

**CHOICE IN EDUCATION:  
OPPORTUNITIES FOR TEXAS**

**Education  
Task Force Report**

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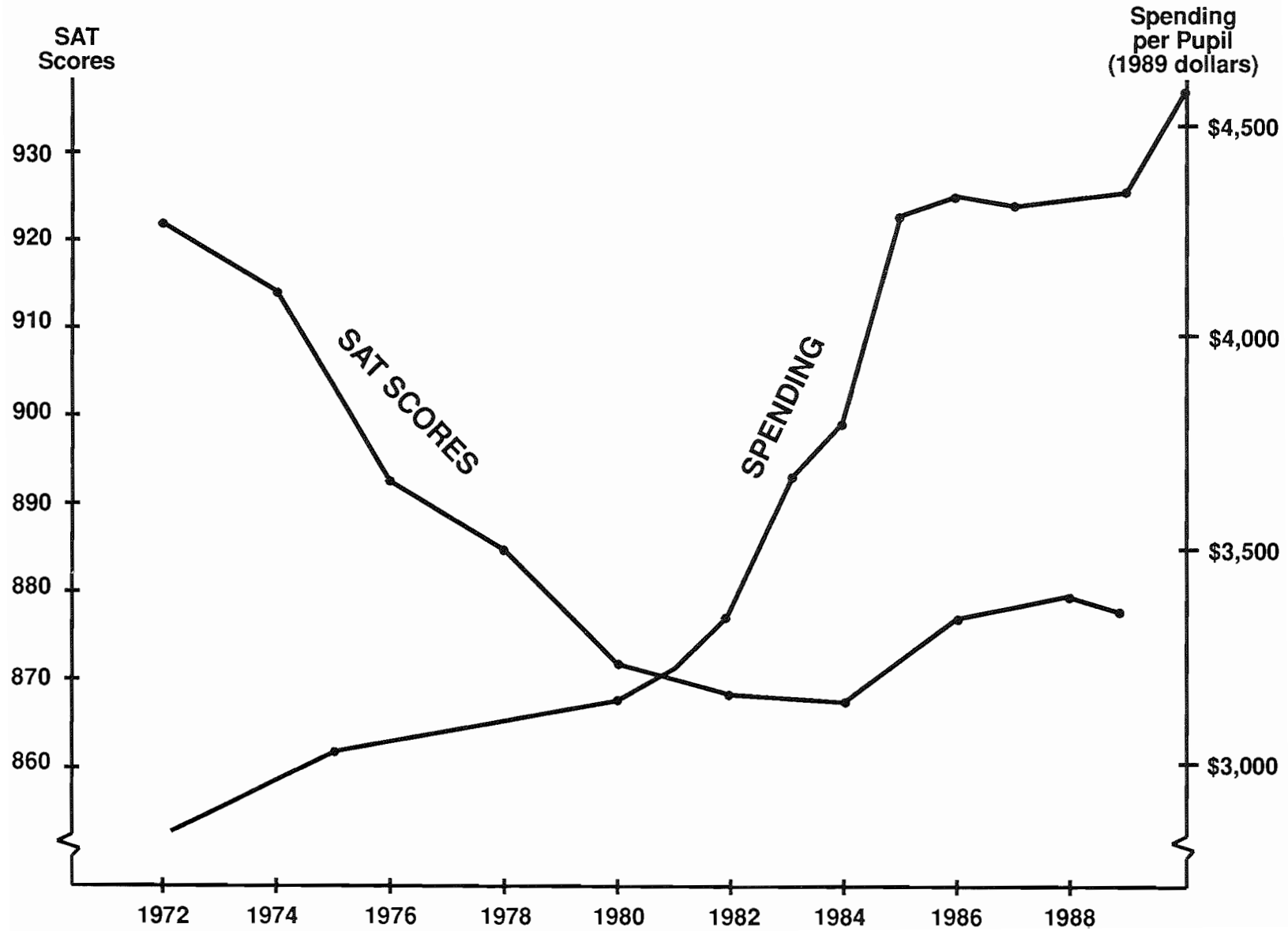
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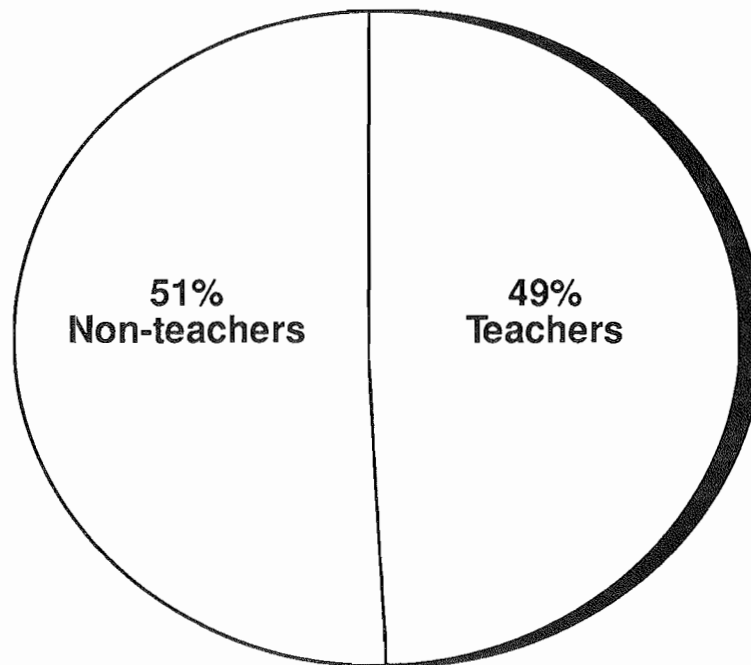
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# TEXAS PUBLIC SCHOOLS SPENDING AND ACHIEVEMENT



## TEXAS PUBLIC SCHOOL EMPLOYEES



## EXECUTIVE SUMMARY

Because of a recent decision by the Texas Supreme Court, our system of financing public education must be radically revised. This court decision represents an opportunity for Texas to adopt an educational system which meets the needs of parents and children, rather than the needs of a political-bureaucratic system which is producing disappointing results.

Although the Texas Constitution requires the state to establish "an efficient system of public free schools," education is neither free nor efficient for most Texas families.

- In order to send their children to "good" rather than "bad" schools, hundreds of thousands of Texas families incur great financial burdens and endure considerable personal sacrifice.
- To acquire a good education for their children, often parents must buy an expensive home in a particular neighborhood, drive 50 miles or more to work each day in rush hour traffic or pay tuition at a private school.
- The children of poor, minority families who cannot afford to choose a different school district are all too often trapped in schools that function more as day care facilities than as institutions of learning.

Until now, educational reform in Texas has consisted of pouring billions of dollars of new spending into failing school systems and enacting scores of rules and regulations governing everything from teacher salaries to pupil-teacher ratios. There is no evidence that this approach has worked any better in Texas than it has in any other state.

- Academic studies from around the country consistently find that there is no relationship between the amount of money spent and the educational results attained.
- Nor is there any relationship between student achievement and other variables under the control of the state legislature: teacher salaries, teacher credentials and pupil-teacher ratios, for example.

The Texas public school system is a top-heavy bureaucracy which administers vast sums of money. All too often decisions are made to satisfy the needs of adults who work within the system rather than the needs of children.

- Currently, the Texas public schools spend about \$4,600 per student — more than the tuition charged by most private schools.
- Non-teachers now outnumber teachers among public school employees, and in a majority of Texas counties the public schools are the largest single employer.
- At least 154 special interest groups actively lobby in Austin in a continuing political struggle over a \$14 billion state and local education budget.
- The results have been disappointing: Texas ranks sixth from last among the states on SAT scores and ninth from last in the percent of students who stay in school.

In recognition of the fact that traditional approaches are not working, cities and states around the country are turning to genuine reform. Parents are acquiring the right to send their children to schools they choose, rather than to schools which have local monopolies and are insulated from competition. School systems are being decentralized and schools are being given autonomy from politicians and bureaucrats — giving school personnel the freedom to adjust and compete in an educational marketplace.

- In Minnesota, Iowa, Nebraska, Ohio and Arkansas, parents now have the right to send their children to virtually any public school in the state.
- In more than a third of the towns in Vermont, state education dollars follow children to the schools their parents choose, including any public or private school inside or outside the state of Vermont.
- Educational choice in East Harlem has converted the public schools from among the worst in New York City into schools that now send 96 percent of their graduates to college.
- Under educational choice in Cambridge, Massachusetts, student SAT scores have risen 89 points in the last seven years.

Until now, Texas has not been part of the nationwide movement. This must change. Rather than continue with an approach to education that has failed, we recommend a new approach — one in which parents and children become the principal "buyers" of education, and in which the suppliers of education compete for customers and are given the freedom to do so. The key elements of genuine reform include the following:

- Control over money and resources must be transferred from the educational establishment to parents and children, forcing schools to respond to the needs of their customers rather than to the needs of bureaucratic institutions.
- Government must gradually withdraw from its role as *producer* of education and instead adopt the role of aiding *consumers* — helping parents and children make wise choices in the educational marketplace.
- Principals and teachers must be given autonomy and flexibility so they can compete for students and reap the rewards of successful competition.

Texas should adopt a freedom of choice plan for the entire state. As part of that effort, the right of parents to exercise choice should be immediately created in the case of those students, those schools and those school districts that constitute the public school system's worst failures. Accordingly, the state should immediately grant the right of freedom of choice to:

- Parents of children who failed the most recent TEAMS tests, measuring minimum basic skills;
- Parents of children attending schools in which the majority of students failed the most recent TEAMS tests; and
- Parents of children in school districts in which a majority of students failed the most recent TEAMS tests.

## THE STATE OF EDUCATION: THE NATION<sup>1</sup>

By almost any measure, the achievement of American students today is well below the achievements of the earlier generations of Americans and of students in other countries. In the federally-funded National Assessment of Educational Progress (NAEP) exams administered to 17-year-olds:<sup>2</sup>

- 47 percent of high school students could not "express 9/100 as a percent."
- 95 percent could not calculate the cost per kilowatt for an electrical bill that charged \$9.09 for 606 kilowatts of electricity.
- 43 percent could not place World War I in the period of 1900-1950.
- 75 percent could not place Abraham Lincoln's presidency in the era 1840-1880.

International comparisons of student achievement reinforce our reasons for concern. As Table I shows, the United States spends more on education than any other developed country, except Switzerland. Yet the achievement of U.S. students ranks well behind the achievement of students in other countries.

- Eighth grade students in the United States placed next to last on a 1981 mathematics test administered in 12 advanced industrial democracies.<sup>3</sup>
- In a 1982 comparison of the best mathematics students in 11 nations, U.S. students came in last in algebra and calculus, scoring at the median level of all Japanese 17-year-olds.<sup>4</sup>
- A 1988 study found that American 13-year-olds placed last in science and mathematics among six countries: the United States, United Kingdom, Ireland, Spain, Canada and South Korea.<sup>5</sup>
- Nine times as many South Korean students (45 percent) as American students (5 percent) achieved a high performance level in mathematics.<sup>6</sup>

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<sup>1</sup>The task force wishes to express special thanks to Richard Ford of the Free Market Foundation for his advice, counsel and help on this project.

<sup>2</sup>U.S. Congressional Budget Office, *Trends in Educational Achievement*, April 1986, p. 43. Cited in John E. Chubb and Terry M. Moe, *Educational Choice* (San Antonio, Texas: The Texas Public Policy Foundation, March 1990), p. 3.

<sup>3</sup>Office of Educational Research and Improvement, *Youth Indicators 1988: Trends in the Well-Being of American Youth* (Washington, DC: U.S. Department of Education, August 1988), pp. 64-65.

<sup>4</sup>William J. Bennett, *American Education: Making It Work* (Washington, DC: U.S. Department of Education, April 1988), p. 12.

<sup>5</sup>The study was conducted by the Educational Testing Service for the National Science Foundation and the U.S. Department of Education. See Chubb and Moe, *Educational Choice*, p. 3.

<sup>6</sup>U.S. Department of Education, *The Condition of Education, 1989: Elementary and Secondary Education*, Vol. 1, p. 79.

**TABLE I**  
**INSTRUCTIONAL EXPENDITURES PER STUDENT<sup>1</sup>**  
**(1985)**

<u>Country</u>	<u>Amount<sup>2</sup></u>
Switzerland	\$3,683
United States	3,310
Sweden	3,214
Canada	3,192
Denmark <sup>3</sup>	3,089
Norway	2,900
Luxembourg <sup>4</sup>	2,596
Austria	2,497
West Germany	2,253
Belgium	2,234
France <sup>5</sup>	1,996
Australia	1,995
Britain <sup>5</sup>	1,897
Netherlands <sup>5</sup>	1,860
Japan	1,805

<sup>1</sup>Preschool through grade 12.

<sup>2</sup>Based on OECD's 1985 Purchasing Power Parity Index.

<sup>3</sup>Figure is for 1986.

<sup>4</sup>Figure is for 1983.

<sup>5</sup>Figure is for 1984.

Source: *U.S. Department of Education*. Cited in John Hood, "Education: Money Isn't Everything," *Wall Street Journal*, February 9, 1990.



Throughout the 1980s, this country has been involved in a process of school reform undertaken in response to a well-documented decline in student achievement.

- Between 1963 and 1981, scores on the Scholastic Aptitude Test (SAT), best-known indicator of student achievement, fell 90 points (from 980 to 890).<sup>7</sup>
- Scores on the Iowa achievement tests, administered to students in grades 6, 8, 10 and 12, dropped about as much as the SAT scores during the late 1960s and 1970s.<sup>8</sup>
- Upon arrival in the first grade they were better prepared than earlier generations, but by the time they were graduated from high school in 1980, students scored 1.25 grade levels lower than high school graduates in 1967.<sup>9</sup>

By the mid-1980s, an increase in test scores seemed to indicate we were improving. But by the end of the 1980s, backsliding occurred. Today, no discernible progress is being made at the national level, and measures of student achievement are well below those of more than 25 years ago.

- After registering a 16-point gain in the early 1980s, the average SAT score stayed at 906 for three years, then dropped to 904 in 1988 and to 903 in 1989 — 77 points lower than the average score in 1963.<sup>10</sup>
- The American College Testing program (ACT) composite score fell from 18.8 in 1988 to 18.6 in 1989 — the same score that was registered in 1975.<sup>11</sup>
- The proportion of 17-year-olds able to read at the more advanced level required in most professional and technical working environments has fallen steadily in five surveys, from 6.6 percent in 1971 to 4.8 percent in 1988.<sup>12</sup>
- School dropout rates are 25 percent for the nation as a whole — a stable proportion since the mid-1960s — and as high as 50 percent in some cities.<sup>13</sup>

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<sup>7</sup>*Ibid.*, p. 93; and the College Board, "College-Bound Seniors, SAT Score Averages, 1969-1989," September 12, 1989.

