

To: Heidi Carter, Chair of Durham School Board of Education
From: Christina Chen
Re: The Impact of School Voucher Programs: Implications for Durham Public Schools
Date: April 12, 2013

Executive summary

Background

Vouchers are state-funded scholarships to families that allow eligible students to attend private schools. Since 1989, with the implementation of the first modern school voucher program targeting low-income students in Milwaukee, more states are considering school voucher programs as a way to reform the education system (National Conference of State Legislatures, 2013). Currently, voucher programs operate in twelve states and Washington D.C.

School voucher programs are part of the larger school choice movement towards the privatization of education (Levin, 2008). Charter schools and education tax credits (ETCs) are also included in this movement. Charter schools are publicly funded but privately managed institutions that students choose to attend (Levin, 2008). Through ETCs, parents can receive tax credits for education-related expenses, and individuals and corporations can receive tax credits for their donations to private non-profit organizations that issue vouchers to eligible students (Zimmer & Bettinger, 2008).

The thirteen school voucher programs currently implemented across the nation are similar in purpose, but vary in design. Each program addresses student, private school, and funding considerations differently. Table 1 illustrates the three main designs, and the specifics about which policymakers must decide.

Table 1.

Feature	Specifics
Student eligibility	Low income Special needs

	Attending failing school In foster care or military family Without access to public schools Currently or previously enrolled in public school
Participating private schools	Institutional accreditation by the state Administer state assessments Report performance of voucher students
Funding considerations	Limited caps to unlimited Value ranges from

The national and state debates about voucher programs

The positive and negative impacts of school voucher programs are hotly debated.

Supporters of the voucher programs make the following arguments:

- The Choice Argument: Parents know what best suits their child’s needs so they should be able to choose where to send their child.
- The Competitive Argument: Voucher programs create competition for students and force low performing schools to use resources more efficiently or possibly lose students.
- The Equity Argument: Vouchers give students assigned to inferior neighborhood schools or low-income children more educational opportunities.

Opponents of school voucher programs make the following arguments:

- Only students whose parents have sufficient education, motivation, and information will utilize vouchers, leaving the most disadvantaged children in traditional public schools.
- Benefits to voucher recipients and neighboring public schools are overstated.
- By transferring public dollars, voucher programs create disparities between public and private schools

With the implementation of voucher programs, the political debate has also turned into a legal debate. Opponents argue that school voucher programs violate the separation of church and state when payments are used on tuition at religious schools (Harwood & Williams, 2013). Many

states have laws prohibiting the transfer of government funds to religiously affiliated schools (Usher, 2011). As such, several state supreme courts have tried voucher programs for violating state constitutions (Levin, 2008). Recent court cases include:

- *Zelman v. Simmons-Harris* (2002): The U.S. Supreme Court concluded that the voucher program in Cleveland did not violate the separation of Church and State clause because funding to private religious schools was indirect and because the program had a secular purpose (Usher, 2011).
- *Owens v. Colorado Congress of Parents* (2004): The Colorado state voucher program was ruled in violation of the state constitution clause requiring local school districts to maintain control over locally raised funds (Usher, 2011).
- *Bush v. Holmes* (2006): The state Supreme Court concluded that the Florida voucher program violated the separation of Church and State and prevented a uniform school system (Usher, 2011).

Following the national trend, the state legislature in North Carolina has considered bills for voucher programs although no school voucher law has passed. Recent education tax credit bills have received public attention. These include tax credits for low-income students (Tax Fairness in Education), corporations making voucher donations (Scholarship Funding Corporate Tax Credit), and homeschooled children (Homeschool Education Income Tax Credit).

The only tax credit bill to pass in North Carolina was enacted in 2011. Individual Tax Credit and Children allows parents of children with disabilities, whom attend private school or need therapy or tutoring, to annually receive tax credits valuing up to \$6,000 (North Carolina General Assembly, 2011). In 2013, the House considered the Children with Disabilities

Scholarship Grants bill that would offer vouchers to children with disabilities valuing \$3,000 per semester for tuition and special education services (North Carolina General Assembly, 2013).

