NGA Center for BEST PRACTICES

Issue Brief

State Policies to Reengage Dropouts

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Executive Summary

Efforts to improve educational attainment are hampered by the high school dropout crisis. At a time when governors are calling for changes to improve higher education access and success, more than 1 million youth ages 16 to 19 are not enrolled in school and do not have a high school diploma.[1] Each year, an additional 390,000 youth drop out of school.[2]

During the past few years, states have used research on why students drop out to design successful dropout prevention policies and programs. Despite the great gains states have made on dropout prevention, state efforts on dropout recovery are just beginning. Much work remains to solve the dropout crisis because no matter how effective a state's dropout prevention efforts, students invariably fall through the cracks. Consequently, states need to build robust policies and programs that provide on-ramps back to school for dropouts wanting to obtain a high school diploma.

Reengaging dropouts is challenging for school systems for three reasons. First, information is limited on who has dropped out and where they are located. Second, traditional, comprehensive high schools are not well equipped to serve students who are returning to complete a degree. Unfortunately, the quality of nontraditional school options, even when they are available, is often lacking. Finally, recovering youth who have dropped out of school can be expensive and time consuming, and few, if any, financial incentives exist for schools to work with this population.

Dropout recovery can succeed if states take these actions to facilitate the reengagement of out-of-school youth:

- Set a goal to reduce the dropout rate;
- Use data to identify dropouts and target recovery strategies;
- Provide flexible, high-quality school options for recovered dropouts; and
- Consider incentives to focus on dropout recovery if resources exist.

As states face a new economic reality, governors may not be able to implement all of the policy recommendations outlined in this brief. Yet each recommendation can improve dropout recovery in schools and districts. Together, the recommendations create a comprehensive policy framework for reengaging out-of-school youth.

Why Dropout Recovery Is Important

The dropout problem exists in all states. This crisis is impeding efforts to improve educational attainment. A disproportionate number of high school dropouts are male, minority, from low-income families, and between the ages of 17 and 19.[3] However, these statistics mask the reality that students from all walks of life too often leave high school without a diploma. In fact, nearly 16 percent of all dropouts are from high-income families.[4] Although dropouts are often concentrated in urban areas, no state graduates more than 90 percent of its high school students.[5] Moreover, every state has at least one "dropout factory" high school, where at least 40 percent of the ninth-graders fail to reach grade 12 in three years.[6]

For most students, dropping out of high school is not a sudden event; it is a long process of disengagement. Students drop out of schools for four major, sometimes interconnected, reasons: academic failure; disinterest in school that often leads to poor attendance; problematic behavior inside or outside school that interferes with learning; and life events, such as becoming pregnant, getting a job, or caring for an ill family member.[7]

Recently, states have begun to use research on why students drop out to design successful dropout prevention policies and programs. The policies, ranging from adopting early warning data systems to turning around low-performing schools, have had significant positive impacts on school dropout and graduation rates.[8] For example, in the past three years, the number of dropout factory high schools nationwide has decreased from 2,000 to 1,625.[9] At the same time, a few states have made great strides in increasing their graduation rates. **New York** and **Tennessee** improved their graduation rates by more than 10 percentage points since 2003.[10]

Despite considerable state progress in addressing dropout prevention, few state efforts exist to reengage dropouts and get them back on track to graduation. States have largely focused on dropout prevention because it is easier and cheaper to prevent a student from leaving school than to bring a dropout back to school. Yet, no matter how effective a state's dropout prevention efforts, students invariably fall through the cracks. Consequently, states need to build robust policies and programs that provide on-ramps back to school for dropouts wanting to obtain a high school diploma.

Dropout recovery needs to become a priority because the economic consequences of not earning a high school diploma are severe. More than 17 percent of high school dropouts are unemployed—almost triple the rate of students who complete some postsecondary education.[11] The economic prospects for dropouts are likely to worsen as the skill requirements continue to rise for future jobs. Forty years ago, a high school dropout could easily find work. This is no longer the case; many low-skill jobs have been automated or sent overseas. As required skill levels continue to rise, dropouts are falling further behind. More than two-thirds of the jobs in the U.S. workforce in 2018 will require not only a high school diploma, but also some postsecondary education.[12] (See, also, High School Diploma or General Educational Certificate? on page 3.)

As dropouts search for work, they often turn to the state for unemployment benefits, temporary cash payments, food stamps, and health care. Dropouts are more likely than high school graduates to receive public assistance and participate in criminal activities, at a great cost to states. Each high school dropout costs the public sector $209,100 over his or her lifetime.[13] In the aggregate, dropouts cost the United States more than $300 billion per year in lost revenues and social services expenditures.[14]

By creating dropout recovery systems, governors can provide out-of-school youth with on-ramps back to school and expect to realize substantial benefits. In the long run, achieving high school graduation for all students helps put states on the path to economic growth.

