



### Charter Innovation



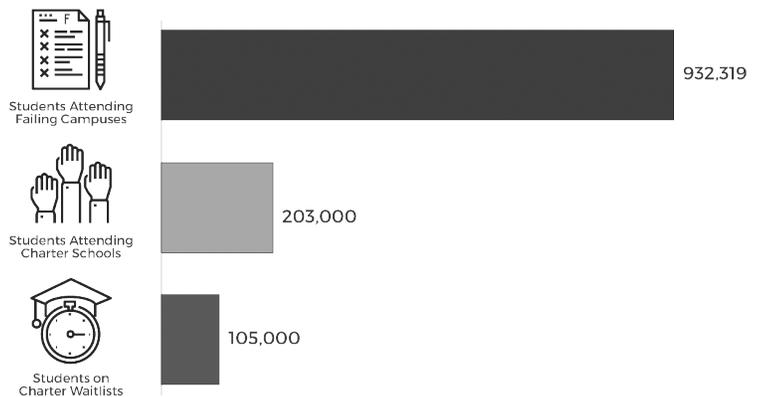
#### The Issue

While traditional school officials fear change, research by many economists indicates that competition from charter schools improves traditional public education. Texans must insist on doing what is best for students and teachers rather than what is demanded by those stakeholders who primarily want to defend the status quo. We should remove all restrictions inhibiting student achievement and act in the best interest of the students, teachers, and taxpayers.

One way to increase the efficiency of the education system is through the strategic expansion of charter schools. Charters provide the choice and competition needed to drive improvements to better meet consumer demand. However, charter schools are greatly restricted from growing naturally, which has led to a significant disparity between high demand and low supply. Currently, according to the Texas Education Agency, 1,532 Texas public school campuses are rated as underperforming and over 930,000 students are assigned to these failing schools. At the same time, charter enrollment sits at only about 200,000, while another 105,000 students are on waiting lists to get into a charter school that may better fit their individual needs. The figure below illustrates this problem. The Texas Legislature can make several reforms to improve this situation.

#### Students in Failing Schools, Students in Charter Schools, and Students on Charter Waitlists, 2015

Figure 5: Students in Failing Schools, Students in Charter Schools, and Students on Charter Waitlists, 2015



#### Remove the Artificial Cap

Currently, the Texas Education Code (12.101(b-1)) limits the number of charters that the state can grant. While this cap continues to increase, its original intent was to limit the number of charter schools and slow their growth. Texas should remove the artificial limit on the number of open-enrollment charters and thereby provide more educational opportunities for future Texas students.

#### Establish Professional Charter Academies

Great teachers are trapped in a system which stifles innovation and undervalues their talents. Teachers are by far the most important component to successful schools and successful students, however, the traditional system often fails to fully recognize and reward their talents.

In other fields (law, medicine, accounting, engineering, etc.), professionals are afforded the opportunity to control their professional activities and reap the rewards of their individual talents through management of their own professional enterprise. A lawyer can begin his/her own firm, a doctor, his/her own practice. However, because our school finance system ties student allotments to districts rather than students themselves, most professional educators do not have that same opportunity.

Under a Professional Charter plan, experienced and highly rated educators would be able to start their own schools and receive state funding. In fiscal year 2014, M&O averaged \$8,692. If five teachers started their own Professional Charter school, rented appropriate facilities, and educated 125 students, their annual revenue would be over one million dollars. While the 2014-15 Texas

Academic Performance Reports shows that the average annual salary for teachers was only \$50,715, under a Professional Charter system, these teachers might double their take-home pay even after covering all expenses. At the same time, they would have increased freedom from arbitrary curriculum and administrative requirements, would have greater flexibility in meeting the needs of their students, and would enjoy greater job satisfaction.

Public school teachers would be eligible for a Professional Charter if they have five years of experience and are rated proficient or higher by the Texas Teacher Evaluation System. No students would be assigned to a Professional Charter school; however, any Texas student would be eligible to attend. As with other professions, start-up expenses would be the responsibility of those forming the venture. The state would reimburse the professional charter holders at the end of the school year, which allows the state to avoid any financial risk caused by failed start-ups. In such a system, teachers who provide a great education for students would see a direct and immediate reward for their efforts both fiscally and professionally.