<sup>8</sup>Chubb and Moe, *Educational Choice*, p. 2.

<sup>9</sup>John Bishop, "Is the Test Score Decline Responsible for the Productivity Growth Decline?", *American Economic Review*, March 1989.

<sup>10</sup>*Ibid.*, p. 93; and the College Board, "College-Bound Seniors, SAT Score Averages, 1969-1989," September 12, 1989.

<sup>11</sup>*Ibid.*; and U.S. Bureau of the Census, *Statistical Abstract of the United States, 1990*, p. 144.

<sup>12</sup>*Wall Street Journal*, January 10, 1990.

<sup>13</sup> Bennett, *American Education*, p. 12.

The decline in educational achievement in the United States has had a major impact on worker productivity and, therefore, on the U.S. economy. People with an inferior education are less productive throughout their working lives. According to one study:<sup>14</sup>

- Because of the decline in educational achievement since 1967, the quality of our labor force is 2.9 percent lower than it would have been.
- As a result, our gross national product (GNP) is \$87 billion lower today.

Workers who are poorly educated will continue to show the effects of their substandard education throughout their working lives. As a result:<sup>15</sup>

- The quality of the labor force will be 5.5 percent lower in the year 2000 and 6.7 percent lower in the year 2010.
- The present value of the loss of output due to this deterioration in the quality of our workers between now and the year 2010 is \$3.2 trillion.
- If pre-1965 educational trends had continued, and the decline not occurred, the nation would be 39 percent richer today in terms of the present value of future production.

## THE STATE OF EDUCATION: TEXAS

As in the rest of the nation, measures of student achievement in Texas reflected some progress in the early 1980s, followed by a decline in the latter part of the decade. Overall, Texas students today lag well behind students in most other states.

- In 1977, Texas' college-bound seniors ranked 41st among the states with an average SAT score that was 232 points behind the highest-ranked state (South Dakota).<sup>16</sup>
- By 1989, Texas fell to 46th among the states with an average SAT score that was 207 points below the highest-ranked state (Iowa).<sup>17</sup>
- The average SAT score in Texas in 1989 (877) was lower than it was in 1985 (878).<sup>18</sup>

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<sup>14</sup>Bishop, "Is the Test Score Decline Responsible for the Productivity Growth Decline?"

<sup>15</sup>*Ibid.*

<sup>16</sup>Derived from *Education Daily*, October 1, 1987, p. 5.

<sup>17</sup>Derived from the College Board, "Average SAT Scores by State, 1979, 1984-1989," September 12, 1989.

<sup>18</sup>The College Board, "State SAT Scores, 1976 through 1985."

- On the ACT test, the composite score of Texas students was 17.5 in 1989, down from 17.6 in 1988 and well below the national norm of 18.6.<sup>19</sup>
- Texas has a high school dropout rate of 35 percent, the ninth worst dropout rate in the nation; the dropout rate is 26 percent for whites, 39 percent for blacks and 41 percent for Hispanics.<sup>20</sup>
- Texas ranks 47th among the states in the literacy of adults over age 20.<sup>21</sup>

The poor performance of Texas students on achievement exams cannot be explained away by simple excuses. Although Texas has an above-average percentage of high school graduates taking the SAT exam, this fact cannot fully explain the deficit in Texas SAT scores. Nor can these disappointing statistics be attributed to the large number of minority students taking the test. Between 1976 and 1985, white students remained two-thirds of test takers in Texas, yet the state's average score declined relative to the national average. White student scores fell from 12 points below the scores of white students in other states in 1979 to 21 points below in 1989. During the same period, Texas black students gained 56 points, almost reaching the average score of black students in all states by 1989. Texas Hispanic students gained 37 points and are now within 14 points of the national average for Hispanic students.

In addition to national exams, Texas has its own achievement tests; the Texas Educational Assessment of Minimum Skills (TEAMS), given to students in grades 1, 3, 5, 7, 9 and 11. These tests measure *minimum* skills which the state has determined all students should master. Texas students must pass the eleventh grade TEAMS test in order to receive a high school diploma. The ninth grade test is probably the best indicator of school performance.<sup>22</sup> This is the highest grade at which three separate tests are administered (reading writing and mathematics), and beyond the ninth grade the dropout rate soars. The ninth grade results indicate serious problems:<sup>23</sup>

- In 1989, almost four of every ten ninth grade students failed the TEAMS tests, measuring minimum basic skills.
- In large Texas city school districts, the results were even worse. The failure rate was 41 percent in Dallas, 44 percent in Austin, 48 percent in San Antonio, 50 percent in Fort Worth, 56 percent in Houston and 57 percent in El Paso.<sup>24</sup>

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<sup>19</sup>*Texas Education Today*, Vol. 3, No. 1, September 1989, p. 1.

<sup>20</sup>Texas Center for Educational Research, *TCER Connection*, Austin, Texas, Vol. 1, No. 1, Fall 1989, p. 3.

<sup>21</sup>Chris Borman, Interim Dean of Texas A&M's College of Education, in *Fortnightly*, Texas A&M University, December 11, 1989, p. 2.

<sup>22</sup>TEAMS test scores are higher at the eleventh grade level, but it is not clear how much of the improvement is due to drop-out by marginal students and how much to student achievement.

<sup>23</sup>Texas Education Agency, *Texas Educational Assessment of Minimum Skills*, Vol. 1 (Austin: TEA, September 1989.)

<sup>24</sup>The exception is Ysleta (El Paso County), which had a 32 percent failure rate.

**TABLE II**  
**AVERAGE SAT SCORES BY STATE**  
**(1989)**

<u>State</u>	<u>Score</u>	<u>Rank</u>
Iowa	1,084	1
North Dakota	1,067	2
South Dakota	1,041	3
Kansas	1,040	4
Utah	1,036	5
Nebraska	1,030	6
New Mexico	1,015	7
Wisconsin	1,013	8
Tennessee	1,009	9
Minnesota	1,006	10
Alabama	1,002	11
Oklahoma	1,001	12
Montana	992	13
Missouri	989	14
Mississippi	988	15
Kentucky	987	16
Arkansas	986	17
Louisiana	986	18
Illinois	982	19
Wyoming	978	20
Michigan	972	21
Colorado	966	22
Idaho	965	23
Arizona	952	24
Ohio	948	25
Washington	939	26
West Virginia	939	27
New Hampshire	932	28
Oregon	927	29
Nevada	926	30

<b><u>State</u></b>	<b><u>Score</u></b>	<b><u>Rank</u></b>
Alaska	923	31
Maryland	914	32
Connecticut	908	33
California	906	34
Massachusetts	905	35
Vermont	905	36
Delaware	903	37
Virginia	902	38
Maine	897	39
Rhode Island	895	40
New Jersey	894	41
New York	890	42
Hawaii	888	43
Florida	887	44
Pennsylvania	886	45
<b>Texas</b>	<b>877</b>	<b>46</b>
Indiana	871	47
Georgia	847	48
District of Columbia	846	49
South Carolina	838	50
North Carolina	836	51

NOTE: These scores are not exactly comparable because the percentage of students taking the exam varies considerably by state.

Source: The College Board, "Average SAT Scores by State, 1979, 1984-1989," September 12, 1989.

**TABLE III**  
**KEEPING STUDENTS IN SCHOOL**  
**(1986-87)**

<u>State</u>	<u>Graduation Rate</u>	<u>Rank</u>
Minnesota	90.6%	1
Wyoming	89.3	2
North Dakota	88.4	3
Nebraska	86.7	4
Iowa	86.4	5
Montana	86.2	6
Wisconsin	85.4	7
Ohio	82.8	8
Kansas	82.1	9
Utah	80.6	10
Connecticut	80.5	11
South Dakota	79.7	12
Maine	79.3	13
Idaho	78.8	14
Pennsylvania	78.7	15
Vermont	78.0	16
Washington	77.8	17
Arkansas	77.5	18
New Jersey	77.2	19
Massachusetts	76.5	20
West Virginia	76.2	21
Illinois	75.7	22
Maryland	74.5	23
Missouri	74.4	24
Virginia	74.0	25
Colorado	73.7	26
Indiana	73.7	27
Oregon	72.8	28
New Hampshire	72.7	29

<u>State</u>	<u>Graduation Rate</u>	<u>Rank</u>
Oklahoma	72.6	30
Nevada	72.1	31
New Mexico	71.7	32
Hawaii	70.8	33
Alabama	70.2	34
Delaware	70.1	35
Rhode Island	69.4	36
North Carolina	67.8	37
Tennessee	67.8	38
Kentucky	67.4	39
South Carolina	66.9	40
Alaska	66.7	41
California	66.1	42
<b>Texas</b>	<b>65.1</b>	<b>43</b>
Mississippi	64.8	44
Arizona	64.4	45
New York	62.9	46
Georgia	62.5	47
Michigan	62.4	48
Louisiana	60.1	49
Florida	58.6	50
District of Columbia	55.5	51

Source: U.S. Department of Education.

Between 1986 and 1989, the fraction of ninth graders passing all tests rose from 55 percent to 62 percent. Yet modest gains in basic skills can be achieved initially by more emphasis on these skills. There is some evidence that higher-order skills and coverage of other information have been sacrificed by repeated drills to raise the TEAMS scores. Too often the tests drive the curriculum rather than testing its success.

## SCHOOL REFORM IN THE 1980s

School reform has been at or near the top of the policy agenda of many states for nearly two decades.<sup>25</sup> It is not surprising that the quality of education has been the subject of so much attention. In the age of information, no asset is more important to the future of an individual, the state or the nation. Since state governments long ago assumed responsibility for the education of children, state legislators face political pressures to respond to parent and taxpayer demands for decent performance.

**School Reform in the Nation.** In the face of the widely documented decline in the quality of United States schooling, reformers in the 1980s used both carrot and stick. They poured billions of new tax dollars into a centralized system of exclusive monopolies and "cracked down" on the schools through central regulation, testing and evaluation systems.

- Between 1970 and 1988, spending per student rose 59 percent in constant dollars.<sup>26</sup>
- During the 1980s alone, real spending per student rose 25 percent.<sup>27</sup>
- Average teacher salaries rose from \$15,970 (per nine months) in 1980 to \$28,000 today.<sup>28</sup>
- The number of teachers increased from 1 per 25.8 students to 1 per 17.7 students between 1960 and 1987.<sup>29</sup>
- On the average, the United States now spends \$5,200 per child each year — more than the cost of tuition at most private schools.<sup>30</sup>

Most of the money spent as a result of school "reform" was not directed toward teachers, however — or even toward the classroom. Instead, school reform provided billions in additional funds for the non-teaching, public school bureaucracy.

- Between 1960 and 1984, the number of public school students grew by 10 percent and the number of teachers by 57 percent.<sup>31</sup>
- At the same time, the number of principals and supervisors grew by 79 percent and the number of "other staff" by 500 percent.<sup>32</sup>

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<sup>25</sup>Diane Ravitch, *The Troubled Crusade: American Education 1945-1980* (New York: Basic Books, 1983).

<sup>26</sup>Calculated from U.S. Department of Education, *The Condition of Education 1989*, Vol. 1, Table 1:14-1.

<sup>27</sup>*Ibid.*

<sup>28</sup>Bureau of the Census, *Statistical Abstract of the United States, 1990*, p. 67.

<sup>29</sup>*Ibid.*

<sup>30</sup>John Chubb, Brookings Institution.

<sup>31</sup>*Ibid.*

<sup>32</sup>Lynne V. Cheney, "American Memory: A Report on the Humanities in the Public Schools," Washington, DC, National Endowment for the Humanities, 1987, p. 6.



- Because of the rapid hiring of non-teachers, the proportion of classroom teachers fell from 65 percent to 53 percent of all school employees, so that today only one out of every two public school employees is a teacher.<sup>33</sup>
- Teacher salaries now consume only 37 percent of school expenditures, down from more than 56 percent in 1960.<sup>34</sup>

The new spending brought little yield in student achievement. As noted above, teenagers continue to drop out of public schools at rates largely unchanged since the mid-1960s. Academic scores on tests such as SAT, ACT, Iowa Achievement and NAEP show little improvement. Public schools have absorbed double or triple the money in each postwar decade, with declining or stagnant service. More and more inputs are producing less and less student output, as many public schools have become "black holes" in the economic universe.<sup>35</sup> By industrial productivity standards, schooling is the most backward sector of the economy.

The problem lies not in an industry starved for cash, resources, teachers or centrally-mandated "goals." The problem lies in the well-known inefficiencies inherent in public enterprise protected from competition—unresponsiveness, poor productivity, increasing rigidity, red tape, taxpayer subsidies, bureaucracy, and crippled initiative and innovation.

**School Reform in Texas.** Texas school reform in the 1980s had distinctive features, but its basic form and lack of results reflect the disappointing national experience. Businessman H. Ross Perot was the driving force behind school reform in Texas. In his address to the special session of the legislature, he equated education with an \$8.3 billion business (approaching \$14 billion annually today). He argued that all of the things needed to run a successful business were missing in the Texas public schools. "There are no management goals; there is no management philosophy; there is no management training ... there is no accountability. Now think about that in your business."<sup>36</sup>

As in many other states, school reform in Texas has meant spending increasing amounts of money and concentrating more authority and power in the hands of state government.

- Between 1979-80 and 1987-88, the average teacher's salary rose from \$14,132 to \$25,655.<sup>37</sup>
- Spending per pupil rose 50 percent in real terms over the decade of the 1980s.<sup>38</sup>

<sup>33</sup>*The Condition of Education*, 1989, p. 2.

<sup>34</sup>Bennett, *American Education: Making It Work*.

<sup>35</sup>Milton and Rose Friedman, *Free to Choose* (New York: Harcourt Brace Jovanovich, 1980), p. 155.

<sup>36</sup>*Texas House Journal*. Cited by Thomas B. Timar and David L. Kirp, "State Efforts to Reform Schools: Treading Between a Regulatory Swamp and an English Tea Garden," *Educational Evaluation and Policy Analysis*, 10, Summer 1988, p. 77.

<sup>37</sup>National Center for Education Statistics, *Digest of Education Statistics, 1989*, Washington, DC, U.S. Department of Education, NCES 89-643, December 1989, p. 79.

<sup>38</sup>National Center for Policy Analysis.

- The pupil-teacher ratio has been reduced from more than 20 pupils per teacher in the mid-1970s to 17.3 pupils per teacher by 1988.<sup>39</sup>

House Bill 72, passed in 1984 brought "restructuring," although managerial "shake-up" would be more accurate. The changes included a new state board of education and a new super-board to supervise it; mandatory in-service training programs for local school trustees; mandatory competency testing of all teachers; half-day preschool programs; a state-designed career ladder program for teachers; a no-pass, no-play rule for athletes; and new regulations governing nearly all aspects of education .