High School Diploma or General Educational Development Certificate?

For most recovered dropouts, earning a high school diploma should be the goal. Most states provide funding to schools for students up to the age of 21, affording youth additional time to graduate. The economic benefits of a high school diploma are significant. High school graduates, without any further education, earn, on average, $8,000 a year more than dropouts and are employed at a much higher rate. High school graduates also enroll and complete postsecondary education at a significantly higher rate than dropouts. Individuals with traditional diplomas also outperform General Educational Development (GED) certificate recipients with respect to employment, earnings, and other labor market outcomes.[a] Even students who graduate high school in more than four years are more likely than GED recipients to complete a postsecondary degree and maintain a full-time job.[b]

However, for some youth and adults, access to a high school diploma is lacking. The GED is an important last resort for individuals who have exhausted all options to earn a traditional high school diploma. Youth who have aged out of the education system need options to enhance their educational and economic opportunities. A GED certificate can open the door to postsecondary education, and students who obtain a postsecondary degree after earning a GED have wages comparable to individuals who earn a high school diploma prior to completing a postsecondary degree.[c] Further, earning a GED is often better than earning no high school credential. For example, among 27-year-old males who had dropped out of school with weak academic skills, GED recipients earned 36 percent more than dropouts without the credential; among females, this statistic was 25 percent.[d]

Notes

[a] Stephen V. Cameron and James J. Heckman, "The Nonequivalence of High School Equivalents," *Journal of Labor Economics* 11, no. 1 (January 1993): 1–47.

[b] Bradley Hull, "Better Late than Never" (Alexandria, VA: Center for Public Education, 2008), http://www.centerforpubliceducation.org/Main-Menu/Staffingstudents/Better-late-than-never-At-a-glance/Better-Late-than-Never-Examining-late-high-school-graduates-.html.

[c] John H. Tyler and Magnus Lofstrom, "Is the GED an Effective Route to Postsecondary Education for School Dropouts?" Working Paper No. 13816 (Cambridge, MA: National Bureau of Economic Research, 2008), http://socrates.berkeley.edu/~raphael/IGERT/Workshop/Tyler%20and%20Lofstrom%20GED-PSE.pdf.

[d] John H. Tyler, "What Do We Know About the Economic Benefits of the GED? A Synthesis of the Evidence from Recent Research" (Providence, RI, and Cambridge, MA: Brown University and National Bureau of Economic Research, 2001), http://www.brown.edu/Departments/Education/resources/what_do_we_know.pdf.

Why Reengaging Dropouts Is Difficult

Reengaging dropouts is a difficult task for school systems for three reasons.

- States lack pertinent information on out-of-school youth.
- Few high-quality school options exist for recovered dropouts.
- Funding structures do not support or encourage schools to reenroll struggling students.

States Lack Critical Information on Dropouts

A significant challenge for states is that information is limited on who has dropped out and where they are located. Only 26 states have student-level data to follow students from grade 8 to grade 12.[15] Without this information, states must rely on estimates for reporting graduation and dropout rates.

Even if a state can identify exactly when an individual student left school and where the student resides, most states do not have course credit data (i.e., information on the courses in which a student enrolled and his or her corresponding grades). This means the state cannot determine what courses a dropout needs to graduate, which can create challenges for placing out-of-school youth in appropriate education settings when they return to school.[16] Further, without these

data, states are unable to calculate statewide and district trends, such as course-taking patterns, among the dropout population.

School Options for Recovered Dropouts Are Limited

Traditional, comprehensive high schools have difficulty serving all students well. This is especially true for the dropout population. According to a survey of recent dropouts, nearly 50 percent left school because they were bored and disengaged.[17] Putting recovered dropouts back into the same situation that drove them out school in the first place makes little sense. Instead, nearly all states have created "alternative" high schools and programs to serve students who are unsuccessful in traditional school settings. Unfortunately, the quality of many of these alternative options is questionable. The enrollment criteria is often limited to suspended or expelled students, so the schools are seen as dumping grounds for disruptive students.[18] Moreover, few states define the characteristics of high-quality alternative schools or have information on student outcomes, making it difficult for policymakers to examine school quality.

Attending school for seven hours a day, five days a week can be a daunting thought for students who have dropped out. In 28 states, students must conform to this attendance structure because of requirements pertaining to the amount of time spent in a classroom (also known as "seat time").[19] Most schools use the Carnegie unit to link credit attainment to seat time rather than student learning. This rigid, time-based approach to awarding credit is a hurdle for returning dropouts who aim to get back on track in school. Students who have previously failed courses find such a credit attainment approach particularly problematic, because they need to regain the credit before progressing with the rest of their high school coursework. Students may become discouraged or disengaged when required to repeat a full course, even if they are already competent in portions of the course standards. Without an option to "move on when ready," these students can fall further behind their graduation cohort and jeopardize their chances to graduate on time. Unfortunately, the options to gain credit based on proficiency are not consistent across states, let alone within a state.

