



Why We Need School Choice

By Jamie Story, Education Policy Analyst

Reality has set in. Texas schools are trailing much of the United States, and United States schools are trailing the rest of the world. Over the years, the “solution” offered for ailing schools has been an infusion of new resources. Unfortunately, these “reforms” have done nothing to increase outcomes, and generations of students have suffered in the meantime. We *must* find a true solution now.

School choice is the most effective and efficient means to improve student achievement. It provides immediate help to students trapped in failing schools, while encouraging competition that leads to increased outcomes for *all* students, from public and private schools alike. School choice is the most promising solution for our schools *and* our children.

Schools Must Improve

Texas students are being underserved by public schools.

- Almost 40 percent of Texas students fail to graduate high school.¹
- 88 percent of Texas public schools are rated “Acceptable” or higher, but this designation only requires that 35 percent of students demonstrate proficiency in science, 40 percent in math, and 60 percent each in reading, writing, and social studies.²
- Texas students exhibit the 3rd-lowest SAT scores and the 8th-lowest ACT scores among the 50 states, despite having below average participation rates on the two tests.³
- Over the past ten years, SAT scores in Texas have increased by only one point, while the average for the rest of the country has increased by 18 points.⁴
- Half of all students in Texas two-year colleges, and 40 percent of all college students statewide, require remedial coursework.⁵

Those favoring the status quo often boast that 4th and 8th-grade Texas students have recently outperformed

the national average on several subjects of the National Assessment of Educational Progress. Unfortunately, besting the national average is hardly impressive, as the U.S. ranks near the bottom of industrialized countries in student achievement.⁷

Traditional Approaches Have Fallen Short

For decades, vast resources have been increasingly devoted to public education in Texas, in the hopes that more money will positively impact student achievement.

- Between 1960 and 2001, real per-student spending tripled.
- From 1995 to 2005, teacher salaries increased by almost 25 percent in real terms.
- The student-to-teacher ratio has decreased from 24:1 in 1969 to 15:1 today.⁸

Teacher salaries have increased, class sizes have decreased, and overall spending on public education has ballooned—but academic achievement has remained essentially stagnant. Money has never been, and will never be, the solution for our ailing public schools.

Existing School Choice in Texas Is Promising, but Insufficient

While the infusion of more resources has failed to make a difference academically, there are *real reforms*, costing nothing, that have been proven to increase student achievement. The most promising—and most immediate—is school choice.

Currently, Texas has two broad forms of school choice: public school choice and charter schools. Public school choice (through Public Education Grants and the No Child Left Behind Act) gives students in low performing schools the opportunity to transfer to another public school. But this privilege is underutilized, largely because schools are not required to accept transfers. As a

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result, fewer than 1 percent of eligible students actually access public school choice through these means.

Charter schools provide another form of school choice that has shown great promise, but has failed to reach all of the students who need it, largely because of a legislative cap limiting the number of charter schools. This cap, along with a series of regulations more burdensome than those faced by traditional public schools, has prevented charter schools from reaching their potential.

While public school choice and charter schools have contributed to increased achievement for a relative handful of students, they are insufficient to meet the needs of all Texas children. Vouchers are the missing piece of the school choice puzzle.

Vouchers Improve Student Outcomes

Research from Texas and the nation attests to the benefits of vouchers on both public and private school students.

Recipients of vouchers exhibit gains:

- In Milwaukee, voucher students exhibited an 8 percentile point gain in math after four years.⁹
- In Dayton, African-American students gained 6.5 percentile points after two years.¹⁰
- In Washington, D.C., African-American students gained 9.2 percentile points after two years.¹¹
- In Charlotte, students gained about 6 percentile points in both math and reading after one year.¹²

Students in public schools facing voucher competition exhibit gains as well:

- In Florida, public schools whose students are eligible for vouchers made gains 5 percentile points greater than schools not facing competition.¹³
- In Milwaukee, schools faced by voucher competition exhibited gains that were 3.4 percentile points greater than those made by schools not facing competition.¹⁴

- In Edgewood ISD in San Antonio, graduation rates have increased in six of seven years since the privately-funded HORIZON scholarship program began, rising from 60 percent to 75 percent since 1999.¹⁵

Furthermore, research shows that voucher students in Cleveland and Milwaukee attend schools that are more racially integrated than local public schools.¹⁶ Not only do vouchers increase student achievement, but they increase racial integration as well.

What's the bottom line? In researching the Milwaukee program, Dr. Cecilia Rouse of Princeton University reached a startling conclusion: math gains found in the Milwaukee Parental Choice Program would cut the black/white achievement gap almost in half in four years.¹⁷

What would school choice in Texas look like?

Texas already finances schools on a per-student basis, with adjustments made for district and student characteristics. When a student leaves a school for any reason, be it moving or dropping out, the money attached to that student leaves as well. But under school choice, only a portion of the student's allotment leaves the public school, meaning per-student spending in that school actually increases.