H.B. 72 reforms implicitly reflected adherence to a particular philosophy — the belief that centralized, top-down mandates can improve the quality of results in a government-operated system of school districts insulated from competition. Many decisions about teacher pay and evaluation, daily operations, student activities, discipline and curriculum previously had been made at the district level. State reform shifted crucial decision-making powers to Austin.

- Micro-management from Austin operates through regulations and mandates, governing more than 1,000 school districts ranging in size from three students to 190,000.
- The Texas Education Code now has reached 2,631 pages, and the Texas Administrative Code on Education is 998 pages and counting.
- As a result of the growth of non-instructional bureaucracy, Texas teachers now are a minority of public school employees — 49 percent, compared to a national average of 53 percent.<sup>40</sup>

Have these reforms worked? The short answer is "no." The goal was to "make academic achievement in Texas first in the nation and allow our children to be competitive throughout the industrialized world."<sup>41</sup> Even the most bullish supporters of reform would not claim such an achievement. Dissatisfaction exists throughout the state's school industry, as indicated by the Texas Association of School Boards' recently mounted campaign, "Mandate Watch,"<sup>42</sup> and Lt. Gov. Bill Hobby's confession of "a sense of disappointment in the last few years ... many of the goals we had are still a dream."<sup>43</sup>

The central problem with Texas school reform has been the vision of "government on a business basis." While the producers of government schooling surely lacked a managerial bottom line, they also were blessed with compulsory attendance, no significant competition and exclusive reliance on billions of dollars of taxpayer money. This last feature guarantees that the public schools, no matter how ardent the desire, cannot operate on a "business basis." When something goes wrong or unfavorable publicity develops, the education bureaucracy has only one

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<sup>39</sup>*Digest of Education Statistics, 1989.*

<sup>40</sup>National Center for Education Statistics, *Digest of Education Statistics 1988*, Washington, DC, U.S. Department of Education, 1988, CS 88-600, p. 81.

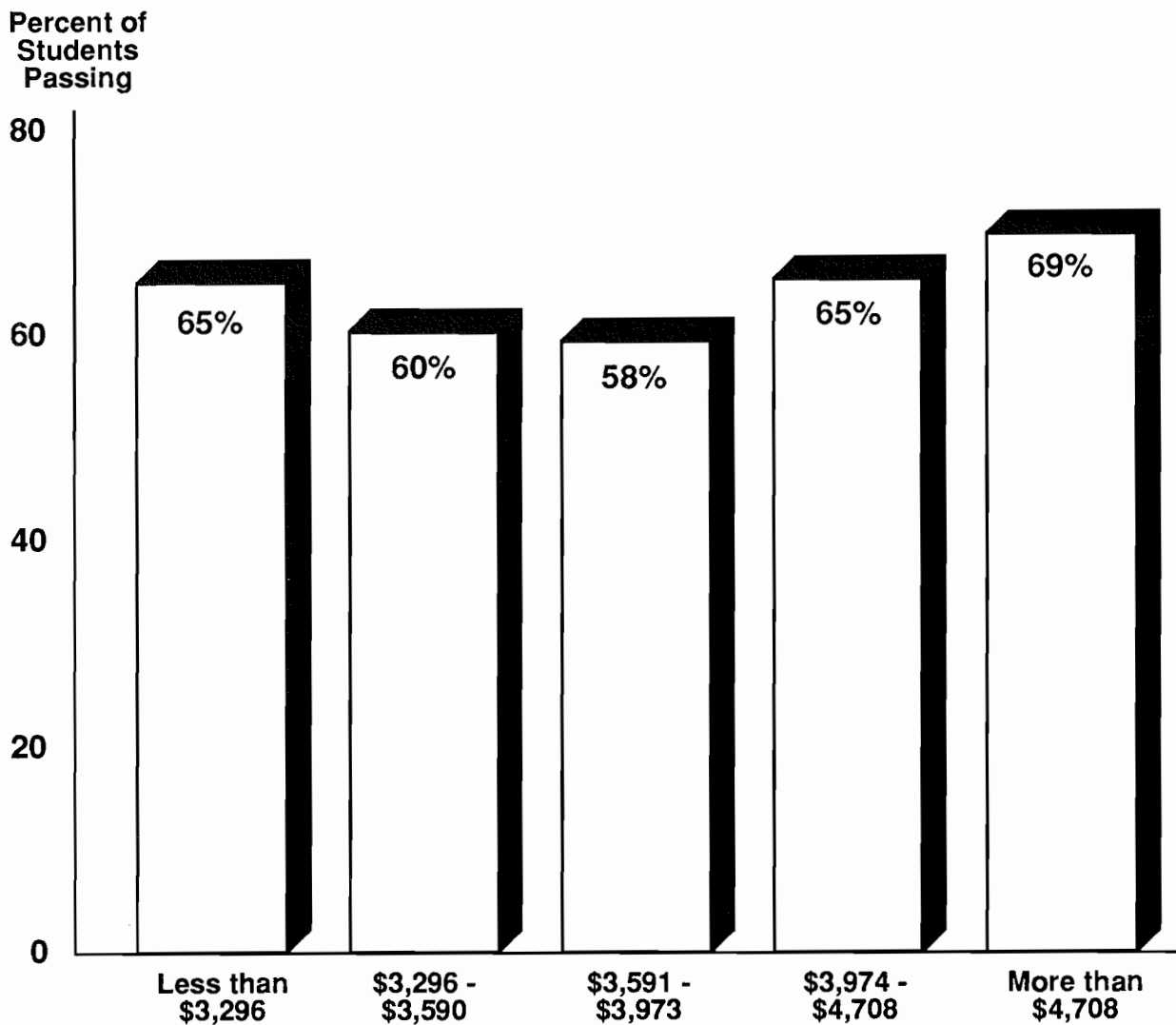
<sup>41</sup>Select Committee on Public Education (SCOPE) Recommendations, April 19, 1984, p. 2.

<sup>42</sup>Mandate Watch is a lobbying group formed to oppose any additional unfunded mandates.

<sup>43</sup>*Dallas Morning News*, August 27, 1989.

**FIGURE I**

**NINTH GRADE TEST SCORES AND  
SPENDING PER STUDENT<sup>1</sup>**

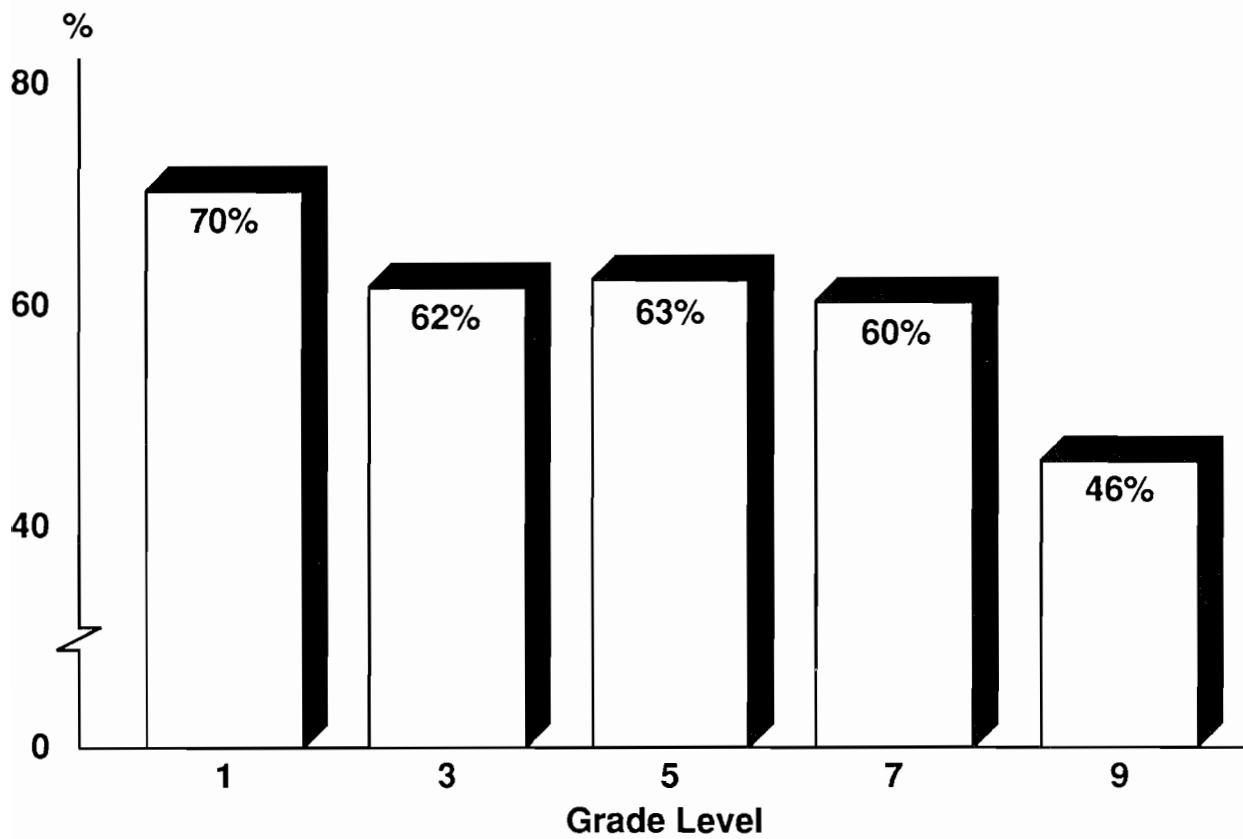


<sup>1</sup>Excludes debt service, capital outlay and spending for ancillary services.

Source: Texas Education Agency, *Texas Educational Assessment of Minimum Skills: Student Performance Results*, 1988-1989, Volume 1.

**FIGURE II**

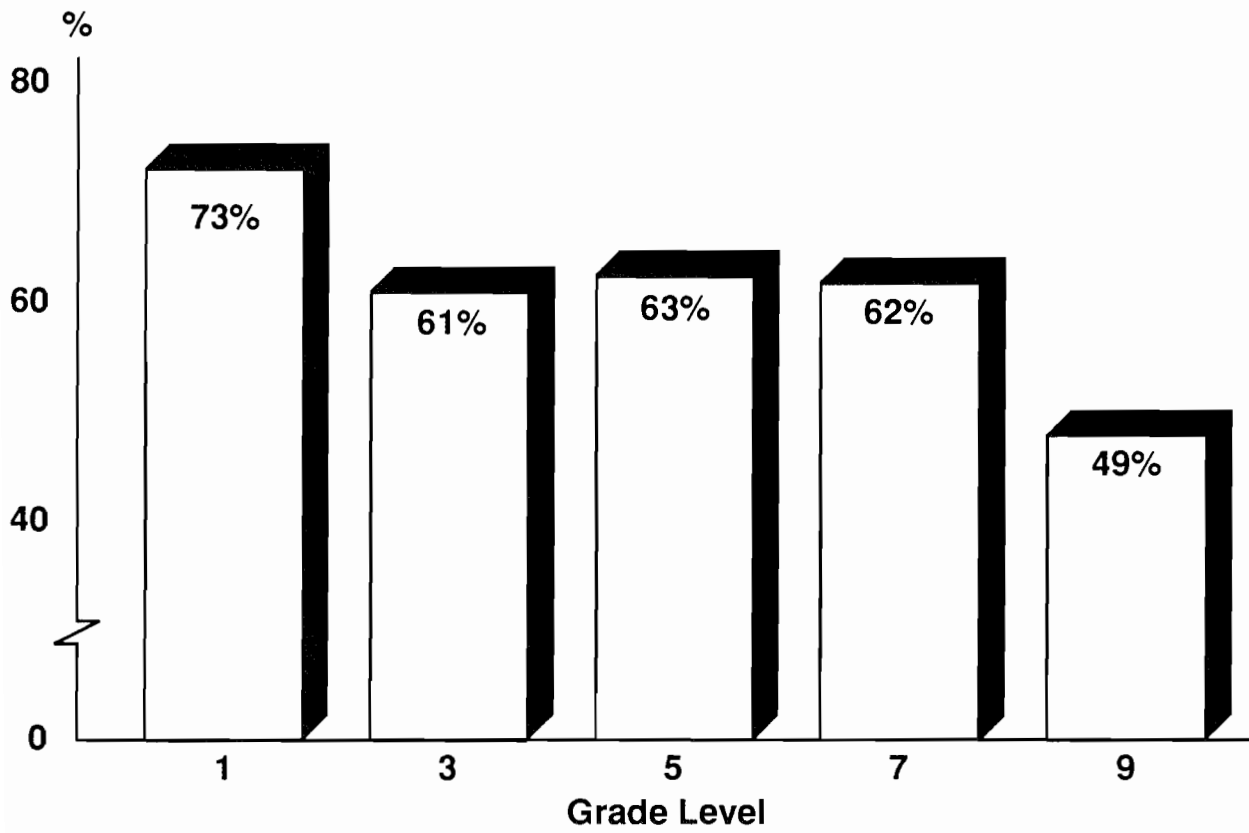
**PERCENT OF BLACK STUDENTS  
PASSING ALL THREE TEAMS TESTS**



Source: Texas Education Agency, *Texas Educational Assessment of Minimum Skills: Student Performance Results, 1988-1989, Volume 1.*