Research topics and review of evidence

1. The impact of vouchers on recipient achievement

Evidence of positive effects on the achievement of voucher recipients is limited. One randomized study of students in New York, Dayton, and Washington D.C. did not find consistent improvements in achievement (Howell & Peterson, 2002). Students randomly granted privately funded vouchers in Washington D.C. improved but only during the second year of the three-year study (Ladd, 2002). In addition, the effect Howell and Peterson (2002) found was moderated by race. While white and Hispanic voucher recipients were at no clear advantage, African American students seemed to benefit (Ladd, 2002). Here too, the effect on African American children varied between the three locations with improvement in test scores occurring in all three years in New York but only the second year in Ohio and Washington D.C. (Belfield, 2006).

Another area of potential academic outcome examined has been graduation rates (Usher, 2011). According to the reports released by the D.C. Children and Youth Investment Trust Corporation, the graduation rate in 2009-2010 among voucher recipients in the Opportunity Scholarship Program was 94%. The graduation rate in Washington D.C. public schools that same year was 76%. These differences, however, may be related to differences in characteristics of the families who obtain vouchers or ability of voucher recipients.

These methodological problems limit the conclusions from the majority of research. First, studies often lack adequate control groups. Families who obtain vouchers may differ in unobservable ways, like in motivation, which make them difficult to compare to families who choose not to obtain vouchers. Furthermore, oversubscription usually occurs at the private school

level not at the voucher program level. Second, some studies are sponsored by organizations with clear opinions about voucher programs, making the conclusions drawn in the studies more skeptical.

2. The impact of voucher programs on achievement of neighboring public schools

There is no clear evidence of any positive effect of voucher programs on the achievement of neighboring public schools. Some studies that find positive effects have methodological limitations (Ladd, 2002). In Florida, students attending consistently failing schools were eligible to receive vouchers (Greene, 2001). Greene (2001) found that after a school received an F, achievement at that school improved significantly compared to other schools not at risk of losing their students. There are a number of alternative explanations for this improvement other than provision of vouchers, such as the shame and scrutiny associated with being a failing school (Ladd, 2002). The same effect was found in North Carolina, which assesses public schools in a similar way (Ladd, 2002).

Hoxby (2001) found a similar positive effect of competition in Milwaukee public schools most at risk of losing students to private schools. Ladd (2002) criticized this study for not considering the composition of students left in public schools after some use vouchers to transfer to private schools. Since only low-income students are eligible to receive vouchers, and because disadvantaged students tend to score below other students, the shift of this group from public schools will likely result in an overall increase in achievement at that school (Ladd, 2002). This increase would occur irrespective of reforms in those public schools (Ladd, 2002).

Furthermore, the number of vouchers used is still relatively small compared to the total number of students in the district or state (Belfield, 2006). Therefore the proportion of students who may move to private schools from any individual public school is relatively small (Belfield,

2006). This may be related, in part, to the fact that many students who are eligible for vouchers choose not to use them. For example, in the first year of their randomized field trials, Howell and Peterson (2002) found that 18%, 20%, and 32% of students granted vouchers in New York, Dayton, and Washington D.C., respectively, chose not to use them. These percentages increased to 30%, 33%, and 63%, respectively, by the third year (Howell & Peterson, 2002). When the Washington D.C. Opportunity Scholarship Program began, a quarter of public schools in the city saw no change in their enrollments (Belfield, 2006). Most of the public schools in Washington D.C. that saw reductions experienced only small changes (Belfield, 2006). Therefore, the effect of competition on public schools that supporters of voucher programs argue may be overstated.

3. The impact of voucher programs on the racial and economic composition of neighboring public schools

Little research has examined the impact of voucher programs on the racial and economic composition of students at traditional public schools, and findings are inconclusive. As mentioned in the last section, if only a small number of students use vouchers to transfer out of public school, then voucher programs are not likely to greatly impact the demographics of a school. After the Milwaukee Parental Choice Program began, Wolf (2011) saw no change in the racial segregation of schools or the housing costs of neighborhoods. This may be because the voucher program transferred primarily minority students from predominately minority public schools to mostly minority private schools (Wolf, 2011). In contrast, another study found that the levels of racial segregation in the private schools participating in the voucher programs of Milwaukee and Cleveland were lower than the levels in the public schools (Forster, 2006). This is unlikely to reflect a causal effect of voucher programs, however (Forster, 2006).

