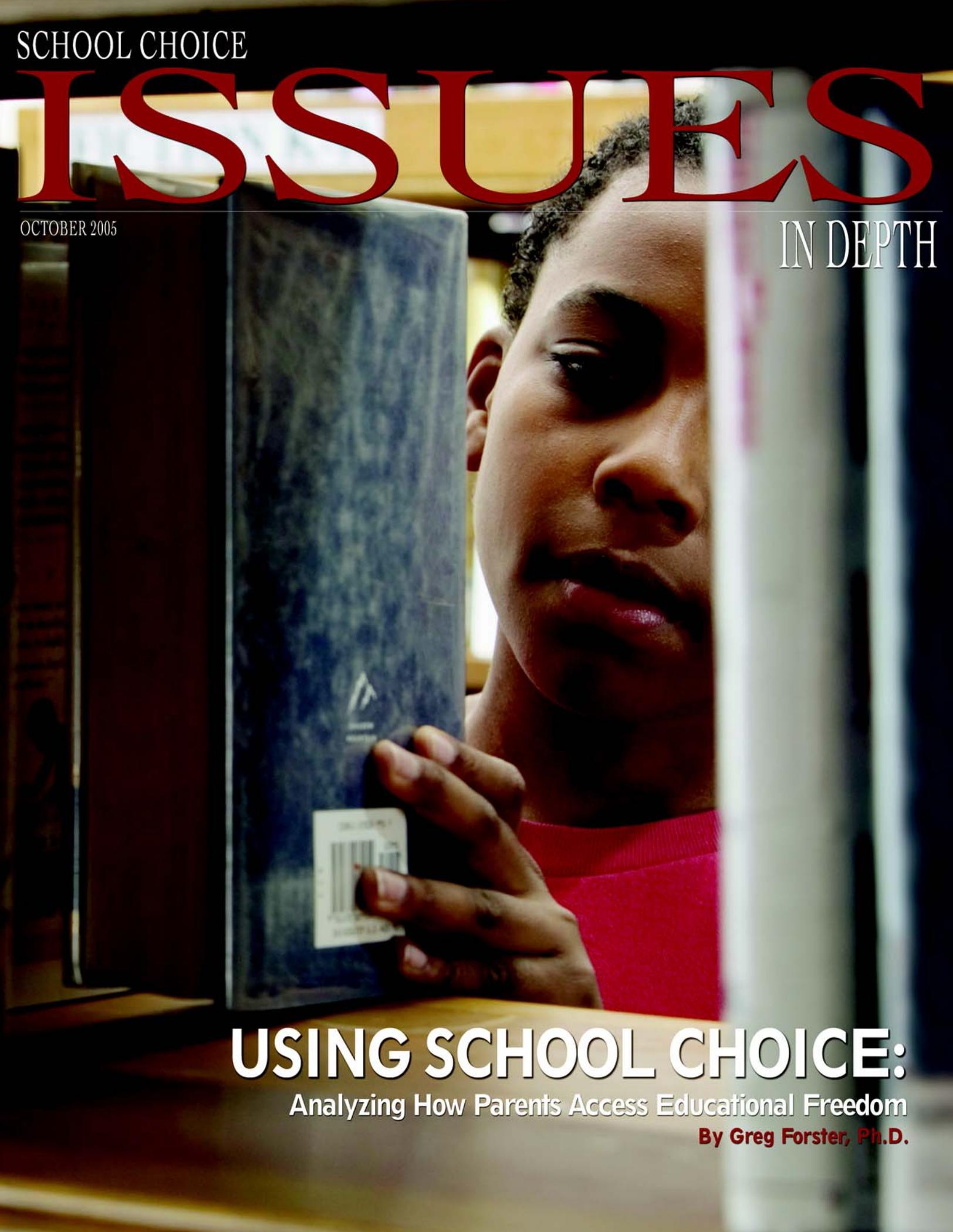


SCHOOL CHOICE

ISSUES

OCTOBER 2005

IN DEPTH

A young girl with dark hair, wearing a red shirt, is looking intently at a blue book spine in a library. The book has a white label with a barcode. The background shows other bookshelves and a blurred interior.

USING SCHOOL CHOICE:

Analyzing How Parents Access Educational Freedom

By Greg Forster, Ph.D.

EXECUTIVE SUMMARY

When Milton Friedman laid down the gold standard for school choice 50 years ago, he envisioned programs that would facilitate parents' entry into the educational marketplace. That is, to meet the Friedman gold standard, programs should be easily accessible so that parents have real, effective choice of schools. If programs impose burdensome procedures on parents, or if there is uncertainty about a program's future, this creates barriers to real school choice.

