

Executive Summary Backgrounder

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School Choice: Policy Developments and National Participation Estimates in 2007–2008

Dan Lips

A growing number of American students are benefiting from school choice policies. Twenty years ago, few states and communities offered parents the opportunity to choose their children's school. Today, millions of American students are benefiting from policies that enable parental choice in education.

This year, 13 states and the District of Columbia are supporting private school choice. Approximately 150,000 children are using publicly funded scholarships to attend private school. Millions more are benefiting from other choice options that range from charter schools and public school choice to homeschooling and virtual education. Still, an estimated 74 percent of students remain in government-assigned public schools.

If given the opportunity, many more children could benefit from school choice options. To improve education in America, Congress and state policymakers should reform public education laws to allow greater parental choice.

School Choice in America. Research on existing programs suggests that school choice is having a positive impact. Surveys of families participating in school choice programs have found that parents are more satisfied with their children's education when they can choose their children's schools. Researchers studying effects of private school choice options on academic achievement have reported positive effects both for participating students and for public schools, which are forced to

improve performance because of competition from private schools.

Despite this growing positive evidence, progress in implementing school choice policies across the nation remains slow. In 2007, Georgia became the 13th state to offer private school choice, enacting a school voucher program for children with special needs. Pennsylvania and Iowa have responded to growing demand for private school choice by increasing the caps on their respective scholarship tax credit programs.

However, private school choice initiatives that were passed by the Louisiana, Ohio, and Utah state legislatures were ultimately blocked. In Louisiana and Ohio, governors vetoed the legislation. In Utah, opponents of school choice mounted a successful referendum campaign to overturn the universal school choice program passed by the state legislature. These developments highlight the continuing political resistance to policies that give families greater school choice.

Millions of children in American public schools are not receiving a quality education and could benefit

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from greater school choice options. According to the 2007 National Assessment of Educational Progress, 26 percent of 8th graders scored “below basic” in reading, and 29 percent scored “below basic” in mathematics. Estimated national high school graduation rates show that as many as one in four students drop out before graduation. Graduation rates are even lower among minorities, with 56 percent of African-American students and 52 percent of Hispanic students dropping out before graduation.

What Congress and State Policymakers Should Do. Congress and state policymakers should reform education policies to give parents greater power to direct their children’s education.

Specifically, Congress should:

- **Expand parental choice in the District of Columbia**, where Congress has oversight authority over the local public school system. Specifically, Congress should reauthorize the D.C. Choice Incentive Act of 2003 and create new school choice options for families living in the nation’s capital.
- **Expand Coverdell Education Savings Accounts** to give families greater ability to save for and pay for their children’s K–12 education costs to ensure that they receive a quality education.
- **Reform No Child Left Behind (NCLB) to restore greater state and local control in education and to restore parental choice.** Specifically, Congress should reform NCLB to allow states to enter into charter agreements with the U.S. Department of Education to give states greater authority to decide how federal funds for education are spent. At a minimum, the law’s existing parental choice options should be strengthened.

For their part, state policymakers should:

- **Enact education reforms that give families greater school choice options**, including private school choice programs like tuition scholarships and education tax credits.
- **Expand parental choice within the public education system** by enacting strong public school options, enacting strong public charter school laws to promote more charter school options, and offering innovative learning options such as distance learning and virtual education.
- **Expand education savings options for families** by offering taxpayers the same incentives for K–12 education as are currently available for post-secondary education.

Conclusion. Expanding parental choice in education will not solve all of the problems in American education, but giving families the power to choose the best schools for their children will provide an immediate benefit to children who are currently assigned to low-performing public schools. Expanding school choice will create a reform environment that encourages innovation and improvement. High-performing schools will become models that other schools imitate. Low-performing schools will be forced to improve in order to continue to attract students or risk losing students to higher-performing schools. Creating a reform environment of healthy competition is an important step toward improved public education in America.

—Dan Lips is Education Analyst in the Domestic Policy Studies Department at The Heritage Foundation.

Background

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This year, 13 states and the District of Columbia are supporting private school choice. Approximately 150,000 children are using publicly funded scholarships to attend private school.¹ Millions more are benefiting from other choice options ranging from charter schools and public school choice to homeschooling and virtual education. Still, an estimated 74 percent of students remain in government-assigned public schools.²

If given the opportunity, many more children could benefit from school choice options. To improve education in America, Congress and state policymakers should reform public education laws to allow greater parental choice.

School Choice in America

As of November 2007:

- Eight states—Arizona, Florida, Georgia, Maine, Ohio, Vermont, Utah, and Wisconsin—and the District of Columbia have policies that provide taxpayer-funded scholarships to help students attend private elementary or secondary schools of choice;
- Seven states—Arizona, Florida, Illinois, Iowa, Minnesota, Pennsylvania, and Rhode Island—offer

Talking Points

- Parental choice in education is growing. Thirteen states and Washington, D.C., have private school choice programs, 40 states and the District of Columbia allow charter schools, and all but four states offer some form of public school choice.
- Nearly 150,000 children are participating in private school choice programs, at least 1.1 million are homeschooling, and an estimated 1.2 million attend charter schools.
- School choice improves parents' satisfaction with their children's schools. Public schools that face competition from school choice have shown improved performance.
- Despite this progress in expanding school choice, millions of children are still enrolled in low-performing public schools. Opponents of school choice continue to oppose reforms that give parents the opportunity to choose their children's schools.
- State and federal policymakers should reform existing education policies to give all families the opportunity to choose the best schools for their children.