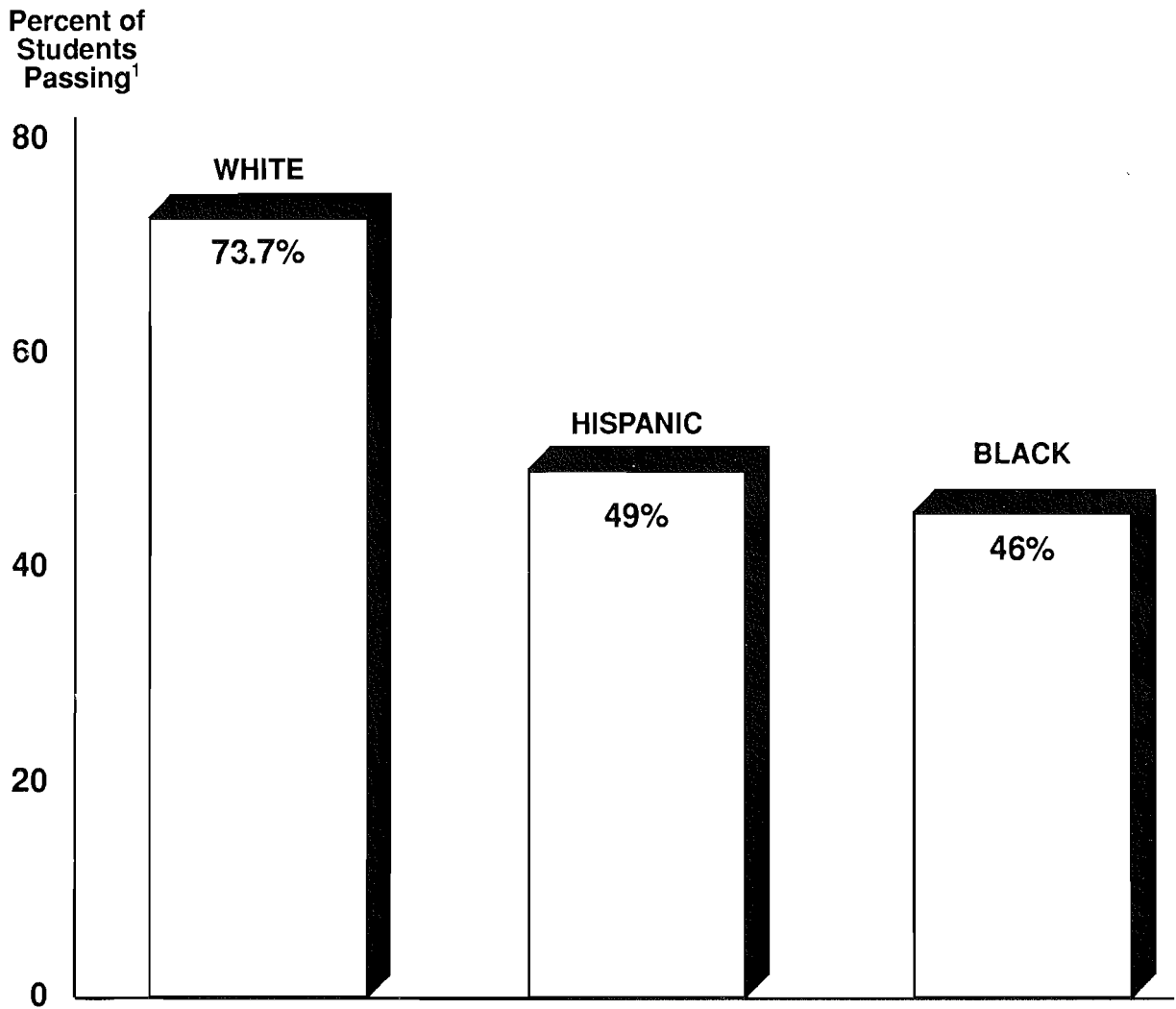
**FIGURE III**

**PERCENT OF HISPANIC STUDENTS  
PASSING ALL THREE TEAMS TESTS**



Source: Texas Education Agency, *Texas Educational Assessment of Minimum Skills: Student Performance Results, 1988-1989, Volume 1.*

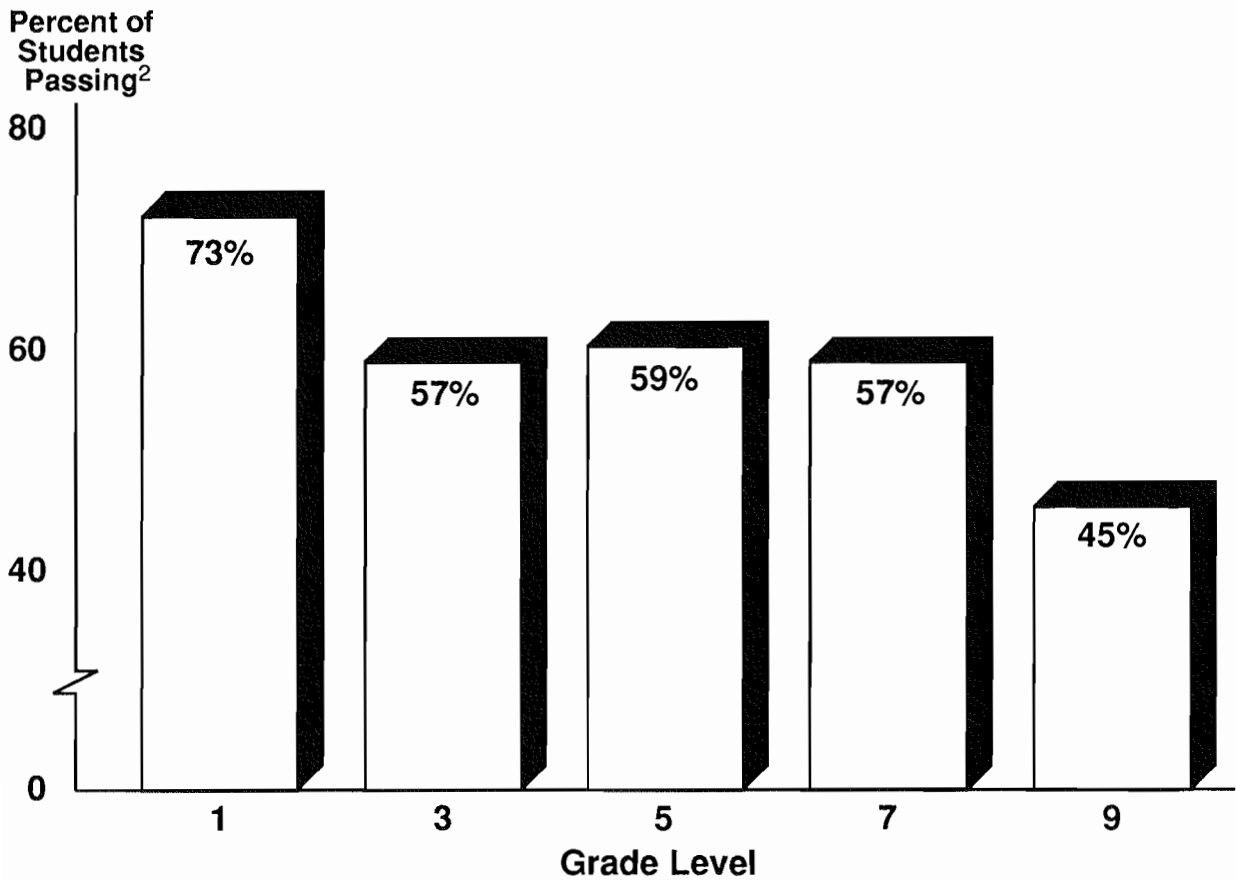
**FIGURE IV**  
**NINTH GRADE TEST SCORES**  
**BY ETHNIC GROUP**



<sup>1</sup>Percent passing all three Teams tests.

Source: Texas Education Agency, *Texas Educational Assessment of Minimum Skills: Student Performance Results, 1988-1989, Volume 1.*

**FIGURE V**  
**LOW-INCOME SCHOOL DISTRICTS<sup>1</sup>**



<sup>1</sup>Districts in which at least 80 percent of the students are eligible to participate in the free or reduced-price lunch program.

<sup>2</sup>Percent passing the reading, writing and mathematics TEAMS tests excludes students taking the Spanish language tests in grades 1 and 3).

Source: Texas Education Agency, *Texas Educational Assessment of Minimum Skills: Student Performance Results, 1988-1989, Volume 1.*

answer: more spending. Vaguely perceived political resistance to higher taxation is the only check on expansion.

At the end of the last century, the school reform movement made the same mistake, seeking to emulate the efficiency of industrial enterprise. School officials of the day regarded the corporate model of school governance as a way out of "political control" and the way to "organize on a modern and rational plan our great and costly system of public schools."<sup>44</sup> School administration was to become a science based on the literature of business efficiency and operated by "professionals." The crucial error was the belief that public schools can copy the attributes of competitive firms while escaping the rigors of competition itself.

## MYTHS ABOUT SCHOOL REFORM

America has been engaged in school reform ever since the Soviet satellite Sputnik began circling the earth. Each new wave of school reform follows a familiar pattern. Initially we spend more money and enact another set of rules, restrictions and mandates. After it becomes clear that student achievement has not improved, and may have gotten worse, the educational establishment recites a litany of excuses, the bottom line of which is yet another plea for more money. This eventually leads to another wave of reform in which the whole exercise is repeated.

These reforms have cost taxpayers a lot of money but have not improved our educational system. Nor are any future reforms likely to improve it unless we swiftly dismiss some popular myths.

### *Myth 1: More Money Means Better Results.*

There is virtually no relationship between the amount of money we spend and the performance of students in public schools. This is the conclusion of a huge and growing body of research on public schools in every state over the past several decades. As Figure I shows, there are only 4 percentage points difference in the passing rate for ninth graders between students in school districts that spend less than \$3,296 per student and in districts that spend more than \$4,708. Some of the highest-spending school districts in Texas are at the bottom of the performance list, and some of the lowest-spending districts are at the top.

One reason why there is no relationship between spending and student achievement is the stunning inefficiency of Texas public schools. If a school district is selected randomly from the list of 1,057 Texas school districts, odds are that some other school district is achieving the same average score on the minimum basic skills exam but is spending only one-half to two-thirds as much money per student.<sup>45</sup> This result is understandable among schools that score high on tests of minimum skills. We would expect these districts to devote more time and money to the

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<sup>44</sup>R.E. Callahan, *Education and the Cult of Efficiency* (Chicago: University of Chicago Press, 1962). See also D.B. Tyak, *The One Best System* (Cambridge: Harvard University Press, 1974).

<sup>45</sup>This result holds even after adjusting for school size, racial composition of the student body and differences in costs of inputs among school districts. See Kathy Hayes and Michael Davis, "Efficiency and Inefficiency in Texas Public Schools," Center for Texas Studies, National Center for Policy Analysis and Texas Public Policy Foundation, forthcoming.



achievement of other goals, such as preparation for college. The result is not understandable or excusable in school districts in which a majority of students are failing the tests of minimum skills. The state of Texas has said, in every way it can, that no goal has precedence over the achievement of minimum basic skills.

One apparent source of inefficiency in Texas public schools is the amount of money spent on non-classroom activities and administrative personnel. The leanest school district in Texas spends only \$265 in administrative costs per student. At the other extreme, some small districts spend as much as \$4,700 per student. Extracurricular spending varies from virtually zero in some small districts to as much as \$600 per student in others. These amounts are for operating expenses and do not include facilities such as football stadiums and swimming pools. But there are vast differences among Texas school districts on capital expenditures as well.<sup>46</sup>

### *Myth 2: Minority Students Can't Learn.*

A new racism is creeping into the debate over public education. With increasing frequency, educators try to excuse their failures by pointing to the number of minority children in their districts. The excuse will not work. Last year, Petersburg school district (near Lubbock) outscored every other school district in the state with a 100 percent passing rate on the ninth grade TEAMS tests. Sixty-five percent of the students in Petersburg are Hispanic!

Minority children are not the cause of the failure of the public schools; they are the most tragic victims of that failure. More than 70 percent of black and Hispanic first graders pass the TEAMS tests. At this point, children have spent six years with parents and only a few months with teachers. Yet as Figures II, III and IV show, the longer these children stay in school the worse they do, relative to our expectations and to the performance of white children. By the time they reach the ninth grade, more than half of the minority students in Texas are failing.

### *Myth 3: It's Not The School's Fault.*

Do home life and socioeconomic background affect student performance in school? Of course they do. But they do not explain the failure of the public schools. The question is whether the problem with low-income students lies with the students or with the schools, and the evidence suggests the latter. As Figure V shows, the longer students from low-income families remain in school, the worse they do relative to our minimal expectations.

One way to appreciate how much difference schools make is to look at what happens in the early grades. In Petersburg, for example, 48 percent of the first graders fail the TEAMS tests. By the time these students reach the third grade, however, 87 percent are passing. Compare this with the experience of San Elizario (near El Paso), which ranked last in the state on the ninth grade tests. About 67 percent of first graders pass the TEAMS tests in San Elizario, yet at the third grade level only 12 percent are passing.

Another school that makes a positive difference is Wesley Elementary School in Houston. Students there may be black, disadvantaged and poor, but they can learn. Thaddeus Lott, 16-year principal at Wesley, is proving it. "I just do what works," he says.<sup>47</sup> A 1989 national test shows

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<sup>46</sup>Kent Grusendorf (R-Arlington), "Don't Equalize Waste in Texas Schools," *Dallas Morning News*, February 25, 1990.

<sup>47</sup>*Houston Chronicle*, January 21, 1990.

Wesley's first graders reading at nearly a third grade level, and fifth graders doing eighth grade math. Two former Wesley students in the seventh grade were selected to take the SAT early as part of Duke's Talent Identification Program because their achievement scores were in the top 3 percent nationally. Lott's philosophy is high expectations, regimented drills, phonetic reading, recruitment of like-minded teachers, heavy homework and grading—and teacher accountability for results coupled with teacher autonomy in methods.

*Myth 4: The State Legislature Can Fix Things.*

For most of this decade, our representatives in Austin have spent enormous time and energy searching for a lever they can pull to turn bad and mediocre schools into good ones. Suggestions have run the gamut: increase teacher's salaries, lower the pupil-teacher ratio, extend the length of the school day, extend the school year and so forth. There is no need to look further. If there were something easy that legislators could do, it would have been done in some other state long before now. Mounting evidence from around the country confirms that no variable under the control of the legislators can solve the problems of the public schools:<sup>48</sup>

- Of 65 studies that examined whether increasing pupil expenditures improved student performance, three-fourths found no improvement, and about 5 percent found that expenditures reduced performance.
- Of 74 studies that examined whether better school facilities improved education, 84 percent found no improvement, and almost 7 percent found a negative impact.
- Of 152 studies that examined whether lower student-teacher ratios affected performance, 82 percent found no impact, and over 8 percent found a negative impact.
- Of 140 studies that examined whether more experienced teachers made a difference, 64 percent found no difference, and 7 percent found lower student achievement.

These results have been reconfirmed by the Brookings Institution — in the largest and most comprehensive study of education ever conducted in the United States. In studying 9,000 students, 11,000 teachers, 400 public and private high schools and the principals in each school, Brookings researchers found that only four factors consistently made a difference in achievement gains: student aptitude, school autonomy, family background and peer group influence.

The Brookings researchers expressed the impact of these variables in terms of the number of months of additional classroom instruction that would enable students in the bottom 25 percent to achieve at the same levels as students in the top 25 percent. For example, other things equal, student aptitude is worth 18 months of classroom instruction. Continuing with this method of measurement, family background makes a 12-month difference, peer influence a five-month difference and school autonomy a 13-month difference.<sup>49</sup> These results are shown in Table V. In general, schools have little control over the aptitudes or family backgrounds of their students, or peer group pressure. However, school systems have a great deal of control over the amount of autonomy given to schools.

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<sup>48</sup>Eric Hanushek, "The Impact of Differential Expenditures on School Performance," *Educational Researcher*, May 1989.

<sup>49</sup>Chubb and Moe, *Educational Choice*, n. 31, pp. 11-12.

