

PUBLIC MONEY FOR PRIVATE SCHOOLS: **Vouchers and Neovouchers**

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North Carolina legislators have considered a number of proposals to enact voucher-like schemes to transfer public money to private schools in recent years. During the current legislative session, state policymakers have introduced legislation that would create a new tax credit program for homeschooled students (House Bill 144) a voucher-like scholarship grant program for students with disabilities (House Bill 269), which would replace an existing tax credit program, and a voucher-like private school scholarship for families who fall below 300% of the federal poverty level (House Bill 944). In 2011, a bill that would have given a tax credit to corporations that donated to a voucher-like scholarship program for private-school tuition failed in committee.

Legislators have yet to consider traditional vouchers, largely due to successful legal challenges in other states and a lack of public support for vouchers. Instead, individual tax credits, education savings accounts (ESAs), and corporate scholarship tax credits are the preferred mechanisms for transferring public money to private schools. These policies are commonly termed “neovouchers” because they serve the same essential function as traditional vouchers but are an attempt to circumvent the constitutional separation-of-church-and-state issues that arise when public money is funneled primarily to religiously affiliated private schools.

In spite of the increasing popularity of neovouchers in legislatures across the country, research on existing voucher and neovoucher programs demonstrates that academic achievement does not improve for students who utilize them. Voucher and neovoucher proponents advance these schemes as a way to improve educational options for low-income and minority students, but low-income students are often unable to meaningfully participate in these programs because of the way they are structured.

Support for neovouchers seems to be predicated on a belief that private schools are inherently better than public schools, perhaps as a result of the fact that private schools tend to serve wealthier students who have a number of advantages over their low-income peers. However, a growing body of research shows that public schools do a better job of educating students, especially students who come from disadvantaged backgrounds, have special needs, or are struggling academically.

Vouchers v. Neovouchers

Traditional vouchers and neovouchers give families money to attend private schools at public expense. However, the mechanism for the transfer of money from the state to the private school can differ in ways that can significantly impact who is actually able to utilize the voucher or neovoucher.

Traditional vouchers are a system of educational finance wherein parents are given tuition certificates that can be used at participating private schools. The amount of the voucher can vary, and programs operating in the United States are not “pure vouchers” in the sense they do not cover the full cost of private school tuition, particularly at the most prestigious and expensive private schools.

Neovouchers are philosophically similar to traditional vouchers except the funds are generally not transferred directly from the state to private schools. There are three major types of neovoucher:

