



AMERICANS *for* TAX REFORM

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MAKING THE GRADE

*Privatization and School Vouchers 101:
ATR's Guide to Comprehensive Education Reform
- as of July 2008 -*

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“Vouchers . . . would generate a competitive education market, which would lead to a burst of innovation and improvement . . . there's nothing that would do so much to ensure a skilled and educated work force.”

– Milton Friedman, 2005.

Increasing school competition through state voucher programs provides superior educational opportunities for all students and maximizes the value of taxpayer dollars. There have been a total of ten studies of voucher programs that have used the ‘gold standard’ of social science research, random assignment.¹ Not a single study using this method has found any of the harms that voucher opponents (teacher unions and other left of center establishments) predict. Instead, all statistically significant studies have shown that school voucher programs create a competitive market for students amongst schools. In turn, this increases the quality of education, greatly improves access to the best schools, decreases segregation, all while saving taxpayers money and maximizing the value of each dollar spent. Removing the government education monopoly by providing school vouchers benefits students, parents, teachers, and taxpayers.

Americans for Tax Reform supports school vouchers. Not a single “empirical study anywhere in the United States has ever found that public schools had worse outcomes when exposed to vouchers.”² “The fears that public schools would be harmed by vouchers have simply failed to materialize.”³ This policy brief explains the theoretical and statistical foundation for school vouchers, concluding that the research points to improvements in schools that are subjected to voucher competition as well as increasing the achievement of students who use vouchers.

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What are School Vouchers?

School voucher programs allow parents to use all or part of the government funding that is set aside for each child's education to send their children to the public or private school of their choice. Private institutions also provide scholarships (privately funded vouchers) in some states. Fourteen states have variations of school vouchers. Americans for Tax Reform supports publicly and privately funded school choice, but this brief generally focuses on publicly funded vouchers. This analysis will show that vouchers serve the public good, save tax dollars, and increase educational quality in both public and private schools.

Why are School Vouchers Necessary?

Education is essential to a free, productive society. Unfortunately, only “about 71 percent of 9th graders make it to graduation four years later. . . . And that figure drops to 58 percent for Hispanics, 55 percent for African-Americans, and 51 percent for Native Americans.”⁴ With such high dropout rates for minority students, something must be done to improve every child's opportunity for educational success. Since the founding of America, public education has been a state and local concern. Efforts at federalizing public education are misguided and ineffective; robust reforms must be designed for and implemented by the states. States, localities, and private institutions fund more than 91.7% of education costs, while the federal government contributes a mere 8.3%.⁵ Successful educational reform must be predicated on sound theories that are tailored to local communities when implemented.

School vouchers are based on sound behavioral and economic theories and have been implemented in numerous states. Thus, vouchers have been tested and analyzed under many conditions. The empirical research is solid: school vouchers lead to increased educational success for students who receive a voucher *and* for students who attend public schools that are subjected to competition via voucher programs. Eric Hanushek, an education researcher at Stanford University points out that “[a] dose of competition in schools would, at least from our experiences in almost every other part of the U.S. economy, seem like a natural policy.”⁶ But why haven't vouchers been implemented more widely if it really is such a good idea? Hanushek explains that a “fundamental element of competition in schools—namely, that the job security of some personnel would be threatened—is anathema to unionized educators. Thus, any hint of even experimenting with school choice has been vigorously attacked”⁷ by teacher unions. It is these same unions who are safeguarding a system that is failing today's students. The public must override the deep political pockets of these unions and implement real reforms that necessitate increased performance.

Why do Vouchers Work?

Nobel laureate Milton Friedman explained that the essential premise behind vouchers is to create a competitive market for students between schools. This new system will lead to schools improving the education they offer in order to attract and satisfy the parents and students necessary to remain open. Maine has had a restrictive voucher program for students living in towns without public schools since 1873. Educational policy expert Frank Heller conducted a study of the Maine program and stated: “Not surprisingly, when parents can choose alternative schools, school administrators become more vigilant and responsive to parental demands. As [Maine] Superintendent of Schools Richard Lyons put it, ‘If we’re a business and a business is losing its clients, then it behooves us to find out why that is happening.’”⁸

But are public schools businesses? Absolutely! Public schools receive funding from the government(s) based on the number of students they enroll. Like a business, public schools respond to incentives – if their livelihood is at risk, they raise performance levels. Therefore once vouchers are implemented it is in the interest of every school to insure parental satisfaction by improving the education and opportunities provided. When faced with competition, schools adapt and improve.