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incentives for contributions to scholarship programs or allow tax credits or deductions for education expenses, including private school tuition;

- Forty states and the District of Columbia have charter school laws;³
- All but four states and District of Columbia have some form of public school choice policy;⁴
- Home schooling is legal in every state;⁵ and
- Millions of children are utilizing new virtual education and distance learning options.

Private School Choice. The strongest form of school choice is private school choice, which enables parents to choose to enroll their children in either a public or private school. In 2007, 13 states and the District of Columbia provided public support for private school choice. The District of Columbia and eight of the 13 states have tuition scholarship or school voucher programs. Seven states offer tax credits or deductions for education costs (including private school tuition) or for donations to nonprofit organizations that provide tuition scholarships to children.

The following is a state-by-state overview of private school choice programs that are available.

Arizona. The Grand Canyon state has four private school choice programs. Since 1997, the state

has offered taxpayers a dollar-for-dollar tax credit for donations to nonprofit organizations that fund tuition scholarships. Tax credit donations are currently capped at \$500 per individual and \$1,000 for joint filers. In 2006, 24,678 students received scholarships totaling \$40.6 million through the program, and Arizona taxpayers made 73,621 donations totaling \$51 million.⁶ The funds raised in 2006 for scholarships represent a 21 percent increase over 2005 contributions, making it likely that thousands of additional students are receiving scholarships this year.

In 2006, Arizona enacted three new private school choice programs. The first was a corporate scholarship tax credit, which allows businesses a dollar-for-dollar tax credit for donations to fund tuition scholarships. The scholarships are for students who meet family income guidelines (below \$68,450 for a family of four in 2006) and who were previously enrolled in public school or are entering kindergarten.⁷ Corporate tax credits were capped at a total of \$10 million for 2006. The cap will increase by 20 percent annually until 2012, when the program sunsets.⁸ In 2006, 87 corporations donated \$7.3 million for scholarships.⁹ An estimated 1,200 students are receiving scholarships through this program during the 2007–2008 school year.¹⁰

1. Author's calculations based on the information outlined in this report.
2. Peter Tice, Christopher Chapman, Daniel Princiotta, and Stacey Bielick, "Trends in the Use of School Choice: 1993 to 2003," NCES 2007–045, U.S. Department of Education, Institute of Education Sciences, National Center for Education Statistics, November 2006, at <http://nces.ed.gov/pubs2007/2007045.pdf> (October 24, 2007).
3. Center for Education Reform, "Charter Schools," at www.edreform.com/index.cfm?fuseAction=stateStats&pSectionID=15&cSectionID=44 (October 23, 2007).
4. Education Commission of the States, "Open Enrollment: 50-State Report," at <http://mb2.ecs.org/reports/Report.aspx?id=268> (November 2, 2007). Alabama, the District of Columbia, Maryland, North Carolina, and Virginia have not enacted any form of open enrollment.
5. Home School Legal Defense Association, "State Laws," at www.hslda.org/laws/default.asp (November 2, 2007).
6. Arizona Department of Revenue, "Individual Income Tax Credit for Donations to Private School Tuition Organizations: Reporting for 2006," April 2, 2007, at www.revenue.state.az.us/ResearchStats/private_schl_credit_report_2007.pdf (October 22, 2007).
7. Arizona Department of Revenue, "Corporate Income Tax Credit for Contributions to School Tuition Organizations: Reporting for 2006," August 7, 2007, at www.revenue.state.az.us/ResearchStats/2006%20corporate%20school-credit%20report.pdf (October 25, 2007).
8. For more information on the corporate scholarship tax credit program, see Arizona Revised Statutes, Section 43–1183, at www.azleg.state.az.us/FormatDocument.asp?inDoc=/ars/43/01183.htm&Title=43&DocType=ARS (October 25, 2007).
9. Arizona Department of Revenue, "Corporate Income Tax Credit for Contributions to School Tuition Organizations."
10. Arizona Department of Revenue, "Corporate Income Tax Credit for Contributions to School Tuition Organizations."

Arizona also enacted two new school voucher programs in 2006: a private school scholarship program for children with disabilities and a first-in-the-nation tuition scholarship program for former foster children. The state allocated \$2.5 million for private school scholarships on a first-come, first-served basis for qualifying special education students. In September 2007, 151 students were participating in the program.¹¹

Through the Displaced Pupils Choice Grant Program, children who have been in foster care can receive tuition scholarships worth \$5,000 apiece on a first-come, first-served basis. (Children who are currently in a foster care placement are not eligible.)¹² The program has awarded scholarships to 131 students for the 2007–2008 school year.¹³

Florida. Florida has two private school choice programs. Since 2000–2001, Florida has offered private school tuition scholarships to children with disabilities through the McKay Scholarship Program. According to the Florida Department of Education, 18,919 students were participating in the program as of November 2007.¹⁴ During the 2006–

2007 school year, the average scholarship amount was \$7,206, and 811 private schools participated.¹⁵

Since 2001, Florida has also offered corporations a dollar-for-dollar tax credit for contributions to fund private school scholarships for disadvantaged children. The tax credits are currently capped at a total of \$88 million per year. As of November 2007, 19,416 students in 906 different schools were receiving scholarships through the program.¹⁶ In 2006–2007, the average scholarship was \$3,750.¹⁷

In 2006, the Florida Supreme Court ruled that the private school option in the state's Opportunity Scholarship program was unconstitutional under the Florida state constitution.¹⁸ This program, launched in 1999, had allowed students to transfer out of low-performing public schools into private schools using state-funded vouchers.