**TABLE IV**  
**INPUTS AND OUTPUTS IN EDUCATION:**  
**WHAT THE STUDIES SHOW**

<b><u>Input</u></b>	<b><u>Increases Student Achievement (No. of Studies)</u></b>	<b><u>Reduces Student Achievement (No. of Studies)</u></b>	<b><u>Makes No Difference (No. of Studies)</u></b>
<b>Teacher/Pupil Ratio</b>	<b>14</b>	<b>13</b>	<b>125</b>
<b>Teacher Education</b>	<b>8</b>	<b>5</b>	<b>100</b>
<b>Teacher Experience</b>	<b>40</b>	<b>10</b>	<b>90</b>
<b>Teacher Salary</b>	<b>11</b>	<b>4</b>	<b>54</b>
<b>Spending Per Student</b>	<b>13</b>	<b>3</b>	<b>49</b>
<b>Administrative Inputs</b>	<b>7</b>	<b>1</b>	<b>53</b>
<b>Facilities</b>	<b>7</b>	<b>5</b>	<b>62</b>

Source: Eric Hanuskek, "The Impact of Differential Expenditures on School Performance," *Educational Researcher*, May, 1989.

**TABLE V**

**WHAT ACCOUNTS FOR DIFFERENCES IN STUDENT ACHIEVEMENT?**

<u>Variable</u>	<u>Difference in Achievement (Measured in Months of Classroom Instruction)</u>
<b>Student Aptitude</b>	<b>18 months</b>
<b>School Autonomy</b>	<b>13 months</b>
<b>Family Background</b>	<b>12 months</b>
<b>Peer Group Influence</b>	<b>5 months</b>

Source: Brookings Institution

The Brookings researchers found that successful schools have distinctive organizations. They are characterized by clear and ambitious goals; strong, teacher-oriented leadership; an orderly environment; teacher participation in decisions; and collegial relationships among leaders and staff. Private schools were found to be superior to public schools and were "free from excessive central controls by administrators, boards and unions. The main reason appears to be market competition. In a process much the reverse of the one in government schools, where political pressure leads to an increase in central control, competitive pressures lead to an increase in autonomy in private schools."<sup>50</sup> Public schools can also be successful. But Brookings researchers found that in order for a public school to achieve autonomy, the school generally must be: (1) located outside a large city in a suburban school district, (2) currently performing well, (3) actively monitored by parents and (4) independent of a large administrative system.

The results from Brookings and many other studies strongly suggest that most of the things that really matter in public education are outside the control of legislators, and most of the things done in Austin have probably made the situation worse. Public schools in Texas are anything but autonomous. Texas teachers endure more harassment from the educational bureaucracy than ever before. Many teachers spend more time filling out forms and complying with red tape than preparing for class.

What is the solution? Fortunately, there is a growing national consensus, backed by an impressive body of research. Principals and teachers must be given more autonomy (freedom from interference by politicians and bureaucrats), and parents must have choice in where they send their children to school.

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<sup>50</sup>Chubb and Moe, *Educational Choice*, n. 2. p. 17.

## TEXAS' INEFFICIENT SYSTEM OF SCHOOL CHOICE

The idea of choice in education is usually treated as a radical departure from the current system. But in Texas we already have a system of school choice. Parents can choose among school districts, and within school districts they often can choose a school simply by living near it. Hundreds of thousand of parents in Texas *actively* participate in this choice system. Today, quality of schools is probably a more important determinant of where parents with school-age children choose to live than at any time in our past.

The problem is that the current system creates enormous burdens for parents. Although the Texas Constitution mandates "a free and efficient system of public schools," the opportunity for parents to send their children to a good school is neither free nor efficient. As a result, large numbers of parents are effectively denied the opportunity to exercise real choice.

**Exercising Choice.** In the major metropolitan areas of Texas, there usually is one large inner-city school surrounded by numerous suburban districts. Measured by the scores on TEAMS tests, the large districts do poorly. Only 62 percent of ninth grade students in the state passed all TEAMS tests, a disappointing and mediocre result. But in the large-city school districts, the results were even worse. As noted above, the passing rate was 59 percent in Dallas, 56 percent in Austin, 52 percent in San Antonio, 50 percent in Fort Worth, 44 percent in Houston and only 43 percent in El Paso.

Around our largest cities, there are a great many alternatives. In the Dallas area, for example, there are at least 26 other school districts from which to choose. Measured by TEAMS test results, some of these districts perform worse than Dallas ISD. Others perform much better. Most of our large metropolitan areas have at least one high school which is judged to be "good," competing in national scholastic tournaments and often sending graduates to the nation's most prestigious colleges and universities.

Aside from choosing to live near a school, there is another way in which parents and children can sometimes exercise choice. Lovejoy School District (near Dallas) is one of about 50 Texas school districts with no high school. Students in Lovejoy, therefore, can attend any high school in the metropolitan area, and both state and local education money follow the student to the school district of choice. Thus, parents can and sometimes do use Lovejoy as a base from which to choose. Suppose a Lovejoy family has one child who qualifies for a magnet school in Dallas ISD, and another who does not. The child who qualifies can attend the magnet school, while the second child attends a high school in some other district.

There are also options outside the public school system. Home schooling is one option. Private schools are another. Within the Dallas metropolitan area, for example, there are dozens of private schools. In most cases, private schools outperform their public school counterparts and, as Table VI shows, many do so at a lower cost.

**TABLE VI****TUITION AT THE LARGEST PRIVATE SCHOOLS IN DALLAS****[Note: Cost per student in the Texas public schools is about \$4,600 in 1989-90.]<sup>1</sup>**

<u>School</u>	<u>Grades Taught</u>	<u>Annual Tuition</u>
Greenhill School	K-12	\$4,300 - \$6,540
Trinity Christian Academy	K-12	\$1,500 - \$4,900
The Hockaday School	K-12	\$3,188 - \$8,583
First Baptist Academy	K-12	\$1,895 - \$3045
Dallas Christian School	K-12	\$1,650 - \$3,960
St. Mark's School of Texas	1-12	\$6,260 - \$7,955
Trinity Valley School	K-12	\$3,950 - \$5,050
Garland Christian Academy	K-12	\$ 750 - \$1,700
Fort Worth Christian School	K-12	\$2,530 - \$3,611
Bishop Lynch High School	9-12	\$2,970 - \$3,130
Jesuit College Preparatory School	9-12	\$3,900
The Ursuline Academy of Dallas	9-12	\$4,175
Trinity Christian School	K-12	\$1,500 - \$1,850
Tyler Street Christian Academy	K-12	\$2,095 - \$2,320
The Lamplighter School	K-4	\$2,875 - \$5,375
The Oakridge School	K-12	\$3,350 - \$4,900
The Episcopal School of Dallas	5-12	\$6,582 - \$7,338
Carrollton Christian Academy	K3-7	\$1,200 - \$2,250

<u>School</u>	<u>Grades Taught</u>	<u>Annual Tuition</u>
Good Shepherd Episcopal School	K-8	\$1,875 - \$3,395
The Saint Michael School	K-6	\$2,900 - \$4,950
Bishop Dunne High School	9-12	\$2,530 - \$2,805
St. John's Episcopal School	K-8	\$2,664 - \$3,400
The Parish Day School of the Episcopal Church of the Transfiguration	K-6	\$3,400 - \$3,700
St. Alcuin Montessori School	K-8	\$4,125 - \$4,525
Bright Horizons Conservatoire	K-3	\$2,800

<sup>1</sup>This estimate includes capital expenditures, debt repayment and contributions to the teacher's retirement fund. See Appendix B.

Source: Dallas Business Journal and National Center for Policy Analysis

**The Prices We Charge For Exercising Choice.** Although in principle parents in the Dallas area have 27 school districts and numerous private schools to choose from, there are enormous obstacles to exercising choice. Public education, as such, is free. Attending a "good" school, however, is anything but free. In order to send their children to "good" schools, many parents purchase homes which they cannot "afford." Others drive 50 miles or more to work each day in rush hour traffic. Others pay tuition at private schools, with great strain on the family budget. In Texas, a "good" education is rationed. But in the public sector it is rationed not by market prices but by indirect costs.

Viewed in this way, the market for education in Texas is very strange. Producers of most consumer products make it as easy as possible for consumers to buy their products. Ultimately, consumer preferences determine where sellers locate. In the market for education it is the other way around. Institutional constraints determine where the "sellers" locate, and indirect rationing costs determine which "buyers" get to obtain a particular "seller's" product.

**Families Who Are Priced Out of the Market.** In Texas, the student population of our large inner-city school districts is overwhelmingly minority. Dallas ISD students are 80 percent minority. Houston ISD students are 84 percent minority. This is neither accident nor the result of racial prejudice. Even without court-ordered busing, we could predict this result based on the schools alone. The performance of our large-city school districts, however measured, is depressingly mediocre to intolerably bad. Nearby are school districts where the performance is obviously superior. Other things equal, all families would choose superior schools over inferior ones. But since other things are not equal, the families who exercise choice are those who can afford the indirect rationing costs.

The flight from inner-city school districts is not "white" flight, it is "middle-income" flight. Most families with school-age children — white, black, Hispanic, Asian — flee if they can afford to do so. In the north Dallas district of Richardson, 20 percent of the students are black. These are the children of middle-income black families who, like white middle-income families, fled the inner-city schools. The families left behind are those who cannot afford to escape, who are effectively denied the opportunity to make choices. Their children are the victims of mediocrity in education.

In principle, every school district in Texas has a monopoly. But some districts have more monopoly power than others. In general, those districts where parents have the greatest flexibility in terms of the ability to move to neighboring districts are districts that perform best. By contrast, some of our worst school districts are districts where families who had an opportunity to leave have done so, and those who remain cannot escape.

**The Effects of the Texas Supreme Court Ruling.** In the case of *Edgewood v. Kirby*,<sup>51</sup> the Texas Supreme Court ruled that our current system of educational finance is unconstitutional because it is inefficient. The court's use of the word "inefficient" was very different, however, from the way we are using the word in this report. Our focus has been on the inefficient and costly obstacles that are placed in the way of parents who want to obtain a good education for their children. The Texas Supreme Court never considered these obstacles. Instead the court focused exclusively on the "efficiency" with which educational bureaucracies can obtain money.

To continue with the example above, suppose we have a school district so bad that no one wants to move into it and everyone with children wants to move out. Since the only way people can exercise choice under the current system is by relocating, families who can afford to move out of the district do so. What remains are poor families and a low tax base. The normal, sensible questions to ask are: How did the school system get so bad in the first place? Is there a way to dismantle the bad schools and replace them with good schools? Is there a way to help families send their children to good schools without having to relocate? These are not the questions the Texas Supreme Court asked, however. Instead, the court mandated that Texas find ways of putting even more tax dollars into the educational bureaucracy that was doing such a miserable job in the first place.<sup>52</sup>

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<sup>51</sup>Decided in October, 1989.

<sup>52</sup>Specifically, the Texas Supreme Court requires that state education funds be redistributed among school districts on the basis of tax effort (tax rates). Many, but not all, property-poor school districts will receive a substantial increase in funds under this ruling. See Kathy Hayes and Daniel Slottje, "Equality and Inequality in Texas School Finance," National Center for Policy Analysis, NCPA Policy Report No. 146, February 1990.



The court's decision in *Edgewood v. Kirby* is understandable only if we consider who argued the case before the court. By the time the case reached the Texas Supreme Court, 67 school districts and their lawyers had joined as plaintiffs. Another 49 school districts and their lawyers had joined as defendants. *Edgewood v. Kirby* pitted institution against institution, bureaucrat against bureaucrat, in what amounted to legal warfare over vast sums of money.

For all practical purposes, the interests of parents and children were ignored. That's unfortunate. There is no reason to believe that pouring more money into failing institutions will improve their performance. There are good reasons to believe that taking money away from successful institutions will hurt their performance.<sup>53</sup> To make matters worse, many of the most successful school districts will be able to replenish lost funds only through large increases in property tax rates. This in turn will make it even more difficult for parents to escape bad school systems by moving. The "price" of a good education will now include an expensive home plus a much higher tax rate on that home.

Texas' system of choice in education was extremely inefficient before the Supreme Court made its ruling and the system will be even more inefficient once the ruling is complied with. New and more costly barriers will be placed in the way of many parents who want a better education for their children.

## FUNDAMENTALS OF AN EFFICIENT SYSTEM OF SCHOOL CHOICE

Texas now has the opportunity to create a new system — one in which the producers of educational services respond to the needs of children and parents instead of the other way around. A system of genuine school choice would involve a major change in the way we think about education and in the way education is produced. What follows are a few of the fundamental changes that are needed.

**Transferring Power Over Resources From the Educational Establishment to Parents and Children.** Genuine choice involves a transfer of power over where and how education dollars are spent. Under the current system, the allocation of resources is determined by large, bureaucratic institutions. Under a choice system, customers rather than producers would determine where the dollars go. Parents and children would decide which schools (and, therefore, which principals and teachers) would be rewarded with their patronage and which would be punished by patronage withdrawn.

Education in Texas is big business. Each year we spend almost \$14 billion. Not surprisingly, in the current system the decision-making process is surrounded by a sea of special interests.

- At least 154 special interest groups lobby in Austin on education issues.<sup>54</sup>

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<sup>53</sup>The state cannot take local tax revenue away from a school district. The Texas Supreme Court decision will lead to a substantial reduction in state funding for many districts, however.

<sup>54</sup>Texas Education Agency, *Self-Evaluation Report to the Sunset Advisory Commission* (Austin: TEA, September 1987).

- Texas school districts employ 400,000 people, and the central education agency employs an additional 1,000.<sup>55</sup>
- The public schools are the largest single employer in 131 of Texas' 254 counties.<sup>56</sup>

The argument for transferring decision-making power to parents and children is not an argument that parents are smarter than bureaucrats or that parents never make mistakes. The case follows from the observation that consumers and producers have fundamentally different interests. When the bureaucracy evaluates itself, the judgement is likely to be very different from the evaluation of the customers of the bureaucracy. For example:

- Commissioner of Education W.N. Kirby maintains that Texas' education system is "doing very well" and that taxpayers across the state are "getting more than their money's worth."<sup>57</sup>
- In 1988-89, the Texas Teacher Appraisal System found that 88 percent of all Texas teachers ranked in the two highest evaluation categories, "exceeding expectations" and "clearly outstanding."<sup>58</sup>

Given the concern parents are expressing over the state of education in Texas, it is unlikely they would share these views.

If the purpose of education is to benefit children rather than the employees of the school system, then the safest, surest place to vest power over resources is with the people who care most about the welfare of children — their parents.

**Having Government Become a Buyer Rather Than a Producer of Education.** Under the current system, politicians and bureaucrats in Austin endlessly argue, debate and struggle over something they know little about: how to produce a good education. This is unfair both to the politicians and to the voters. We do not elect politicians based on their ability to run a school. Nor should we.