## The Facts

- Educators are professionals who are effectively denied the same opportunities as other professionals.
- Many great teachers leave the profession frustrated over red tape and lack of discretion to do their jobs as they know best.
- Education is still primarily delivered through an institutional system designed over a century ago.
- According to NEA polls, teachers are not feeling trusted or respected by their administrators.
- Many school administrators oppose expansion of student and teacher choice due to self-interest.
- Restricting supply side change has protected the status quo at the expense of Texas students, taxpayers, and teachers.
- Artificial restrictions on the number of open-enrollment charter schools prohibit many students from exercising their freedom of educational opportunity.
- Over 100,000 children are on charter school waiting lists.

## Recommendations

- Allow teachers to form and operate Professional Charter Academies.
- Remove the statutory cap on charter schools contained in Texas Education Code 12.101.

## Resources

[\*Urban Charter School Study Report on 41 U.S. Regions\*](#) by the Center for Research on Education Outcomes (2015).

[\*National Charter School Study\*](#) by the Center for Research on Education Outcomes (2013).

[\*What Keeps Texas Schools from Being as Efficient as They Could Be?\*](#) by Dr. Paul Hill (July 2012).

[\*Allan E. Parker's Expert Report for School Finance Trial\*](#) by Kent Grusendorf and Michael Barba, Texas Public Policy Foundation (Jan. 2015).

[\*Would School Choice Change the Teaching Profession?\*](#) by Caroline Hoxby, *Journal of Human Resources* (Fall 2002).

[\*How School Choice Affects the Achievement of Public School Students\*](#) by Caroline Hoxby (2002).

[\*Competition: For the Children\*](#) by Chuck DeVore, Texas Public Policy Foundation (June 2016).





### Educational Choice



#### The Issue

A majority of states have some form of private school choice. Texas has none. Every Texas child should be afforded the opportunity to select the educational options which best suit his or her individual needs.

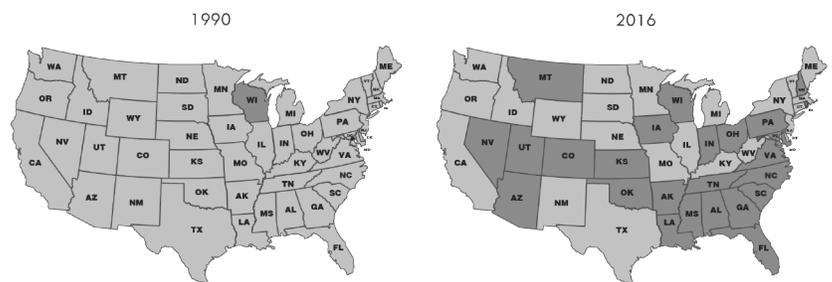
Texas is behind many states in educational opportunity. In 2015, Nevada passed the most comprehensive choice program in the nation to allow almost every student in the state the freedom to select the best educational program for his or her own educational needs through an Education Savings Account (ESA) program. An ESA is innovative because it can be used for a variety of educational expenses throughout a school year, including therapy, tutoring, test fees, textbooks, transportation expenses, or tuition. In addition, families can roll-over unused ESA dollars from one school year to the next. Funds remaining upon graduation can be used for higher education. Modeled after Health Savings Accounts, the ESA concept provides an offset to many of the third-party pay problems inherent in education today. The figure at right illustrates how ESAs might work.

