

30. Improving K-12 Education

States should

- stop spending money on ineffective public school reforms and
- institute school choice on a wide scale.

By most measures, America's K-12 public schools continue on a path of mediocrity and stagnation. SAT scores have risen slightly since the 1980s but remain well below the levels attained in 1967. Scores on the National Assessment of Educational Progress have remained tellingly flat since the test's inception in 1969, and U.S. students continue to come in at the middle of the pack or worse in comparison with students in other developed countries. And according to the Educational Testing Service's most recent poll, parents give U.S. public schools lower grades than ever before.

During the last few decades, state governments (and to some degree the federal government) have attempted to implement reforms in hopes of remedying declines in public school performance. Most of those reforms sought to improve public education through more funding. In spite of the fact that per pupil spending has increased 60 percent in real dollars since 1982, there is little to indicate that the infusion of dollars has led to any improvement in student achievement.

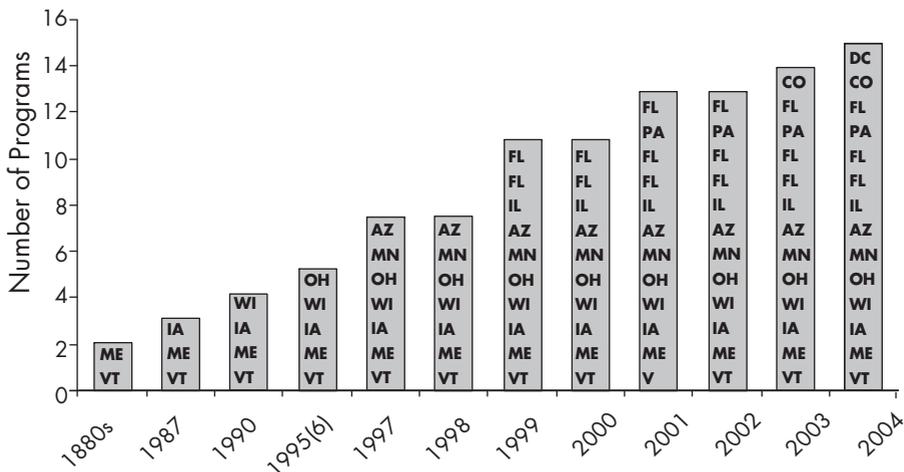
The fact that such reforms have consistently failed to produce improvements has led analysts and reformers to take a serious look at what is wrong with the American education system. Increasingly, reformers have pointed to monopoly and centralization as the core malady with public schools.

In 1989 Albert Shanker, president of the American Federation of Teachers, noted that U.S. public education operates like a government-planned economy, "a bureaucratic system" with "few incentives for innovation and productivity." "It's no surprise," he observed, "that our school

system doesn't improve: It more resembles the communist economy than our own market economy." The U.S. public schools remain a rare American monopoly and enjoy ever-increasing levels of funding. According to a 2004 report by the Nelson A. Rockefeller Institute of Government, state spending on U.S. public schools rose by 17 percent in real dollars over and above enrollment growth during the six-year period between 1997 and 2002. Citing the nearly \$370 billion the states spend each year on K-12 public education, a recent *Wall Street Journal* editorial posed this question: Is there any other part of American life that would receive tens of billions more dollars if it kept showing no improvement in performance?

In response to that stagnation coupled with ever-increasing levels of funding, policymakers in a number of states have sought to implement changes that would instill consumer choice and market discipline into American education. As of this writing, 11 states and the District of Columbia have instituted school choice programs either through vouchers or by offering tax credits to parents who choose private schools rather than government-run schools. Figure 30.1 shows the states that have implemented school vouchers or tuition tax credits. In addition, 41 states now have charter schools and 15 states have instituted choice within public

Figure 30.1
The Growth of School Choice in the States



NOTE. Since the last 1880s, Maine and Vermont have used vouchers for students living in communities without public schools. Many of those communities continue using vouchers to send children to private schools rather than build public schools. Also note that Florida has three different school choice programs.

schools. All of those reforms have been intended to encourage choice and competition based on consumer preference. Overall, evaluations of those programs show that benefits from school choice programs exceed those that have been attained by other types of reforms.

Unfortunately, virtually all of those programs place limitations on the number of students who can participate or restrict participation to children from the poorest schools or poorest families. Such restrictions dilute the potential benefits that would result from allowing a universal competitive marketplace to arise.

The Next Step

What needs to happen next is for an entire state, or at least a major city, to give *every* child a voucher or tax credit that can be used at the public or private school of the parent's choice. Rather than a meagerly low voucher amount, the voucher or tax credit should be adequate to cover tuition at most local private schools.