This report, by Friedman Foundation Senior Fellow Greg Forster, provides a summary of the process parents must go through to participate in each of the nation's school choice programs, identifying problem areas in some programs. And, for the first time in one place, this report collects data on participation in each of the programs in current and previous years. Data are given for the number of students and the estimated percentage of all eligible students who participated each year.

Key findings include:

- The Milwaukee voucher program has unusually extensive participation (21 percent of eligible students). From 1990-91 to 1997-98, participation grew only to 2 percent, primarily because of low enrollment caps (raised in 1995) and an injunction arising from a court challenge (ended in 1998). Starting in 1998-99, the program underwent the sharpest growth of any school choice program in the country.
- The A+ voucher program in Florida began with relatively strong participation (7 percent in 1999-2000) but has seen a steady decline. Current participation is low (2 percent). The most likely cause is the extraordinarily short application period; most parents do not know until it is too late that they must apply within two weeks of learning their schools are eligible.
- The only voucher-type programs with participation greater than Milwaukee's are the century-old town tuitioning programs in Maine and Vermont (43 percent and 52 percent, respectively). For eligible families, participating in private school choice is just as easy as attending a public school.
- Cleveland's voucher program has robust participation (8 percent) even though until this year students had to enroll by third grade or lose eligibility. A 1999 court decision temporarily striking down the program appears to have caused a substantial one-year drop in participation; growth was steady both before and after that year. Participation has dropped somewhat since reaching a high of 10 percent in 2002-03, probably because the program's extension into high schools during those years covered only some high-school grades.
- Voucher programs for disabled students have seen strong growth in participation. Florida's McKay program has grown from 0.3 percent of eligible students to 4 percent; the program actually serves almost 16,000 students, but its participation rate appears low because a very large population is eligible. Ohio's much smaller voucher program for autistic students, currently serving 270, also serves 4 percent of eligible students.
- Washington D.C.'s voucher program has low participation (2 percent). This is primarily because Congress appropriated a limited budget for the program, but the program also is unusually difficult to join; parents must appear in person to apply and must fill out an application that runs 17 pages.
- Programs in Arizona, Pennsylvania and Florida that provide tax-funded scholarships to private schools are quite large. Arizona's program provides more than 21,000 scholarships, Pennsylvania's about 25,000, and Florida's 11,400.
- Programs that provide tax credits or deductions for families' education expenses made private school a little bit easier to afford for about 195,000 families in 2003 in Illinois, 186,000 in 2002 in Minnesota, and 102,000 in 2003 in Iowa.

ABOUT THE AUTHOR



Greg Forster, Ph.D., is a senior fellow and the director of research at the Milton and Rose D. Friedman Foundation, where he conducts research and writes about school choice policy. He has conducted empirical studies on the impact of school choice programs in Milwaukee, Florida and Texas, as well as a national empirical study of the impact of charter schools. He also has conducted empirical studies of other education topics, including accountability testing, graduation rates, student demographics and special education.

His research has been published in the peer-reviewed journal *Teachers College Record* and his articles on education policy have appeared in the *Washington Post*, the *Los Angeles Times*, the *Philadelphia Inquirer*, the *New York Post* and numerous other publications. He is co-author of the book *Education Myths: What Special-Interest Groups Want You to Believe about Our Schools - and Why It Isn't So*, from Rowman & Littlefield.

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ABOUT THE FRIEDMAN FOUNDATION



The Milton and Rose D. Friedman Foundation, dubbed “the nation’s leading voucher advocates” by the *Wall Street Journal*, is a non-profit organization established in 1996. The origins of the foundation lie in the Friedmans’ long-standing concern about the serious deficiencies in America’s elementary and secondary public schools. The best way to improve the quality of education, they believe, is to give all parents the freedom to choose the schools that their children attend. The Friedman Foundation builds upon this vision, clarifies its meaning to the public and amplifies the national call for true education reform through school choice.

ACKNOWLEDGMENTS

We would like to thank the following organizations for helping us obtain data for this report: the National Center for Education Statistics; the Florida, Ohio, Maine and Vermont Departments of Education; the Arizona Department of Revenue; the Ohio Legislative Office of Education Oversight; the Minnesota House Research Department; the District of Columbia Public Schools; School Choice Wisconsin; the Florida Education Freedom Foundation; the REACH Alliance; the Heartland Institute; the Iowa Catholic Conference; the Goldwater Institute; the Maine Public Policy Institute; Vermonters for Better Education; and the Washington Scholarship Fund.

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INTRODUCTION

School choice begins with legislation that creates a program, but it doesn't end there. The rubber has to hit the road before a school choice plan actually can help parents choose the school that is right for their children. And, as in every part of life, there can be difficulties getting a plan from the drawing board to reality.