Half the nation's state legislatures have established school choice. ESAs have been established by legislatures in Nevada, Arizona, Tennessee, Mississippi, and Florida. Nevada's program is the leading model because of its near-universal availability. Nevada students are eligible for the program if they have been enrolled in public schools for 100 days prior to receiving the ESA. Students receive one of two possible ESA amounts: students who have disabilities or are eligible for the Federal Free and Reduced Price Lunch Program will receive about \$5,700 in the 2015-16 school year; all other ESA students receive about \$5,100. In Arizona, which has had an ESA since 2011, parents have taken full advantage of the program's flexibility. About one-third of ESA funds are expended on multiple items; in other words, a sizable number of parents choose not to use the entire ESA on tuition. In addition, when Arizona parents were given the option to roll-over unused dollars and spend them on future educational expenses—such as college tuition—they rolled-over an average of 30% of their ESA allotment.

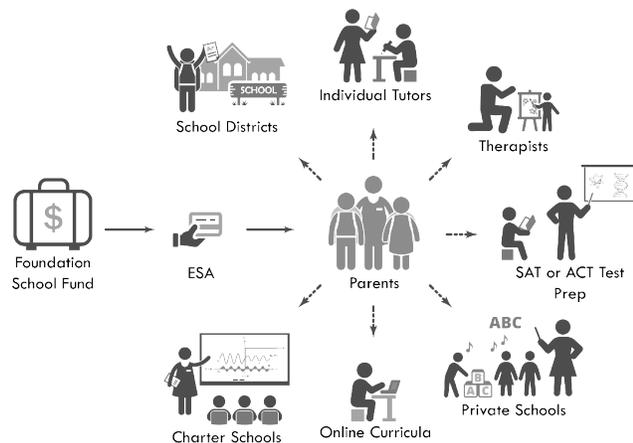
Student performance improves as a result of educational choice. According to the Friedman Foundation, of 12 empirical studies on this topic, 11 found that student achievement improved and one found no measurable impact. Choice also has improved public school performance. Of 23 empirical studies surveyed by the Friedman Foundation, 22 found that public schools improve when students are allowed a choice. Only one found no measurable improvement. What follows is a summary of social science research on this topic; citations to these studies are contained in *Texas School Finance: Basics and Reform* (p. 58):

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The Spread of Educational Choice, 1990-2016



Reformed Flow of Funds through ESAs



- A 1998 peer-reviewed study by MIT scholars found that math scores of Milwaukee school choice participants improved by 1.5-2.3 percentage points.
- A 1999 peer-reviewed study by UT Austin and Harvard scholars found that, in Milwaukee, reading scores of students in the fourth year of their choice program had improved by 6 percentile points; math scores improved by 11 points.
- A 2002 study by Stanford economists found that programs in Wisconsin, Michigan, and Arizona improved public school district achievement in Reading, Math, Science, and Social Studies.
- A 2003 peer-reviewed study by scholars at Johns Hopkins, Columbia, and Harvard found a 3-percentile point increase in math scores for African-American children and stated that choice programs have “greater potential benefit for children in lower-scoring schools.”
- A 2001 study by Education Next (a non-profit journal) found that choice students in Charlotte, NC, scored 5.9 percentile points higher on math tests and 6.5 percentile points higher on reading tests.
- A 2010 peer-reviewed study from Harvard University scholars found that New York public school students in choice programs improved their math and reading scores. Math scores of students who came from low-performing public schools increased by 4-5%; reading scores increased by 2-3%.
- A 2010 study by the Federal Department of Education found that the school choice program in Washington, D.C. had no impact on student test scores, but increased high school graduation rates from 70% to 82%.
- A 2008 peer-reviewed *Policy Studies Journal* article confirmed the reading score improvement from the 2001 *Education Next* study, but did not find a change in the math scores.
- A 2006 Brookings Institution study found that African-American students in Washington, D.C., Dayton, OH, and New York, NY, scored 6 percentile points higher on their Iowa Tests than students who remained in their former school.
- A 2012 joint study by the Brookings Institution and Harvard University looked at New York's school choice program. They found that college enrollment by African-American school choice students increased by 25%. They also found that African-American enrollment in selective colleges (which have an average SAT of 1100 or greater) more than doubled.

