

spotlight

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SCHOOL VOUCHERS

From Friedman to the Finish Line

KEY FACTS:

- **All school choice mechanisms have pros, cons, and tradeoffs. The major drawback of using a direct government voucher (also called a scholarship) is that it tends to invite excessive government regulation on participating families and schools. As such, vouchers require additional safeguards and protections for participating children, families, and schools.**
- **Vouchers tend to be more transparent and easier for parents to understand than other types of choice options. Furthermore, voucher programs do not require changes to the tax code, which is ideal for states, including North Carolina, that are considering major tax reforms.**
- **There is a consensus in the education research community that school choice raises student achievement for the average participating student.**

200 W. Morgan, #200
Raleigh, NC 27601
phone: 919-828-3876
fax: 919-821-5117
www.johnlocke.org

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In his 1955 essay, “The Role of Government in Education,” economist Milton Friedman outlined the revolutionary idea of allowing parents to enroll their children in the private schools of their choice using a pre-determined amount of taxpayer funds.¹

Central to Friedman’s argument was a distinction between government financing and government administration of schools. He declared that “the administration of schools is neither required by the financing of education, nor justifiable in its own right in a predominantly free enterprise society.”² Friedman concluded that a system that shifted the administration of schools from the government to entrepreneurs in the private sector would enjoy numerous social, political, and economic benefits, particularly higher quality schools and a more efficient use of taxpayer money.

Thirty-five years after Friedman’s proposal, the Milwaukee Parental Choice Program became the nation’s first large-scale voucher program for primary and secondary schooling.³ (Note: The words “voucher” and “scholarship” will be used interchangeably throughout this study unless it is referring to a specific program or used in a quote.) Consistent with Friedman’s vision, the Milwaukee choice program maintained government financing of schools and allowed parents to choose the schools that best met the needs of their children. Due to program limitations, however, the private sector maintains a secondary role in delivering education in the district. Indeed, no school district or state has attempted to implement the kind of universal voucher system proposed by Friedman nearly 60 years ago.⁴

As voucher programs have evolved, they have become diverse both in mission and scope, but the tension between the financing and administration of schools remains. Herein lies the problem. Voucher programs receive their funding through direct appropriations from state governments. Additionally, government agencies or departments are responsible for the oversight and distribution of vouchers to participating families. As a result, scholarship programs are fair game for countless bureaucrats and crusading politicians who endeavor to take a more aggressive role in the regulation and administration of voucher program participants.

In sum, the major drawback of using a direct government voucher is that it tends to invite excessive government regulation on participating families and schools. It is a problem but not an insurmountable one. A carefully designed scholarship law may mitigate the risks associated with a program that routes taxpayer funds to private institutions.

The regulation riddle

Currently, state agencies impose five major types of regulations on program participants, although it should be noted that these areas do not exhaust the regulatory burden that may be imposed on the children, parents, and schools that participate in voucher programs (See Table 1).

Approximately half of the scholarship programs in operation have public school enrollment requirements. The purpose of these requirements is to blunt the program’s financial impact on the district school system. Universal eligibility will incur “dead weight” costs, that is, capture families who previously assumed the full cost of the private or home school without government aid. Each student that withdraws from a public school receives a scholarship that has a lower value than his or her previous public school allotment. After accounting for fixed costs, the elasticity of demand, and other factors, the difference between the scholarship and the allotment is savings to the taxpayer.⁵

Parental choice is the primary form of accountability among scholarship programs, but many states add a secondary form of accountability, standardized testing. Over half of the existing scholarship programs require participating children to take one or more state or national assessments of student achievement. Most of the nation’s special needs scholarship programs exempt students from testing requirements.

Three additional regulatory areas – eligibility, enrollment caps, and scholarship value – determine the size and scope of scholarship programs. All voucher programs have eligibility requirements that fall into one of five categories.

Table 1. School Choice Regulations⁶

State/ Jurisdiction	Program Name	Year Started	Income limit	Public school enrollment requirement	Enrollment cap	Scholarship cap	Testing
CO	Choice Scholarship Pilot (Douglas County)	2011	None	Yes	500	\$4,575	Yes - National
D.C.	Opportunity Scholarship	2004	100% x FRL	None	None	\$8,000 (K-8) / \$12,000 (9-12)	Yes - National
FL	John M. McKay Scholarships for Students with Disabilities	1999	None	Yes	None	Conditional	None
GA	Special Needs Scholarship	2008	None	Yes	None	Conditional	None
IN	Choice Scholarship	2011	150% x FRL	Yes	15,000 ⁷	Conditional	Yes - State
LA	Student Scholarships for Educational Excellence	2008	250% x poverty	None	None	Conditional	Yes - State
LA	Pilot Program for Certain Students with Exceptionalities	2011	None	None	None	Conditional	None
ME	Town Tuitioning Program	1873	None	None	None	\$7,361 (K-8) / \$9,238 (9-12)	Conditional - State
MS	Dyslexia Therapy Scholarship	2012	None	Yes	None	Conditional	None
OH	Cleveland Scholarship and Tutoring	1996	None	None	None	\$4,250 (K-8) / \$5,000 (9-12)	Yes - State
OH	Autism Scholarship	2004	None	Yes	None	\$20,000	None
OH	Educational Choice Scholarship	2006	None	Yes	60,000	\$4,250 (K-8) / \$5,000 (9-12)	Yes - State
OH	Jon Peterson Special Needs Scholarship Program	2012	None	Yes	None	\$20,000	None
OK	Lindsey Nicole Henry Scholarships for Students with Disabilities	2011	None	Yes	None	Conditional	None
UT	Carson Smith Special Needs Scholarship	2005	None	None	None	Conditional	Yes
VT	Town Tuitioning	1869	None	None	None	Conditional	None
WI	Milwaukee Parental Choice	1990	300% x poverty	None	None	\$6,442	Yes - National
WI	Parental Private School Choice (Racine)	2011	300% x poverty	Yes	500 ⁸	\$6,442	Yes - National