Also, consider that the typical school choice program involves fewer than five percent of students, while more than half of Texas urban public school students fail to graduate.¹⁸ Clearly, the Texas dropout crisis is a far greater financial drain on schools than school choice would be.

Expanded school choice will improve academic outcomes for all Texas students, will increase racial integration, and will help to reduce the inequities faced by students of various socioeconomic backgrounds. School choice through vouchers will give Texas students more opportunities for success. ★

¹Intercultural Development Research Association, "Texas School Holding Power Improves—But Progress is Slow in Texas Public Schools Attrition Study, 2003-04," IDRA Newsletter (Oct. 2004).

²Texas Education Agency, "2006 Accountability Manual," Table 6: 42.

³Jamie Story, "Rhetoric is Clouding the Facts," Texas Public Policy Foundation (Mar. 2006).

⁴Ibid.

⁵PSR paper has citation

⁶Texas Education Agency, "Texas students outperform national average on three of four NAEP tests" (19 Oct. 2005) <http://www.tea.state.tx.us/press/2005naeppr.pdf>.

⁷Jamie Story, "Texas, We Have a Problem," Texas Public Policy Foundation (Mar. 2006) 2.

⁸Author's calculations based on TEA AEIS data.

⁹Cecilia Rouse, "Private School Vouchers and Student Achievement," *Quarterly Journal of Economics* (May 1998).

¹⁰William G. Howell and Paul E. Peterson, *The Education Gap*, Brookings (2002) 161.

¹¹Ibid.

¹²Jay P. Greene, "Vouchers in Charlotte," *Education Next* (Summer 2001).

¹³Jay P. Greene and Marcus A. Winters, "Competition Passes the Test," *Education Next* (Summer 2004).

¹⁴Caroline Hoxby, "The Rising Tide," *Education Next* (Winter 2001).

¹⁵TEA AEIS data.

¹⁶Jay P. Greene, "Choice and Community: The Racial, Economic, and Religious Context of Parental Choice in Cleveland," Buckeye Institute (Nov. 1999)

Fuller and George Mitchell, "The Impact of School Choice on Racial and Ethnic Enrollment in Milwaukee Private Schools," *Current Education Issue*, no. 99-5 (Dec. 1999).

¹⁷Cecilia Rouse, op. cit.

¹⁸"Diplomas Count: An Essential Guide to Graduation Policy and Rates," *Education Week*, Vol. 25, Issue 41S (June 2006)

<http://www.edweek.org/ew/toc/2006/06/22/index.html>.

Defining and Solving the Texas Dropout Crisis

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Alarmingly high dropout rates in Texas public schools are attracting the attention of taxpayers, legislators, and the media. While the Texas Education Agency has long reported “dropout rates” of well below five percent, outside researchers have scrutinized these low figures. Most conclude that the true dropout rate in Texas is closer to 33 percent—meaning that one out of three Texas high school students fails to graduate within four years.

The existing data on high school dropouts is helpful, but the wide range of reported rates can be confusing and difficult to reconcile. It is essential to demystify the calculation of dropouts and quantify their impact in order to address the dropout crisis.

DROPOUTS: HOW LARGE IS THE PROBLEM?

Reported dropout rates range from less than five percent, to greater than fifty percent, depending on the source. The following chart uses these commonly reported figures.

- **Texas Education Agency (TEA) Graduation and Dropout Rates:** Since 1998, the TEA has reported a four-year longitudinal graduation rate, which tracks if high school students graduated, received a GED, continued high school, or dropped out. Students who cannot be tracked are left out of the numbers completely. Presumably, students who drop out would be difficult to track, so the TEA is most likely continuing to understate the true rate of dropouts.
- **Attrition Rates:** Attrition rates compare the number of ninth-graders to the number of graduates four years later, thus expressing the percentage of students who fail to graduate within four years. This rate is reported by the Intercultural Develop-

ment Research Association (IDRA).¹ Dr. Jay Greene of the Manhattan Institute uses a similar calculation but starts with the eighth grade and adjusts for population changes.²

- **Cumulative Promotion Index (CPI):** Whereas typical graduation rates are measured for a particular class, the CPI measures promotion from all four grade levels in a given school year. Researcher Christopher Swanson developed the CPI method, which he used in “Diplomas Count,” by the Editorial Projects in Education Research Center.³

Graduating class	TEA	CPI*	Four-year completion**
2000	80.7%	63.8%	61.9%
2001	81.1%	65.2%	61.9%
2002	82.8%	68.0%	64.2%
2003	84.2%	68.1%	66.3%
2004	84.6%	68.4%	67.7%
2005	84.0%	69.1%	65.8%

*Calculated by author using Swanson’s method

**Opposite of attrition rate, as calculated by author

IMPACT OF DROPOUTS ON SCHOOL DISTRICT BUDGETS

In the 2004-05 school year, Texas public schools lost more than 117,000 students for reasons other than graduation. That’s 93 students for every hour of every school day.⁴ While some of these students may have transferred to a private or home school, they were likely balanced by Texas’ net population influx.