Georgia. In 2007, Georgia Governor Sonny Perdue (R) signed into law a new special needs scholarship program.¹⁹ Nearly 200,000 of the state's special education students are eligible for the program. After the legislation was signed, the families of 6,000 students inquired about the scholarship program. In

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10. Author's estimate. The legislation states that for 2007, the maximum scholarship awarded to high school students would be \$5,600 and the maximum awarded to elementary school students would be \$4,300. Scholarship organizations are allowed to use 10 percent of funds raised for administrative expenses. This conservative estimate assumes that only high school students receive scholarships.
 11. Dan Lips, e-mail correspondence with a representative of the Arizona Department of Education, September 13, 2007.
 12. For more information on the program, see Arizona Department of Education, "Displaced Pupils Choice Grant Program," at www.ade.az.gov/DisplacedPupilGrants/Default.asp (October 25, 2007).
 13. Dan Lips, e-mail correspondence with a representative of the Arizona Department of Education, September 5, 2007.
 14. Florida Department of Education, Office of Independent Education and Parental Choice, "John M. McKay Scholarship Program: November 2007 Quarterly Report," at www.floridaschoolchoice.org/Information/McKay/quarterly_reports/mckay_report_nov2007.pdf (January 8, 2008).
 15. Florida Department of Education, Office of Independent Education and Parental Choice, "John M. McKay Scholarships for Disabilities Program," July 2007, at www.floridaschoolchoice.org/Information/McKay/files/Fast_Facts_McKay.pdf (October 23, 2007).
 16. Florida Department of Education, Office of Independent Education and Parental Choice, "Corporate Scholarship Tax Credit Program: November 2007 Quarterly Report," at www.floridaschoolchoice.org/Information/CTC/quarterly_reports/ctc_report_nov2007.pdf (January 8, 2008).
 17. Florida Department of Education, Office of Independent Education and Parental Choice, "Corporate Tax Credit Scholarship Program," July 2007, at www.floridaschoolchoice.org/Information/CTC/files/ctc_fast_facts.pdf (October 23, 2007).
 18. Florida Department of Education, Office of Independent Education and Parental Choice, "Opportunity Scholarship Program," July 2007, at www.floridaschoolchoice.org/Information/OSP/files/Fast_Facts_OSP.pdf (October 23, 2007).
 19. For more information, see Georgia Department of Education, Office of Policy and External Affairs, "Special Needs Scholarship," at www.doe.k12.ga.us/sb10.aspx (October 23, 2007).

September 2007, 904 students had received scholarships for the 2007–2008 school year.²⁰

Iowa. Iowa has two private school choice programs: a partial state income tax credit for education expenses and a scholarship tax credit program. The income tax credit allows parents to take a 25 percent tax credit for education expenses (including private school tuition) up to \$1,000 per child on state income taxes. According to the Iowa Department of Education, Iowa taxpayers claimed \$15.4 million in tax credits in 2005.²¹

The scholarship tax credit program offers individuals a 65 percent tax credit for contributions to nonprofit organizations that award tuition scholarships to children from families with incomes below 300 percent of the poverty line.²² The tax credits were originally capped at \$2.5 million for 2006 and \$5 million for future years,²³ but Governor Chet Culver (D) signed an appropriations bill that increased the cap to \$7.5 million for 2008.²⁴

Illinois. Since 2000, Illinois has offered taxpayers an annual tax credit for 25 percent of education-related expenses (including tuition, book fees, and lab fees) above \$250, up to a maximum tax credit of \$500 per family. The Milton and Rose D. Friedman Foundation reports that nearly 195,000 families claimed \$67 million in tax credits in 2003.²⁵

Ohio. Ohio has three private school scholarship programs. Since 1996, the state has offered private school tuition scholarships to disadvantaged children in Cleveland.²⁶ Vouchers are awarded to eligible students through a lottery, with children from lower-income families receiving priority.²⁷ As of October 2007, 6,293 students were participating in the program.²⁸

Since 2004, Ohio has also offered tuition scholarships to autistic children.²⁹ The program offers participating students up to \$20,000 annually in state funding. School Choice Ohio reports that 734 students are participating in the program during the 2007–2008 school year.³⁰

In 2006, Ohio enacted the EdChoice Scholarship Program, a statewide school voucher program for children who attend low-performing public schools. The program can provide up to 14,000 scholarships to qualifying students to attend private school. Eligibility is restricted to children attending schools that have been placed on “academic watch” or “academic emergency” for two of the past three years under the state’s school rating system.³¹ School Choice Ohio reports that 6,934 students are participating in the program during the 2007–2008 school year.³²

20. Dave Williams, “Officials Happy with Voucher Program,” *The Albany Herald*, October 5, 2007.

21. Mark R. Schuling, “Tax Credits Tracking and Analysis System 2006 Annual Report,” Iowa Department of Revenue, December 29, 2006, at www.state.ia.us/tax/taxlaw/IDRTaxCreditReportDec2006.pdf (October 23, 2007).

22. Iowa Department of Revenue, “1040 Instructions for 2006: Other Iowa Credits,” at www.state.ia.us/tax/1040EI/Line/06Line54.html#k (October 23, 2007).

23. Milton and Rose D. Friedman Foundation, “The ABCs of School Choice: 2006–2007 Edition,” at www.friedmanfoundation.org/friedman/downloadFile.do?id=102 (October 25, 2007).

24. Iowa Alliance for Choice in Education, “Legislature and Governor Expand School Choice Programs,” at www.iowaace.org/id20.html (October 23, 2007; unavailable January 22, 2008).