Legislation can create a program, but it cannot implement it. That job goes variously to state bureaucracies, private organizations and individuals, depending on the nature of the program. Along the way, procedures have to be created to govern participation. These procedures can create barriers to participation if they are onerous or confusing.

Another major difficulty in turning school choice into a reality for parents is the presence of court challenges. Uncertainty over a program's future is a barrier to participation, as real as any rule or regulation. Where there is a reasonable chance that a program might be cancelled at the whim of a judge, possibly even in the middle of a school year, parents likely will take into consideration the disruption that might cause their children and the problems they might have dealing with their local schools after being forced to return there.

After Milton Friedman formulated his proposal for school vouchers 50 years ago, he went on to lay down criteria that form the gold standard for choice programs. One of these criteria is that programs give parents easy access to the market for schools. Where parents cannot exercise choice without taking on burdens and coping with uncertainty, they are being denied real choice.

This report gives a summary of the procedures for participating in each of the 14 K-12 school choice programs operating in the United States. We did not evaluate the two choice programs that are not yet operating (in Utah and Ohio) and we also did not include the two pre-kindergarten

choice programs (in Florida and Pennsylvania). Some of the programs we evaluated have excellent procedures that make participation easy. Others do not. We evaluate the procedures for each program as excellent, good, fair or poor and identify areas that need improvement in some programs.

We also report data on participation in each of the programs, providing both the number of students participating and an estimate of the percentage of eligible students who participate. This report is the first to make available in one place historical participation data on all school choice programs. By collecting these data over previous years, we are able to trace changes in participation. This particularly allows us to examine the effect that court challenges have had on school choice programs, matching enrollment fluctuations with the programs' changing fortunes in the courts.

HOW EASY IS IT FOR PARENTS TO USE CHOICE?

SCHOOL VOUCHER PROGRAMS

PROGRAM	EVALUATION
Milwaukee vouchers	Excellent
Maine and Vermont town tuitioning	Excellent
Florida McKay vouchers	Good
Cleveland vouchers	Fair
Ohio autism vouchers	Fair
Florida A+ vouchers	Poor
Washington D.C. vouchers	Poor

TAX-FUNDED SCHOLARSHIPS

PROGRAM	EVALUATION
Arizona tax-funded scholarships	Excellent
Florida tax-funded scholarships	Good
Pennsylvania tax-funded scholarships	Good

TAX CREDITS & DEDUCTIONS

PROGRAM	EVALUATION
Illinois personal tax credit	Excellent
Iowa personal tax credit	Excellent
Minnesota personal tax deduction and credit	Good

USING VOUCHERS

We classified school choice programs that are directly administered by a single organization (typically a state department of education) as “voucher” programs. For these programs there is usually a single process for all applicants, so that is what we report here; the only exception is town tuitioning in Maine and Vermont, which are controlled at the local level.



MILWAUKEE VOUCHERS

Eligibility

Children who live in Milwaukee and whose household income does not exceed 175 percent of the federal poverty level are eligible. Public school students may start using vouchers at any time; private school students must enter the program by third grade. Because of these restrictions, the program received a grade of C (2.0) for student eligibility in the 2003 Friedman Foundation report *Grading Vouchers*.

Initial Application Process

There is no set deadline to apply; students are admitted to the program on a rolling basis throughout the year, although participating private schools may choose to accept students only during certain periods. Parents fill out a form and turn it in at the private school they wish to attend. The form is available on the Web, so parents may obtain it for themselves; participating private schools presumably also will make it available in hard copy. It is clear and easy to fill out; in addition to contact