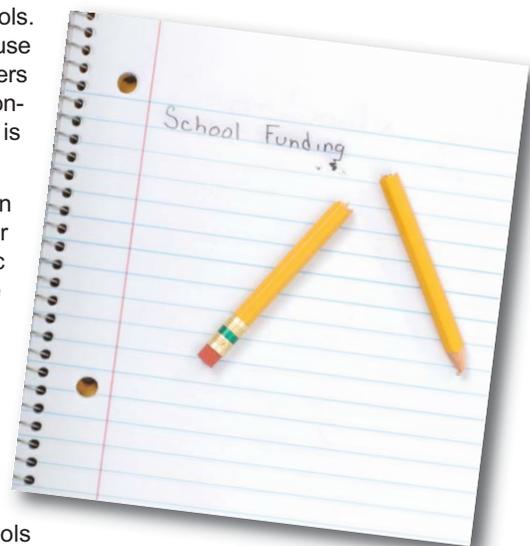
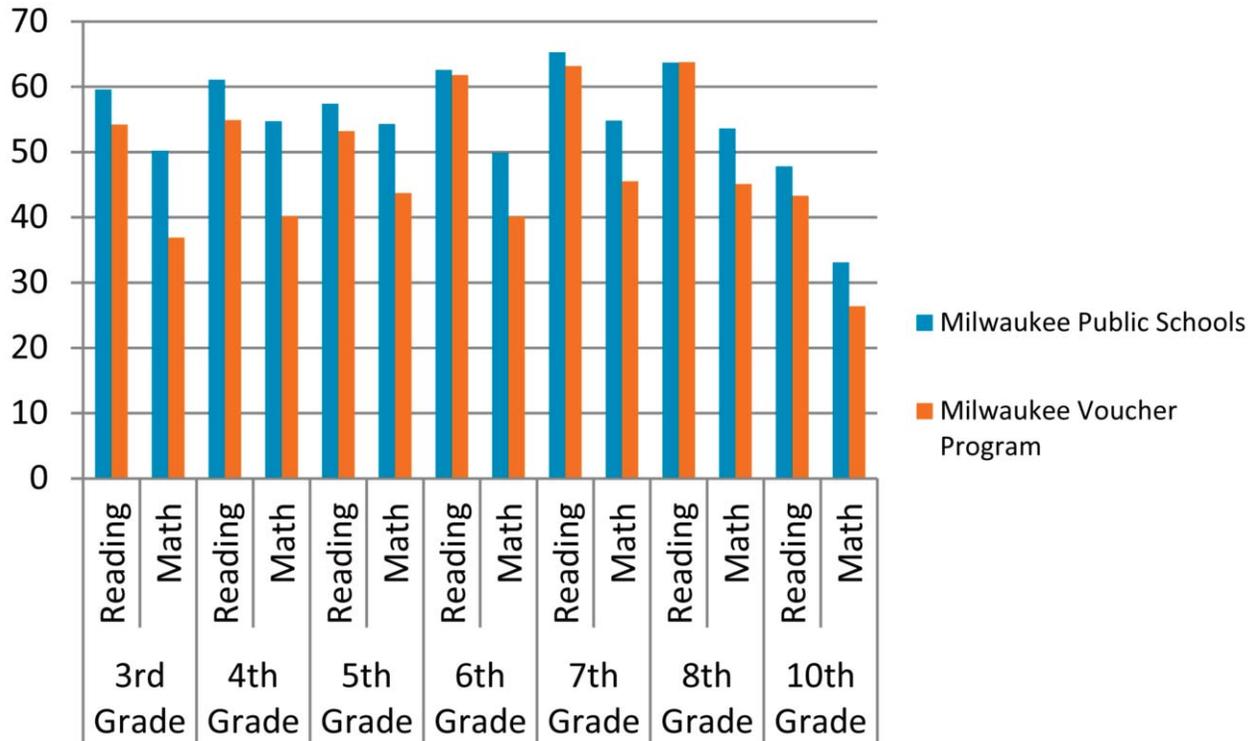


FIGURE 1: Milwaukee – Percentage of Students Scoring Proficient in Reading and Math by Grade, 2011-12



individual tax credits, corporate tax credits, and education savings accounts.

Individual tax credits allow families to reduce their state taxes by a specified amount to defray part of the cost of private schooling. Low-income families usually will not benefit from tax credits because they rarely have enough tax liability to utilize the full amount of the credit, the credit does not cover the full cost of private-school tuition, and they must front the cost of tuition in August without any assurance that they will qualify for the credit until tax season begins in late January.

Corporate tax credit programs allow corporations to reduce their state taxes by donating money to organizations that grant scholarships to students attending private schools. These scholarships may be targeted at low-income students, but the corporate tax credit has the potential to divert far more money from public schools to private schools than individual tax credit programs do.

Education savings accounts (ESAs) take the voucher concept a step further by providing parents who opt out of the public school system with public funds to purchase educational services such as private schooling, online education, private tutors, supplies, and higher education. The primary difference between ESAs and conventional vouchers is that ESAs allow parents to use public funds to purchase almost any educational services and supplies with little oversight, transparency, and accountability to the public.

No Positive Impact on Student Achievement - Results from Other States' Voucher and Neovoucher Schemes

■ VOUCHERS

Research on vouchers and neovouchers clearly demonstrates that they have no positive impact on student achievement.

