



## SMART STEPS

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### Charter Schools Well Represented Among Five-Star Schools 2018 Update

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Back in 2016, the very first *Smart Steps* issue was about how open enrollment charter schools were outperforming traditional public schools in the Texas Smart Schools ratings.<sup>1</sup> In this issue, we take another look using the 2018 ratings and find that still holds true.

Since 1997, Texas public schools have come in two flavors—traditional and charter. Traditional public school (TPS) districts serve students that live inside their attendance boundaries; open enrollment (OE) charter schools serve students who choose to enroll, no matter where they live. OE charter schools and TPS districts are all taxpayer supported and subject to the same testing, reporting, and accountability rules. Both types can operate multiple campuses and are not allowed to charge tuition or discriminate in admissions. However, OE charter schools are less heavily regulated than TPS districts, may choose to serve only a subset of grades, and may place limits on the number of children allowed to enroll.

Even though their enrollments have been growing, OE charter schools remain only a small part of the educational landscape in Texas. Fewer

than 5% of Texas school children attend charter schools. TPS districts outnumber OE charter schools by more than five to one; there are more than a thousand TPS districts and fewer than 200 OE charter schools.

That disparity in numbers makes it particularly impressive that 41% of the districts in 2016, and 43% in 2018, that were identified as top performers by Texas Smart Schools (TSS) are OE charters.

Table: Distribution of the 2016 and 2018 Smart Score ratings for both open enrollment charter schools and traditional public school districts

	Number of OE Charters		Number of TPS Districts	
	2016	2018	2016	2018
5 stars	18	21	26	28
4 or 4.5 stars	49	41	203	187
3 or 3.5 stars	42	48	376	389
2 or 2.5 stars	27	25	301	291
1 or 1.5 stars	10	10	113	120
Not rated	49	35	5	8
Total	195	180	1,024	1,023

Note: Districts that had too few students tested to generate reliable index values were not rated.

## 43% of the districts identified in 2018 as top performers are open enrollment charters

Each year, TSS evaluates the academic performance and real expenditures of all Texas school districts and OE charter schools with sufficient data, and assigns their top ranking—five stars—to the districts and/or OE charter schools that were in the top 20% of the state in both dimensions. In 2018, 21 of those 49 were OE charter schools. (See Table.)

How can that be? The reasons must be rooted in the two components TSS uses to build its scores: academic progress and cost effectiveness.

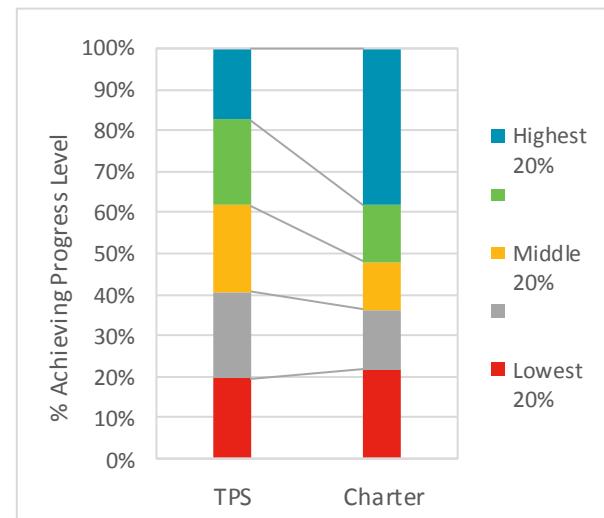
### The TSS Academic Progress Index

TSS uses data from the state's accountability system to measure each school's contribution to student academic growth. Instead of focusing on average school test scores or passing rates, TSS focuses on changes in performance from one year to the next. The individual progress of each student is adjusted for the influence of key characteristics—such as poverty, special education status, language proficiency, prior performance, and grade level. Then the adjusted scores of all students in the school or district are combined to produce an Academic Progress Score. The TSS Academic Progress Index reflects percentile rankings on a three-year average of the Academic Progress Scores. School districts with a TSS Academic Progress Index of 93 had more academic progress than 93 percent of Texas school districts or OE charter schools. Starting with individual student results and accounting for factors that are beyond school district control yields a much fairer measure of the effect school districts and campuses had on the academic progress of their students than other evaluation methods.

Figure 1, now updated with 2018 data, shows how well OE charter schools did on the TSS Academic Progress Index. As you can see, OE charter schools were still more than twice as likely as TPS districts to be found in the highest 20%, meaning that their students outperformed 80% of other providers in the state. OE charter schools were also more likely than TPS districts to be found in the lowest 20%. There were relatively fewer OE charter schools in the middle ranks.

Importantly, the strong performance of OE charter schools cannot be attributed to favorable student demographics. The TSS methodology adjusts for differences in student poverty, ethnicity, language proficiency, and special education status, among other things. Furthermore, OE charter schools in Texas tend to attract more than their share of students from disadvantaged backgrounds; 73% of the students attending OE charter schools in the top quintile were economically disadvantaged, compared with only 43% of the students attending TPS districts in the top quintile.

Figure 1: TSS Academic Progress Index 2018 – Percent of each school type receiving each score



## The TSS Real Spending Index

On the financial side, TSS compares schools' core operating expenditures to those of fiscal peers who have similar cost profiles. Each school or district has a unique set of "fiscal peers" that are its nearest-neighbor matches on key dimensions of educational cost, such as wage levels, district size, student language proficiency, student mobility, student poverty, etc. This methodology allows for a more apples-to-apples comparison among schools and districts.