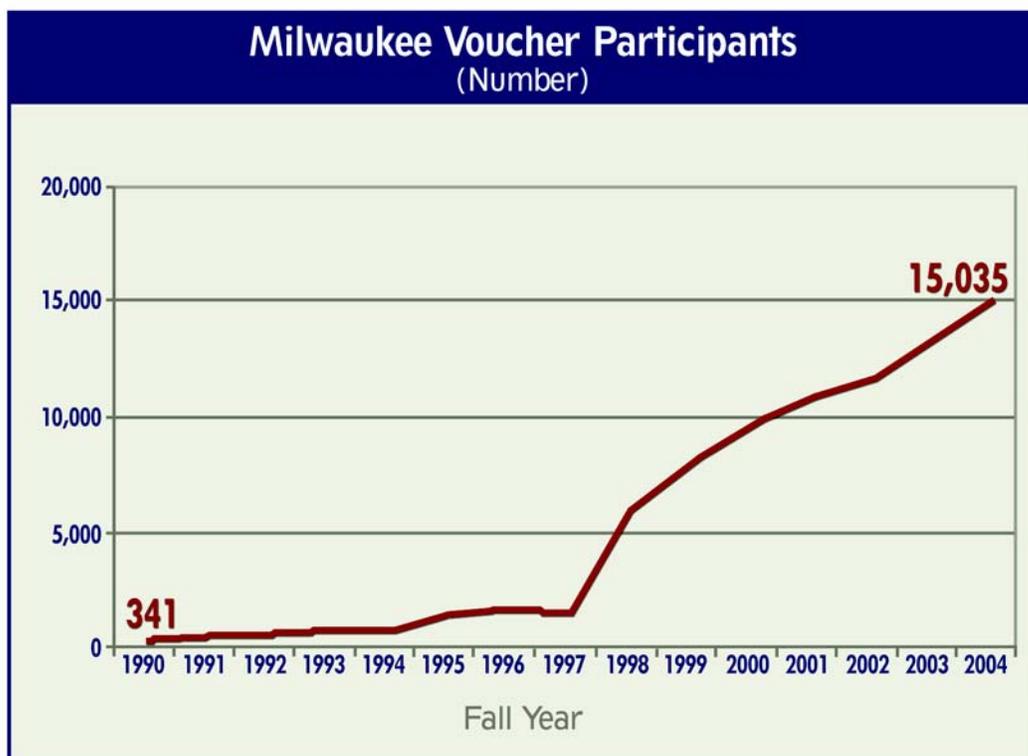
information, it asks for the child's grade and previous school and the size of the household. It then asks five simple yes-or-no questions that establish the child's eligibility, most importantly whether the household's income is below a certain level. The parent must provide a tax return to document income level and proof of residence in Milwaukee.

Continuing Participation Process

A voucher check is mailed to the private schools four times a year. Each time, a parent must come in and sign the check over to the school. Parents need not re-apply to continue participating once their children are in the program.

Process Evaluation

Excellent. The process is simple and easy, and parents deal with private schools rather than a government office, so they are being assisted by people who have a strong incentive to help them complete the process.



Participation History

The program has unusually extensive participation (20.5 percent of eligible students). In 1991-92 and 1992-93, the program was capped at 1 percent of enrollment in Milwaukee public schools; in 1993-94 and 1994-95, the cap was 1.5 percent of public school enrollment. Since 1995 it has been 15 percent. Since not all public school students are eligible, the program can have 20.5 percent of *eligible* students participating while simultaneously remaining just under its legislated enrollment cap of 15 percent of *all* public school students.

Before 1995, religious schools

could not participate in the program. In 1995, the legislation that raised the participation cap also allowed religious schools to participate. From 1995 to 1998 there was a court challenge to determine whether religious schools would be allowed to join the program; during these years, a court injunction prevented them from participating. Enrollment grew from 1.1 percent in 1994-95 to 2.1 percent in 1997-98. The Wisconsin Supreme Court decided in favor of participation by religious schools in June 1998 and lifted the injunction; the U.S. Supreme Court refused to hear an appeal of the case in November 1998. Starting in 1998-99, the program underwent the sharpest growth ever seen in any of the nation's school choice programs, rising from 2.1 percent in 1997-98 to 20.5 percent in 2003-04.¹

Note on Estimation of Eligible Population

To determine the percentage of eligible students who participate, it was necessary to estimate the eligible population. Our estimate is the number of Milwaukee public school students who qualify for free and reduced

Milwaukee Voucher Participants (Estimated Percentage of Eligible Students)



lunch. This will tend to somewhat overestimate the actual eligible population, since eligibility for the program is set at 175 percent of poverty, while eligibility for lunch programs is set at 185 percent of poverty. On the other hand, some Milwaukee students who have never been enrolled in public schools (specifically, those in grades 3 and below) are eligible to participate in the program, so using public school enrollment as our estimate will tend to underestimate the actual eligible population.²

¹ Participation data were obtained from School Choice Wisconsin.

² Data for Milwaukee public school students eligible for free and reduced-price lunch were obtained from School Choice Wisconsin. Data were imputed for 2000-02 and 2004-05.



MAINE AND VERMONT TOWN TUITIONING

Eligibility

Under a system that is well over a century old, many small towns in Maine and Vermont do not maintain their own high schools, and some do not even maintain elementary schools. These towns instead “tuition” their students to schools in other locations. That is, they raise education funding through local taxes and use it to pay for students to attend either public or private schools nearby. In some cases the town designates a school to which all its students go, often because it is the only school nearby. However, in most cases parents may send their children to any qualifying school, public or private (not including religious schools). All students living in towns that do not maintain schools in their grade level are eligible. Because it is geographically restricted, the programs each received a grade of B (3.0) for student eligibility in the 2003 Friedman Foundation report *Grading Vouchers*.