Funding Systems Discourage Dropout Recovery

Recovering youth who have dropped out of school can be expensive and time consuming. This is because someone has to track these youth down and convince them that returning to school is the best option. Rarely are dropouts convinced by a single visit from a school or district representative. Very few districts or schools have the capacity to devote one or more staff to serve as dropout recovery liaisons, so recovery is rarely a priority. Even when dropouts decide to return to school, they often require additional supports, such as transportation and counseling, to ensure they remain in school.

Schools are hampered in their efforts to reengage out-of-school-youth by structural barriers related to funding. Most state and local education funding allocations are based on staffing ratios, so school systems have little flexibility to use the funds in a way that can follow recovered students to the program or school where they are served. In addition, 20 states use one or two "count" dates during the school year to determine school enrollment. The enrollment figures from these dates are the basis for school funding.[20] This structure creates a perverse incentive for schools to fill seats one or two days a school year, without regard for attendance the rest of the year. Schools entice students to come to school with pizza parties and other strategies, but they do not have any state financial incentive to retain students for the entire school year. Moreover, when schools do recover students under this funding model, they do not receive funding for those students until the following year, making it difficult to serve these students in real time.

The current fiscal climate also makes it difficult to focus greater attention on dropout recovery. With schools already serving large populations of at-risk students, and doing so on tight budgets, taking on additional challenging students often is not realistic. Schools have to devote more time and instructional resources to work with recovered dropouts, but they rarely receive additional funds to address these students' deficits. In fact, schools serving high percentages of at-risk students often receive fewer dollars per pupil than peer schools. Federal Title I monies are intended to create equity

across schools in funding, but substantial variation in funding[21]—more than $5,000 per pupil in some districts—often exists across schools.[22] Funding differences may be even more extreme at the high school level because a significant proportion of students do not apply for the free or reduced-price lunch program, which is the basis for Title I allocations. (See, also, Federal Accountability Requirements Discourage Dropout Recovery on page 5.)

Federal Accountability Requirements Discourage Dropout Recovery[a]

Accountability drives action in schools. Unfortunately, current federal requirements create disincentives for schools to focus on dropout recovery. Bringing a dropout back to school can have a negative effect on a school's test scores and graduation rates, making it difficult to meet federal accountability expectations. The No Child Left Behind Act requires all states to establish a definition of adequate yearly progress (AYP) to measure the annual achievement of each school and school district. A state's calculation of adequate yearly progress is based primarily on academic assessments. Students who have missed a lot of school are unlikely to perform at proficient levels, so they pose a challenge for schools in an environment of ever-increasing performance targets. The emphasis on the percent proficient, rather than the growth of all students, has driven schools to focus on students closest to the proficient level to the detriment of other struggling students, such as recovered dropouts who are often far from proficiency.[b] This also discourages the creation of innovative nontraditional high schools whose primary purpose is to serve recovered dropouts.

Adequate yearly progress also requires high schools to focus on graduating students within four years of entry, another critical component of accountability. For federal accountability, states are required to use an adjusted four-your cohort rate for AYP determinations beginning in 2012. The focus on a four-year rate is essential for states to maintain as they prepare students for college and careers; however, it has had negative consequences for dropouts who seek to return to high school. School administrators may be unlikely to reenroll students who have missed a year's worth of classes, because remediating these students and preparing them for graduation within four years of their initial enrollment in high school is a significant challenge.

States can apply to the U.S. Department of Education to also use an "extended-year" cohort rate in AYP determinations, but only ten states have been approved so far.[c] The extended-year rate would enable schools to be recognized for their work with struggling students who take more than four years to graduate. More than 20 percent of high school students do not graduate in four years.[d] As a result, the persistence of students beyond four years must be rewarded as a valuable alternative to dropping out.

Notes

[a] For more information about state and federal accountability systems, including recommendations on how to design an accountability system that creates incentives for schools to work with at-risk and out-of-school youth, see the forthcoming NGA Center issue brief on accountability, to be published in 2011.

[b] John M. Krieg, "Are Students Left Behind? The Distributional Effects of the No Child Left Behind Act," *Educational Finance and Policy* 3, no. 2 (April 2008): 250–81.