Universal vouchers extend to all families with school-age children. Means-tested vouchers limit eligibility to families with annual household incomes below a level established in statute. Typically, free and reduced price lunch eligibility and/or the federal poverty guidelines determine whether a family qualifies to receive a means-tested voucher. States may also offer vouchers to students who attend low-performing schools as determined by state accountability standards and other measures. Scholarships may be limited to families with children who have serious physical, emotional, or mental disabilities. Finally, town tuitioning programs are designed for families who live in small towns in Vermont and Maine. Several towns in these states do not maintain comprehensive systems of public schools, so the state allows families to use taxpayer funds to attend public or private schools in nearby districts.⁹

In addition, limits on enrollment and scholarship value limit the size and scope of voucher programs. Enrollment caps are rare, but, as a transition measure, newer programs may implement caps on participants during the first few years of operation. On the other hand, all voucher programs have one or more caps on the value of their scholarships. A majority of means-tested scholarships have unconditional caps, while most special needs vouchers award scholarships on a child-by-child basis using a formula that takes the severity of their impairments into account.

What is the cumulative effect of these regulations on the administration of voucher programs? A recent Cato Institute study compared the regulatory burden of voucher initiatives and tax credit scholarship programs, which

rely on non-profit scholarship granting organizations to distribute redirected tax payments to eligible students. Cato researcher Andrew Coulson found that vouchers “impose a substantial and statistically significant additional regulatory burden on participating private schools.”¹⁰ Coulson concluded that private schools that enrolled students who received tax credit scholarships encountered much less regulation from state agencies and regulators.

Nevertheless, all school choice mechanisms have pros, cons, and tradeoffs. By bypassing intermediaries, for example, vouchers tend to be more transparent to both taxpayers and regulators than tax credit scholarships. Conceptually, vouchers are easier for parents and the public to understand. Tax credit scholarships and education savings accounts often require extensive efforts to educate parents. Most importantly, scholarship programs do not require changes to the tax code, whereas tax credit scholarships do. In states that are considering major reforms to the tax code, such as North Carolina, this may be the most important benefit.

Others counter that tax credit scholarships enjoy political and legal advantages. Proponents of tax credit scholarships contend, “Tax credits are more popular with the public and politicians, less likely to be challenged in court, and more likely to survive most court challenges. They create powerful, positive political dynamics that strengthen the policy over time and make defense and expansion more likely.”¹¹ Of course, the legal and political aspects of school choice programs vary with the political climates and laws of the states.

For example, voucher programs are more likely to encounter legal setbacks in states with state constitutions that contain religious and/or “general and uniform” clauses prohibiting the distribution of public funds to religious schools. The North Carolina Constitution is one of the few state constitutions that do not contain an Establishment Clause or a “compelled support” clause (also known as a Blaine Amendment) restricting the government’s ability to support sectarian organizations or churches. In addition, the “general and uniform” schools provision in the North Carolina Constitution does not mean that all schools must be public schools.¹² Instead, this merely establishes a minimum standard for the state, a standard not at odds with establishing alternative schools and programs that are not a part of the public school system.¹³ In sum, voucher opponents would have a difficult time mounting a successful legal challenge to a scholarship program in North Carolina.

Scholarships and academic performance in North Carolina

While there is disagreement about the regulatory, political, and legal dynamics of voucher programs, there is a general consensus that school choice has a positive academic impact on participating students. According to the Friedman Foundation for Educational Choice, ten empirical studies of scholarship programs have used random assignment or experimental research design, the “gold standard” in social science research. Nine of those studies, including two that evaluated Charlotte’s Children’s Scholarship Fund, concluded that scholarship recipients had statistically significant increases in performance.¹⁴ One yielded inconclusive results. In addition, more than twenty studies identified ways that scholarships delivered “spillover” benefits to traditional public schools.¹⁵

As mentioned above, the Children’s Scholarship Fund - Charlotte (CSF-C) has received considerable attention from the educational research community. The CSF-C, a private scholarship program started in 1999, awards scholarships to Mecklenburg County families that qualify for the Federal Free and Reduced Price Lunch Program. Currently, the maximum award is \$2,500 per child and the program funds scholarships for approximately 400 children each year. To date, the program has awarded over \$7 million in private school scholarships to over 5,000 low-income elementary school students.¹⁶

Students are selected for the program by a random lottery administered by the Foundation For The Carolinas. A lottery functions as a random assignment mechanism, thereby generating randomly assigned experimental (scholarship recipients) and control (applicants who do not receive scholarships) groups. By comparing the two groups,

researchers were able to determine whether there was a treatment effect free from statistical bias. In other words, random assignment permitted researchers to determine whether private schools, and not a variety of external factors, produced academic and behavioral gains that outpaced their public school counterparts.¹⁷