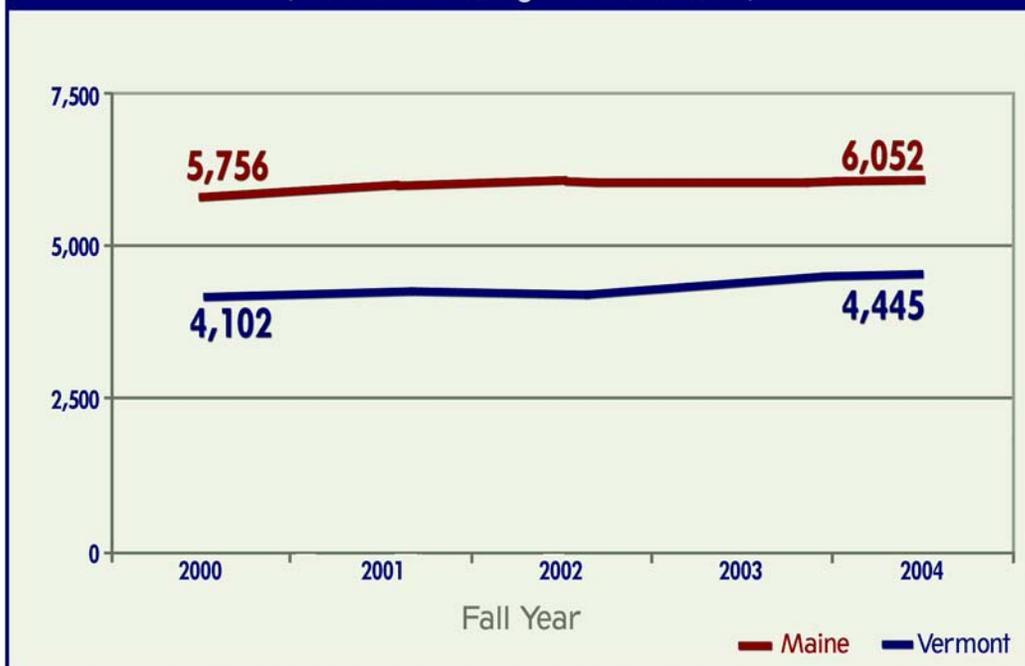
Initial Application and Continuing Participation Process

The process for town tuitioning is controlled at the local level, so there is no one set procedure that applies statewide. However, because all parents in a town must participate, at least within certain grade levels, towns have an incentive to make the process easy; town administrators will face voter discontent if the tuitioning process that all families must go through is difficult.

Process Evaluation

Excellent. One thing that makes these programs distinctive is that parents must go through the same process to send their children to public or private schools; attending a private school involves no additional procedural burden. Under town tuitioning, barriers to exercising private choice as opposed to attending public schools are as close to zero as it is possible to get in the real world.

Town Tuitioning Participants
(Number Choosing Private Schools)



Participation History

These programs date back to the origins of government-run schooling itself in these states (since 1869 in Vermont; since 1873 in Maine). At least in the recent years for which data are easily available, a very high percentage of parents choose private schools - 43 percent in Maine and 55 percent in Vermont. During the period for which data are available, there have been no court challenges or changes in procedure that would affect participation. Even though the procedure for choosing public and private schools is the same, town tuitioning is not a perfect test case; many of these towns are so rural that only one or two

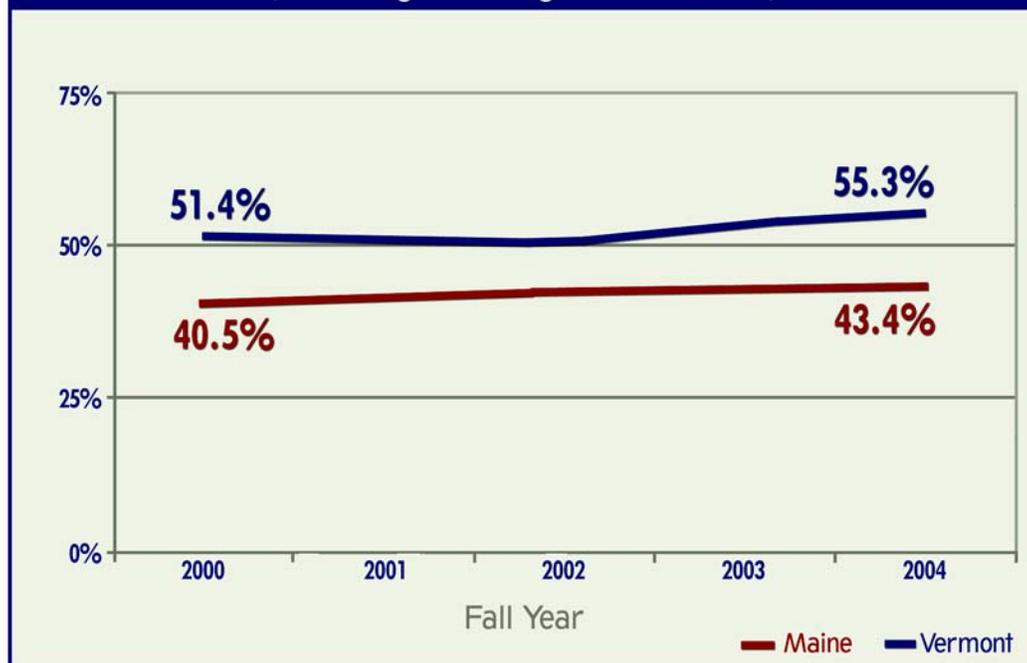
schools are near enough to be feasible. Participation might look somewhat different if every tuitioning town were located near a larger number of schools. Nonetheless, these extraordinary participation numbers do show us that, where procedural barriers to choice are removed, private school choice is a very popular option.¹