25. Milton and Rose D. Friedman Foundation, “The ABCs of School Choice.”

26. *Ibid.*

27. Ohio State Department of Education, “Cleveland Scholarship and Tutoring Program: Scholarship Program Requirements & FAQs,” at www.ode.state.oh.us/GD/Templates/Pages/ODE/ODEDetail.aspx?page=3&TopicRelationID=672&ContentID=5638&Content=38154 (October 25, 2007).

28. Dan Lips, conversation with a representative of the Ohio Department of Education, October 26, 2007.

29. Milton and Rose D. Friedman Foundation, “The ABCs of School Choice.”

30. Dan Lips, conversation with a representative of School Choice Ohio, October 26, 2007.

31. Ohio Department of Education, “Ohio EdChoice Scholarship Program Fact Sheet,” at <http://edchoice.ohio.gov> (October 25, 2007).

Maine. Maine has a long history of providing limited school choice options. Since 1873, students from families in small towns that do not have local public schools have been awarded scholarships to attend public or private schools of choice. The Friedman Foundation reports that 13,959 students participated in the program in 2004–2005, with 7,907 attending public schools and 6,052 attending private schools.³³

Minnesota. Minnesota offers families tuition tax credits and deductions for education expenses.³⁴ All families in the state can receive a tax deduction for private school tuition expenses. Lower-income families can receive a tax credit for certain education expenses, not including private school tuition. The state estimated that the credit will cost \$15.3 million in lost tax revenue in 2008 and that the tax deduction will cost \$16 million.³⁵

Pennsylvania. Since 2001, corporations in Pennsylvania have been able to receive partial income tax credits for donations to organizations that fund private school scholarships or school improvement projects. Through the Educational Improvement Tax Credit program, businesses can receive a 75 percent tax credit for a one-year donation or a 90 percent tax credit for contributions for two years.

In 2001, tax credits were capped at a total of \$20 million for donations to fund private school scholarships and \$10 million for contributions to educational improvement organizations for public schools. The caps were raised from 2003 through 2006, reaching \$35.9 million for scholarships and

\$18 million for public school donations in 2006. According to the REACH Foundation, a nonprofit organization based in Harrisburg, as many as 42,000 students will receive scholarships through the tax credit program during the 2007–2008 school year.³⁶

In 2007, the state again expanded the program, raising the total cap on tax credits to \$75 million, with \$44.7 million dedicated for private school scholarships, \$22.3 million for innovative educational programs in public schools, and \$8 million for pre-kindergarten scholarships.

Rhode Island. In 2006, Rhode Island created a new corporate scholarship tax credit program, which allows corporations to take a tax credit for contributions to nonprofit groups that fund scholarships to students from families that meet income eligibility requirements (below 250 percent of the poverty line). The tax credits are capped at a total of \$1 million per year. The Rhode Island Scholarship Alliance reports that all of the available tax credit donations were taken for the 2007 and 2008 fiscal years.³⁷ More than 250 students have received scholarships through the program.³⁸

Utah. In 2005, Utah enacted the Carson Smith Special Needs Scholarship program, which offers tuition scholarships to children with disabilities.³⁹ The program has 468 students for the 2007–2008 school year.⁴⁰

In 2007, Utah Governor Jon Huntsman Jr. (R) signed the Parent Choice in Education Act, which

32. Dan Lips, conversation with a representative of School Choice Ohio, October 26, 2007.

33. Milton and Rose D. Friedman Foundation, “The ABCs of School Choice.” The Maine Department of Education informed the author that updated enrollment statistics were not available in October 2007.

34. Minnesota Department of Revenue, Individual Income Tax Division, “K–12 Education Subtraction and Credit,” at www.taxes.state.mn.us/individ/publications/fact_sheets_by_name/pdf_content/fs8_07.pdf (January 22, 2008).

35. Minnesota Department of Revenue, Tax Research Division, “State of Minnesota: Tax Expenditure Budget, Fiscal Years 2006–2009,” at www.taxes.state.mn.us/taxes/legal_policy/other_supporting_content/2006_tax_expenditure.pdf (October 23, 2007).

36. Dan Lips, e-mail correspondence with the REACH Foundation, November 8, 2007.

37. Rhode Island Scholarship Alliance, “Over 250 Rhode Island Families to Receive School Tuition Assistance from Rhode Island Corporate Scholarship Tax Credit,” September 17, 2007.

38. John Kostrezewa, “Are Tax Breaks Effective?” *The Providence Journal*, October 7, 2007.

39. Parents for Choice in Education, “Current K–12 School Choice Programs in Utah,” at www.choiceineducation.org/schoolchoice_programs.php (October 25, 2007).

40. Dan Lips, e-mail correspondence with a representative of the Utah Department of Education, October 26, 2007.

offered school vouchers to nearly all children in Utah.⁴¹ Under the program, private school scholarships would have been offered to all current public school students, disadvantaged children currently attending private school, and children entering kindergarten. Scholarships would have varied between \$500 and \$3,000, with children from lower-income families receiving larger amounts.⁴²

However, opponents of school choice managed to block the program's implementation with a petition drive that forced a statewide November referendum in which Utah voters rejected the program by a vote of 62 percent to 38 percent.⁴³

Vermont. Like Maine, Vermont has a tuitioning program for students who live in small towns that do not have local public schools. This program, which began in 1869, allows students in towns without local public schools to attend either public schools in other towns or non-religious private schools.⁴⁴ Some towns allow parents to choose their children's schools, while other towns send all of their children to the same school. The Friedman Foundation reports that 8,040 students participated in the program in 2004–2005, with 3,595 attending public schools and 4,445 attending private schools.⁴⁵