In an August 2000 evaluation of the Charlotte Children’s Scholarship Fund, Jay Greene found that low-income, predominantly African-American, scholarship recipients had combined reading and math scores six percentile points higher than the control group after only one year of schooling.¹⁸ In a follow-up study published in the November 2007 issue of *Policy Studies Journal*, Joshua Cowen found comparable gains for recipients of scholarships from the CSF-C.¹⁹ Michael Patrick Wille’s study of two large-scale choice programs, the Milwaukee Parental Choice Program and CSF-C, concluded that choice students in the publicly-run Milwaukee program had greater academic gains than those in the privately-run Charlotte program. Wille warned, however, that data collection issues likely compromised his analysis. Specifically, he was only able to obtain one year of data for Children’s Scholarship Fund students compared to five years of data for the Milwaukee Parental Choice Program.²⁰

Qualitative studies of the Charlotte Children’s Scholarship Fund conclude that parental satisfaction is high and most scholarship recipients have graduated from high school. One parent survey found that 96 percent of participating families rated their experiences with CSF-C as “excellent.” In addition, 70 percent of families rated their schools of choice “above average” or “outstanding,” while only 37 percent awarded their former schools similar ratings. Most importantly, over 90 percent of parents reported that their chosen private schools improved the academic performance, social skills, behavior, self-esteem, and overall engagement of their children.²¹ Those findings mirrored ones reported in a Harvard University study of Children’s Scholarship Fund families nationwide.²²

In “Children’s Scholarship Fund Charlotte Recipients Tracking Study 2011,” Dr. Alex Schuh of FRONTIER 21 Education Solutions examined graduation rates among scholarship recipients. He found that 181 of 186 (97%) CSF-C recipients eligible for graduation in the spring of 2011 had graduated. Unfortunately, the sample was only a fraction of the CSF-C students eligible to graduate in 2011. On the other hand, the rate was consistent with studies of Children’s Scholarship Fund programs in Ohio and Pennsylvania.²³

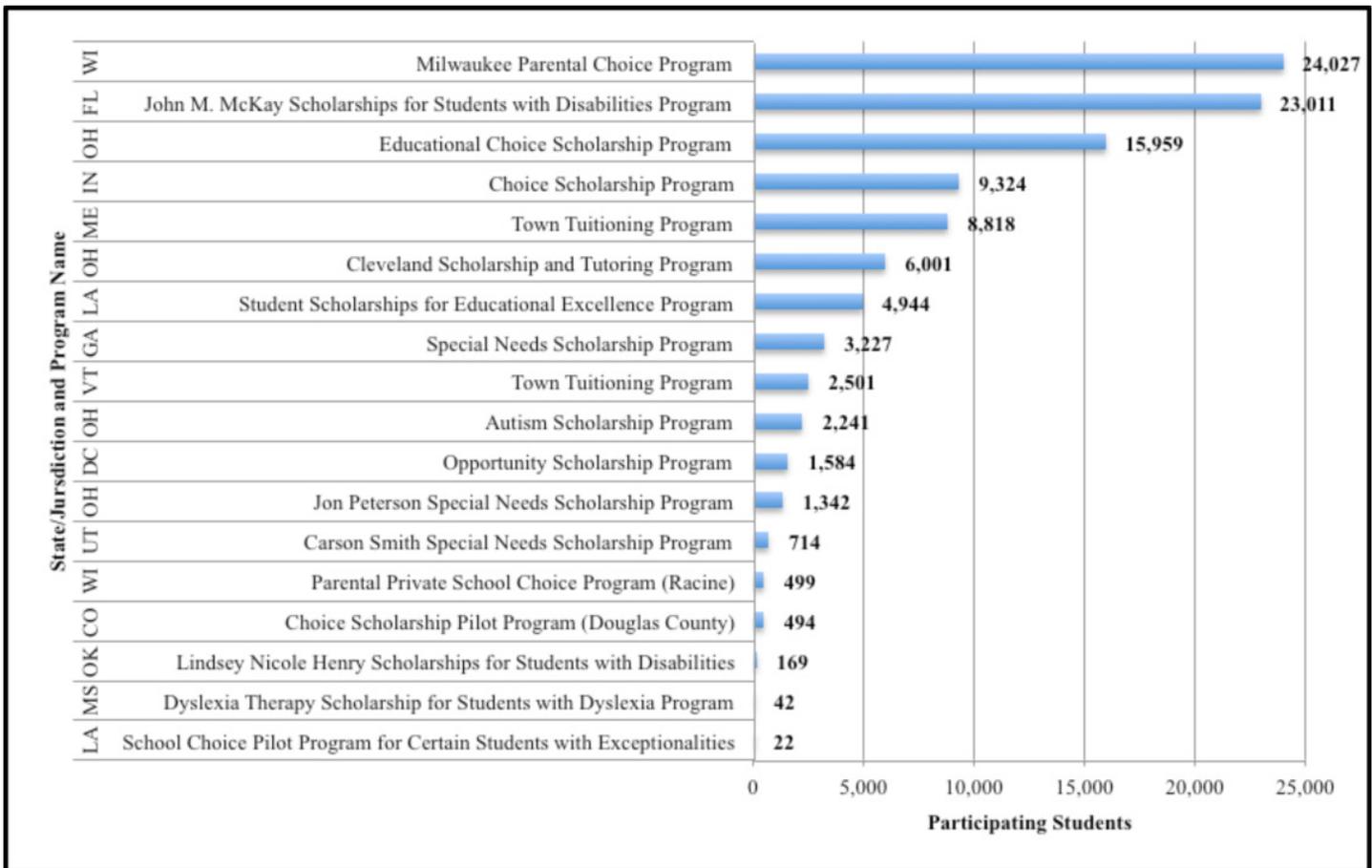
Regrettably, the scholarship is meeting less than half of the tuition required to attend a private school in Mecklenburg County. During the 2011-2012 school year, the average scholarship was just under \$2,000 per child, and the average out-of-pocket payment for participating families was \$2,633. For low-income families, this out-of-pocket payment was not trivial. Participating families had an average gross income of \$28,853, so the average family committed nine percent of their gross income to tuition payments.²⁴