Note on Estimation of Eligible Population

All students living in towns that do not maintain a local public school in their grade are eligible for tuitioning. Thus, the population eligible to exercise private school choice through tuitioning is simply the population of all tuitioned students. To determine the percentage of eligible students who exercise private school choice through tuitioning, we divided the number of students tuitioned at private schools by the number of students tuitioned at all schools, public or private.

Vermont data are full-time enrollment equivalents. Vermont does not provide data disaggregated by public and

Town Tuitioning Participants (Percentage Choosing Private Schools)



private schools for tuitioning students attending schools outside the state (about 700 students in each year). We included these students in our private school choice category. This is an imperfect solution, but students attending out-of-state public schools are seeking services from a provider other than Vermont public schools and thus are exercising school choice to exit the default public system.²

¹ Participation data were obtained from the Maine and Vermont Departments of Education.

² Data for tuitioned students were obtained from the Maine and Vermont Departments of Education.



FLORIDA MCKAY VOUCHERS

Eligibility

Any disabled student who has been enrolled in Florida public schools for one year is eligible. Because it is available to so many students, the program received a grade of A- (3.5) for student eligibility in the 2003 Friedman Foundation report *Grading Vouchers*.

Initial Application Process

Parents must apply by July 3 to enroll in the fall; there are three other deadlines to enter the program later in the school year and receive a proportionately smaller voucher. The application process is entirely Web-based. Parents begin by entering their child's name, Social Security number, contact information and county of residence; they then receive a confirmation number. Their public school has 30 days to provide the child's matrix number, which indicates the severity of the child's disability. This determines the amount of money the voucher is worth. The private school then must log

on and confirm the child's enrollment. Parents can use their confirmation numbers to log on and check the status of their applications.

Continuing Participation Process

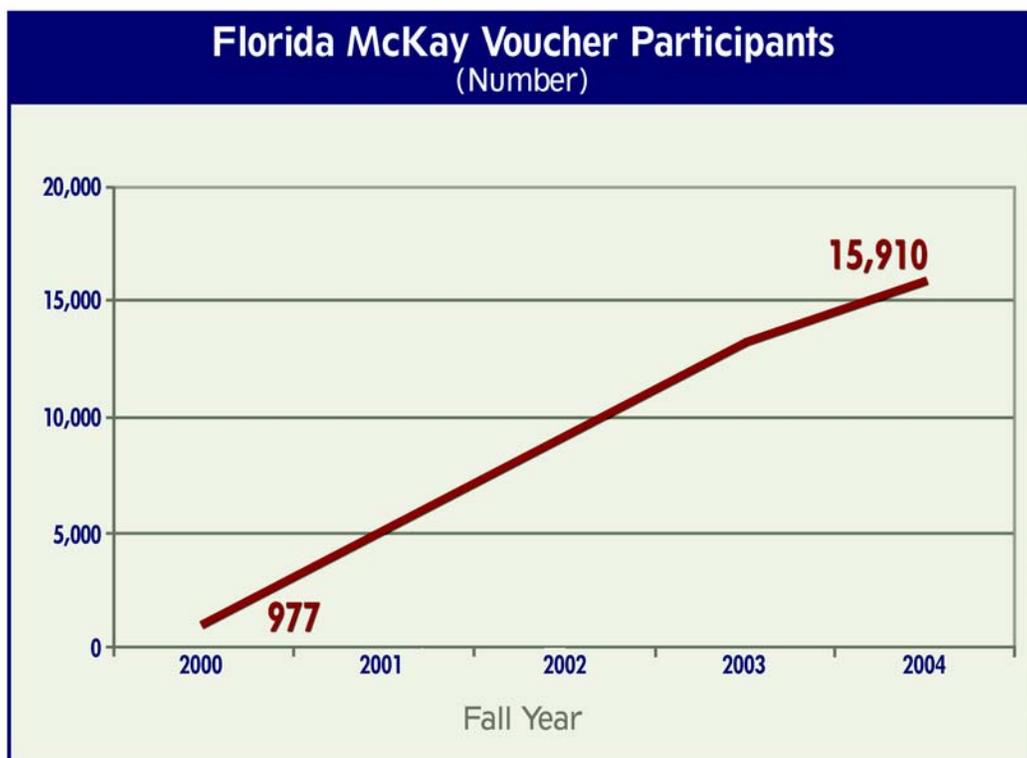
A voucher check is mailed to the private schools four times a year. Each time, a parent must come in and sign the check over to the school. Parents need not re-apply to continue participating once their children are in the program.