Competition for students minimizes waste and boosts the quality of education offered. The Goldwater Institute’s study of vouchers in Arizona found that when faced with competition, “schools in both Tucson and Phoenix improved their academic outcomes at a significantly faster rate than schools not facing competition.”⁹ This result was confirmed by Florida’s experience. Indeed, after Florida implemented a voucher program for students attending the lowest-performing schools and competition for students ensued, these lowest performing schools increased their performance substantially.

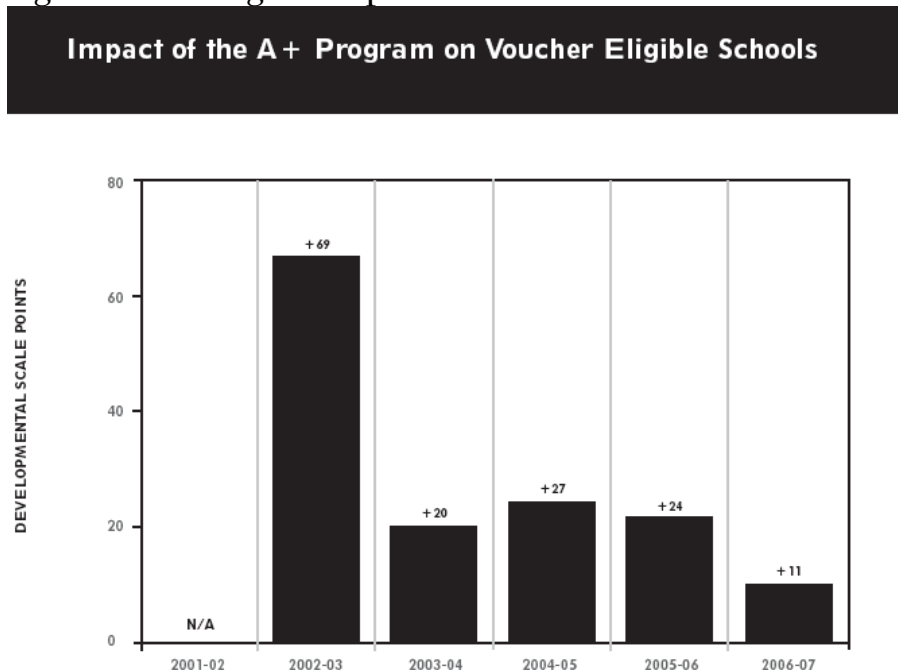
A 2005 Harvard study of Florida’s lowest-performing schools found that after vouchers were implemented students “performed at a higher level” than “did students at similar schools not so threatened.”¹⁰ A 2008 study by Greg Forster confirmed the Harvard conclusion, finding that in the “first year when substantial numbers of vouchers were available, the [Florida] program produced dramatically larger improvements in failing public schools.”¹¹ A 2003 study of New York by John Barnard had similar findings. Barnard and a team of researchers found that voucher-using students in New York on average improved their standardized test scores by five percentile points after just one year. The gains were even greater for African-American students.¹²

Vouchers at Work in the States

Florida

Before the Florida Supreme Court ended the program (a decision decried by constitutional experts), Florida's A+ Voucher program allowed students attending the worst-performing schools to receive a voucher to attend another school of their choice. In 2008, Greg Forster of the Manhattan Institute conducted a comprehensive study analyzing each year of the voucher program's operation (1999-2006) and concluded that when a school was faced with competition by vouchers it improved dramatically. As evident in Figure 1, Forster found that during "the first year when substantial numbers of vouchers were available . . . [in] 2002-03, public schools whose students were offered vouchers outperformed other Florida public schools by 69 points."¹³ (See chart below).

Figure 1 – A+ Program Impact on Voucher Schools



Source: Forster, 2008

A 2005 Harvard study of Florida's lowest-performing schools found that after vouchers were implemented students "performed at a higher level" than "did students at similar schools not so threatened."¹⁴ The evidence in Florida confirms that the A+ program of vouchers was successful. Florida also affirms that when schools are faced with a loss of students due to vouchers, they increase performance and improve the education in the school.