There are conceptual pitfalls associated with using evaluations of a privately-run scholarship program to speculate about the potential success of a publicly-run voucher initiative. Private programs are subject to different kinds of budgetary, political, and regulatory pressures than their public counterparts typically encounter. On the other hand, the success of Children’s Scholarship Fund should encourage lawmakers to replicate elements of similar private voucher programs. At the same time, they must acknowledge that the resultant public scholarship program is not (and can never be) a direct replication or reflection of private models. An examination of existing voucher programs throughout the United States will highlight the similarities and differences between private and public scholarship initiatives.

The voucher landscape

Today, there are 18 voucher programs in 12 states and Washington, D.C., all of which limit eligibility to defined groups (and sometimes numbers) of children.²⁵ In general, voucher programs in the United States are popular, varied,

Figure 2. Scholarship Program Enrollment, 2012-2013²⁶



and relatively recent additions to the school choice landscape. In most cases, however, participants are a fraction of the number of school age children in their respective states and school districts.

As mentioned earlier, there are five types of scholarships, each defined by its eligibility requirement. Universal scholarships extend to all families with school-age children. Means-tested scholarships limit eligibility to families with annual household incomes below a level established in statute. States may also offer scholarships to students who attend low-performing schools as determined by state accountability standards and other measures. Scholarships may be limited to families with children who have serious physical, emotional, or mental disabilities. Finally, town tuitioning programs are designed for families who live in small towns in Vermont and Maine. Several towns in these states do not maintain comprehensive systems of public schools, so the state allows families to use taxpayer funds to attend public or private schools in nearby districts. Given the limited use of these kinds of scholarships, town tuitioning programs will not be discussed in greater detail below.

Universal Vouchers

Universal voucher programs do not exist in the United States. Currently, there are two large-scale universal scholarship programs in operation – Sweden and Alberta, Canada.

Sweden’s government-funded scholarship program began in 1992. The Swedish scholarship system allows any religious, non-profit, cooperative, or for-profit corporation to operate a school, but it must obtain approval from the Swedish National Agency for Education to do so. All families are eligible, but only about 11 percent of students use

a scholarship to attend one of the nearly 400 independent schools in Sweden. The school may not select students or charge tuition and fees in excess of the scholarship amount. Aside from these baseline regulations, independent schools have a great deal of autonomy.²⁷

Sweden's school choice program has elevated the nation to one of the top performing nations in the world. A recent study of Sweden's scholarship program explains why. In a June 2012 study published by the Institute for the Study of Labor, researchers Anders Böhlmark and Mikael Lindahl examined the performance of students who used scholarships to attend independent schools. The researchers found that school choice raised student performance regardless of student demographics, and their result could not be attributed to students' pre-scholarship trends in performance. In addition, the authors found evidence to suggest that competition between public and independent schools produced the increases in student achievement. Finally, the study found that student achievement increased but educational expenditures did not. The authors, however, warn that it took a significant amount of time (a decade in this case) for the reforms to begin working in Sweden.²⁸

The second universal scholarship program is located in Alberta, Canada. Since 1994, the Government of Alberta has supported a school choice program that allows public funds to follow students to over 2,100 public, private, francophone [French-speaking], charter, alternative, and separate [parochial] schools operating in the province. Despite near universal school choice, approximately 70 percent of Alberta's over 615,000 students still opted to attend a traditional public school this year.²⁹ For nearly two decades, families in Alberta have voted with their feet, and the vast majority of them have chosen traditional public schools. The presence and public funding of private schools has done little to diminish that preference.

Experience abroad with universal vouchers is significant to the debate of whether or not school choice "privatizes" education systems. In the cases of Sweden and Alberta, public school market shares remain strong despite the presence of universal voucher systems.

Voucher programs in the United States continue to be restricted by annual enrollment and funding caps, and thus have not obtained significant market shares. In states that operate scholarship programs, a very small percentage of families will choose to use public funds to send their children to private schools.³⁰

Market shares are highest when a scholarship program operates in a single school district, such as in the cases of the Cleveland Scholarship and Tutoring Program and the Milwaukee Parental Choice Program. Scholarship programs that draw students from an entire state have negligible market shares. Despite enrolling over 23,000 students in the John M. McKay Scholarships for Students with Disabilities Program, for example, the market share for this program is less than one percent of the school age population in Florida.

Means-Tested and Low-Performing School Scholarships

Aside from political advantages, there are policy reasons to choose a scholarship program that is focused on at-risk populations. It allows states to use scarce dollars to concentrate resources on the children who typically need them most – low-income students and those assigned (forced) to attend poorly performing schools.

Of the eighteen scholarship programs in operation, five are means-tested initiatives. In other words, eligibility is limited to low- and middle-income families. Parents and guardians must meet annual household income requirements based on Federal Free and Reduced Price Lunch eligibility or U.S. Health and Human Services poverty guidelines, depending on the state. For example, eligibility would require applicant families to have total annual incomes that are equal to or do not exceed 2.5 times the income standard used to qualify for a reduced price lunch. Means-tested scholarship bills may also offer a system of tiered scholarships that provide progressively smaller scholarships for households with higher incomes.

