Defining and Solving the Texas Dropout Crisis

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

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

DROPOUTS: HOW LARGE IS THE PROBLEM?

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

- **Texas Education Agency (TEA) Graduation and Dropout Rates:** Since 1998, the TEA has reported a four-year longitudinal graduation rate, which tracks if high school students graduated, received a GED, continued high school, or dropped out. Students who cannot be tracked are left out of the numbers completely. Presumably, students who drop out would be difficult to track, so the TEA is most likely continuing to understate the true rate of dropouts.

- **Attrition Rates:** Attrition rates compare the number of ninth-graders to the number of graduates four years later, thus expressing the percentage of students who fail to graduate within four years. This rate is reported by the Intercultural Develop-

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

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

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

*Calculated by author using Swanson's method
**Opposite of attrition rate, as calculated by author

IMPACT OF DROPOUTS ON SCHOOL DISTRICT BUDGETS

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

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

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

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

IMPACT OF DROPOUTS ON SOCIETY

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

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

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

SOLUTION TO THE DROPOUT CRISIS

The dropout crisis has been brought to light by researchers in the past few years. But decades before this issue was widely recognized, Texas legislators and public school officials began "reforming" public education by tripling per-student spending, increasing teacher salaries, and decreasing class sizes. Those reforms have led to little, if any, improvement in test scores. And they certainly have not helped repair the alarmingly low graduation rates of today. Fortunately, one reform has been proven to increase graduation rates: school choice.

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

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

CONCLUSION

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

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

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

[3] Available at http://www.edweek.org/ew/toc/2006/06/22/index.html.

[4] Author's calculations based on TEA AEIS data.

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

[6] Ibid.

[7] Ibid.

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

[9] Gottlob.

[10] Gottlob.

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

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

[13] "Milwaukee's Public Schools in an Era of Choice," School Choice Wisconsin (Feb. 2007) http://www.schoolchoiceinfo.org/data/research/MPS_07_Final.pdf.

[14] Author's calculations based on TEA AEIS data.

[15] Gottlob.