Government figures show that in 1999–2000 the average private elementary school tuition in America was less than \$3,500 (Table 30.1). The average tuition at private secondary schools was \$6,052. Since the average per pupil spending for public schools is now \$9,354, most states could propose a voucher or tax credit of these tuition amounts and still realize substantial savings. Education is the largest category of state spending in virtually every state. Therefore, school choice constitutes a golden opportunity to improve education while conserving our tax dollars. From a fiscal perspective, choice eases the enrollment burden on public schools without decreasing their per student level of funding. At the same time, it imposes the discipline of the market on public and private schools, motivating schools to improve.

Vouchers or Tax Credits?

A universal school choice plan could be achieved through vouchers or tax credits. The tax structure and school funding procedures in each state will influence which approach will be best. Voucher programs are simple in that a set amount of funds would be made available to every child in the state to be spent on tuition at the private or public school of the parent's choice. Because private secondary education is generally more expensive than tuition at the elementary grades, the voucher amount for secondary school could be more than for elementary school grades.

Table 30.1
Private School Tuition, by Type of School and Level, 1999–2000

Type of School	Average Tuition
All private schools	\$4,689
Elementary	\$3,267
Secondary	\$6,052
Combined	\$6,779
Catholic schools	\$3,263
Elementary	\$2,451
Secondary	\$4,845
Combined	\$6,780
Other religious schools	\$4,063
Elementary	\$3,503
Secondary	\$6,536
Combined	\$4,260
Nonsectarian schools	\$10,992
Elementary	\$7,884
Secondary	\$14,638
Combined	\$12,363

SOURCE: Based on National Center for Education Statistics, *Digest of Education Statistics, 2002*, Table 61 (1999–2000). These are the most recent figures available. Elementary schools have grades six or lower and no grade higher than eight. Secondary schools have no grade lower than seven. Combined schools have grades lower than seven and higher than eight. Excludes prekindergarten students.

A tax credit approach works somewhat differently for middle- or higher-income parents (who pay state income taxes) than for lower-income parents who pay little or no state income taxes. Higher-income parents who chose a private school for their children would be required to pay tuition out of their own pockets, then claim a dollar-for-dollar credit on their state income tax each year at tax time. Under a universal approach, grandparents or other individuals could pay tuition for a child and claim a tax credit on their state income taxes. Lower-income parents apply for scholarships from scholarship-granting organizations. Businesses or individuals in the state can donate to those scholarship organizations and claim a tax credit on their state income tax equal to their contribution. Scholarship tax credits make funds available to low-income children whose parents pay little or no state income tax and who therefore cannot claim the credit themselves.

One disadvantage of credits over vouchers is that credits make less money available for private school tuition, since most parents don't pay

enough in state income tax to cover the cost of tuition, especially if they have several children in school. This disadvantage can be overcome by allowing taxpayers to, in addition, claim a credit against property taxes paid for public schools. Parents who pay private school tuition could receive a certificate or form that could be used as full or partial payment of property taxes. Likewise, parents who rent rather than own property could pass the form or certificate along to their landlord as partial rent payment. The landlord could then use the certificate toward payment of property taxes. As of this writing, lawmakers in South Carolina are considering a school choice tax credit plan that involves income as well as property tax credits.

One advantage of tax credits over vouchers is that credits do not involve direct state spending. Direct state spending causes all taxpayers to be involuntary contributors to private schools, creating pressure to regulate those schools. Universal tax credits can offer the same benefits as vouchers without forcing anyone to contribute to private schools. Tax credits also avoid some potential state constitutional impediments as pretax dollars contributed to scholarships are private funds, not state funds.

Guidelines for Good School Choice Legislation

For the maximum benefits of school choice to be realized, the program must ensure independence for private schools and greater flexibility for public schools. In particular, private schools must be allowed to remain free of regulations that would prohibit specialization, innovation, and creativity. Public schools, likewise, must be given the flexibility to respond to increased demand in creative ways. The goal of school choice is to create a true market environment where creative ideas and best practices can emerge and where customer demands and preferences are met. The following guidelines are critical to crafting school choice legislation that will lead to the greatest benefits.

1. Autonomy for Private Schools

To create a vibrant and creative marketplace, good school choice policy should allow private schools to be truly independent in terms of admissions policies, hiring, standards, and pricing.

Requiring private schools to accept all applicants severely jeopardizes the ability of private schools to focus on specific types of students. Experience has shown that private schools are interested in serving difficult-to-educate children as well as children who are academically gifted. So

policymakers should not worry that private schools will focus only on the brightest students.

Likewise, private schools should be allowed to select staff on the basis of criteria specific to their various distinctive missions rather than hire only state-certified teachers. Many private schools find that people with subject matter expertise who feel strongly about the mission or objectives of the school are effective teachers, even without state certification.