Table 3. Scholarship program market shares, 2012-2013

STATEWIDE SCHOLARSHIP PROGRAMS				
State/ Jurisdiction	Program Name	Scholarship ³¹ participation	School age ³² population (state)	Participants as a share of population
FL	John M. McKay Scholarships for Students with Disabilities Program	23,011	3,439,000	0.67%
GA	Special Needs Scholarship Program	3,227	2,095,000	0.15%
IN	Choice Scholarship Program	9,324	1,373,000	0.68%
LA	Student Scholarships for Educational Excellence Program	4,944	940,000	0.53%
LA	School Choice Pilot Program for Certain Students with Exceptionalities	22	940,000	0.002%
ME	Town Tuitioning Program	TBD	241,000	N/A
MS	Dyslexia Therapy Scholarship for Students with Dyslexia Program	42	639,000	0.01%
OH	Autism Scholarship Program	2,241	2,346,000	0.10%
OH	Educational Choice Scholarship Program	15,959	2,346,000	0.68%
OH	Jon Peterson Special Needs Scholarship Program	1,342	2,346,000	0.06%
OK	Lindsey Nicole Henry Scholarships for Students with Disabilities	169	777,000	0.02%
UT	Carson Smith Special Needs Scholarship Program	714	699,000	0.10%
VT	Town Tuitioning Program	TBD	118,000	N/A
DISTRICT-BASED SCHOLARSHIP PROGRAMS				
State/ Jurisdiction	Program Name	Scholarship participation	School age ³³ population (county/city)	Participants as a share of population
CO	Choice Scholarship Pilot Program (DCSD)	TBD	70,487	N/A
DC	Opportunity Scholarship Program	1,584	94,429	1.68%
OH	Cleveland Scholarship and Tutoring Program (CMSD)	6,001	85,085	7.05%
WI	Milwaukee Parental Choice Program (MPS)	24,027	136,339	17.62%
WI	Parental Private School Choice Program (RUSD)	TBD	17,666	N/A
Notes: DCSD=Douglas County School District; CMSD=Cleveland Metropolitan School District; MPS=Milwaukee Public Schools; RUSD=Racine Unified School District				

The D.C. Opportunity Scholarship Program is a popular scholarship program for low-income, inner city children who live in the District of Columbia. Congress established the controversial scholarship program in 2003. In 2009 President Obama and his Democratic allies in Congress cut funding for the Opportunity Scholarship Program, despite research studies that found significant benefits for participating students.³⁴ Republican gains in Congress in 2010 led to a reauthorization of the program in 2011. The reauthorization of the program guarantees that it will remain in place until 2016.³⁵

The inflation-adjusted scholarships currently total up to \$8,000 for elementary and middle school students and up to \$12,000 for high school students. The scholarships are available to families who qualify for free and reduced price lunch. During the 2012-13 school year, 45 schools and nearly 1,600 students participated in the program.³⁶

Indiana's Choice Scholarship Program awards scholarships to households that have an annual incomes that do not exceed 150 percent of the federal free and reduced price lunch guidelines. Participating children are required to attend a traditional public school for two semesters prior to receiving the scholarship.³⁷

The value of the scholarship depends on family income. Students who qualify for a free or reduced price lunch receive scholarships valued at 90 percent of the funds (or a maximum of \$4,500) that would have been allocated to the school districts in which the families reside. Families may receive 50 percent scholarships if they have annual incomes up to 150 percent of the threshold to receive free or reduced price lunch.³⁸

The Choice Scholarship Program will be phased in over a three-year period. Last year, a maximum of 7,500 were eligible to receive scholarships. During the 2012-13 school year, the limit doubled to 15,000. In the third year and afterward, there will be no limit to the number of income eligible children in Indiana who may participate.³⁹

In 2008, Louisiana launched the Student Scholarships For Educational Excellence Program. Low-income students in failing school districts may receive scholarships up to 90 percent of the state and local expenditure for their districts. Special needs students may receive additional scholarship funds equal to the state and local allocation for special education in their districts.⁴⁰

Households must have annual incomes that would qualify the children for free and reduced price lunch, and students must be entering kindergarten or attended a failing public school a year before receiving scholarships. Currently, only students from New Orleans and Jefferson Parish qualify. As a result, the Student Scholarships For Educational Excellence Program is relatively small. During the 2012-13 school year, nearly 5,000 students and 118 schools participated in the program. The average scholarship was approximately \$5,300, but total program expenditures are limited to funds set aside by the Louisiana legislature.⁴¹

The Cleveland Scholarship & Tutoring Program has been offering scholarships primarily to low-income families in the Cleveland Municipal School District for 16 years. During the 2012-13 school year, 6,000 children and 35 schools participated in the program. More recently, Ohio initiated the Educational Choice Scholarship Program (EdChoice), a scholarship initiative designed for students who attend chronically failing public schools as defined by the state.⁴²

Although the Cleveland Scholarship & Tutoring Program targets families with incomes below 200 percent of the federal poverty level, families with incomes above the 200 percent threshold may receive EdChoice scholarships if funds are available. Low-income students may receive scholarships valued at 90 percent of the per-pupil expenditure of the district, while children above the poverty line are eligible to receive scholarships valued at 75 percent. Scholarships are capped but include incremental increases in subsequent years. The average participating student received a nearly \$3,000 scholarship during the 2011-12 school year. Tutorial grants of up to \$550 are also available.⁴³