Established in 1990, the Milwaukee Parental Choice (MPC) Program is the longest-running voucher scheme in operation in the United States. The majority of studies done on MPC find that students in Milwaukee Public Schools perform either the same or better than students in the choice program.¹ The most recent study of this program concluded that Milwaukee students participating in MPC performed significantly worse in both reading and math than students in Milwaukee Public Schools.² Overall,

41% of MPC students scored proficient in math compared to 50% for Milwaukee Public School students, and Milwaukee Public School students outscored their MPC counterparts 60% to 57% in reading.³ Across subject areas and grades, Milwaukee Public School students outperformed MPC students on 13 of 14 available measures (See Table 1, page 2). This program has failed to improve Milwaukee’s standing as one of the lowest-performing large districts in the nation on the National Assessment of Educational Progress (NAEP), ranking ahead of only the decimated Detroit Public Schools.⁴

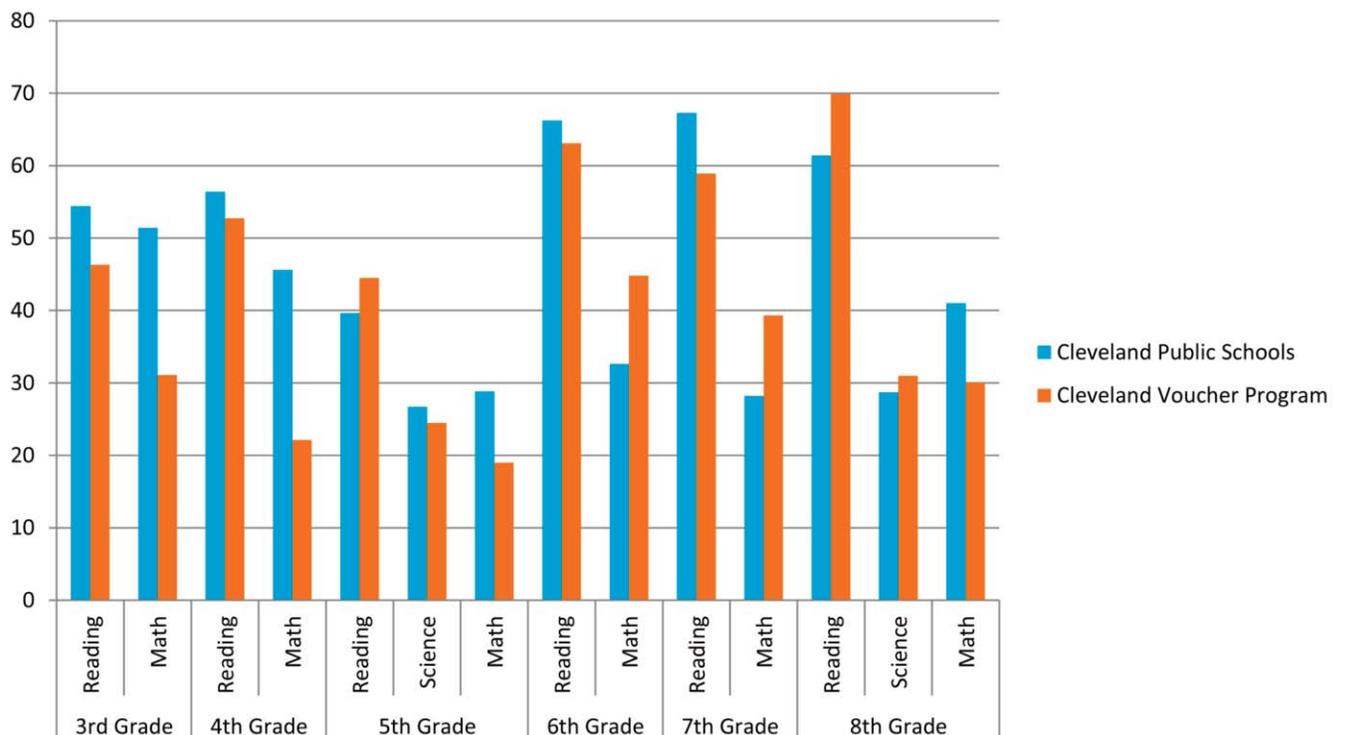
The next longest-running voucher program in the nation is the Cleveland Scholarship and Tutoring Program. The most comprehensive evaluations of the program show public school students made greater learning gains in comparison to voucher recipients, even though voucher recipients were less likely to be low-income.⁵ According to the most recent comparisons, voucher recipients in Cleveland trail public school students on 10 out of 14 available proficiency measures (see Table 2). Unfortunately, the voucher program has failed to improve Cleveland’s schools, as it is also one of the lowest-performing large districts in the nation on the NAEP.⁶

The results from the nation’s longest-running and most heavily evaluated voucher programs show that vouchers do not improve academic outcomes for students. In fact, public school students are regularly outperforming voucher recipients in these school districts. Districts that have implemented voucher schemes have failed to improve their statuses as some of the lowest-performing districts in the nation.