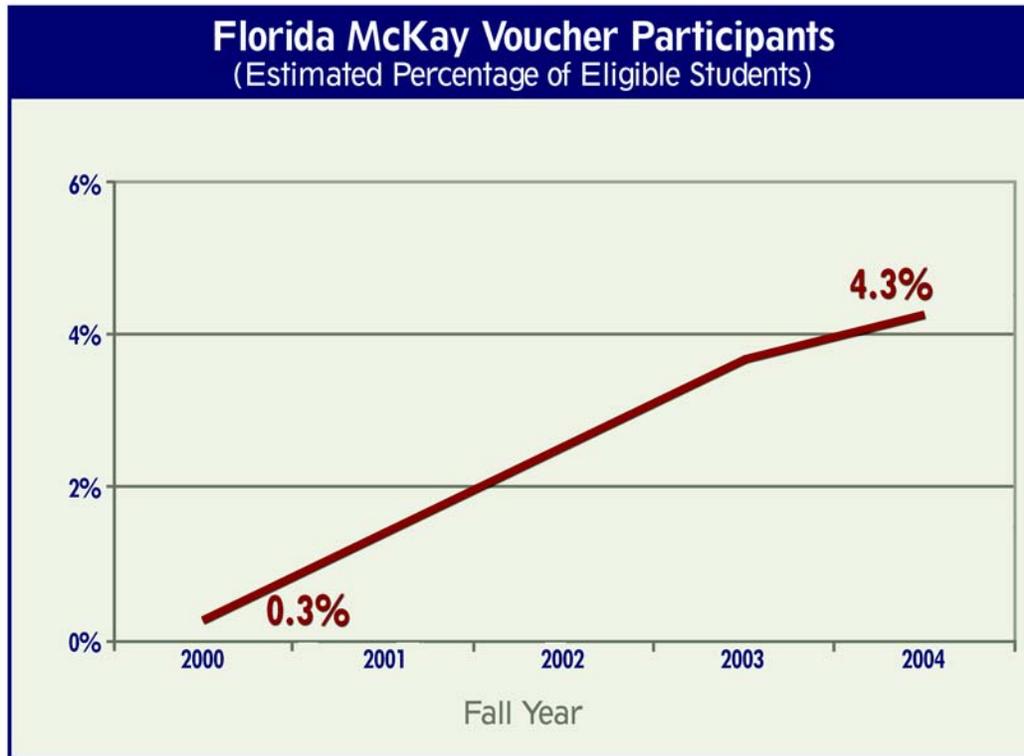
Process Evaluation

Good. The Web-based system and the minimal information required will make participation easy for most parents. The absence of income restrictions and other constraints on participation make it much easier to confirm student eligibility for this program without paperwork. On the other hand, if any problems do come up, they will have to deal with a government office to get them fixed.

Participation History

Participation in this program has grown steadily since 2000-01, its first year of full operation (in 1999-2000 it existed only as a pilot program in one county). Participation grew from 0.3 percent of eligible students in 2000-01 to 4.3 percent in 2004-05. The program actually serves a large number of students - almost 16,000 in 2004-05. It has a relatively low participation rate because the eligible population is large; every disabled student in Florida public schools may use the program.¹





Note on Estimation of Eligible Population

To determine the percentage of eligible students who participate, it was necessary to estimate the eligible population. Our estimate is the number of disabled students ages 6-21 in Florida public schools.²

¹ Participation data were obtained from the Florida Department of Education.

² Data for the number of disabled students in Florida public schools were obtained from the U.S. Department of Education. The datum for 2004-05 was imputed.



CLEVELAND VOUCHERS

Eligibility

Before the program was changed in July 2005, the eligibility criteria were: children in grades K-3 who lived in Cleveland could join the program and could continue to participate through 10th grade. Because of these restrictions, the program received a grade of B- (2.5) for student eligibility in the 2003 Friedman Foundation report *Grading Vouchers*. After the July 2005 changes, students are able to join through eighth grade and will be able to continue participating through 11th grade effective in 2005-06 and 12th grade effective in 2006-07.