[c] U.S. Department of Education, "Department Approved Graduation Rate Goal and Targets" (Washington, DC: U.S. Department of Education, 2010), http://www2.ed.gov/admins/lead/account/stateplans03/gradratechartfl.pdf.. See also, Thelma Meléndez de Santa Ana, Assistant Secretary, Office of Elementary and Secondary Education, U.S. Department of Education, letter to Colorado Commissioner of Education Robert Hammond, April 7, 2011, http://www.cde.state.co.us/FedPrograms/dl/danda_acctworkbooks_extyrgrad.pdf [accessed June 23, 2011].

[d] Chris Chapman, Jennifer Laird, and Angelina Kewal Ramani, *Dropout and Completion Rates in the United States: 1972–2008* (Washington, DC: U.S. Department of Education, Institute of Education Sciences, National Center for Education Statistics, 2010), http://nces.ed.gov/pubs2011/2011012.pdf.

State Strategies to Reengage Out-of-School Youth

Dropout recovery can succeed. Yet most states do not make it easy for students who have dropped out to return to school. However, governors can take these steps to facilitate the recovery and reengagement of out-of-school youth:

- Set a goal to reduce the dropout rate;
- Use data to identify dropouts and target recovery strategies;
- Provide flexible, high-quality school options for recovered dropouts; and
- Consider incentives to focus on dropout recovery if resources exist.

As states face a new economic reality, they may not be able to implement all of the recommended policies. However, each recommendation can improve dropout recovery in schools and districts. To help governors decide which actions to take, an estimate of the cost to implement the policy recommendation is included. The policies are grouped into three cost categories: low, moderate, and high.

Set a Goal to Reduce the Dropout Rate **[Low Cost]**

The clearest way for a governor to prioritize an issue is to set a goal. In many areas of government, governors set goals and encourage individuals and organizations to meet those goals. Dropout recovery should be no different. Setting a goal can spark real change in a state. For example, **New Hampshire** Governor John Lynch set an ambitious goal of zero dropouts by 2012. In the four years since the governor set the goal, the state's dropout rate has decreased from 2.51 percent to 0.97 percent.[23] The goal drove state leaders, school and district administrators, teachers, parents, and businesses to coalesce around strategies for dropout prevention and recovery. Former **Colorado** Governor Bill Ritter set a goal to cut the state's dropout rate in half over 10 years. The state is on target to reach that goal by 2016.

For any goal-setting effort to succeed, the process needs to be grounded in research and justifiable to the individuals responsible for implementing reform. When governors set meaningful and achievable targets to reduce the dropout rate, it signals that the state is committed to the issue. In addition, properly set goals can communicate a vision for the future to the public, demonstrate tangible improvement, and inspire change at the individual level.[24]

Use Data to Identify Dropouts and Target Recovery Strategies **[Low Cost]**

States that want to focus on out-of-school youth should use data to identify students who have left high school without a diploma and analyze dropouts' characteristics to target supports.

Identify Students Who Have Left School Without a Diploma

Data systems are a powerful resource for states to identify and recover dropouts. The foundational data infrastructure for the identification of dropouts (e.g., demographic, attendance, behavior, course credit, and graduation rate data) will be available for all states by the end of 2012. Now that the technical ability to gather data largely exists, states need to focus on using the data for policy and program decisions. According to the Data Quality Campaign, no state has taken all of the —**0** State Actions" for data use, and only 13 states have taken six or more actions (see 10 State Actions to Ensure Effective Data Use on page 7).[25] Data use is critical at every level of education, from classroom teachers to chief state school officers. Governors can encourage a culture of data use throughout the education system.

Governors can use data to identify the policies and target the resources necessary to support dropout recovery. For example, **Maryland** Governor Martin O'Malley implemented StudentStat, a performance measurement and management process whereby top policymakers, including the governor, review education data (e.g., cohort graduation rate and dropout rate) on a quarterly basis to track progress on goals and shape future policy decisions. **Michigan** Governor Rick Snyder recently released an education dashboard to track progress on several indicators across the education pipeline.[26] Governors in other states could implement a similar process to review pertinent education data. In particular, policymakers can review data on the scope and location of students dropping out of school and those who are recovered. Monitoring this information is critical for developing necessary policy and program responses and for targeting resources to the schools and districts most in need of assistance.

10 State Actions to Ensure Effective Data Use

—10 State Actions" provide a roadmap for policymakers to create a culture in which data are not just available but also used to improve student outcomes.

1. Link data systems
2. Create stable, sustained support
3. Develop governance structures
4. Build data repositories
5. Implement systems to provide timely access to information
6. Create progress reports using individual student data to improve student performance
7. Create reports using longitudinal statistics to guide systemwide improvement efforts
8. Develop P–20/workforce research agenda
9. Promote educator professional development and credentialing
10. Promote strategies to raise awareness of available data

For more information, visit the Data Quality Campaign's Web site at www.dataqualitycampaign.org.