■ **INDIVIDUAL TAX CREDITS**

As with vouchers, there is no evidence that individual tax credits for families sending their children to private school improve student achievement. The longest-running tax credit programs for private-school expenses have been in operation in Minnesota and Arizona since 1997. Evaluations of these programs show no positive impact on student achievement, largely because the majority of participants are families that would have sent their children to private schools even without the tax credit, rather than low-income families in low-achieving schools.⁷

FIGURE 2: Cleveland – Percentage of Students Scoring Proficient, 2009-10



■ CORPORATE TAX CREDITS

There is no research supporting the proposition that giving tax credits to corporations that fund private-school scholarships promotes student achievement. The most comprehensive analysis of a corporate tax credit program was conducted on the Florida Tax Credit Scholarship Program. This evaluation found that participating students actually experienced learning losses on national math and reading assessments, and that public-school students performed better on these tests than tax-credit-program participants.⁸ Washington DC's Opportunity Scholarship program, which ran from 2004 to 2009, underwent a similar study conducted by a professor with an endowed chair in school choice at the University of Arkansas; that study found no evidence that the program improved student achievement for participants or public-school students.⁹

■ EDUCATION SAVINGS ACCOUNTS (ESAS)

Currently, Arizona is the only state with an ESA program, which it launched in 2011. The program is currently limited to students with special needs; in the 2013-14 school year, it will expand to include students who are in the foster care system, who have active-duty military parents, and who are in schools or districts graded D or F.

Because these accounts are so new and in such limited use – only 362 students in Arizona had ESAs¹⁰ in the 2012-13 school year – there is no data yet on their effect on student performance. However, 92 percent of ESA funds went private schools in the first quarter of fiscal year 2011-12.¹¹ Therefore, the effect of the ESA program on where students attend school is essentially the same as that of other neovoucher programs: parents primarily use public funds to send their children to private schools with the remainder spent on tutoring, books, supplies, or put into a college savings account.

For students without special needs, the program provides from \$3,000 to \$3,500 a year. As this is not nearly sufficient to cover the cost of tuition to a private school,¹² the program is unlikely to benefit students from low-income families.

■ INTERNATIONAL AND STATE COMPARISONS

While much of the narrative driving policy discussions about vouchers and neovouchers is couched in terms of the United States' struggle to keep up with the educational outcomes found in other nations, none of the education systems outperforming the United States have ever employed any type of voucher or neovoucher scheme.¹³ Similarly, none of the top-ten-scoring states in the United States on the primary measure used for state-by-state comparisons—the National Assessment for Educational Progress—has ever employed any type of voucher scheme.¹⁴ These states created their high-performing educational systems by financially committing to their schools, rather than by encouraging families to opt out of them.

Low-Income Students Lack Access to Voucher and Neovoucher Programs

Proponents of vouchers and voucher-like programs generally predicate their support on the premise that these programs expand educational options for low-income students. However, voucher and neovoucher programs that have operated thus far have often failed to effectively target these student populations. Instead, these programs have provided a taxpayer-funded windfall to families that would have sent their children to private schools even in the absence of a voucher program.

The key differences between vouchers and the current neovoucher programs are the mechanism of the funding transfer, the amount of the voucher or tax deduction, and the income limitations. These variables can dramatically impact who has access to these public funds.

■ VOUCHERS

Voucher programs that have operated in the United States have struggled to limit participation to low-income students. The main difficulty is that the amount of the voucher is often much smaller than the cost of private schooling, particularly at prestigious schools, and low-income families are unable to make up the difference. By contrast, high- or middle-income families may be more likely to take advantage of vouchers as a taxpayer-funded subsidy to help pay for private school tuition, which they otherwise would have had to pay in full.