Washington, D.C. In 2004, President George W. Bush signed legislation to create the D.C. Opportunity Scholarship program, which provides scholar-

ships worth up to \$7,500 to students from families with incomes at or below 185 percent of the poverty line. According to the Washington Scholarship Fund, the nonprofit organization that administers the program, 1,903 students are currently receiving scholarships to attend private schools through the program.⁴⁶ Participating families have an average annual income of less than \$23,000.⁴⁷

Wisconsin. Since the 1990–1991 school year, disadvantaged children living in Milwaukee have been eligible to attend private school using publicly funded scholarships. In September 2007, 17,657 students were receiving scholarships through the program.⁴⁸ The program has grown dramatically since its first year, when only 337 students received scholarships,⁴⁹ and is the largest urban school voucher program in the nation.

Public School Choice. American families are also benefiting from more opportunities to choose the best public schools for their children. According to the National Center for Education Statistics, the percentage of American students attending assigned public schools decreased from 80 percent to 74 percent between 1993 and 2003. During this period, the percentage of students attending chosen public schools grew from 11 percent to 15 percent.⁵⁰

The Education Commission of the States reports that all but four states and the District of Columbia

41. For more information on this program, see Dan Lips and Evan Feinberg, "Utah's Revolutionary New School Voucher Program," Heritage Foundation *WebMemo* No. 1362, February 16, 2007, at www.heritage.org/Research/Education/wm1362.cfm (October 25, 2007).

42. *Ibid.*

43. Joe Pyrah, "Voters Reject Vouchers," *Daily Herald*, November 7, 2007, at www.heraldextra.com/content/view/242560/3 (January 24, 2008).

44. Milton and Rose D. Friedman Foundation, "The ABCs of School Choice."

45. *Ibid.*

46. Press release, "D.C. School Choice Program Again Sets Record for Enrolled K–12 Students," Washington Scholarship Fund, September 26, 2007, at www.washingtonscholarshipfund.org/news/news/pr_09_26_07.html (January 22, 2008).

47. *Ibid.*

48. Wisconsin Department of Public Instruction, "Milwaukee Parental Choice Program: Facts and Figures for 2007–2008," November 2007, at <http://dpi.state.wi.us/sms/doc/mpc07fnf.doc> (January 8, 2008).

49. School Choice Wisconsin, "Milwaukee Parental Choice Program," November 2005, at www.schoolchoiceinfo.org/facts/index.cfm?fl_id=1 (October 25, 2007).

50. Tice *et al.*, "Trends in the Use of School Choice."

have enacted some form of open enrollment policy to facilitate choice within the public education system.⁵¹ These open enrollment policies vary in their strength in offering parents choice within the public education system.

In addition to these state policies, the federal No Child Left Behind (NCLB) Act requires states to offer students in low-performing public schools the opportunity to transfer into a higher-performing public school. The U.S. Department of Education reports that millions of children are eligible for the public school transfer option, but only a small percentage have benefited. The Department of Education reported that 3.9 million students were eligible to transfer schools under NCLB regulations in 2003–2004, but only 38,000 children (less than 1 percent) transferred.⁵²

A more recent study found that only 0.5 percent of eligible students in nine large, urban school districts took advantage of the public school transfer option in 2004–2005. The study suggested that administrative problems, such as late notification, failure to inform parents, and lack of capacity in higher-performing public schools, contributed to the low participation in these parental choice options.⁵³

Charter Schools. The proliferation of charter schools across the country is a primary reason for the increase in the percentage of children attending chosen public schools. Charter schools are publicly funded schools that agree to meet certain performance standards set by governing authorities

but are otherwise free from the bureaucratic rules and regulations that encumber traditional public schools. In this sense, charter schools offer parents an alternative to traditional public schools.

The Center for Education Reform, a nonprofit organization that supports charter schools and school choice, reports that 40 states and the District of Columbia have charter schools.⁵⁴ An estimated 1.2 million children are attending 4,147 charter schools across the country.⁵⁵ In some communities, charter schools are becoming a central component of the public education system. The National Alliance for Public Charter Schools reports that 57 percent of students in New Orleans attend charter schools. In the District of Columbia and Dayton, Ohio, 27 percent of students attend charter schools.⁵⁶ Only 10 states—Alabama, Kentucky, Maine, Montana, Nebraska, North Dakota, South Dakota, Vermont, Washington, and West Virginia—do not have charter school laws.⁵⁷

Homeschooling. Homeschooling is legal in every state, and a growing number of American families are choosing to educate their children at home. According to the U.S. Department of Education, approximately 1.1 million students were being educated at home in 2003, compared to an estimated 850,000 students in 1999. When homeschooling families were asked why they choose to homeschool their children, 31 percent cited the environment of other schools as their primary reason, and 30 percent expressed a desire to provide religious or moral instruction.⁵⁸

51. Education Commission of the States, “Open Enrollment.”

52. U.S. Department of Education, Institute of Education Sciences, National Center for Educational Evaluation and Regional Assistance, *National Assessment of Title I: Interim Report*, NCEE 2006–4000, February 2006, at www.ed.gov/rschstat/eval/disadv/title1interimreport/execsum.pdf (October 23, 2007).

53. U.S. Department of Education, Office of Planning, Evaluation and Policy Development, Policy and Program Studies Service, *State and Local Implementation of the No Child Left Behind Act: Volume I—Title I School Choice, Supplemental Educational Services, and Student Achievement*, July 2007, at www.ed.gov/rschstat/eval/choice/implementation/achievementanalysis.pdf (October 24, 2007).