Analyze Dropouts' Characteristics

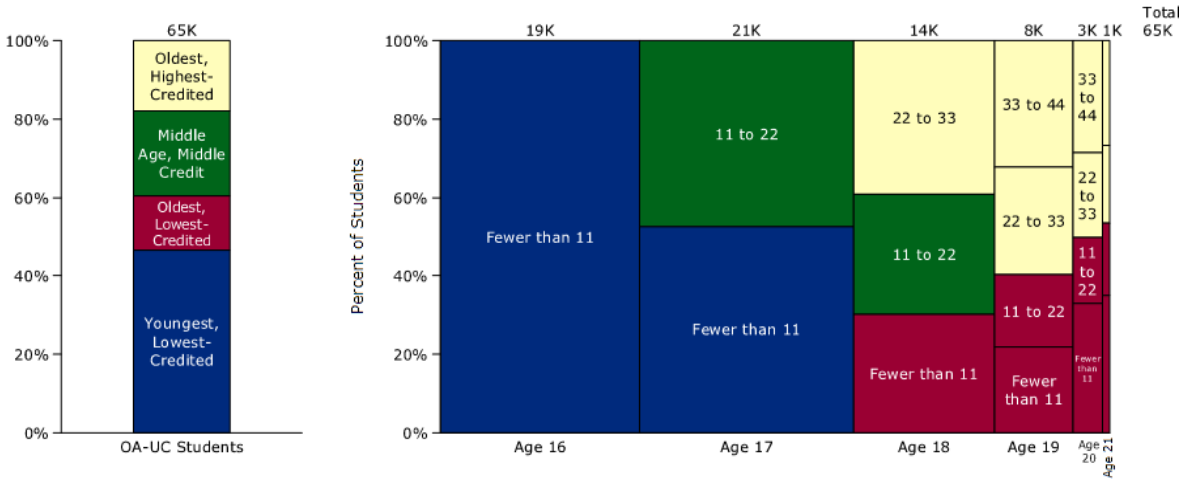
Each student who exits school does so for unique reasons. States can conduct a —segmentation analysis" on their dropout population to determine effective policy and program responses (e.g., school models or interventions) to address the problem. The analysis can be conducted by researchers at the state education agency, through partnerships with universities or regional education laboratories, or even through external research and consulting organizations. The analysis uses data on individual students' age and credit accumulation to identify where out-of-school youth left the education pipeline. This data is important for state policymakers, because a dropout recovery intervention for a 17-year-old who is 16 credits from graduation is very different than one for a 17-year-old who is one credit shy of graduation.

To date, large urban districts have led the charge in analyzing the dropout population because of the magnitude of their problems (see figure on page 8 for an example of a segmentation analysis from New York City). The figure identifies the number of dropouts according to their age and the number of credits they obtained prior to dropping out. For example, nearly half of 17-year-old dropouts have obtained between 11 and 22 credits (e.g., the students identified as —middle age, middle credit" in the green section). The data has enabled the district to target specific recovery strategies to different out-of-school youth populations.

- *Youth adult borough centers* are evening academic programs designed for students who are at least 17.5 years old, have attended high school for more than four years, and have 17 or more academic credits (youth in green and yellow in the figure). This model focuses both on at-risk students and recovered dropouts who may not complete school because they are aging out of the system or have other responsibilities, such as employment or care of a child.
- *Transfer schools* are small high schools designed to reengage students who have dropped out in a personalized learning environment. Each school determines entrance eligibility but, in general, these schools serve the youngest youth with fewest credits (youth in blue in the figure).

- *Full-day and part-time GED preparation programs* prepare students to pass the General Educational Development (GED) certificate exam. These programs serve the oldest youth with the fewest credits (youth in red in the figure). Students must be at least 18 years old to enroll in these programs, which also often incorporate job-readiness and career-exploration activities.

New York City Analysis of Dropouts by Age and Credit Attainment



Source: The Parthenon Group, —New York City DOE Multiple Pathways Strategy: Summary Findings," presentation to the New York State Regents and Commissioner, State Education Department, October 23, 2006, http://schools.nyc.gov/NR/rdonlyres/B5EC6D1C-F88A-4610-8F0F-A14D63420115/0/FindingsofOMPG.pdf.

These recovery strategies have been successful in putting dropouts back on the path to graduation. Nearly 60 percent of the students in the transfer school option received a diploma; this percentage is three times higher than the rate of graduation for this population in traditional schools.[27]

While all states are required to collect course credit information in the coming years, very few have that data statewide at this point. States that do not have course information statewide can partner with the districts to use their course data for a segmentation analysis. Relying on a grant from the National Governors Association Center for Best Practices, **Massachusetts** has become the first state to conduct a segmentation analysis on a broad scale, focusing on five urban districts with large dropout challenges. The analysis found that most dropouts were over age for their grade when they left school (i.e., they were age 16 in grade 9). They also were significantly far from graduation, often having dropped out in ninth grade.[28] Policymakers plan to use this information to structure the commonwealth's dropout recovery efforts.