The EdChoice program requires private schools to accept the scholarships as full payment for low-income families. On the other hand, private schools may require families with annual incomes over 200 percent of the federal poverty level to pay additional tuition and fees or fulfill volunteer requirements. During the 2012-13 school year, 16,000 families and nearly 300 private schools participated in the program. The average scholarship was over \$4,100 per child.⁴⁴

In 2011, the Racine Unified School District replicated the Milwaukee Parental Choice Program. In its inaugural year, 228 students participated in the Racine Parental Choice Program. This year, the number of participating students more than doubled to 499. In its first and second years, the program is capped at 250 and 500 students respectively. By the third year, the cap will be eliminated.⁴⁵

Finally, the Milwaukee Parental Choice Program is the nation's oldest and largest means-tested scholarship program in operation today. Since 1990, tens of thousands of low- and middle-income families in Milwaukee, Wisconsin have received scholarships to attend private schools. In 2012-13 alone, over 24,000 students received scholarships to attend one of the 112 participating private schools in the school district. During this year, the average scholarship was nearly \$6,500.⁴⁶

Increases in the scholarship amount are equal to the percentage increases allocated to public schools in Wisconsin. Eligibility requirements now include families who have annual incomes up to 300 percent of the federal poverty line, but students may keep the scholarships even if household incomes exceed this amount in subsequent years.⁴⁷

Research on the Milwaukee Parental Choice Program has yielded generally positive results. In two rigorous studies conducted shortly after the launch of the program, scholarship students had reading and math scores that were higher than their counterparts in public schools.⁴⁸ More recently, Joshua M. Cowen of the University of Kentucky, David J. Fleming of Furman University, John F. Witte of the University of Wisconsin, and Patrick J. Wolf of the University of Arkansas published “Student Attainment and the Milwaukee Parental Choice Program.”⁴⁹ Cowen et al concluded that Milwaukee Parental Choice Program (MPCP) students performed slightly better than their Milwaukee Public School (MPS) counterparts on several measures of outcomes. MPCP students had higher rates of high school graduation and college enrollment. Due to research limitations, however, researchers could not attribute those advantages to the program directly.

In a follow-up study published in the *American Educational Research Journal*, Cowen and his colleagues examined student mobility in Milwaukee schools. They found that students who leave private schools and enroll in public schools are lower-performing, typically African American, children. This suggests that the MSCP does not raise student achievement for some disadvantaged students.⁵⁰

There is considerable evidence that the Milwaukee Parental Choice Program continues to produce fiscal benefits for Wisconsin taxpayers. In 2011, the benefit to taxpayers was an estimated \$51.9 million, a \$5 million increase in savings from the year before.⁵¹

Special Needs Scholarships

Special needs scholarships focus taxpayer dollars on children who have documented, often severe, physical or mental impairments. Unlike means-tested programs, scholarships for special needs children typically do not have income limits. Scholarship amounts depend on the types and scope of the disabilities. The exception is Ohio, which caps their autism and Peterson Special Needs scholarships at \$20,000 per child. Currently, Florida, Georgia, Louisiana, Ohio, Oklahoma, and Utah provide scholarships to families who have special needs children.

Some public school advocates complain that private schools cannot provide comparable legal protections and services to those of public schools. While private schools are generally not subject to the federal Individuals with Disabilities Education Act (IDEA), private schools that receive federal funds must comply with Section 504 of the Rehabilitation Act of 1973, which prohibits discrimination against special-needs children and requires schools to provide accommodations to them. Moreover, private schools must comply with the Americans with Disabilities Act (ADA). Even so, it would be incorrect to assume that federal laws are the only ways to ensure that schools provide special-needs children the best possible education. Parental choice gives private schools a powerful incentive to provide high-quality educational services for special needs children. If parents are not satisfied, they will send their children and their money elsewhere.

When Florida’s John M. McKay Scholarships For Students With Disabilities Program began in 1999, only two students received the scholarships. Three years later, over 9,000 students benefited from the program. During the 2012-13 school year, over 23,000 students in Florida will receive McKay Scholarships.⁵²

Eligibility for McKay scholarships includes children who have 504 Plans (Section 504 of the federal Rehabilitation Act of 1973) or IEPs (Individualized Education Plans under the 1990 federal Individuals with Disabilities Education Act). The value of the scholarships corresponds to the severity of each child’s disability. The average scholarship was \$6,255 per participating student.⁵³

The Georgia Special Needs Scholarship Program is similar to Florida’s McKay Scholarship Program, but currently includes only those students who have Individualized Education Plans. The value of the scholarships depends on the children’s disabilities. During the 2012-13 school year, the average scholarship was just under \$6,000. Over 3,000

students and 233 private schools participated in the program this year, a healthy increase from the 900 students that participated in 2007, the program's first year.⁵⁴

Similar to other scholarship programs for special needs children, Louisiana's School Choice Pilot Program For Certain Students With Exceptionalities is available for children who have Individualized Education Plans. Private schools receive either 50 percent of the public school allotment for the children or the cost of tuition. In 2012, only 22 students received scholarships to attend one of six private schools. The average scholarship was nearly \$6,800. The expansion of Louisiana's Student Scholarships for Educational Excellence Program likely enticed parents to leave the special needs pilot program and opt for an Educational Excellence scholarship.⁵⁵