The two most comprehensively evaluated voucher schemes in Cleveland and Milwaukee show that these programs have not been effectively limited to low-income students. Both programs serve a population of students that is less impoverished than the population of students remaining in the traditional public schools.¹⁵

■ INDIVIDUAL TAX CREDITS

Individual tax credits for private school are difficult for low-income families to use because the size of the tax credit is generally less than the cost of private school and, more importantly, because families hoping to take advantage of these credits must pay the cost of private-school tuition up front and then receive a reduction in their taxes months later. In addition, if the state taxes owed by a low-income family were less than the amount of the credit, the family would not be able to take the full tax credit.

A study of Minnesota's tax credit concluded that parents' propensity to use the tax deduction increased with income, meaning higher-income families were far more likely to use the credit.¹⁶ As a result, individual tax credits have the perverse effect of further increasing educational options and reducing the cost of private schooling for higher-income families while doing little to increase the educational options available to low-income families.

■ CORPORATE TAX CREDITS

In theory, corporate tax credits should be better than individual tax credits in terms of targeting low-income students because they do not require low-income families to put up the full cost of tuition in the hopes of getting a tax credit down the road. But in states that have experimented with corporate tax credits, participation has not been effectively limited to low-income students, and in many cases the programs have served simply as a tuition reduction for parents of students who were already attending private schools.¹⁷

For example, Georgia's newly enacted corporate tax credit program has been completely ineffective at limiting participation to low-income students. More than 70% of scholarships from the primary scholarship provider went to taxpayers with adjusted gross incomes in the top 20% for the state. Florida's program was supposed to be limited solely to low-income students, but audits have revealed that families benefitting from the program still tended to have higher incomes than their public-school counterparts.¹⁸

Accountability and Transparency Issues

Since the advent of No Child Left Behind, there has been a push to make public schools accountable for the academic success or failure of their students and transparent to the public about how schools are doing. This has been accomplished primarily through the use of standardized test scores, school report cards, graduation rates, turnaround models for failing schools, and the recent introduction of the Common Core State Standards Initiative, which sets out common language arts and math curricula for public schools across the nation. The overarching purpose of these measures is to make schools accountable for the way they use state and federal funds to educate children and to cause them to do things differently if they are failing to live up to these accountability measures.

Vouchers and neovouchers completely remove this level of accountability and transparency to taxpayers and their representatives by encouraging students to exit the public school system and attend private schools. Private schools are not subject to the testing requirements, failing school turnaround models, school report cards, or curricular requirements that public schools are. In essence, there is no way for taxpayers or elected officials to know if public funds are being spent wisely in private schools because private schools are not held accountable in the same way public schools are.

Private v. Public School Performance

Given the absence of research demonstrating that vouchers or neovouchers improve educational outcomes for students, the recent push to expand these types of offerings seems to be grounded in an assumption that private schools inherently do a better job of educating students than public schools do. However, the results on the National Assessment of Educational Progress show public schools actually do a better job of educating students when results are adjusted for student characteristics like

socioeconomic status, race/ethnicity, gender, disability, limited English proficiency, and school location.¹⁹

Further, the performance of private schools is heavily tied to the amount that these schools charge in tuition.²⁰ In the programs currently in operation, the amount of the voucher or neovoucher generally does not come close to covering the cost of education at the most expensive and elite college preparatory private schools, so those schools are still out of reach for the overwhelming majority of families.

Recommendations/Conclusion

There is no evidence that voucher and neovoucher programs have been successful in improving the education of low-income students in the places they have been tried. If policymakers are serious about improving educational outcomes for low-income students, there are educational interventions with proven track records of success. These include high-quality early childhood and prekindergarten services, strengthened teacher licensure requirements and training programs, early college high schools, and reduced class sizes.

Voucher and neovoucher programs have also proven ineffective at providing more options to low-income students because these students are often unable to participate in the programs. Educational options can be more easily increased within the public school system through policies like open enrollment and magnet schools, which give families meaningful choices.

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