

Testimony of Dr. Greg Forster to the Senate Education Committee

March 29, 2007

Members of the committee, thank you for inviting me to testify this morning. I'm here to talk about the dropout emergency in Texas. You already know that Texas public schools have alarmingly high dropout rates. Statewide, only two thirds of Texas students who start high school will graduate. The other one third of all students, almost 120,000 students every year, will drop out. In the United States, Texas has the second-highest percentage of its working-age population without a high-school diploma; only Mississippi has more dropouts than Texas.

Texas public schools are especially failing to serve the state's minority students. The graduation rate for both black and Hispanic students is below 60 percent, compared to the white graduation rate of over 80 percent.

This dropout crisis is disproportionately located in Texas's large urban school districts. In Dallas, Houston, and Fort Worth, the graduation rate is below 50 percent. That means the majority of all students who start high school never graduate. Shocking as that is, the graduation rates for minority students in these cities are even lower. And the state's other big cities are not much better off.

By now, we all know about the devastating impact that dropping out of school has on the life outcomes of these students. High school dropouts in Texas earn about half as much money per year as high school graduates, are half again as likely to end up on Medicaid, and are twice as likely to be incarcerated. The human cost of this slow-motion disaster has been steep.

But while the personal impact of dropping out of school is well known, the impact for state taxpayers is less widely appreciated. The Friedman Foundation recently partnered with the National Center for Policy Analysis and Hispanic CREO to examine just how much the dropout crisis is costing Texas taxpayers.

We used Census data, along with data taken from empirical studies of incarceration rates. We applied a standard economic model to measure the public cost of dropouts in three areas: lost tax revenue due to lower earnings of dropouts, increased Medicaid costs, and increased incarceration costs. We found that in just these three areas, each dropout costs the state of Texas an average of about \$3,200 per year, every year, for the rest of his or her lifetime. That adds up to a total statewide taxpayer cost of \$377 million per year, every year, for each new class of dropouts.

Like the dropout crisis itself, these costs are disproportionately located in Texas's large urban districts. Dallas alone produces about 8,000 new dropouts in every class of students; these dropouts cost Texas \$26 million per year, every year, for each new class. Houston produces almost 9,000 dropouts in each class, costing Texas \$29 million per year, every year, for each new class.

What can Texas do to raise its public school graduation rates? A large body of empirical studies has shown that school choice policies improve the academic performance of public schools. Contrary to the claims that school choice will hurt public schools, no empirical study anywhere in the U.S. has ever found that public schools had worse outcomes when exposed to school choice, and many have found that they improve thanks to the healthy competition school choice creates.

Drawing on the findings of previous empirical research, we estimate that even a modest school choice program in Texas would reduce public school dropouts by up to 17,000 students per year, every year. That would not only rescue thousands of students from the consequences of dropping out, it would also save Texas taxpayers up to \$53 million per year, every year, for each class of students.

Members of the committee, even if you do not represent one of the districts eligible for school choice under this bill, I am sure that your constituents can think of other ways to spend \$377 million per year, every year, for each new class of dropouts. And I am sure you don't want to continue seeing 120,000 students dropping out of Texas high schools every year. School choice has been shown to be an effective way to improve academic outcomes at public schools. Thank you again for your time, and I will be happy to answer any questions you have.