North Carolina

During the 1999–2000 school year, the private Children’s Scholarship Fund (CSF) offered partial scholarships to low-income students in Charlotte, North Carolina. The program continues today, serving 400 students a year. Jay Greene conducted a randomized, top-quality scientific study of the program and found that after one year, the students who used a scholarship “to attend a private school scored 5.9 percentile points higher on the math section of the ITBS [the “Iowa” SAT] than comparable students who remained in public schools.”¹⁵ Furthermore, students who received a voucher “scored 6.5 percentile points higher than their public school counterparts in reading after one year.”¹⁶

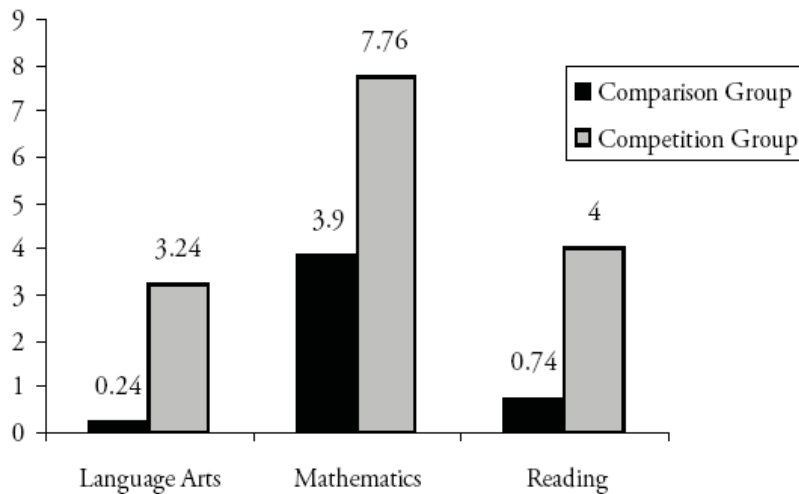
Not only did students’ scores improve, but parents reported being extremely satisfied with the program. Dr. Greene found that “twice as many choice parents gave their child’s school an A (53 percent) as did public-school parents (26 percent). Choice parents were also far more likely to report being “very satisfied” with virtually all aspects of their children’s school: its safety, teacher quality, class size, clarity of school goals, teaching moral values, academic quality, teachers’ respect for students, and so on.”¹⁷

Satisfaction among the students was also extremely high compared to public school students. When asked how they feel about going to school each day, 24 percent of the public-school students said they didn’t want to go, but only 9 percent of voucher students reported not wanting to go.¹⁸ Also, 24 percent of non-voucher students said they didn’t feel safe at school, while only 9 percent of voucher students said they did not feel safe at school.¹⁹ In short, the voucher experience in North Carolina has been extremely positive with real educational gains and a safer, more satisfying educational environment. This small program has been evaluated using the best scientific means and provides solid evidence confirming the value of voucher programs.

Arizona

Matthew Ladner of the Goldwater Institute conducted a 2007 study of schools in Arizona and evaluated the impact of vouchers on public schools. His analysis of 408 Phoenix-area elementary schools “found significantly higher academic gains on Stanford 9 Reading, Mathematics, and Language Arts, exams during the 2001- 2004 period”²⁰ after the implementation of vouchers in Arizona. When faced with competition, “schools in both Tucson and Phoenix improved their academic outcomes at a significantly faster rate than schools not facing competition.”²¹ As evident in Figure 2, Ladner concluded that “the expansion of school choice can improve academic achievement. Additionally, school choice expansion can be accomplished with existing resources, and may even save taxpayers money.”²² See chart below.

Figure 2 – Voucher vs. Non-Voucher Performance Measures



Source: Ladner, 2007

Arizona's experience confirms the findings from Florida and North Carolina that when school vouchers are used, students and schools benefit. It is also important to note that it did not cost Arizona more money to provide these vouchers. Existing resources were sufficient, and Ladner concluded that careful use of school funds through vouchers could actually save tax dollars.

What Should Parents Expect from Schools?

Parents have the right and the duty to be concerned about the education of their children. Governments are not responsible to raise America's children or to make decisions that condemn children to failing schools. Governments in America are supposed to be *of* the people, and thus *for* the people. The people have decided that educational reform is essential and every concerned individual has the ability to demand a wide range of educational improvements. The best improvement would be to infuse competition into the educational system by giving parents the choice about where their children shall attend school. Unfortunately, children are usually forced to attend the school nearest to their home. If a family lives in a district with poor, failing schools, then those children are doomed to a poor public education. Vouchers remove the barrier to a good education and allow parents to send their children to private schools or better public schools. The children are benefited and obtain access to a good education. Isn't it the goal of compulsory education to educate students in safe environments? Vouchers help bring this goal to fruition, and ought to be widely implemented.