Ohio has two special needs scholarship programs – the Autism Scholarship Program and the Jon Peterson Special Needs Scholarship Program. The Autism Scholarship Program is unique in that it does not provide up-front scholarships. It is a reimbursement program that is capped at \$20,000 per student. It is a relatively small program, providing 2,241 families reimbursements to receive education and services at 245 approved providers. The average value of the reimbursements was over \$16,500 per student.⁵⁶

During the 2012-13 school year, the state of Ohio launched the Jon Peterson Special Needs Scholarship Program. The program may enroll up to five percent of the disabled children in the state and currently serves approximately 1,350 children. Similar to the Autism Scholarship Program, the value of each scholarship is capped at \$20,000. The actual value of the scholarship will be the lesser of tuition, state allotment, or the capped amount.⁵⁷

Oklahoma established the Lindsey Nicole Henry Scholarships for Students with Disabilities Program in 2010. Families receive scholarships worth the lesser of the state allotment for the student or the private school tuition cost. In its inaugural year, 135 students used the scholarships to attend one of 41 participating schools. This year, 169 children will receive scholarships. The value of the average scholarship was just under \$7,300.⁵⁸

Finally, over 700 children in Utah receive scholarships through the Carson Smith Special Needs Scholarship Program. The average value of the scholarships was \$4,733 during the 2012-13 school year. The state determines the value of each scholarship using a weighted student formula. Students that receive more than three hours of special education services per day receive significantly more funding than those who receive fewer than three hours of services. In 2011, the difference between the two amounts was over \$2,800 per student. The program is capped by legislative appropriation.⁵⁹

Recommendations

Because of the threat of excessive government regulation, vouchers require additional safeguards and protections for participating children, families, and schools.

1. The bill should include clear and decisive language that grants maximum autonomy to participating schools. For example, "The Parental Choice Scholarship Program Act," an American Legislative Exchange Council (ALEC) model bill, includes the following provision: "A participating school is autonomous and not an agent of the state or federal government and therefore: 1) the department or any other state agency may not in any way regulate the educational program of a participating school that accepts a Parental Choice Scholarship; and 2) the creation of this program does not expand the regulatory authority of the state, its officers or any school district to impose any additional regulation of non-public schools beyond those necessary to enforce the requirements of the program; and 3) participating schools shall be given the maximum freedom to provide for the educational needs of their students without governmental control."⁶⁰

2. Reasonable accountability and transparency regarding student achievement should be included in any voucher or scholarship law. North Carolina’s current requirement for non-public schools – that they administer a nationally norm-referenced test – is a good starting point.⁶¹ It is critical that private schools receiving scholarship funds be free to administer *any* reputable assessment to meet the testing requirement. In addition, participating a school should be obliged to report accountability results on an easily accessible website.
3. Regardless of the supervising agency, special effort should be made to ensure that low-income families are informed of their options under a means-tested program. An online portal that allows parents to easily compare schools according to several categories, including cost, class size, proximity, test scores, curricula, school crime and violence statistics, dropout rate, graduation rate, and post-graduate performance, and many other variables, if available, could be included in such a system. Louisiana, for example, mandates that schools meet the following reporting requirements:
 - The most recent aggregate average proficiency rates on state assessments for scholarship recipients enrolled at each participating school.
 - A list of all public schools with a letter grade of “C”, “D”, or “F”, or any variation thereof.
 - The rate at which scholarship recipients finish the highest grade level offered at a participating school, by entering cohort.
 - The retention rate for scholarship recipients.
 - The percentage of parents or legal guardians of scholarship recipients who are satisfied with the participating school.⁶²
4. In addition, the state should offer a standard application for the program and establish deadlines for submission of the application that allow parents sufficient time to evaluate their options.
5. When a family is denied access to a school of choice, the state should maintain a comprehensive and standardized process that allows the school in question to provide information and testimony to state education officials. Grounds for denying school participation should include submitting intentionally misrepresenting information or refusing to comply with accountability or fiscal standards and regulations.
6. The scholarship should be as portable as possible. A student denied a seat at a school, preferably determined by a random lottery selection method, should have the right to take his scholarship to another participating school. Similarly, students who choose to transfer to another participating school should be allowed to transfer a *pro rata* amount to their destination school.
7. Three government agencies oversee preschool, primary, and secondary schooling in North Carolina. The Department of Health and Human Services administers the state’s child care and pre-kindergarten programs. The Department of Public Instruction, along with the State Board of Education, regulates district and charter schools. The Division of Non-Public Education, which is housed in the Department of Administration, monitors home and private schools. Because they already oversee the state’s private schools, it is reasonable to make the Division of Non-Public Education the supervising agency.

Terry Stoops is Director of Education Studies at the John Locke Foundation.