54. Center for Education Reform, “Charter Schools.”

55. Center for Education Reform, “National Charter School Data: 2007–2008 New School Estimates,” September 2007, at www.edreform.com/_upload/CER_charter_numbers.pdf (October 23, 2007).

56. Todd Ziebarth, “Top 10 Charter Communities by Market Share,” National Alliance for Public Charter Schools, October 2007, at www.publiccharters.org/files/3063_file_MarketShare2007.pdf (October 23, 2007).

57. Center for Education Reform, “Charter Schools.”

Virtual Education and Distance Learning. Technological advances have also created new opportunities for greater choice in education that would not have been possible a generation ago. Many communities now offer virtual education and distance learning programs. According to the U.S. Department of Education, 36 percent of public school districts in 2002–2003 had students enrolled in distance education courses, 9 percent of all public schools nationwide offered some distance learning, and 15 percent of schools in rural communities offered distance education.⁵⁹

Education Savings Accounts. Another public policy that fosters greater parental choice in education is education savings accounts (ESAs) and tax incentives for ESA contributions. Under federal law, families can save for their children's K–12 and post-secondary education through the Coverdell Education Savings Account program. After-tax dollars contributed to a child's account can earn interest tax free if the funds are withdrawn for allowed K–12 or higher education expenses, including private school tuition, supplementary education services such as tutoring, summer school, and public school enrichment programs.

Currently, no state offers a state-level tax deduction or credit for contributions to Coverdell ESAs. However, more than 30 states offer tax incentives for contributions to 529 college savings plans, which under federal law allow tax-free savings for post-secondary education expenses.⁶⁰ In the future, states could offer the same tax benefit for K–12 savings that is available for post-secondary education.

Private School Choice: Developments in 2007

Parental choice in education expanded in 2007. Yet these gains were limited compared to what would have been possible if private school choice options passed by the state legislatures in Utah, Louisiana, and Ohio had been allowed to be implemented.

Georgia became the 13th state to offer parents private school choice by enacting a special needs scholarship program. Participation rates in private school choice programs continue to grow across the country. Pennsylvania and Iowa responded to growing demand for private school choice by increasing the caps on their respective scholarship tax credit programs. In all, measures to enact or expand K–12 private school choice were introduced in at least 40 state legislatures in 2007.⁶¹

However, private school choice initiatives that were passed by the Ohio, Louisiana, and Utah legislatures were ultimately blocked. Utah's universal school voucher program was repealed by referendum. Ohio Governor Ted Strickland (D) vetoed a school voucher program for children with disabilities.⁶² Louisiana Governor Kathleen Blanco (D) vetoed legislation to create a tax deduction for private school tuition.⁶³ These developments highlight the continuing political resistance to policies that give families greater school choice options.

The Benefits of School Choice

The proliferation of school choice programs across the country has enabled researchers to study the impact of school choice policies on students, families, and school systems. A growing body of

58. Daniel Princiotta and Stacey Bielick, *Homeschooling in the United States: 2003*, National Household Education Survey, NCES 2006–042, U.S. Department of Education, Institute of Education Sciences, National Center for Education Statistics, February 2006, at <http://nces.ed.gov/pubs2006/2006042.pdf> (October 23, 2007).

59. J. Carl Setzer and Bernard Greene, "Distance Education Courses for Public Elementary and Secondary School Students: 2002–03," NCES 2005–010, U.S. Department of Education, Institute of Education Sciences, National Center for Education Statistics, March 2005, at <http://nces.ed.gov/pubs2005/2005010.pdf> (October 25, 2007).

60. Clint Bolick, "College Savings Accounts: How Arizona Can Help More Families Afford College Education," Goldwater Institute, May 1, 2007.

61. Alliance for School Choice, information supplied November 7, 2007.

62. John McCarthy, "Governor Signs Spending Plan After Veto," Associated Press, July 1, 2007.

63. John Maginnis, "Veto Today, Campaign Issue Tomorrow," *The Times-Picayune* (New Orleans), July 25, 2007.

research suggests that school choice policies benefit both participating students and the public education system as a whole.

Parental Satisfaction. A number of surveys and studies have reported that parents are more satisfied with their children's education when they can choose their children's schools. For example, the U.S. Department of Education reports that a survey of American parents found that "students enrolled in assigned public schools tended to have parents who were less satisfied with the schools than students enrolled in either a chosen public school or a private school."⁶⁴ The report also noted that a national survey of parents in 1993, 1999, and 2003 found that parents whose children attended chosen public schools or private schools were more satisfied with the school, teachers, academic standards, and order and discipline than were parents whose children attended assigned public schools.⁶⁵

Many surveys have shown that parents whose children are participating in school choice programs are generally highly satisfied with their children's schools. For example, the Georgetown University School Choice Demonstration Project reported that, based on the responses of a focus group of families participating in the D.C. Opportunity Scholarship program:

After nearly two years in the [Opportunity Scholarship Program], parents by and large remain very satisfied with their experiences. The parents also expressed satisfaction with the reduced class size, a rigorous academic curriculum, strict discipline and religious orientation they found in the independent schools.⁶⁶

A survey of parents of children participating in Florida's McKay scholarship program for children with special needs in 2003 found that 93 percent were satisfied or very satisfied with their children's schools, compared with only 33 percent who were satisfied with the public schools that their children had previously attended.⁶⁷