Provide Flexible, High-Quality School Options for Recovered Dropouts **[Moderate Cost]**
School structure is the greatest barrier standing in the way of schools and districts recovering out-of-school youth. Students who are behind academically need ways to regain credit quickly. To address this issue, states have two options, which are not mutually exclusive: use their existing alternative school infrastructure, and improve the quality of the schools, or offer more flexible options for gaining credit in traditional high schools. It is unlikely that either option will work for all students. Most recovered dropouts will have to return to traditional high schools because the number of seats in alternative options is limited. At the same time, some students will always find traditional, comprehensive high schools overwhelming, so small schools with an emphasis on personalized learning are necessary.

Increase the Quality of Alternative High Schools

Given that a significant proportion of recovered dropouts are placed in alternative school settings, states need to be proactive about ensuring the quality of these programs. A state focus on quality is important for three reasons. First, states will find it less expensive to improve quality than to increase capacity (i.e., seats). Second, improving the production of alternative education settings can result in increases in the number of graduates. Finally, states have the power to improve quality through authorization and evaluation functions.

To overcome the stigma of alternative schools as dumping grounds, states need to maintain high expectations for all students. States can clearly define the purpose of alternative schools and the students they serve, establish best practices for the operation of these schools, and ensure that the schools have the autonomy and flexibility to serve the students for which they were designed. Additionally, the 42 states that have adopted the Common Core State Standards need to ensure that curriculums in alternative schools are aligned to the standards. States cannot walk away from the policy of high standards for all students, even though recovered dropouts may need additional support to meet those standards. Rather, states can use the structural flexibility that alternative schools provide to offer support through technology.

Twenty-two states provide districts with guidance on alternative schools in at least four of the following areas: eligibility, effective practices, funding mechanisms, governance, accountability, and staffing.[29] **Oklahoma** is a national leader in defining high-quality alternative schools and evaluating those schools. Drawing on best practices for serving at-risk students, all alternative education programs in the state must meet 17 criteria that are established in state law, including small class sizes, individualized instruction, individual graduation plans, and life skills instruction.[30] The state also requires an annual evaluation of all alternative schools to examine program quality, effectiveness, and costs and benefits. Since 2000, the evaluation has found that students enrolled in alternative programs had fewer absences, higher grades, and fewer discipline referrals; these students also earned a greater number of credits, compared with a similar cohort of students not enrolled in an alternative program.[31] As more states collect outcome data on students in alternative settings, policymakers can capture and share lessons learned as well as identify gaps in the program offerings.

Afford Greater Flexibility in Traditional High Schools

Without creating new schools, states can restructure their traditional education offerings to accommodate recovered dropouts through increased flexibility. A growing number of states have devised ways for students to gain credit that do not require a certain amount of time spent in a classroom. **Ohio**'s Credit Flex program allows students to earn credit one of three ways: complete traditional coursework; demonstrate mastery of course content; or pursue one or more education options, such as internship, distance learning, independent study, or community service.[32] **Texas** has an optional flexible school day program that allows districts to provide flexibility to recovered dropouts in the number of hours per day and number of days per week a student attends as well as the number of credits a student carries.[33] This flexibility can be an incentive for students to return to school, because recovered dropouts often have to juggle work and school responsibilities.

Removing seat time barriers can also enable virtual schools to play a larger role in credit recovery. The ability to recover credits quickly is vital for dropouts returning to school. Unfortunately, for many schools and districts, especially in rural settings, credit recovery often means placing students in the same course they previously failed. To counteract this and realize productivity gains, states can rely on virtual schools to offer high-quality credit recovery options.

Forty-eight states have built the infrastructure to offer some form of virtual learning, yet many of the schools do not offer credit recovery options. Schools that do not offer credit recovery are potentially overlooking a large segment of

the virtual school demand. For example, **Florida** Virtual School, the nation's largest online K–12 provider, estimates that nearly 20 percent of the more than 200,000 course completions are from students seeking to recover credit.[34] The **Georgia** Department of Education has created virtual, modularized coursework that is aligned to the state's standards specifically for students seeking to recover credit.[35] Many states are turning to virtual providers of credit recovery coursework because the coursework is often less costly than traditional classroom instruction and can identify prior student knowledge, thereby reducing the amount of time a student needs to gain credit. For youth who are already behind, such as dropouts, providing ways to speed the process to get back on track to graduation is essential.

