax Revenues—at least \$600,000: Increased taxes are one of the more obvious and quantifiable areas of financial impact. Many studies have shown that on average, a person completing postsecondary education earns about \$1,000,000 more over their lifetime than those who did not. The incremental income tax

alone on these earnings will deliver at least \$300,000 to federal, state, and local governments. In addition, people with greater incomes will pay more sales tax, property tax, and taxes on capital gains and dividends, which will dramatically increase the amount of taxes paid over their working lives, and even through their retired lives. We estimate that these additional taxes will provide at least another \$300,000 over the lifetime of the person. So, our estimate of the average total incremental taxes paid by a person with a higher education over their lifetime will be at least \$600,000.

Value of Contribution to GDP Growth—at least \$600,000: Over the last 40 years, our nation’s GDP grew from less than \$1 trillion to around \$14 trillion per year, almost triple the rate of inflation (U.S. Department of Commerce). According to a 2008 study by the Council of Economic Advisors to the White House, a large portion of that GDP growth is attributable to people in the U.S. with higher education. Since total tax collections are between 25% and 30% of GDP (U.S. Dept. of Commerce), this GDP growth resulted in incremental tax revenues of about \$30 trillion over the last

40 years (including the discount for inflation).

To quantify the impact per person, we assume that 75% of GDP growth (and 75% of this incremental tax revenue) is attributable to the U.S. labor force with higher education, which equates to \$22.5 trillion over the past 40 years. The number of people in the labor force with college degrees and certificates grew from 21.6 million in 1967 to 42.8 million in 2007 (U.S. Bureau of Labor Statistics and U.S. Census). By dividing the incremental tax revenue due to GDP growth by the average number in the labor force with higher education, we estimate the value to be around \$600,000 per person. We believe this estimate is conservative as it only considers incremental tax revenue due to GDP growth and not other beneficial results to the economy such as job creation, increased consumption, and increased employment due to workforce flexibility.

Reduced Crime Rates—around \$300,000: The annual cost of crime in the U.S. is estimated to be \$1.7 trillion (Economic Policy Institute),

Continued on page 11

AVID's Value Proposition: *An Economic Perspective on AVID's Financial Impact on Society*

Continued from page 7

and the cost of fighting crime is estimated to be another \$600 billion (\$2.3 trillion total). Dividing the total cost of crime by the population of the U.S. yields an average cost per capita of about \$7,700 per year. It is difficult to quantify the value of higher education completion in terms of reducing the cost of crime, but we offer an approach. Since the vast majority of U.S. inmates do not have higher education (over 40% don't even have high school diplomas or GEDs), we will assume that 98% of the per capita cost of crime is attributable to people without higher education (\$7,550 per capita) and 2% is attributable to people with higher education (\$150 per capita). The difference between these two costs is \$7,300 per year, resulting in a 40-year cost difference of around \$300,000 per degree. We believe this estimate to be reasonable based on the cost per crime in the U.S., which is roughly \$176,000 per crime committed (U.S. Bureau of Justice Statistics).

Decreased Reliance on Social Services—around \$100,000: The U.S. budget for health and social services is \$737 Billion for 2009 (U.S. Dept. of Health and Human Services). This budget is about \$2,460 per capita in the U.S. Using similar assumptions as with crime to quantify the value of higher education, we again assume that 98% of the per capita cost of these services is attributable to people without (\$2,410 per capita) and 2% to those with college degrees or certificates (\$50 per capita). The difference between these two costs is \$2,360 per year or \$100,000 per person over 40 years. Again, we feel this number is conservative in that it only looks at the reduced burden on the

government cost of human services and does not include the value of the improved health and life expectancy.

Adding these categories brings our estimate of the incremental value to society per person for higher education completion to at least \$1.6 million over the life of the person.

Return on Investment of the AVID Program

The final step of our ROI analysis of AVID includes assessing the cost of AVID, its impact on increasing the likelihood of postsecondary attainment, and its value to society.

The Cost of AVID: The incremental cost of AVID per student through high school is approximately \$1,600 (\$400 per year). Some students also participate in AVID in junior high school, so to be conservative, we increased the per student cost estimate to \$2,000.

The Impact on Postsecondary Attainment: Our assessment above shows that students in AVID are far more likely to attain a college degree or certificate than their demographic peers who are not in AVID. Without AVID, less than ten 9th graders out of 100 from lower income backgrounds are likely to complete higher education within 10 years, but about 60 out of 100 AVID students likely will. Since about 50 more students out of 100 will succeed in higher education with AVID, we presume an efficiency ratio of 50% for the program.

The Return on Investment in AVID: To consider the return on investment, we multiply this efficiency ratio by the average

financial impact to society of higher education. Multiplying the ratio (50%) by the incremental value of higher education per person (\$1.6 million) yields a return on investment per AVID student of \$800,000 over the life of the student. An investment of \$2,000 per student for AVID can yield up to an \$800,000 dollar return of incremental economic value to society. This return represents about a 400% ROI in today's dollars.

Final Analysis

Even without a financial return, we believe that AVID is an extremely valuable proposition in terms of social justice for our lower-income and underserved populations of students. Education is the great equalizer in our society, and postsecondary attainment can have a transformative effect on a person's ability to break the cycle of poverty. On the merits of social justice alone, we find AVID to be a most worthy investment as a means to support the individual.

However, when you also consider the financial impact of AVID on society as a whole, we find AVID to be a compelling investment. We realize that our analysis is cursory and presumptive, but we believe it to be directionally correct. The success of AVID on helping lower-income and underserved populations attain higher education, at such a low cost of investment, is highly valuable to our society. At an investment of merely \$2,000 per student, with a result of dramatically increasing postsecondary education attainment, AVID has proven itself an exemplary program for the U.S. education system. 🍀