### The Facts

- Universal educational choice could lead to an additional 65,000 students graduating from high school each year as opposed to dropping out of school.
- Public schools will improve with the implementation of universal choice.
- Universal choice will drive up teacher pay as schools divert more funds to classrooms—where they have the greatest effect on students.

### Recommendation

- Promote educational excellence in Texas by adopting ESAs for all Texas students, and establish a variety of educational choice alternatives.

### Resources

[\*The Education Debit Card II: What Arizona Parents Purchase with ESAs\*](#) by Lindsey Burke (Feb. 2016).

*ESA Handbook: A Parent's Guide*, Arizona Department of Education (Aug. 2014); and [\*ESA Parent Handbook\*](#) by the Nevada State Treasurer (Jan. 2016).

[\*Texas School Finance: Basics and Reform\*](#) by Michael Barba, Kent Grusendorf, Vance Ginn, and Talmadge Heflin, Texas Public Policy Foundation (March 2016).

[\*2015-2016 National School Choice Yearbook\*](#), American Federation for Children (April 2016).

[\*How School Choice Affects the Achievement of Public School Students\*](#) by Caroline Hoxby, Hoover Institution Press (2002).

[\*Evaluation of the DC Opportunity Scholarship Program: Final Report\*](#) by Patrick Wolf, Babette Gutmann, Michael Puma, and Brian Kisida, U.S. Department of Education (June 2010).

[\*School Choice and Climate Survey\*](#), Grand Prairie ISD (Dec. 2014).

[\*How ESAs Can Keep Texas the Land of the Free and Home of the Brave\*](#) by Kent Grusendorf and Nate Scherer, Texas Public Policy Foundation (Jan. 2016).

[\*Moral Case for School Choice\*](#) by Michael Barba and Kent Grusendorf (Sept. 2014).

Texas Public Policy Foundation

# K-12 Education

Legislator's Guide to the Issues 2017-18



## Public School Finance



### The Issue

The Texas Constitution establishes public education through Article VII, Section 1, requires “an **efficient** system of public free schools.” [emphasis added].

In the 2014-15 school year, Texas taxpayers spent a total of \$60.98 billion on public education, according to the Texas Education Agency’s (TEA) 2014-15 Financial Actual Report. In the same school year, there were 4,778,559 students attending Texas public schools. As a result, Texans spent \$12,761 per student. (For context, the average tuition for accredited private schools in Texas was only \$7,848.) Therefore, Texans spend about \$255,000 for a classroom of 20 students. At the same time, according to TEA’s 2014-15 Texas Academic Performance Reports (TAPR), the average annual salary for teachers was \$50,715. Resources are not currently allocated in the most efficient manner to help Texas students.

As the District Court ruled in 2014, “hundreds of thousands” of Texas students are being underserved by the system. According to Judge John Dietz, “all performance measures considered at trial demonstrated that Texas public schools are not accomplishing a general diffusion of knowledge.” He concluded, and the Texas Supreme Court confirmed, that the education funding structure is outdated and significantly flawed, however, he erroneously concluded that more money would resolve the systematic problems.

Public education is funded by an unnecessarily complex and inefficient system which is not student-centered. Texas’ funding formulas have been cobbled together based on political dynamics, not by what works for students. As a result, the system is not efficient. In addition, the system is not equitable on a student basis, instead, all prior efforts are designed around equity for school rather than students. Detailed solutions to this problem are outlined in our *Basics and Reform* study. (p. 49-56)

The Texas Supreme Court concluded in *West Orange Cove II* that, “Pouring more money into the system may forestall [constitutional] challenges, but only for a time.” The Texas Legislature must offer a solution to the fundamental problem of our system, which is that the system is not student-centered. This can be accomplished by reforming the student allotment based upon the following principles:

1. Shift the focus from equity for schools to equity for students.
2. Assure that the student’s allotment is portable.

The state should establish a single student allotment, which we call the General Diffusion of Knowledge (GDK) Allotment. That allotment should then be subject to only two adjustments. First, it should be adjusted by a local school district’s Maintenance and Operation (M&O) property tax rate in order to comply with the court’s requirement of similar revenue at similar tax rates. For example, if the GDK Allotment were \$8,000, a district with an M&O tax rate of \$1.10 would be adjusted to \$8,800. Second, this amount would then be adjusted for regional cost differentials based upon the U.S. Department of Commerce’s Regional Price Parities (RPP1) for Metropolitan Statistical Areas. With only these two adjustments, the system would increase student equity, provide transparency, and enhance efficiency.