Since each private school has its own standards and measures of quality, private schools should not be required to administer state tests or adopt state curriculum guidelines or “standards.” Most private schools already administer standardized tests as a way to measure student academic progress, but there is wide variation among private schools in terms of test preference. Some private schools reject standardized tests altogether, favoring more holistic methods of measuring student progress. Requiring private schools that participate in school choice to adopt particular tests, state “standards,” or state-constructed tests would be a drastic blow to the diversity that exists in the private school community.

There is reason to believe that many private schools will not participate in school choice programs if those programs require that they give up their curriculum, religious environment, or ability to admit students based on the school’s unique specialization or mission. According to a 1998 U.S. Department of Education survey, at least half of all private schools would decline to participate in a school choice program if they were unable to exercise control over admissions policies or were required to change their religious environment or mission.

Finally, private schools should be able to set their own price. Attempts by government to limit tuition to the quantity covered by a voucher or tax credit amounts to “price control.” Price controls are unhealthy because they limit the ability of some schools to develop, implement, or disseminate new approaches that may be, in their initial stages, somewhat more costly. As in all economic sectors, wealthier people provide the initial capital to finance experimentation and innovation. Later, experience and competition bring costs down, making the innovation available to everyone. Without the freedom to pay more than the average price for schooling innovations in the early stage, many new and important innovations and breakthroughs will never get onto the drawing board or be adopted by schools. For this reason, there should be no restrictions on parents who wish to “top up” the voucher or tax credit by paying additional fees. There will be plenty of schools available for students whose parents cannot or do not wish to

pay additional fees, but those students and those who follow in the future will benefit from the innovations and practices developed in other schools.

2. Aid Must Go to Parents, Not Schools

To avoid constitutional challenges, a school choice program must offer only indirect aid to religious schools. Therefore, vouchers should be made out to parents who endorse the voucher over to the private school. Vouchers can be mailed to the private school the parents have selected but must be endorsed by the parent before they can be accepted as payment. The June 2002 U.S. Supreme Court decision that upheld the Ohio school voucher program stipulated that the indirect nature of aid to religious schools, routed first through parents, is a necessary ingredient in a constitutionally sound school choice program.

3. Available to All Students

For school choice to drive innovation and overall improvement in education generally, a program should make vouchers or tax credits available to *all* students rather than just certain subgroups. It is attractive politically to limit benefits to children from failing schools or from low-income families, but ultimately those children lose the benefits that would emerge from a larger market. The fewer students who have the ability to choose private schools, the fewer private schools will compete for those students. In addition, new private schools will not be attracted into a market where only a limited number of “customers” have choice.

In the interest of fairness, students already attending private schools should be included in the program. However, since those students are currently costing the state nothing, including them initially may make the program prohibitively expensive. For that reason, the program in its early stage may have to focus the funds on students switching from public schools to private schools or those entering kindergarten. As more students migrate to private schools, the increased savings can be used to pay for vouchers or tax credits for those students already in private schools.

4. Easy Access to Scholarships

Under a tax credit program, lower-income parents should have easy access to scholarships. A parent needing a scholarship should be able to visit any private school and obtain information about sources of scholarships. Also, information about scholarships should be available through various community sources (libraries, newspapers, radio, scholarship fairs,

and the Internet). As scholarship-granting organizations are private entities, they should be allowed to develop their own criteria for granting scholarships and their own application procedures. Some scholarship-granting organizations may choose to focus on children from particular backgrounds or with particular interests. As long as new scholarship organizations are allowed to form and offer scholarships, the ability to specialize will be healthy and will promote easy access to scholarships for those who need them most.

5. High Dollar Amount (for adequate nonreligious options)

A sound school choice program should offer a dollar amount that is adequate to cover tuition at most local private schools. Admittedly, many private schools charge substantially less in tuition than is spent per student in public schools, but these are mostly schools that are religiously affiliated and that receive subsidies from their religious bodies. A low dollar amount, therefore, will skew choices toward religious schools and will appear to be biased toward religious private schools. A program organized around the cost of the lowest-priced private schools will do little more than fill unused seating capacity in these schools and will not attract new private schools into the market. Policymakers should look to low-cost nonreligious private schools and charter schools for a more realistic estimate of the minimum cost of education.

6. Limited Regulation

State lawmakers who are crafting the program should not assume that a regulation is acceptable just because few existing private schools oppose it. Private schools today exist in a unique environment and focus on a few niche markets where customers are willing to pay over and above their school taxes for such schools. But in a school choice environment, private school operators will need the freedom to be innovative and pioneer new methods and approaches. Regulations and entry barriers must not be too great. Therefore, regulations on private schools should be limited to those that already exist, and guarantees should be made that no new regulations will be added once a school choice program is in place. Teachers and others wishing to establish new private schools will be reluctant to do so if they fear that new regulations will be enacted down the road. Lawmakers must remember that it is the independence and uniqueness of private schools that make them attractive in the first place.