The better strategy is to shift the debate over how to produce education into an arena where people have a strong financial stake in being right: the educational marketplace. As we have learned so well with other goods and services, there is no substitute for the market in determining what works and what doesn't, what is efficient and what is not. We should let educators get out of politics and concentrate on educating. Politicians should perform different tasks: helping parents to make informed choices and monitoring a system in which taxpayers' dollars buy success, not failure.

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<sup>55</sup>*Texas Agenda*, Vol. 1, No. 14, November 16, 1989.

<sup>56</sup>*Ibid.*

<sup>57</sup>*Lubbock Avalanche*, September 24, 1989.

<sup>58</sup>*Texas Education Today*, Vol. 6, Issue 40, December 11, 1989, p. 3.

**Giving Local Schools the Autonomy and Freedom to Compete.** Under the current system, state government tells teachers what to teach and when to teach it. State government is involved in setting teacher salaries and dictating pupil-teacher ratios. The state even tells schools how long a teacher's lunch break should be. Overall, Texas teachers probably labor under more government regulations and mandates than teachers in any other state. These regulations and mandates interfere with the work of teachers and principals, stand in the way of essential changes and, in an unregulated market, would make it impossible for public schools to attract students.

In order to improve the quality of their product and to compete for students, public schools must be free and autonomous. One way to achieve this is to corporatize them; that is, turn them into nonprofit organizations similar to private schools, with boards of directors comprised of parents and community leaders. Free from the shackles and constraints of the political system, public schools could set goals, specialize in different educational products and function as independent competitors.

**Allowing Freedom of Entry Into the Market.** Freedom of choice is intended to create an environment conducive to innovation, experiment and change. In many *within-district* choice plans, such an environment cannot be created because the district maintains tight control over each school, just as the U.S. Postal Service controls each of its separate branches. The ultimate goal of choice is to change the behavior of the suppliers of education, and that is unlikely to happen unless outside competitors can enter the market.

### **Alternatives to the Traditional Public School System**

In contrast to the mounting evidence that the traditional public school system is not working, there is mounting evidence that alternative approaches to education do work. What follows are some examples of ways in which the principles discussed above have been implemented.

**Traditional Private Schools.** In response to the failure of the public schools, parents across the nation increasingly are turning to private schools. While the public schools are losing customers, private schools are attracting them.<sup>59</sup>

- Although public school enrollment declined 14.3 percent, private school enrollment increased 6.6 percent between 1972 and 1983.
- By 1986, 12.8 percent of all students were in private schools.

Especially telling are the number of public school teachers who send their children to private schools. Table VII shows the extent to which public school teachers are "opting" their own children out of public education. Private schools were once thought to be the refuge of children of the rich. This is no longer the case.

- Of 21,000 private schools in the U.S., only 1,000 are "elite" schools with high tuition; the other 95 percent usually cost less than the public schools and serve children from all walks of life.<sup>60</sup>

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<sup>59</sup>Dwight Lee, "The Reality of the Public School System, *It's Education's Turn to Restructure*, Center for the Study of American Business, Washington University, April 1989.

<sup>60</sup>Robert Woodson, "Private Sector Alternatives to the Welfare State," National Center for Policy Analysis, NCPA Policy Report No. 131, November 1987.

- Private schools are increasingly serving the needs of minority children; between 1972 and 1983, while the number of white children in private schools increased by only 0.3 percent, the number of Hispanic children increased by 54 percent and the number of black children by 59 percent.<sup>61</sup>

**TABLE VII**  
**PERCENT OF PUBLIC SCHOOL TEACHERS**  
**WHO SEND THEIR OWN CHILDREN TO PRIVATE SCHOOLS**

Albuquerque	30%
Chicago	46%
Denver-Boulder	22%
Atlanta	25%
Memphis	36%
Nashville	30%
Austin	25%
Los Angeles-Long Beach	29%
San Francisco	28%
Seattle	23%

Source: American Enterprise Institute; and Task Force on Education of the City Club of Chicago, *Educational Choice: A Catalyst for School Reform*, August 1989, p. 22.

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<sup>61</sup>Lee, "The Reality of the Public School System."

One reason public schools are losing pupils may be that they offer less diversity as they consolidate into very large bureaucracies. In 1959-60, there were 40,520 public school districts; by 1983-84, that number had fallen to 15,747.<sup>62</sup> This consolidation flies in the face of research that has found no economies of scale in public schools above district sizes of 2,000 students.<sup>63</sup> Private schools, by contrast, tend to stay small. Although the private sector has 12.8 percent of the students, it operates 23.4 percent of all of the schools.<sup>64</sup> On the whole, private schools appear to be far more efficient.<sup>65</sup>

- Between 1976 and 1986, enrollment declined by 18 percent and the number of teachers fell by 8 percent in Chicago public schools.
- Over the same period, the number of Chicago public school administrators rose by 47 percent.
- The Archdiocese of Chicago serves almost a third as many students as the Chicago public school system and does so with 1 percent as many administrators.

A frequent complaint is that private schools can avoid "problem" students. Yet in any given year, 60 percent of private schools do not expel a single student.<sup>66</sup> Research by educational authority James Coleman shows that private schools, especially religious ones, retain many more "problem" students than the public schools. As Figure VII shows:<sup>67</sup>

- Among 10th and 12th graders, the public school dropout rate is 14 percent while the non-Catholic private school dropout rate is 12 percent.
- Among Catholic schools, the dropout rate is only 2.4 percent.
- Among Jewish and Protestant schools the dropout rate is 3.7 percent.

**Independent Schools.** The National Center for Neighborhood Enterprise has identified more than 300 "independent schools."<sup>68</sup> These are private schools in urban areas that primarily serve minority students. Although they charge fees for their services, they successfully compete against public schools because they produce a high quality product, often at a cost well below that of the public schools. For example, at least 11 different independent schools are operating in the Washington, D.C. area alone. Most are owned and operated by minorities and serve black, Hispanic, American Indian and Asian-American children. The curricula emphasize reading,

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<sup>62</sup>Lee, "The Reality of the Public School System."

<sup>63</sup>William Niskanen, "Economies of Scale in the Provision of Public Schooling," 6th Annual Critical Issues Symposium, The James Madison Institute, Tallahassee, FL, March 8-10, 1989.

<sup>64</sup>National Center for Education Statistics, *Digest of Education Statistics, 1988*, CS 88-600, p. 65.

<sup>65</sup>Lee, "The Reality of the Public School System."

<sup>66</sup>James S. Coleman, "Educational Achievement: What Can We Learn From the Catholic Schools," *Associate Memo*, No. 15, Manhattan Institute for Policy Research, November 4, 1989.

<sup>67</sup>*Ibid.*

<sup>68</sup>Glen C. Loury, "Making It All Happen," *On the Road to Economic Freedom* (Washington, DC: Regnery Gateway, 1987), pp. 115-116.

writing, arithmetic and often higher-level math, computer literacy and foreign languages. In addition, these schools usually have regularly scheduled classroom study of the students' cultural and ethnic backgrounds. This practice, rare in public schools, contributes to a wholeness of character that supports student participation and receptivity.

Another important feature of independent schools is that they often reach out to troubled youths who have become gang members and alcohol and drug abusers. In this way, they convert negative energy into a positive force that benefits the entire neighborhood. There are even instances of former gang members volunteering their time to convert old buildings into community schools.<sup>69</sup>

**Storefront Schools.** In response to the soaring public high school drop-out rate (more than 50 percent in some places), a phenomenon known as "storefront education" has emerged. These educational clinics, or tutoring centers, are run by nonprofit or for-profit teaching specialists who bill the state by the hour for the classroom time they spend with dropouts seeking a high school diploma.<sup>70</sup>

- Educational clinics in California and Washington have a success rate of about 66 percent and their cost per pupil is a small fraction of the cost at a regular high school.
- These clinics save government an estimated \$1.11 in welfare and law enforcement costs for every \$1.00 spent on tutoring.

**Other Private Contractors.** In an effort to overcome resistance to technological advances in education in the early 1970s, the Office of Economic Opportunity sponsored several pilot projects in which private contractors, operating outside the education bureaucracy, were paid fees for substantially raising the achievement levels of underachieving students. The results from 20 of these projects were highly encouraging.<sup>71</sup>

- The private contractors succeeded in *doubling* the rates of student achievement at a cost that was only slightly higher than that of the public schools.
- The private contractors spent about 10 percent *less* on teacher salaries and considerably *more* on instructional equipment.
- In the case of audio-visual equipment, the private contractors spent between ten and 15 times *more* than the public schools.

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<sup>69</sup>*Independent Schools: Give a Child a Chance* (Washington, DC: National Center for Neighborhood Enterprise, 1985).

<sup>70</sup>John Andrews, "Family is Central in the Educational System," Independence Institute, March 23, 1987.

<sup>71</sup>Charles Blaschke, "Performance Contracting: Who Profits Most?", Phi Delta Kappa Foundation, 1972, pp. 31-39.

The use of private contractors represents an important shift in focus — a shift away from government as *producer* of education to government as *buyer* of education. Minnesota, for example, has used private contracting to reduce its dropout rate to the lowest of all states. Currently, Minnesota contracts with seven private schools to provide education for American Indian children who are at high risk of dropping out of traditional public schools. Of the seven, three are run by tribal governments and provide instruction in an ambience that reflects American Indian society and culture. As a result of contracting, Minnesota graduates 90 percent of its American Indian students.<sup>72</sup>

**Corporate-Sponsored Education.** American business now spends more on employee education and job training programs than all universities and four-year colleges combined. By one estimate:<sup>73</sup>

- In 1981, business spent \$80 billion on education, compared with \$60 billion spent by colleges and universities.
- Corporate classrooms now contain as many as eight million employees — about the same as the total enrollment of colleges and universities.

The range of corporate educational activities is also surprising. At least 18 company programs grant their own degrees, and an additional 20 degree-granting programs are expected this year. These programs are being recognized by the same agencies that accredit traditional higher education institutions. Unfortunately, a great deal of corporate education involves material that our public schools fail to teach. American business pays the price for the failure of public schools, spending more than \$20 billion annually on remedial education to teach employees such basic skills as reading and writing.<sup>74</sup> The bottom-line (profit and loss) approach characteristic of corporate education may have much to offer to our failing public schools.

**Home Schooling.** Home schooling helped produce such distinguished Americans as Thomas Edison, Franklin Delano Roosevelt, Douglas MacArthur and Justice Sandra Day O'Connor. Today, the trend is growing:<sup>75</sup>

- At least 500,000 children nationwide are being educated in the home.
- Surveys show that home school pupils score 30 percent above the national average on standardized tests.

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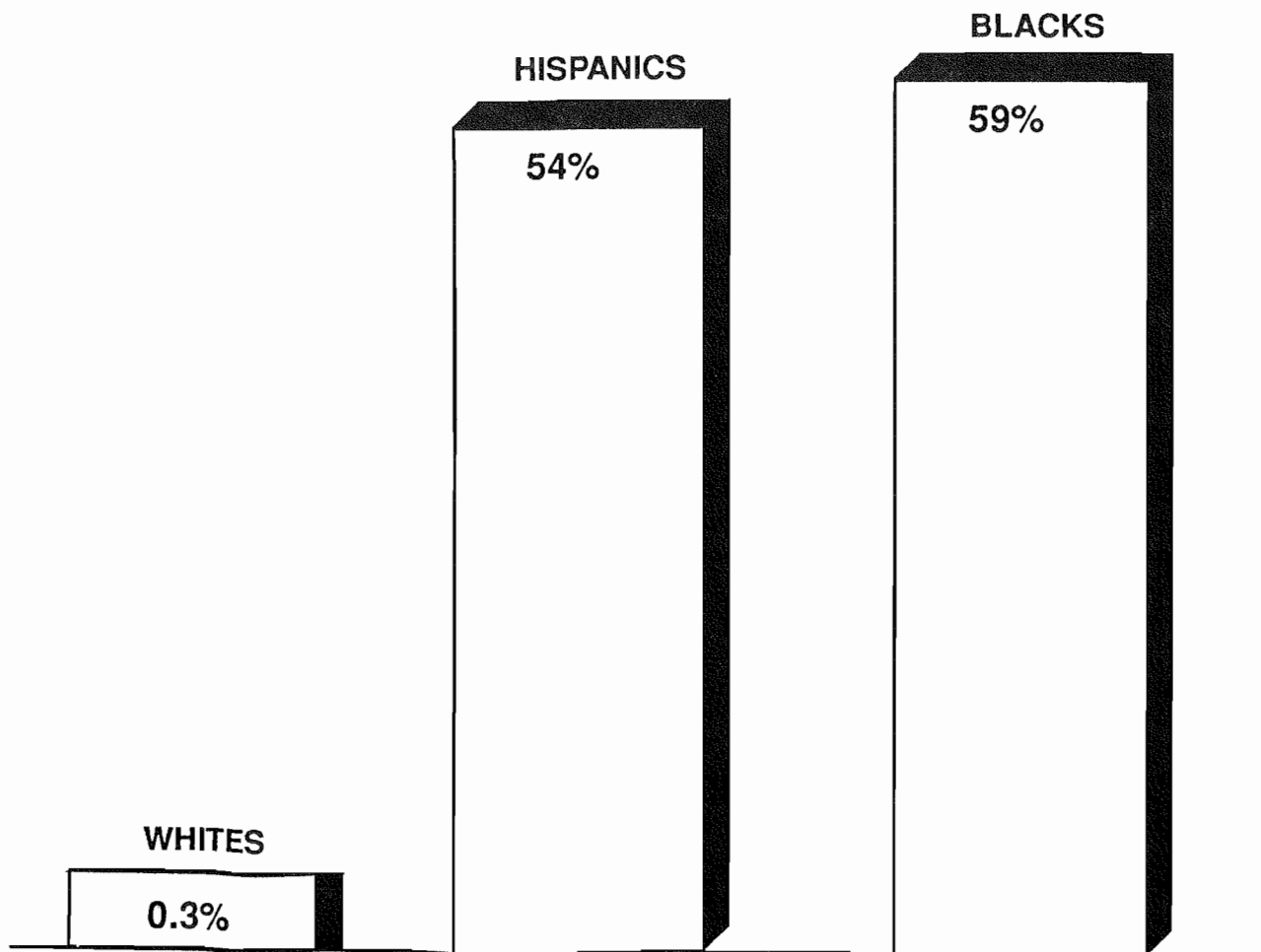
<sup>72</sup>Michael deCourcy Hinds, "Cutting the Dropout Rate: High Goal but Low Hopes," *New York Times*, February 17, 1990.

<sup>73</sup>Nell P. Eurich, *The Corporate Classroom: The Learning Business*, (Princeton: the Carnegie Foundation for the Advancement of Teaching, 1985).