Structural efficiency would be improved when the allotment is made portable. Funds should be portable based upon parental discretion. Such a system encourages continued dialogue between parents and school districts, and public schools begin to adjust their course offerings based on parent feedback. Early adopters of educational choice, such as Grand Prairie ISD, have found that parent satisfaction increases, and 90% GPISD teachers want to expand the choice system. As the figure below illustrates, this would effectively tie the allotment to the student, allowing them to pursue differing options based on their individual needs.

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In such a system, education finance would be transparent, efficient, and equitable. Furthermore, educators should be freed of most unnecessary regulations which excessively burden them today. Educational consumers—parents and students—would have flexibility in the ways they allocate their education dollars within the public school system. By restructuring school finance in this manner, a real market for educational services will be created within individual schools, within school districts, and throughout the state, thereby resulting in significant improved efficiencies, effective resource allocation, and superior student performance.

The Texas Supreme Court, which has dealt with school finance reform for the last 30 years, has repeatedly encouraged the Legislature to make structural reforms to the system, and did so even more forcefully in its 2016 opinion. Student-centered funding would offer Texas children the lasting promise of excellent education and equal opportunities for success.

## The Facts

- Total public education expenditures in the 2014-15 school year were \$60.98 billion. With 4,778,559 students in average daily attendance (ADA), per student spending is \$12,761.
- The average tuition of an accredited private school in Texas is \$7,848.
- A “disastrous” 14-25% of public school students fail to graduate from high school (*TTSFC v. Michael Williams, Finding of Fact*, 205-207).
- Only 18% of high school graduates from 2010-13 met the SAT or ACT college-readiness standards (*Finding of Fact*, 160).
- One-third of English Language Learners (ELL) in grades 3-12 failed to progress a grade level in English (*Finding of Fact*, 352).
- Not one student performance measure examined by the district court demonstrated sufficient student achievement (*Conclusion of Law*, 71).
- Per Judge Dietz, the system is failing to meet the needs of “hundreds of thousands” of Texas students (*Executive Summary* at page 3 and 5).

## Recommendations

- Implement a student-centered funding structure for public education based solely on the delivery of a general diffusion of knowledge.
- Ensure that allotments are transparent, equitable, and portable.
- Deregulate public schools and allow educators to operate as professionals.

## Resources

[\*Texas School Finance: Basics and Reform\*](#) by Michael Barba, Kent Grusendorf, Vance Ginn, and Talmadge Heflin, Texas Public Policy Foundation (March 2016).

[\*Texas Education: Original Intent of the Texas Constitution\*](#) by Kent Grusendorf, Texas Public Policy Foundation (July 2014).

[\*How School Choice Affects the Achievement of Public School Students\*](#) by Caroline Hoxby, Hoover Institution Press (2002).

[\*Evaluation of the DC Opportunity Scholarship Program: Final Report\*](#) by Patrick Wolf, Babette Gutmann, Michael Puma, and Brian Kisida, U.S. Department of Education (June 2010).

[\*School Choice and Climate Survey\*](#), Grand Prairie ISD (Dec. 2014).

[\*How ESAs Can Keep Texas the Land of the Free and Home of the Brave\*](#) by Kent Grusendorf and Nate Scherer, Texas Public Policy Foundation (Jan. 2016).

[\*What Keeps Texas Schools from Being as Efficient as They Could Be?\*](#) by Dr. Paul Hill (July 2012).

[\*Eric Hanushek's Expert Report for School Finance Trial\*](#) by Kent Grusendorf, Michael Barba, and Dianna Muldrow, Texas Public Policy Foundation (Oct. 2014).