4. The impact of voucher programs on parent perspectives

Findings from studies comparing parents of voucher students with parents of public school students are mixed, with some studies finding higher levels of satisfaction among parents of voucher recipients and others finding similar levels of satisfaction (Witte, 2008). In parent surveys, parents of voucher recipients report feeling generally satisfied with their child's academic development, and with perceptions of increased safety and academic challenge at their child's new private school (Witte, 2008). A notable qualification of these findings, however, is that parents may report greater satisfaction simply because they are choosing their child's school, rather than anything related to the private school itself (Usher, 2011).

To add to the parent perspectives, parents (n=12) at a local charter school were informally interviewed about their reasons for leaving traditional public school and the features of charter schools that most attracted them. Parents expressed the following general concerns about traditional public schools:

- Emphasis on testing
- Welcoming environment (lack of communication, few opportunities for parent involvement, and bullying)
- Lack of resources
- Lack of flexibility (teaching style, rules, and curriculum)

The factors these parents considered when choosing charter school included:

- Teaching style and school staff
- Class size
- Opportunities for parent involvement
- Freedom to innovate
- Emphasis on the child

5. *The fiscal impact of voucher programs*

Findings on the fiscal impact of voucher programs are mixed and inconclusive because funding varies by program design. Several studies have examined the economic impact of educational tax credits (ETCs) with mostly negative outcomes. One of the findings is that instead of enticing new students to attend private schools to receive tax credits, these programs appear to fund families who already send or who would have sent their children to private schools (Zimmer & Bettinger, 2008). By one estimate, for every new student drawn to a private school because of ETCs, there are six to seven students already in the private sector also benefitting from ETCs (Belfield & Wooten, 2003). If this ratio is accurate, then ETCs, in fact, cause states to lose large amount of tax revenue (Belfield & Wooten, 2003).

Furthermore, ETCs are intended to offer parents, particularly low-income families the choice of attending private schools, but according to some studies families who actually obtain ETCs are wealthier ones (Zimmer & Bettinger, 2008). For example, families in Illinois and Arizona's ETC program had incomes greater than the states' median incomes and were claiming more on average than families of lower incomes (Belfield & Wooten, 2003). As a result, a study estimates the first three years of the Education Tax Credit program cost Arizona \$109 million in tax revenue (Wilson, 2002).

On the other hand, a few studies in Milwaukee and Washington D.C. concluded that voucher programs saved both cities money. Wolf (2011) reported that because the value of the vouchers granted was lower than per-pupil funding of students at public schools in 2011, Wisconsin saved \$52 million. Milwaukee, however, raised the property tax to compensate for the decreased state funding for public education and joint responsibility of the state and district to fund the voucher program (Wolf, 2011). Aud (2006) asserted that Washington D.C. saved money

because its voucher program was federally funded, but would have saved money even if locally funded.

Assessing the economic impact of voucher programs is difficult given the number of costs beyond the face value of granted vouchers including associated transportation, assessment, special education, and administrative costs (Belfield, 2006). Furthermore, states may experience additional costs depending on the extent to which it subsidizes families already attending private schools.

Implications for Durham Public Schools

In light of the research on school voucher programs, Durham Public Schools (DPS) may face the following considerations should North Carolina pass a school voucher or ETC law targeted toward low-income students in the future.

- Research suggests that expectations for improved achievement should be low.
- In 2011, approximately 60% of students who received school meals in DPS were eligible for free or reduced-priced meals. The percent of students eligible for free or reduced-priced lunch varies from as low as 20% to as high as 96%. If the voucher program targeted low-income students, more students at certain schools would be eligible, possibly putting enrollment at those schools at risk.
- There may be potential legal challenges depending on the state constitution. If only non-religious schools were allowed to participate in the voucher program, this would limit the private school options in Durham. There are approximately 30 private schools in Durham County and almost two-thirds are religiously affiliated. This may possibly limit the number of vouchers used by Durham parents.

- Finally, research indicates that many targeted families do not use vouchers. If vouchers were introduced in Durham, a way to get new and targeted families to use vouchers would need to be developed.