<sup>74</sup>Kearns and Doyle, *Winning the Brain Race*. See also, Myron Lieberman, *Privatization and Educational Choice* (New York: St. Martin's Press, 1989), p. 287.

<sup>75</sup>John Andrews, "Family is Central in the Educational System."

**FIGURE VI**  
**INCREASE IN ENROLLMENT IN**  
**PRIVATE SCHOOLS**  
**(1972-1983)**

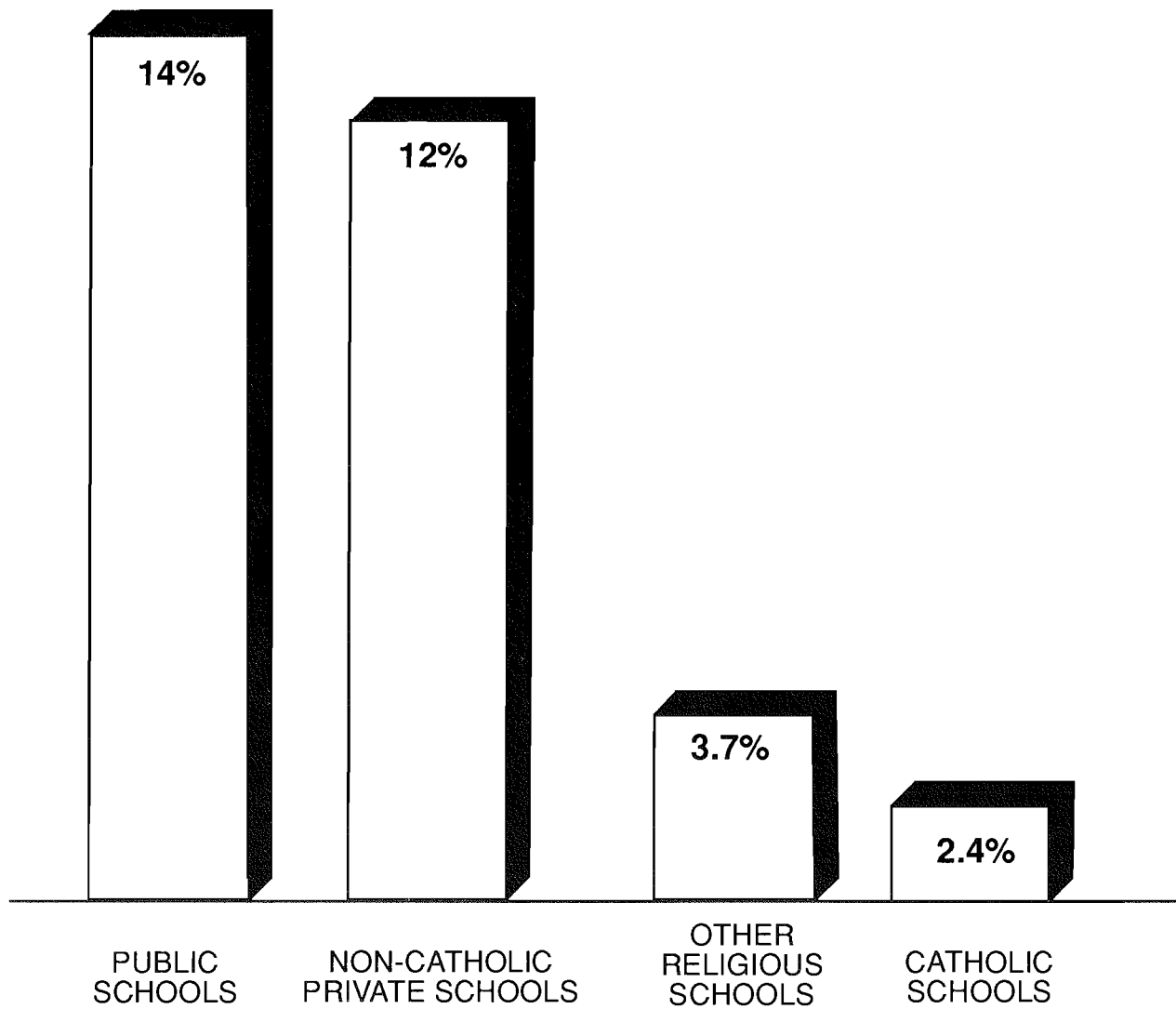


Source: Dwight Lee, "The Reality of the Public School System," *It's Education's Turn to Restructure*, Center for the Study of American Business, Washington University, April 1989.



**FIGURE VII**

**10TH AND 12TH GRADE  
DROPOUT RATES**



Source: James Coleman, "Educational Achievement: What We Can Learn from the Catholic Schools," Manhattan Institute, November 1988.

## Case Studies

**Educational Vouchers in Vermont.**<sup>76</sup> Vermont has offered choice in education for more than 100 years. In towns that have no public high school and do not belong to a unified public high school district, parents may place their children in a public or private non-parochial school of their own choice. The tuition is paid by the town in which the parents live. The existence of educational choice in Vermont is widespread:

- Of 246 towns in Vermont, 95 operate a tuition system.
- These towns account for 25 percent of Vermont's population.

Parents who live in a "tuition town" not only have the right to send their children to other schools in Vermont, they also may send their children to public and private schools in other states. In 1984-85, the towns made tuition payments of up to \$2,896 per student. Of those Vermont students who can take advantage of the tuition system:

- Fifty-seven percent attend other public schools in Vermont, and 7 percent attend public schools in other states.
- Thirty-six percent attend private schools in Vermont and in eight other states.

**Educational Choice in East Harlem.**<sup>77</sup> In 1973, East Harlem's schools were the worst in New York City. They ranked last in reading and math scores, with only 15 percent of students reading at grade level. But by 1981 there were no longer any traditional neighborhood junior high schools in East Harlem. Students began attending one of 18 competing public schools chosen by parents rather than bureaucrats. The results:

- Today, East Harlem ranks about 16th out of 32 districts in test scores, with 64 percent of its students reading at or above grade level.
- In 1973, only 7 percent of the students at Benjamin Franklin High School graduated. That same school — renamed the Manhattan Center for Science and Math — now sends 96 percent of its students to college.

Schools are even allowed to fail if not enough students choose to attend, and two schools have gone "bankrupt."

**Choice and Decentralization in Chicago.** In 1989, the city of Chicago implemented the most radical restructuring of a large city school district that has occurred in this century. The Chicago plan involves much more than freedom of choice. Parents and community leaders actually run the schools. Each of Chicago's 540 schools is now under the direct control of local councils composed of the principal, parents, neighborhood representatives and teachers. Parents are in the majority and the council chairperson must be a parent. Principals have been given increased authority to choose teachers and define school goals, but principals no longer have

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<sup>76</sup>This section is based on John McClaughry, *Educational Choice in Vermont*, Institute for Liberty and Community, February 1987.

<sup>77</sup>This section is based on John M. Hood, "Miracle on 109th Street," *Reason*, May 1989.

tenure, and they serve under contract from the governing council. Chicago already has a greater proportion of students in private schools (32 percent) than any other major city.<sup>78</sup>

**Freedom of Choice in Other States.** Legislatures in Minnesota, Iowa, Nebraska, Ohio and Arkansas have voted open enrollment at public schools throughout their states ("controlled" choice), removing the compulsory monopoly over students by the local school district.

**Freedom of Choice in Other Cities.** Cambridge, Massachusetts, launched a citywide choice plan in 1981, and its average combined SAT scores have increased 89 points in the past seven years. In Montclair, New Jersey, a commuter town of 40,000, students are scoring well above national averages after a decade of choice among public schools.

**School Choice in Great Britain.** Under Margaret Thatcher's education reform plan, parents can pick any government school they want, and the funds follow the children to the school of choice. Each school is operated autonomously, subject to a parent-elected governing board. England's Education Reform Act of 1988 specified that principals' and teachers' salaries depend on the enrollment a school attracts.

**School Choice in Japan.** In Japan, both public and private high schools compete for students and charge tuition. Government loans are available to help families pay tuition. There is no compulsory attendance beyond age 15, but 94 percent of 16-year-olds stay in school voluntarily, paying tuition fees. Although Japanese and American students score at about the same level in the first grade, the average 18-year-old in Japan does better in math than even a fraction of the top 1 percent of 18-year-old Americans.<sup>79</sup> When Japanese students graduate from high school, they have completed the equivalent of at least two years of an American college curriculum.<sup>80</sup>

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<sup>78</sup>Task Force on Education of the City Club of Chicago, *Educational Choice: A Catalyst for School Reform*, August 1989, pp. 22-23.

<sup>79</sup>E.G. West, "Open Enrollment: A Vehicle for Market Competition in Schooling?", *Cato Journal*, Spring/Summer 1989, p. 253-262.

<sup>80</sup>Kearns and Doyle, *Winning the Brain Race*.

## CREATING NEW CHOICES FOR PARENTS IN TEXAS

There already is considerable precedent for educational choice in Texas. A number of families today live in areas where there are no high schools. These families are free to choose from schools in neighboring districts, which then receive additional money from state government and their home district. The idea of using public money for private education is not new in Texas, either. School districts already contract with private institutions or with other districts to provide special education for students with learning disabilities.

Texas could move toward expanding freedom of choice in education by broadly applying these precedents for change. We could begin by identifying those students, schools and geographical areas that constitute the public school system's worst failures. The strongest argument for change exists precisely where the traditional approaches have been least successful.

**The Demand-Side Approach to Freedom of Choice.** Beginning immediately, Texas should grant the right of freedom of choice to (1) parents of children who failed the most recent TEAMS tests of minimum basic skills, (2) parents of children attending schools in which the majority of students failed the most recent TEAMS tests, and (3) parents of children in school districts in which a majority of students failed the most recent TEAMS tests. These parents should have the right to seek immediate alternatives at other public schools and at private schools. The average amount of state and local money spent on children of similar age in the school district should follow the children to the new school of choice.

Texas also should initiate an immediate freedom of choice plan for all metropolitan areas. In these areas, alternatives to public schools are already in place and could expand quickly. In order to insure an orderly transition, freedom of choice options might apply to 10 percent of all students the first year, 20 percent the second, 50 percent the third and 100 percent the fourth year. Meanwhile, a freedom of choice plan should be developed for smaller communities and rural areas.

**The Supply-Side Approach to Freedom of Choice.** To compete successfully for students, public schools must be decentralized and given local autonomy. As shown in Chicago, East Harlem and Britain, one way to begin is to create local governing bodies composed of parents and community leaders. Texas also should set up a "bankrupt school program,"<sup>81</sup> giving the state immediate authority to step in and restructure those school districts in which a majority of students failed the most recent TEAMS tests. At the same time, the state should initiate a four-year timetable for a freedom of choice plan in all major metropolitan areas. Elements of a possible phase-in plan are shown in Table VI. Plans should also be developed to use a similar approach in other areas around the state, including rural areas.

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<sup>81</sup>An example of such a program is operating in New Jersey.

**TABLE VIII**  
**PHASE-IN PLAN FOR COMPLETE  
 FREEDOM OF CHOICE IN SCHOOLS**

<u>Year</u>	<u>Percent of Students with Freedom of Choice</u>	<u>Change in the Administration of Public Schools</u>
1	10 percent of students have choice	Schools within school districts are corporatized, with independent boards of directors and the freedom to set budgets and form business plans. Most state mandates are removed.
2	20 percent of students have choice	Schools have the authority to negotiate employee contracts. Income is mainly determined by the number of students enrolled.
3	50 percent of students have choice	Schools have the authority to set capital budgets and issue debt. Income is totally determined by the number of students enrolled.
4	100 percent of students have choice	State and local administrative controls are completely relaxed. Schools become wholly independent nonprofit entities.

**CONCLUSION**

As we enter the decade of the 1990s, a new educational reform movement is underway in cities and states around the country. Unlike the reform movement of the early 1980s, the new reform movement rejects the idea that we can achieve higher quality education by pouring more money into failing school systems or by attempting to change the operation of those school systems by more state government regulation and control.

Instead, the new reform movement attempts to draw on the strengths of competitive markets, which have served us well in other areas of economic life. Power over resources is being shifted from large bureaucracies to individuals, as parents and children increasingly exercise choice in an educational market place. Decision-making is being decentralized, as schools are obtaining more autonomy — giving them the freedom and the flexibility to compete for students.

So far, Texas has not been part of this new reform movement. Education policy in the state continues to be shaped and molded by old ideas — ideas that have been discredited and repeatedly shown not to work. Our state is well behind most other states on measures of student achievement. We are seventh from last in our ability to keep students in school. We are third

from last in the literacy of our adult population. Unfortunately, it appears that we also may be near the last in adopting genuine reform.

Because of the Texas Supreme Court ruling in *Edgewood v. Kirby*, our state is forced to make substantial and radical changes in the way we are financing the public schools. In the very process of meeting the mandate of the court, Texas has an opportunity to be a leader rather than a follower in the new school reform movement.

It is our hope that Texas decides to lead.

NOTE: Nothing written here should be construed as necessarily reflecting the views of the National Center for Policy Analysis and the Texas Public Policy Foundation or as an attempt to aid or hinder the passage of any bill before the state legislature.

## APPENDIX A

### TWENTY-TWO QUESTIONS AND ANSWERS ABOUT SCHOOL CHOICE

#### 1. Would a program of complete freedom of choice lead to increased racial segregation?

That is unlikely. In fact, school choice is likely to reverse the trend toward increased segregation in large inner-city school districts. On the average, private schools are more integrated than public schools, and the large increase in private school enrollment in recent years is overwhelmingly attributable to minorities. By contrast, large inner-city public school districts, including those governed by court-ordered desegregation, are increasingly segregated. Dallas ISD is now 80 percent minority, and Houston ISD is 84 percent minority. The classic case is Washington, D.C., where only 381 of the city's 15,500 public high school students are white. In our nation's capital, virtually all middle class students, black and white, have fled leaving low-income minority students behind.<sup>1</sup>

Studies show that the proportion of minority students in public schools makes little difference in explaining the proportion of families who choose to send their children to private schools.<sup>2</sup> Nor should it be allowed to make a difference. No school should be allowed to receive state or local education funds if it discriminates on the basis of race.

#### 2. Would choice be permitted by federal judges in school districts under desegregation orders?

Choice plans are already permitted by federal judges supervising court-ordered desegregation plans. Garland ISD (near Dallas), for example, has a within-district school choice plan operating under federal court supervision.<sup>3</sup> Moreover, for reasons given above, freedom of choice may be the only way to desegregate schools in many large cities. In fact, black parents in Kansas City have filed a class action suit demanding that the state of Missouri remedy desegregation by providing their children with state-subsidized vouchers to enable parents to send their children to any public or private school of their choice.<sup>4</sup>

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<sup>1</sup>Kearns and Doyle, *Winning the Brain Race*.