Academic Achievement. Researchers studying the effect of private school choice options on students have reported positive benefits. In 2005, education researcher Jay Greene reviewed the evidence of eight random-assignment studies of five school voucher and tuition scholarship programs, which compared the performance of students who were awarded scholarships to attend private school through a lottery system to the performance of their peers who entered the lottery but did not receive scholarships and therefore remained in public school, and concluded:

Every one of the eight random-assignment studies finds at least some positive academic effect for students using a voucher to attend a private school. In seven of the eight studies the benefits for voucher recipients are statistically significant, meaning that we can have high confidence that the academic gains observed are not merely the product of chance.⁶⁸

Greene points out that these positive results were found even though the scholarships awarded to participating students cost less than the expenditure per student in public school.⁶⁹

In June 2007, the U.S. Department of Education released the initial results of an academic evalua-

64. National Center for Education Statistics, "Trends in the Use of School Choice: 1993 to 2003."

65. *Ibid.*

66. Stephen Q. Cornman, Thomas Stewart, and Patrick Wolf, "The Evolution of School Choice Consumers: Parent and Student Voices on the Second Year of the D.C. Opportunity Scholarship Program," Georgetown University Public Policy Institute, May 2007, p. 37, at <http://hpi.georgetown.edu/scdp/files/PSV2.pdf> (October 29, 2007).

67. Jay P. Greene and Greg Forster, "Vouchers for Special Education Students: An Evaluation of Florida's McKay Scholarship Program," Manhattan Institute *Civic Report* No. 38, June 2003, at www.manhattan-institute.org/html/cr_38.htm (January 23, 2008).

68. Jay P. Greene, *Education Myth* (New York: Rowman & Littlefield Publishers, Inc., 2005), p. 151.

69. *Ibid.*, p. 154. For example, in Milwaukee, the amount of the voucher was approximately 60 percent of the expenditure per pupil in local public schools.

tion comparing the test scores of students using vouchers through the D.C. Opportunity Scholarship program to attend private school with the test scores of a control group of students who remained in public school. The study found no statistically significant differences between the test scores of participating students and students who were not offered scholarships.⁷⁰

However, this evaluation measured test score changes after only one year. The authors of the Department of Education report note that, in other academic evaluations of academic achievement in voucher programs, a consistent pattern of academic achievement has not been evident after only the first year.⁷¹ Thus, forthcoming evaluations of test scores after the second and third years will likely be more revealing about the program's impact.

Positive Effect of Competition. Beyond helping participating children, school choice programs also introduce competition into public school systems, which forces public schools to become more efficient or lose students. Academic research studies have reported that school choice competition has led to improved performance in public school systems.

In 2001, economists Clive Belfield and Henry Levin reviewed more than 40 studies of the effects of competition in education. They reported that "A sizeable majority of these studies report beneficial effects of competition across all outcomes, with many reporting statistically significant coefficients."⁷²

Harvard University economist Caroline Hoxby studied the effects of competition on education in

Arizona, Michigan, and Milwaukee and reported positive effects. She found that Arizona and Michigan public schools that faced competition from charter schools made greater academic improvement than public schools that did not face competition. She also reports that public schools that faced competition from private schools through the Milwaukee school voucher program similarly improved their performance compared to public schools that faced less competition.⁷³

Positive Fiscal Impact. Private school choice policies are also having a positive fiscal impact in the communities that implement them. Susan Aud reviewed the fiscal impact of school choice programs from 1990 through 2006 and found that "School choice programs have saved a total of about \$444 million" during that period, including "a total of \$22 million saved in state budgets and \$422 million saved in local public school districts."⁷⁴ Because the amount provided to students in scholarship or voucher programs is generally lower than the amount spent by state and local governments to educate a child in public school, states and localities save money when children use school choice programs to transfer out of public schools.

The Need for School Choice

Millions of children in America's public schools are not receiving a quality education. According to the 2007 National Assessment of Educational Progress's *Nation's Report Card*, 33 percent of 4th graders and 26 percent of 8th graders scored "below basic" in reading,⁷⁵ and 18 percent of 4th graders

70. Patrick Wolf, Babette Gutmann, Michael Puma, Lou Rizzo, Nada Eissa, and Marsha Silverberg, "Evaluation of the DC Opportunity Scholarship Program: Impacts After One Year," NCES 2007-4009, U.S. Department of Education, Institute of Education Sciences, National Center for Education Evaluation and Regional Assistance, June 2007, at <http://ies.ed.gov/ncee/pdf/20074009.pdf> (November 2, 2007).

71. *Ibid.*

72. Study cited in Herbert J. Walberg, *School Choice: The Findings* (Washington, D.C.: Cato Institute, 2007), p. 80.

73. Caroline Minter Hoxby, "Rising Tide," *Education Next*, Vol. 1, No. 4 (Spring 2001), pp. 69-74, at www.educationnext.org/20014/68.html (November 2, 2007).

74. Susan L. Aud, "School Choice by the Numbers: The Fiscal Effect of School Choice Programs, 1990-2006," Milton and Rose D. Friedman Foundation, April 2007, at www.friedmanfoundation.org/friedman/downloadFile.do?id=243 (October 24, 2007).