End notes

1. Milton Friedman, "The Role of Government in Education," in Robert Solo (ed.), *Economics and the Public Interest*, Rutgers University Press, 1955.
2. *Ibid.*
3. The Friedman Foundation for Educational Choice, "The ABCs of School Choice: The comprehensive guide to every private school choice program in America," January 2013, edchoice.org/Foundation-Services/Publications/2013-ABCs-of-School-Choice.aspx.
4. He blamed that failure on the political heft of the public school establishment and their teacher union allies. See Milton Friedman, "Public schools: Make them private," *The Washington Post*, February 19, 1995. He wrote, "With minor exceptions, no one has succeeded in getting a voucher system adopted, thanks primarily to the political power of the school establishment, more recently reinforced by the National Education Association and the American Federation of Teachers, together the strongest political lobbying body in the United States." See also Milton Friedman, "What's Wrong with Our Schools?" in *Free to Choose: A Personal Statement*, 1980. He wrote, "The perceived self-interest of the educational bureaucracy is the key obstacle to the introduction of market competition in schooling."
5. This is one of the most underappreciated economic principles in the school choice movement today. Taxpayer savings is *not* the difference between the per-pupil expenditure and the value of the voucher. For example, a state may report a per pupil expenditure of \$8,000 and offer a voucher of \$5,000, but the taxpayer does not necessarily save \$3,000. Rather, the savings depend on the amount of the per pupil expenditure that is used to pay for fixed costs, including facilities and personnel that must still be funded even after the student withdraws from the public school. Savings also depend on the elasticity of demand, that is, variations in the way that families respond to the price (and availability) of private school. The demand for vouchers will not be "perfect" or fixed but will change through time. Typically, demand will decline through time, thereby altering the projected savings of a voucher program in subsequent years. A third factor to consider is the "dead weight" cost associated with providing vouchers to students who did not previously attend a public school, such as children in kindergarten. Finally, the design of the state funding formula is a critical variable in determining cost savings, particularly the savings enjoyed by individual school districts. Because the state funding formula does not allot funds equitably across school districts, some districts will realize more savings than others.
6. Friedman Foundation, "ABCs of School Choice," p. 85-86.
7. Indiana Choice Scholarship cap for 2013.
8. Parental Private School Choice Program (Racine) cap for 2013.
9. Given the choice between determining eligibility by income or eligibility based on school performance, a system that awards scholarships based on the performance of the school appears to be the preferred option. The Milwaukee Parental Choice Program and the discontinued Florida Opportunity Scholarship Program represent two different approaches to school vouchers. The Milwaukee approach is a means-tested scholarship program, originally designed to provide financial assistance to low-income families in a single city school district. Florida's program was focused on giving children in low-performing schools (so-called "F" schools) statewide the resources to attend private schools. The Florida Supreme Court declared the private school scholarship portion unconstitutional in 2006, but public school students still have the option of transferring to a higher performing public school. In a series of quantitative studies, Rajashri Chakrabarti, an economist at the Federal Reserve Bank of New York, compared the performance of scholarship students in Milwaukee and Florida. Chakrabarti asked whether the design of a scholarship program had any bearing on student performance. She concluded that it did. According to the author, "the Florida program led to considerably larger improvements from the threatened schools compared with corresponding schools under the Milwaukee program." She found that the structure of Florida's program provided a greater incentive for schools to improve than the Milwaukee approach. See Rajashri Chakrabarti, "Scholarships, Public School Response, and the Role of Incentives: Evidence from Florida," Federal Reserve Bank of New York Staff Reports, no. 306, October 2007. Chakrabarti, "Can Increasing Private School Participation and Monetary Loss in a Scholarship Program Affect Public School Performance? Evidence from Milwaukee." *Journal of Public Economics* vol. 92, no. 5-6, June 2008, p. 1371-93. Chakrabarti, "Impact of Scholarship Design on Public School Performance: Evidence from Florida and Milwaukee Scholarship Programs," Federal Reserve Bank of New York Staff Reports, no. 315, January 2008. Chakrabarti, "Do Scholarships Lead to Sorting under Random Private- School Selection? Evidence from the Milwaukee Scholarship Program," Federal Reserve Bank of New York Staff Reports, no. 379, July 2009.
10. Andrew J. Coulson, "Do Scholarships and Tax Credits Increase Private School Regulation?" Cato Working Paper, No. 1 October 4, 2010.
11. Adam B. Schaeffer, "The Public Education Tax Credit," Cato Institute Policy Analysis No. 605, December 5, 2007, cato.org/publications/policy-analysis/public-education-tax-credit.
12. North Carolina State Constitution, Article IX, Section 2: Education ncleg.net/Legislation/constitution/nconstitution.html
13. David Roland, "School Choice And The North Carolina Constitution," Institute for Justice and the N.C. Education Alliance, April 2006, johnlocke.org/acrobat/policyReports/school_choice-constitution.pdf. Jeanette Doran, "School Choice Scholarship Programs Would Not Violate the First Amendment of the U.S. Constitution," North Carolina Institute for Constitutional Law, November 6, 2012, ncicl.org/article/793.
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15. "How does school choice affect public schools?" The Friedman Foundation for Educational Choice, edchoice.org/School-Choice/School-Choice-FAQs/How-does-school-choice-affect-public-schools.aspx.
16. Children's Scholarship Fund – Charlotte, "Program Overview," csfcharlotte.org/about/program-overview-2/.
17. For a discussion of who did and did not accept a scholarship from the Children's Scholarship Fund, see Joshua Cowen, "Who chooses, who refuses? Learning more from students who decline private school scholarships," *American Journal of Education*, Vol. 117, No. 1, 2004.
18. Jay Greene, "The Effect of School Choice: An Evaluation of the Charlotte Children's Scholarship Fund Program," Manhattan Institute Civic Report no. 12, August 2000. Jay Greene, "Scholarships in Charlotte," *Education Next*, Summer 2001.
19. Joshua Cowen, "School Choice as a Latent Variable: Estimating 'Complier Average Causal Effect' of Scholarships in Charlotte," *Policy Studies Journal*, November 2007.

20. Michael Patrick Willie, "School scholarships: Source/amount of funds and effects on math/reading scores," M.P.P. thesis, Georgetown University, 2010.
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37. *Ibid.*, p. 31-32.
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40. *Ibid.*, p. 43-44.
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42. *Ibid.*, p. 61-62.
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