Responding to Concerns

“Will vouchers cause public schools to lose money?”

Answer: No.

Empirically, school districts have never had a budget decrease when they implemented vouchers. In fact, American taxpayers have never spent so much money per-pupil as we do today. In April 2008 the Census Bureau released per-pupil spending figures, noting that the average spending per-pupil is \$10,691 each year. In contrast, the average cost of a private school education is \$6,600.²³ Thus, even if *all* students who were offered vouchers went to a private school, the school district would *save* thousands of dollars for every student who leaves a public school. But it is important to note that school districts have never been hurt by the introduction of vouchers.

Theoretically, it is true that a school could be so inadequate that everyone offered a voucher flees the school, forcing it to be shutdown for lack of pupils. But is that a bad result? If a school is underperforming to the point that parents refuse to send their children, then it *should* be shut down and those students *ought* to be able to attend a different school for a better education. This element of potential competition drives schools to do better and ensures that our children receive an adequate education. It also empowers parents to guide their children and hold failing schools accountable.

“Will vouchers take the best students from public schools and leave poor students behind?”

Answer: No.

Studies demonstrate that this simply does not happen. Furthermore, poor and minority parents overwhelmingly approve of vouchers. In New York (with large populations of minority and economically disadvantaged residents) a poll conducted by Hunter College found that “of those respondents who were familiar with vouchers, 77% of immigrants and 71% of non-immigrants want ‘to be allowed to use vouchers to send their children to the school of their choice.’”²⁴ The poll further found that “[f]ully 87% of Hispanics and 81% of African Americans said they wanted school choice, compared to 61% of Whites. Similarly, 81% of those reporting incomes under \$25,000 wanted choice compared to 64% of those with incomes over \$100,000.”²⁵ Minorities and the economically disadvantaged, along with a majority of whites, approve of vouchers. Vouchers help parents, students, and school districts. Polls demonstrate that the public approves of school choice.

Americans for Tax Reform endorses vouchers as a tool to reform America’s failing education system. The evidence demonstrates that vouchers infuse competition, raise educational quality, and benefit teachers, schools, and students. It’s time for states to implement school vouchers.

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¹ The Friedman Foundation, "The Best Studies Show that Vouchers Work!" *School Issues in Brief* (June 16, 2008): 2.

² Greg Forster, "Lost Opportunity: An Empirical Analysis of How Vouchers Affected Florida Public Schools," *School Choice Issues in the State*, Friedman Foundation for Educational Choice, (March 2008): 11.

³ Forster, 11.

⁴ *Education Week*, "Diplomas Count 2008" Vol. 27, Issue 40 (June 5, 2008): 3-4.

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⁶ Eric Hanushek, "Milton Friedman's Unfinished Business," *Hoover Digest*, No. 1 (2007): online.

⁷ Hanushek, online.

⁸ Frank Heller, "Lessons from Maine Education Vouchers for Students since 1873" *Cato Institute Briefing Papers*, No. 66 (September 10, 2001): 8.

⁹ Matthew Ladner, "Putting Arizona Education Reform to the Test: School Choice and Early Education Expansion," *Goldwater Institute*, No. 216 (February 6, 2007): 9.

¹⁰ Martin West and Paul Peterson, "The Efficacy of Choice Threats within School Accountability Systems: Results from Legislatively Induced Experiments," *Harvard PEPG 05-01*, (March 2005): 11.

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¹⁴ West & Peterson, "Efficacy of Choice," 11.

¹⁵ Jay Greene, "Vouchers in Charlotte," *Education Next*, Vol. 1, No. 2 (Summer 2001): 57.

¹⁶ *Ibid.*

¹⁷ *Ibid.*, 58.

¹⁸ *Ibid.*

¹⁹ *Ibid.*

²⁰ Matthew Ladner, "Putting Arizona Education Reform to the Test: School Choice and Early Education Expansion," *Goldwater Institute, Policy Report* No. 216 (6 February 2007): 9.

²¹ *Ibid.*

²² *Ibid.*, 14.

²³ U.S. Dept. of Education, National Center for Education Statistics, "Private elementary and secondary enrollment, number of schools, and average tuition, by school level, orientation, and tuition," (August, 2006): Table 56.

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²⁵ *Ibid.*