Texas funds schools on a per-student basis. So when a school loses a student for any reason—be it moving, transferring to a private school, or dropping out—the school also loses the

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amount of revenue allocated to that student. When students drop out, both enrollment numbers and school budgets decrease, as displayed below.

City	Students lost last year	Students lost per day	Revenue per student	Total lost revenue
Houston	7753	43.1	7,166	\$55,557,998
Dallas	7131	39.6	7,744	\$55,222,464
San Antonio	7429	41.3	7,636	\$56,725,483
Austin	2676	14.9	7,870	\$21,060,120
Fort Worth	2888	16.0	7,290	\$21,053,520
Statewide	117,050	650.3	7,290	\$846,154,450

IMPACT OF DROPOUTS ON SOCIETY

Students without a high school diploma in Texas earn an average annual salary of \$12,699. That's \$9,000 less than high school graduates, and \$35,000 less than four-year college graduates.⁵ As a result, high school dropouts provide reduced tax revenue compared to more educated citizens. A recent study by the Friedman Foundation, National Center for Policy Analysis, and Hispanic CREO found that dropouts decrease tax revenue in Texas by \$2 billion each year.⁶

At the same time, dropouts exhibit higher rates of incarceration and dependence on public welfare:

- Texas high school dropouts are more than twice as likely to be incarcerated as high school graduates.⁷
- Black males in their late 20s who have dropped out of high school are more likely to be incarcerated than employed.⁸
- About 35 percent of high school dropouts depend on Medicaid, versus 20 percent of high school graduates.⁹
- Over a lifetime, each class of dropouts costs Texans \$19 billion in decreased tax revenues and increased public expenditures.¹⁰

SOLUTION TO THE DROPOUT CRISIS

The dropout crisis has been brought to light by researchers in the past few years. But decades before this issue was widely

recognized, Texas legislators and public school officials began "reforming" public education by tripling per-student spending, increasing teacher salaries, and decreasing class sizes. Those reforms have led to little, if any, improvement in test scores. And they certainly have not helped repair the alarmingly low graduation rates of today. Fortunately, one reform has been proven to increase graduation rates: school choice.

Dr. Jay Greene has found that school choice students exhibit higher graduation rates than their peers who remain in public schools, even when the public school students come from more advantaged backgrounds.¹¹ More importantly, he has found that when parents have more choices, public school graduation rates increase as well.¹²

Data from Milwaukee support these findings. Since the Milwaukee Parental Choice Program began in 1991, the dropout rate in Milwaukee public schools has decreased by almost 50 percent.¹³ This pattern is also evident in Texas. The graduation rate reported by San Antonio's Edgewood ISD increased from 59 percent to 75 percent since 1999—the year a privately-funded school choice program was started there.¹⁴

CONCLUSION

True graduation rates in Texas are around 67 percent. High school dropouts face increased financial and social challenges that cost taxpayers money. School choice programs increase graduation rates, thus decreasing dropouts. In fact, experts estimate a modest school choice program that increases private school enrollment by less than 5 percent could save the state \$55 million each year in increased tax revenue and decreased Medicaid and incarceration costs.¹⁵ Programs that introduce even more competition could further increase the magnitude of these impacts—thus helping students, while increasing the value of taxpayer dollars spent on education. ★

¹ Roy L. Johnson, "Texas Public School Attrition Study, 2005-06: Gap Continues to Grow," Intercultural Development Research Association, <http://www.idra.org/Research/Attrition/>

² Jay P. Greene, "High School Graduation Rates in the United States," Manhattan Institute (Apr. 2002) http://www.manhattan-institute.org/html/cr_baeo.htm

³ Available at <http://www.edweek.org/ew/top/2006/06/22/index.html>

⁴ Author's calculations based on TEA AELS data.

⁵ Brian Gottlob, "The High Cost of Failing to Reform Public Education in Texas" (Feb. 2007) <http://www.friedmanfoundation.org/txfiscal.pdf>

⁶ Ibid.

⁷ Ibid.

⁸ Stephen Raphael and Melissa Sills, "Urban Crime, Race, and the Criminal Justice System in the United States," in *A Companion to Urban Economics* (2006) Richard Arnott and Dan McMillen (eds.), 528, <http://socrates.berkeley.edu/~raphael/ACTC30.pdf>

⁹ Gottlob

¹⁰ Gottlob

¹¹ Jay P. Greene, "Graduation Rates for Choice and Public School Students in Milwaukee," *School Choice Wisconsin* (2004) http://schoolchoiceinfo.org/data/hot_topics/grad_rate.pdf

¹² Jay P. Greene and Marcus A. Winters, "The Effect of Residential School Choice on Public High School Graduation Rates," *Education Working Paper 9* (Apr. 2005) http://www.manhattan-institute.org/html/ewp_09.htm

¹³ "Milwaukee's Public Schools in an Era of Choice," *School Choice Wisconsin* (Feb. 2004) http://www.schoolchoiceinfo.org/data/research/MPS_07_Final.pdf

¹⁴ Author's calculations based on TEA AELS data.

¹⁵ Gottlob