Consider Incentives to Focus on Dropout Recovery **[High Cost]**

If resources are available, states can consider using financial incentives to get schools to focus on dropout recovery. Reengaging out-of-school youth is a difficult task for school systems. Consequently, offering financial incentives, either by restructuring the state finance system or targeting additional resources, can often jump-start dropout recovery efforts.

Restructure the State Finance System

States can restructure their finance system to provide resources to districts based on the population of at-risk students and recovered dropouts. Currently, 34 states provide additional funding to districts based on the number of low-income students.[36] For example, **Kentucky** provides schools with additional resources based on the number of students who are eligible for the federal free and reduced-price lunch program, but this approach does not fully capture dropout risk as very few high school students apply for that program. In these models, income status is used a proxy for being at risk of dropping out; however, attendance, behavior, and course credit accrual are much better predictors of need than demographics alone.[37] Rather than focus on the number of low-income students, states can provide districts with additional funds based on the number of over-age, under-credited students. This group includes both in-school students who are displaying signs that they are likely to drop out and recovered dropouts who have returned to school. States could even build on the data from a segmentation analysis to tier the amount of resources provided to a district.

One example of a reformed finance system is a student-based budgeting system. Student-based budgeting (SBB), also known as weighted student funding, is a method for allocating resources from the state to districts or the district to schools based on the specific needs of the students served. In use in several large, urban districts, such as Baltimore, Cincinnati, and Oakland; in a seven-district pilot in **Louisiana**; and in the one statewide school district in **Hawaii**, SBB provides a financial incentive for schools to work with struggling students, including recovered dropouts. Under this approach, funding more closely aligns with student mobility. In most states, budgeting is based on the average number of adults in the school, which is tied to student enrollment (e.g., the salary for one counselor for every 250 students), regardless of specific student needs. In contrast, SBB has money follow the student, so calculations are based on the percentage of students who have specific needs (e.g., over-age and under-credited). SBB is particularly appealing to schools wanting to recover dropouts because it facilitates the portability of funds as students return to or move between schools. With this model, schools receive funding in line with the at-risk population they serve.

States not interested in student-based budgeting can also reform the way money is allocated under their current finance system. Under the Average Daily Attendance mechanism for funding, schools receive money based on the number of students in attendance each day. Consequently, schools are encouraged to recover all dropouts and keep them in school daily, rather than just bring students back to school for a single count date. Absent students are excluded from this count, further encouraging schools to focus on attendance, more than simply the number of students enrolled in the school. Currently, seven states use this mechanism to fund schools.[38] **Colorado** recently passed legislation to study the feasibility of moving to a similar funding model as an incentive for schools to retain students.[39]

Target Additional Resources

If resources are available, states can target those resources to dropout recovery by increasing the maximum allowable school attendance age or creating incentive grant programs that target out-of-school youth. Increasing the maximum allowable school attendance age enables districts to receive resources for helping older students earn high school diplomas. One of the most formidable roadblocks for older, disengaged youth trying to complete a high school degree is a state's upper statutory age for public education. Districts do not receive funding for educating youth beyond the state's maximum allowable age, so a disincentive to serve older students exists. Most states are obligated to pay for a student's education until the age of 21. States could increase this limit as one strategy to encourage schools to work with older youth. In 2007, **Texas** passed legislation allowing individuals up to age 26 to attend public school.[40] Eight states do not set upper statutory ages for students of public education.[41]

States can also create grant programs for districts to prioritize dropout recovery. In 2008, **Texas** created the Dropout Recovery Pilot Program, which provides eligible entities with grants to identify and recruit students who have dropped out. Districts, nonprofit organizations, or education service centers receive financial incentives of up to $2,000 per student above base state funding when a student meets certain achievement benchmarks, such as progressing to the next grade, gaining advanced technical credit, or earning a high school diploma. Larger monetary incentives are offered to encourage terminal outcomes, such as graduation. In 2009, **Illinois** created the Hope and Opportunity Pathways through Education program, which provides incentive grants to districts to partner with community colleges and community organizations to build plans to reenroll out-of-school-youth.[42]

Focus on Both Dropout Prevention and Recovery Needed

In recent years, states have done a remarkable job on turning their attention to the needs of students at risk of dropping out. States need to continue the focus on dropout prevention, but they also need to develop policies to reengage dropouts. The out-of-school youth population is not trivial, accounting for as much as 11 percent of youth ages 16 to 19 in some states.[43] These youth can be successful in school. More than half of all high school dropouts eventually earn a high school diploma or alternative credential.[44] The policy recommendations included in this brief provide a roadmap for states to increase that success rate and, ultimately, improve their economic standing.