By focusing attention on core operating expenditures—which do not include spending on construction, debt, transportation, or food services—TSS highlights the resources going to the academic functions of a school district. This approach is fairer to school districts that—because of circumstances like geographic sparseness or fast growth—have higher expenses for nonacademic reasons.

To construct the real spending index, TSS compared a three-year average of the adjusted core spending of a school district with a three-year average of the adjusted core spending of its fiscal peers. Districts that spent more than 80% of the districts in their peer group were identified as very high spending districts. Districts that spent more than 60% of the districts in their peer group were identified as high spending districts, and so on. Districts in the lowest-spending 20% were identified as very low spending districts. Because the spending index is measured relative to a district's peers, even a small district can be a top performer if it spends less than other districts of similar size.

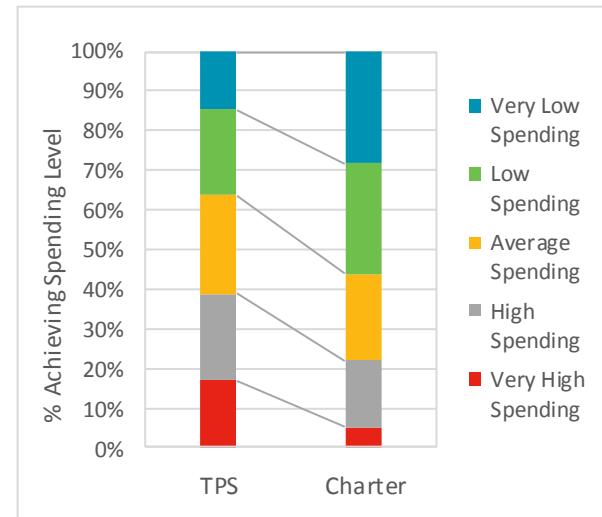
Figure 2 shows how well OE charter schools did on the TSS Real Spending Index. As you can see, OE charter schools are nearly twice as likely as TPS districts to be identified as very low spending, and only one-third as likely to be identified as very high spending.

## Why Charter Schools?

So...what's their secret? There are lots of theories about why many OE charter schools are more cost effective than traditional public school districts. On the financial side, OE charter schools tend to spend less on instruction than other schools, largely because they have larger classes and less experienced teachers.<sup>2</sup> They are also less likely to pay teachers according to a rigid salary schedule. A teacher's experience and advanced degrees (the steps on a salary schedule) explain 87% of the variation in teacher salary in traditional public school districts in Texas, but only 61% of the variation in teacher salary in OE charter schools. Clearly, some of the charter school cost advantage may come from their employment practices.

On the academic side, research suggests that successful charter schools are more likely than other schools to rely on five key policies—frequent teacher feedback, the use of data to guide instruction, high-dosage tutoring, increased instructional time, and high expectations.<sup>3</sup> Furthermore, recent work suggests that these five policies are best practices that can be adopted by all sorts of schools. An experiment in

Figure 2: TSS Real Spending Index 2018 – Percent of each school type in each category



Houston ISD found that “injecting” these charter practices into low-performing traditional public schools improved student achievement in math (although it had no measurable effect on reading).<sup>4</sup> This suggests that some of the charter school academic advantage may come from their classroom practices.

## Conclusion

TSS helps school districts, parents, and taxpayers sift through the diverse educational landscape in Texas and identify schools and districts worth emulating. The highest performing “Smart Schools” are those where:

- Students perform better than would be expected given their demographics and previous performance; and
- Educational expenditures are lower than would be expected given their cost environment.

Smart Schools can be found in just about every demographic strata and geographic corner of the state but are especially common among Texas’ OE charter schools. Not all charter schools are great, but some are outstanding. They have ideas and innovations that can really make a difference in Texas.

## About the Author

**Lori L. Taylor** is the head of the Public Service and Administration Department and the director of the Mosbacher Institute for Trade, Economics, and Public Policy at the Bush School of Government and Public Service, Texas A&M University. She is an economist and the author of numerous articles on public finance and regional differences in the cost of education.

## Notes:

1. Taylor, L.L. (2016). Charter schools well represented among five-star schools. *Smart Steps*, 1(1). <http://txsmartschools.org/pdf/SmartStepsIssues/SS%20V1-1%20Charter%20Schools.pdf>
2. Taylor, L.L. et al. (2011) *Annual Evaluation of Texas Charter Schools: 2009-2010*, Texas Education Agency.
3. Dobbie, W., & Fryer Jr, R. G. (2013). Getting beneath the veil of effective schools: Evidence from New York City. *American Economic Journal: Applied Economics*, 5(4), 28-60.
4. Fryer, R. G. (2014). Injecting charter school best practices into traditional public schools: Evidence from field experiments. *The Quarterly Journal of Economics*, 129(3), 1355-1407.

## About the Texas Smart Schools Initiative

TXSmartSchools.org is an online resource which allows anyone to access Texas school and district-level data and “Smart Scores” free of charge. It uses comprehensive academic, financial, and demographic data to create the fairest, most apples-to-apples comparisons available. The goal is to improve education by identifying Smart Schools that are both effective and efficient and then highlighting their successful practices.

TXSmartSchools.org is built on the foundational work of the Financial Allocation Study for Texas (FAST) launched by Susan Combs during her tenure as Texas Comptroller. The Texas Smart Schools Initiative was initially funded by Susan Combs through a five-year grant from Texans for Positive Economic Policy and is administered by Texas A&M University.

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