Therefore, they should not seek to impose new regulations on private schools in exchange for participation in school choice programs.

7. Reliance on Private Consumer Groups to Report Results to Parents

Some sponsors of school choice legislation may feel it necessary for a state agency (such as the state’s office of education or local school districts) to collect and disseminate evaluative information about private school performance to parents or to evaluate the success of the school choice program. Although we may like to think they are, government agencies cannot be totally unbiased in their assessments and should not be expected to provide positive evaluations of private schools, which under a school choice program become direct competitors to government schools. Rather than ask a government agency to perform the role of evaluator, the program should rely on private consumer groups to report information and results to parents.

Experience has shown that the private sector can perform this role. Wherever school choice has been implemented, new organizations and information sources have emerged to provide parents and others with evaluative information about public and private schools. One example is GreatSchools.net, a nonprofit organization that provides in-depth profiles of schools on its website. In addition to a list of a state’s public and private schools, the site contains various “tools” for parents, including links to compare schools or match their child’s needs with available schools. Other examples of private consumer research groups are Florida Child, Utah Schools at a Glance, the school report cards published by the Denver-based Education Policy Center, and Standard & Poor’s “School Evaluation Services,” which includes customized data and reports for parents and school leaders. Private groups have an interest in providing unbiased, objective information to parents, and there is no need to have government agencies duplicate many of their efforts with potentially less objective evaluative consumer information.

8. Multiyear Permanent Program

One of the primary goals of school choice is to motivate educators and innovators to open new schools that will compete with existing schools. School choice will attract new school operators only if there is a high degree of certainty about the future and stability of the program. If school operators face uncertainties about government policies, financial support,

or political support for a school choice program, they will be much less likely to risk time and money on starting new schools. Therefore, states should not pass school choice programs that are considered “experimental” or label a school choice program as strictly a “pilot” program. School operators will be hesitant to start up new schools in such an environment. Rather, programs should be implemented with a minimum of 10 years duration so that the market is potentially attractive to long-term effort and investment.

9. New Dynamics of Governance and Control

For school choice to work, it must institute a new means of governing; it cannot leave in control those who benefit from the status quo. If it does, then those people can use their positions of power to stifle competition and impose government control over private schools.

Rather than place regulatory power and accountability controls in the hands of school districts or state education agencies, states should allow private school accreditation groups, brand name reputations, private regulatory bodies such as exist in other industries, insurance companies, consumer watchdog groups, and parents themselves to become the regulatory structure over education. Increases in the quality of education will come about only if government steps aside and allows consumer pressure and competition to ensure a high standard of quality.

What Makes Good School Choice Legislation?

1. Autonomy for Private Schools
2. Aid Must Go to Parents, Not Schools
3. Available to All Students
4. Easy Access to Scholarships
5. High Dollar Amount (for adequate nonreligious options)
6. Limited Regulation
7. Reliance on Private Consumer Groups to Report Results to Parents
8. Multiyear Permanent Program
9. New Dynamics of Governance and Control

Conclusion

The reason public schools don’t improve is not a lack of funds. State and local governments have increased spending for K–12 education by

more than 17 percent in real dollars since 1997 and by more than 60 percent since 1982. In spite of this influx of dollars, student academic performance remains stagnant.

Rather than throw even more money at the problem, states should institute school choice on a broad scale, moving toward a competitive education market. The only way to transform the system is to break up the long-standing government monopoly and use the dynamics of the market to create innovations, better methods, and new schools.

To realize the positive effects of a competitive education market, school choice programs must ensure autonomy and independence for private schools and flexibility for public schools. Therefore, states should not impose regulations on existing private schools or create regulatory barriers that prevent new private school operators from entering the market. Only in this way will school choice produce the better education American children deserve.

Suggested Readings

- Bolick, Clint. *Voucher Wars: Waging the Legal Battle over School Choice*. Washington: Cato Institute, 2003.
- Boyd, Donald J. “K–12 Education: Still Growing Strongly.” Nelson A. Rockefeller Institute of Government, Albany, NY, June 21, 2004.
- Gryphon, Marie. “True Private Choice: A Practical Guide to School Choice after *Zelman v. Simmons-Harris*.” Cato Institute Policy Analysis no. 466, February 4, 2003.
- Hoxby, Caroline M. “School Choice and School Productivity (or Could School Choice Be the Tide That Lifts all Boats?)” National Bureau of Economic Research, Working Paper no. 8873, April 2002.
- Ormand, H. Lillian. “The Struggle for School Choice Policy after *Zelman*: Regulation vs. the Free Market.” Cato Institute Policy Analysis no. 495, October 29, 2003.
- Salisbury, David. “What Will a Voucher Buy? A Closer Look at the Cost of Private Schools.” Cato Institute Policy Analysis no. 486, August 28, 2003.

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