Notes

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[2] Chris Chapman, Jennifer Laird, and Angelina Kewal Ramani, *Dropout and Completion Rates in the United States: 1972–2008* (Washington, DC: U.S. Department of Education, Institute of Education Sciences, National Center for Education Statistics, 2010), http://nces.ed.gov/pubs2011/2011012.pdf.

[3] Ibid.

[4] Ibid.

[5] Ibid.

[6] Robert Balfanz, John M. Bridgeland, Joanna Hornig Fox, and Laura Moore, *Building a Grad Nation: Progress and Challenge in Ending the High School Dropout Epidemic, 2010–2011 Annual Update* (Washington, DC: Civic Enterprises, Everyone Graduates Center at Johns Hopkins University, America's Promise Alliance, and Alliance for Excellent Education, 2011), http://www.americaspromise.org/Our-Work/Grad-Nation/~/media/Files/Our%20Work/Grad%20Nation/2011%20Summit/Reports/GradNation_Update_March2011.ashx.

[7] Daniel Princiotta and Ryan Reyna, *Achieving Graduation for All: A Governor's Guide to Dropout Prevention and Recovery* (Washington, DC: National Governors Association Center for Best Practices, 2009).

[8] For more information on state dropout prevention efforts, see Princiotta and Reyna.

[9] Balfanz, et. al..

[10] In the 2002-03 school year, the Average Freshman Graduation Rate (AFGR) in New York and Tennessee was 60.9 and 63.4 percent, respectively. In the 2008-09 school year the AFGR in New York and Tennessee was 73.5 and 77.4 percent, respectively. Marilyn Seastrom, et al., *The Averaged Freshman Graduation Rate for Public High Schools from the Common Core of Data: School Years 2002–03 and 2003-04* (Washington, D.C.: U.S. Department of Education, Institute of Education Sciences, National Center for Education Statistics, 2007), http://nces.ed.gov/pubs2006/2006606rev.pdf, and, Robert Stillwell, Jennifer Sable, and Chris Plotts, *Public School Graduates and Dropouts From the Common Core of Data: School Year 2008–09* (Washington, D.C.: U.S. Department of Education, Institute of Education Sciences, National Center for Education Statistics, 2011), http://nces.ed.gov/pubs2011/2011312.pdf.

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[12] Anthony P. Carnevale, Nicole Smith, and Jeff Strohl, *Help Wanted: Projections of Jobs and Education Requirements Through 2018* (Washington, DC: Georgetown University, Center on Education and the Workforce, 2010), http://www9.georgetown.edu/grad/gppi/hpi/cew/pdfs/FullReport.pdf.

[13] Henry Levin, Clive Belfield, Peter Muennig, and Cecilia Rouse, *The Costs and Benefits of an Excellent Education for All of America's Children* (New York, NY: Columbia University, Teachers College, January 2007), http://www.cbcse.org/media/download_gallery/Leeds_Report_Final_Jan2007.pdf.

[14] Alliance for Excellent Education, *Dropouts, Diplomas, and Dollars: U.S. High Schools and the Nation's Economy* (Washington, DC: Alliance for Excellent Education, 2008), http://www.all4ed.org/files/Econ2008.pdf.

[15] Bridget Curran and Ryan Reyna, *Implementing Graduation Counts: State Progress to Date, 2010* (Washington, DC: National Governors Association Center for Best Practices, 2010), http://www.nga.org/Files/pdf/1012GRADCOUNTSPROGRESS.PDF.

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[17] John M. Bridgeland, John J. Dilulio Jr., and Karen Burke Morison, *The Silent Epidemic: Perspectives of High School Dropouts* (Washington, DC: Civic Enterprises, 2006), http://www.civicenterprises.net/pdfs/thesilentepidemic3-06.pdf.

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[21] Often as a result of lower average teacher salaries in hard-to-serve schools.
[22] Karen Hawley Miles and Marguerite Roza, "Understanding Student-Weighted Allocation as a Means to Greater School Resource Equity," *Peabody Journal of Education* 81, no. 3 (2006): 39–62.
[23] New Hampshire Office of the Governor, "Governor Lynch Announces 44 Percent Drop in Dropout Rate," News Release, March 8, 2011, http://www.governor.nh.gov/media/news/2011/030811-dropout-rate.htm.
[24] For more information on a recommended goal-setting process, see Ryan Reyna, "Setting Statewide College- and Career-Ready Goals," (Washington, DC: National Governors Association Center for Best Practices, 2010), http://www.nga.org/Files/pdf/1008COLLEGECAREERREADYGOALS.PDF.
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[33] Texas Administrative Code, §29.0822.
[34] Andrew Trotter, "Online Options for 'Credit Recovery' Widen," *Education Week* (May 21, 2008).
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[39] Colorado Revised Statutes, §22-54-135.
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