75. Jihyun Lee, Wendy S. Grigg, and Patricia L. Donahue, *The Nation's Report Card: Reading 2007*, NCES 2007-496, U.S. Department of Education, Institute of Education Sciences, National Center for Education Statistics, September 2007, at <http://nces.ed.gov/nationsreportcard/pdf/main2007/2007496.pdf> (January 23, 2008).

and 29 percent of 8th graders scored “below basic” in mathematics.⁷⁶

Students from lower socioeconomic backgrounds scored lower than their peers. In 2007, among students who were eligible for the free and reduced-price school lunch program, 50 percent of 4th graders and 42 percent of 8th graders scored below basic in reading.⁷⁷

High school dropout rates also show that many children are not succeeding in the U.S. K–12 education system. According to various reports, the estimated average high school graduation rate is between 71 percent and 74 percent.⁷⁸ High school graduation rates are even lower among ethnic minority students: 56 percent of African–American and 52 percent of Hispanic students graduated in 2002, compared to 78 percent of white students.⁷⁹

Students who fail to graduate high school are more likely to impose costs on society and taxpayers. Researcher Brian J. Gottlob has projected that the estimated 119,000 Texas students in the class of 2005 who dropped out of high school cost the state \$377 million, or \$3,168 per student, annually. Over the course of their lifetimes, one class year of high school dropouts will cost the state an estimated \$19 billion.⁸⁰

This is a very conservative estimate, since it includes only lost tax revenue and higher Medicaid and incarceration costs. High school dropouts likely impose a much higher cost on society.

The low educational attainment of so many children in America’s public education system imposes personal costs on the students and societal costs on communities and the nation as a whole. The U.S. Census Bureau has estimated that a full-time worker with a bachelor’s degree will earn nearly \$1 million more than a full-time worker who is only a high school graduate.⁸¹ Failing to succeed in America’s elementary and secondary schools imposes a lifetime financial burden.

Expanding parental choice in education will not solve all of the problems in American education, but giving families the power to choose the best schools for their children would provide an immediate benefit to children who are assigned to low-performing public schools. Expanding school choice would create a reform environment that encourages innovation and improvement. High-performing schools would become models that other schools would imitate. Low-performing schools would be forced to improve or risk losing students to higher-performing schools. Creating a reform environment of healthy competition is an important step toward improved public education in America.

What Congress and State Policymakers Should Do

Public education governance is primarily the responsibility of state and local government. Education is not mentioned in the U.S. Constitution

76. Jihyun Lee, Wendy S. Grigg, and Gloria S. Dion, *The Nation’s Report Card: Mathematics 2007*, NCES 2007–494, U.S. Department of Education, Institute of Education Sciences, National Center for Education Statistics, September 2007, at <http://nces.ed.gov/nationsreportcard/pdf/main2007/2007494.pdf> (January 23, 2008).

77. Lee et al., *The Nation’s Report Card: Reading 2007*.

78. The Manhattan Institute estimated the national high school graduation rate to be 71 percent. The National Center for Education Statistics estimates the graduation rate to be 74 percent. Jay P. Greene and Marcus A. Winters, “Public High School Graduation and College-Readiness Rates: 1991–2002,” Manhattan Institute, February 2005, at www.manhattan-institute.org/html/ewp_08.htm (November 2, 2007), and U.S. Department of Education, Institute of Education Sciences, National Center for Education Statistics, *Digest of Education Statistics 2006*, Table 101, at www.nces.ed.gov/programs/digest/d06/tables/dt06_101.asp?referrer=list (November 2, 2007).

79. Greene and Winters, “Public High School Graduation and College-Readiness Rates.”

80. Brian J. Gottlob, “The High Cost of Failing to Reform Public Education in Texas,” Milton and Rose D. Friedman Foundation, February 2007, at www.friedmanfoundation.org/friedman/downloadFile.do?id=107 (November 5, 2007).

81. Jennifer Cheeseman Day and Eric C. Newburger, “The Big Payoff: Educational Attainment and Synthetic Estimates of Work-Life Earnings,” U.S. Census Bureau, July 2002, at www.census.gov/prod/2002pubs/p23-210.pdf (November 2, 2007).

and should therefore not be the responsibility of the federal government. However, since the mid-20th century, the federal government has taken an increasing role in funding and regulating public education.

Congress and state policymakers should reform public education laws to strengthen parental choice in education. Specifically, Congress should:

- **Expand parental choice in the District of Columbia**, where Congress has oversight authority over the local public school system. Specifically, Congress should reauthorize the D.C. Choice Incentive Act of 2003⁸² and create new school choice options for families living in the nation's capital.
- **Expand Coverdell Education Savings Accounts** to give families greater ability to save for and pay for their children's K–12 education costs to ensure that they receive a quality education.
- **Reform No Child Left Behind to restore greater state and local control in education and to restore parental choice.** Specifically, Congress should reform NCLB to allow states to enter into charter agreements with the U.S. Department of Education to give states greater authority to decide how federal funds for education are spent. At a minimum, the law's existing parental choice options should be strengthened.

For their part, state policymakers should:

- **Enact education reforms that give families greater school choice options**, including private school choice programs like tuition scholarships and education tax credits.
- **Expand parental choice within the public education system** by enacting strong public school options, enacting strong public charter school laws to promote more charter school options, and offering innovative learning options such as distance learning and virtual education.
- **Expand education savings options for families** by offering taxpayers the same incentives for K–12 education as are currently available for post-secondary education.

Conclusion

Across the United States, a growing number of families are benefiting from greater opportunities to choose the best schools for their children. Today, 13 states and Washington, D.C., have private school choice programs. Most states now offer at least some choice within the traditional public school system through charter schools or public school choice laws.

Still, millions of American children remain assigned to low-performing public schools. State and federal policymakers should implement education reforms to give all parents the opportunity to choose the best schools for their children.

—Dan Lips is Education Analyst in the Domestic Policy Studies Department at The Heritage Foundation.

82. Public Law 108–199, Stat. 3 (2004).