<sup>2</sup>Edwin G. West and Halldor Palsson, "Parental Choice of School Characteristics: Estimation Using State-wide Data," *Economic Inquiry*, Vol. 26, No. 4, October 1988.

<sup>3</sup>See Garland Independent School District, "Organizational Information for the 1990-91 Freedom of Choice of Schools Plan and the Garland Independent School District Desegregation Plan," January 8, 1990.

<sup>4</sup>*Richard v. Missouri*, No. 89-061-CV-W-8 (W.V. Mo.), See *American Bar Association Journal*, November 1989, p. 22.

**3. What would happen to the income and working conditions of teachers in a school choice system?**

Under the current system, the public schools have a monopsony — effectively there is only one buyer in the market for teacher services. Exploiting this situation, school districts engage in employment practices that are inconceivable in competitive markets. Good teachers are routinely underpaid. Bad teachers are overpaid. Too many of our best teachers have left the profession altogether because of frustration over working conditions.

By contrast, with many schools competing for teacher services in a market that rewards performance and results, good teachers would command premium salaries because they would be in great demand. Moreover, the research on schools tells us that good working conditions are an essential ingredient for schools that are successful in attracting students.

**4. What if all of the students in a city wanted to go to one "best" school?**

Schools that are the "best" on paper are not ideal for most students in practice. For example, a school at which all seventh graders were performing at the ninth grade level would be regarded as a "good" school by almost everyone. But this would not be a sensible choice for parents of a seventh grader who is currently performing on the fifth grade level. The student would be four grade levels behind every other student in the classroom. For these parents, the most sensible choice is a school that specializes in helping below-grade-level students improve.

Remedial education, incidentally, would probably be the focus of most schools at the beginning of a choice system. In all our large cities, vast numbers of students lack skills which they should have acquired. The "best" schools would be schools which address these problems and remedy them quickly. Over time, these problems would be largely eliminated. Fewer schools would be needed to focus on below-grade-level performance, and more schools would specialize in above-grade-level education.

A choice system with one "best" school which all students want to attend is more than unlikely; it would also represent a complete failure of the concept of choice. The goal of a choice system is not to get all of the students in a city into one "best" school, but to make the suppliers of education respond to market incentives and create many "best" schools.

**5. How would schools cope with change if very large numbers of parents and children decided to move to new schools?**

The inflow and outflow of students is nothing new to the Texas public school system. During the 1980s, many Texas school districts experienced the emigration and immigration of large numbers of students. In some cases, within-district movement reached as high as 45 percent of students. There is no reason to believe that schools cannot cope with a changing volume of students, much as producers in other markets cope with a changing volume of customers.



**6. Would schools be required to accept all applicants and, if not, how would schools decide which students to accept?**

One of the goals of a system of school choice is to encourage the development of an educational marketplace in which schools specialize in meeting the diverse needs of a very diverse student population. A major problem with the current system is too much homogeneity and too little tailoring of different approaches to different needs. Each school must be free to develop a market niche, to recruit students who are appropriate to its methods and goals and reject students who are inappropriate. We would expect parents, students and school personnel to discuss goals and methods during interviews — in much the same way as for private schools.

**7. What if no schools wanted to accept "problem" students?**

For decades, representatives of the public school establishment argued that private schools had an advantage over public schools because the private schools did not have to accept "undesirable" or "problem" students. That argument is heard less frequently today because increasing numbers of "problem" students are being educated in private schools under contract with public school systems. For example, Minnesota contracts with private schools to teach American Indian students who are at risk of dropping out.<sup>5</sup> Texas contracts with private schools to teach students with learning disabilities.

The view that some students are "undesirable" is an all-too-frequent view in public school systems which are designed to produce a uniform product for "average" students and which make no real effort to tailor their product to the special needs of special students. The private sector has shown itself more than willing to take "problem" students and the public funding these students bring with them.

**8. How would schools receive money under a freedom of choice plan?**

Students would enroll in a school of choice. For each month of enrollment, the school would receive a payment from the state and from the local school district in which the child resides. The annual revenue for each student would be divided into nine monthly installments. If a child switched to another school or dropped out of school after one semester, the school would receive one-half of the annual payment.

**9. Would schools receive the same amount of money for every child?**

The amount of money spent per child would probably vary for several reasons. First, the evidence suggests that education in the lower grades cost less. So if \$4,600 is the average amount spent per child, the amount spent on younger children might be as low as \$3,000, while spending on older children might go as high as \$6,200. Second, under the current system, different school districts spend different amounts per student. Unless this procedure is changed under the recent ruling of the Texas Supreme Court, the amount spent per student will vary, depending on the school district in which the child resides. Third, a good argument can be made that students who are not "average" should benefit from higher-than-average spending. Gifted students or students with learning disabilities who are enrolled in special programs designed to meet their special needs might have more money spent on their behalf.

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<sup>5</sup>Hinds, "Cutting the Dropout Rate."

**10. Would public and private schools receive the same amount of money for similar students?**

Eventually, yes. During the transition to complete freedom of choice, the amount paid to private schools might be somewhat lower than the average amount paid to public schools, allowing the latter to adjust to the new, competitive environment. But we should move quickly to create a level playing field where all schools compete for students on equal terms.

**11. Would parents be able to add their own money to the public money spent on their children and pay higher tuition?**

In most proposals for school choice, competitors can enter the market provided that they agree to educate children for the price that state and local governments are willing to pay, and schools are prohibited from charging parents additional tuition. In other words, if a school accepts government money, the amount that government pays must be the full price.

The problems with this approach are some of the same problems that plague the current system. Government spends the same amount on all children, whether rich or poor. Parents are strongly discouraged from supplementing that amount with their own money because paying private school tuition means that parents lose all public subsidy. These policies result in needless public subsidies to the wealthier students in public schools and they are anti-education. They result in much less money being spent on education than otherwise would be.

We should at least consider moving to an income-related payment system in which government pays more for low-income students and less for high-income students. Parents under this system would be free to add their own money to the government payment, and schools would be free to charge market prices just as private schools do.

**12. Would the federal courts permit government funds for education to be spent at church-related schools?**

Under current case law, that is unlikely. The federal courts do not even allow prayer in public schools. However, the attitude of federal judges could change.

Ironically, history clearly shows that a central purpose of the First Amendment was to prevent the federal government from interfering with state legislation to aid religious schools. Government money routinely goes to church-operated colleges and universities and to church-operated hospitals. Moreover, the courts have permitted direct government contracts with churches in areas such as higher education; health care; care of the elderly, homeless and orphans; and for prison release programs. The courts also have permitted donations of government land to churches and countless other projects. Religion courses generally foster good work habits, respect, punctuality, patriotism and other objectives which government schools claim to promote. The Coleman study indicates that the more religious students in Catholic schools perform better on secular subjects than the less devout.<sup>6</sup>

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<sup>6</sup>Coleman, "Educational Achievement: What Can We Learn From the Catholic Schools?"

**13. Would anyone be able to start a school?**

Yes, or nearly so. Public funds should follow students to any accredited school. Accreditation standards should not be onerous or designed to seriously hamper entry into the market. Further, standards should be result-oriented rather than process- or input-oriented. In other words, schools should be free to decide matters such as school equipment, teacher credentials and the like. Of course, the trustees and managers of accredited schools must be responsible adults of good moral character. For the most part, parental choice and competition would handle this function, as they do in the markets for food, clothing and shelter.

**14. Would for-profit organizations like Sylvan Learning Corporation, Huntington Learning Centers and American Learning Corporation be allowed to operate eligible schools?**

Yes. Profit-seeking organizations continually develop and field-test new products and services, and this activity is essential to educational improvement. Suppliers of computer-assisted learning systems which allow students to work at their own pace under teacher supervision claim, "We can cover 12 years of learning in 8." John J. Gottsman, president of education systems at Wicat Systems, adds, "You can spend the rest of the time on great books or whatever you want."<sup>7</sup>

**15. What about home schooling?**

It should be allowed to continue in Texas. Nationally, less than 1 percent of school-age children were involved in home schooling in 1987, reflecting a trend in self-help. Research shows that children educated at home compare favorably with those educated at regular schools.<sup>8</sup> Sparse research also suggests superior social development. Home schooling is primarily an elementary-level phenomenon. If the parents accept public funds, the state may periodically require that home-schooled pupils pass the same achievement tests as regular school students. Parents of home-schooled students ages 6-14 who pass achievement tests should be paid 50 percent of the average spent on other students in the same school district.

**16. Should freedom of choice extend to out-of-state schools, boarding schools and military academies?**

Yes. A small minority of parents will want to choose these options, and that is fine. In an analogous situation, today the 50 Texas districts without high schools send children to other districts. The money, appropriately, follows the child.

**17. How would we prevent fraud or unacceptably bad performance by schools?**

Under a freedom of choice system, this task would be much easier. Under the current system, we already have "fraud" in some public schools, in terms of the amount of money we spend and the pitiful results we receive. Once public officials begin to focus on their role as

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<sup>7</sup>*New York Times*, December 27, 1989.

<sup>8</sup>Lieberman, *Privatization and Educational Choice*, p. 287.

buyers rather than producers of education, they will be far less likely to apologize for failure and far more likely to help parents make wise choices and demand results.

Monitoring by the state would take two forms. First, standardized tests of minimum skills would be administered, similar to exams the state already administers. If a school's students failed to perform at a minimum acceptable level, the school would no longer qualify for government funds. Second, the state would administer other exams to test student performance in areas parents care about (e.g., economics, geography, etc.). Unlike the current system in which the Texas Education Agency (TEA) discourages comparisons among schools and attempts to conceal unacceptably bad performance,<sup>9</sup> in a choice system the role of the TEA would be to publicize the results of its monitoring efforts and make them easily accessible to parents.<sup>10</sup>

The primary monitors of schools, however, would be parents. The goal of school choice is to empower parents. Freedom of choice would give parents new incentives to monitor the performance of schools by giving them the power to change things.

**18. Would existing public schools be allowed to go out of business if they failed to attract students?**

Certainly. An essential ingredient of competitive markets is the opportunity to fail. When school administrators know that they will continue to be subsidized regardless of performance, they have very weak incentives to perform. In the highly successful East Harlem school choice plan in New York City, two schools have already gone "bankrupt." When this occurs, others have the opportunity to acquire the school building and other assets, and to start a new school.

**19. How would a freedom of choice plan work in rural areas that can only support one school?**

Under the current system, the problem in many rural areas is the reverse: there are too many schools, not too few. Take Bosque Country (near Waco), for example. This county has three school districts for only about 1,100 students. All attempts to merge the districts have met resistance in the form of political and bureaucratic rivalry.

Under a choice system, the optimal size of schools will be determined by the market, not by politics. It is unlikely that Bosque County could support three separate schools, since there are probably economies of scale in merging. Conversely, in large cities very large school districts will probably be replaced by much smaller, competing organizations.

No matter how small the population of a county, however, the right to enter the market is an important competitive check on the performance of schools. In East Harlem, a critical number of parents, about 50, is all that is necessary to form a new school. This is an important option that needs to be created for all parents in Texas.

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<sup>9</sup>Texas Education Agency press release, dated January 17, 1990.

<sup>10</sup>These tests could be constructed and administered by private agencies in order to prevent the growth of another state government bureaucracy.

**20. How would travel to and from schools be funded?**

Travel to and from schools is one of the services which schools should be able to offer, and competition not regulation should determine the extent and quality of the service. Clearly, easy and efficient transportation would make schools more attractive to prospective customers.

**21. Would a choice system in which public money went to private schools violate the provision of the Texas Constitution which provides for the establishment of "public-free schools"?**

No. When the Texas Constitution was adopted, "public" schools generally meant private and community education enterprises. These enterprises usually charged parents tuition. "Free schools" were schools intended for orphans and children living in poverty, although in practice these children often had their tuition to private ("public") schools paid by the state on application to the county judge of each county.<sup>11</sup> While the constitutional language may seem strange to modern ears, the freedom of choice plan advanced in this report is consistent with the original intent of the framers of the Texas Constitution, and therefore is constitutional. In fact, for a short while after the Constitution was adopted, Texas actually switched from a system of government-controlled education to state subsidized private schools. The system operated as a voucher system in which the parents chose the schools, and the state paid a per capita amount to schools, whether public or private.<sup>12</sup>

**22. How would freedom of choice be affected by the state legislatures response to the Texas Supreme Court decision in *Edgewood v. Kirby*.**

Some proposals involve consolidation of school districts or a move toward county-wide collection of property taxes. These proposals would result in greater equality of spending per pupil for students in the same geographical area. Although we do not recommend these proposals, they would facilitate freedom of choice. If the amount spent per pupil were the same in neighboring school districts, students could more easily cross district boundaries to attend different schools. A school which accepts an out-of-district student would receive just as much income as it would if its accepted a within-district student.

If these proposals are rejected, however, and if the Texas Supreme Court guidelines are followed strictly, inequalities among school districts may actually increase.<sup>13</sup> Disparities in spending per student by neighboring school districts complicate school choice across district boundaries because an out-of-district student will bring more income, or less income, than a within-district student.

Resolution of the issues in *Edgewood v. Kirby* may take decades. We should not penalize children by delaying the implementation of freedom of choice, however. The fact that students in different school districts may have different amounts of money to "spend" in the educational marketplace should not be used as an excuse to deny parents choice or to deny schools the opportunity to accept out-of-district students.

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<sup>11</sup>See the *Final Report and Recommendations of the Select Committee on Public Education*, p. 34.

<sup>12</sup>*Vernon's Texas Constitution*, Act III, §1, Interpretative Commentary.

<sup>13</sup>See Kathy Hayes and Daniel Slottje, "Equality and Inequality in Texas School Finance," National Center for Policy Analysis, NCPA Report No. 146, February 1990.

**APPENDIX B**  
**EXPENDITURES PER PUPIL**  
**(Current \$)**

	<u>Op. Exp.</u>	<u>Capital</u>	<u>Debt</u>	<u>Teacher's Retirement</u>	<u>Total</u>
79/80	\$1533	\$289	\$147	\$131	\$2100
80/81	1743	288	160	151	2342
81/82	1953	292	177	169	2591
82/83	2335	298	160	182	2975
83/84	2448	301	224	160	3133
84/85	2752	396	367	180	3695
85/86	2945	460	284	212	3901
86/87	3021	425	278	219	3943
*87/88	—	—	—	210	—
88/89	3388	464	288	201	4341

\*Accurate figures not available.

Sources: Texas Research League, Comptroller of Public Accounts.

## APPENDIX C

### AVERAGE SAT SCORES OF TEXAS VERBAL AND QUANTITATIVE (1976-1989)

<u>Year</u>	<u>Score</u>
1976	893
1977	888
1978	885
1979	874
1980	872
1981	870
1982	868
1983	865
1984	867
1985	878
1986	877
1987	875
1988	879
1989	877

Source: The College Board.