Initial Application Process

Parents may apply between December and July to enroll for the following fall. Parents fill out a form and mail it (faxes are not accepted) to the state's Office of School Options. The form is reasonably clear. It asks for the name and Social Security number of every household member and that member's relationship to the child. There is a note in the fine print that the Social Security

numbers are optional, but this is likely to be overlooked by most applicants. The form also asks for two emergency contacts, household income, the student's current school and the student's race. Parents also must include two documents verifying their residence in Cleveland and all tax forms for all household members. A birth certificate must be submitted for students enrolling in kindergarten.

Continuing Participation Process

Voucher checks are mailed to the private schools and a parent must come in and sign the checks over to the school. Parents need not re-apply to continue participating once their children are in the program.

Process Evaluation

Fair. The form is clear but asks for more information than is strictly necessary. Parents must apply through a government office rather than through a private school, which would have a stronger incentive to help them with the process. Parents also must apply through the mail, significantly increasing the time and uncertainty of the process.

Participation History

The program grew steadily from 1996-97 to 1998-99, rising from 7.3 percent participation to 9.2 percent. In 1998 the Ohio Supreme Court, while upholding the program against church-state challenges, struck the program down on a procedural technicality. Ohio's constitution requires that all legislative acts pertain to a single subject; the court ruled that the voucher program had been improperly enacted. The Ohio legislature re-enacted the

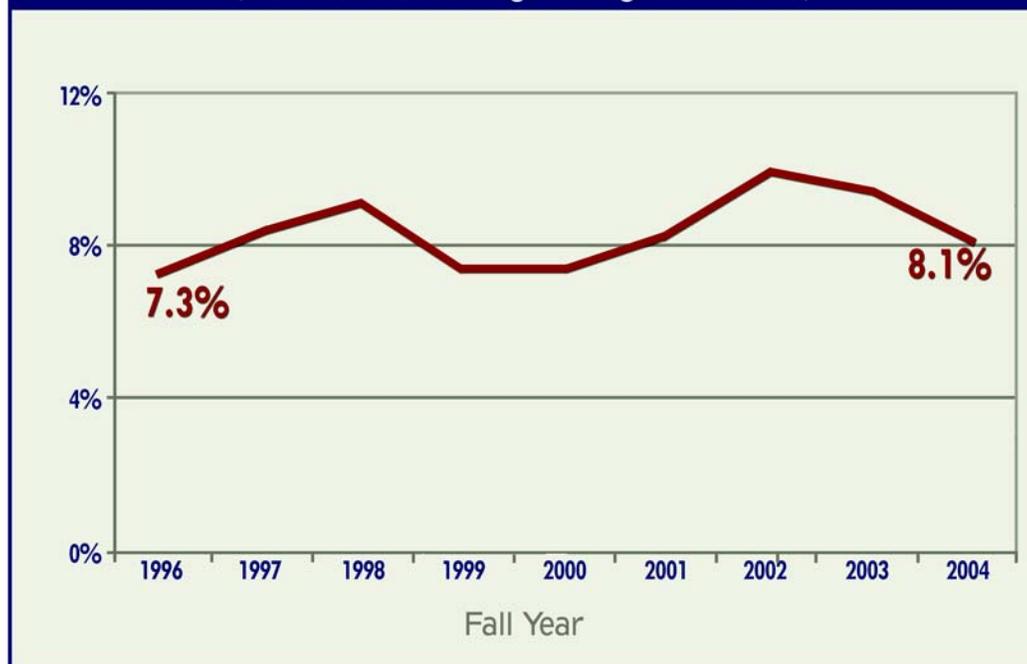


program, ensuring its continued existence, but for a time the program's future was in doubt. In 1999, participation dropped back to 7.3 percent. It then began to grow again, reaching 10.0 percent in 2002-03. Participation dropped again in 2003-04 and 2004-05, reaching 8.1 percent.

When looking at participation in 2003-04 and 2004-05, we must bear in mind a change in the program's eligibility rules. The program originally allowed students to use the voucher only through eighth grade. When students reached ninth grade, they lost eligibility and had to leave the program. Eligibility was expanded to include ninth grade in 2003-04 and 10th grade in 2004-05; it since has been expanded through 11th grade effective in 2005-06 and 12th grade effective in 2006-07.

These limitations on eligible grades are relevant for explaining the drop in the participation rate in 2003-04 and 2004-05 in two ways. First, since private high schools tend to be more expensive than private middle and elementary schools, and parents in the Cleveland program must pay a portion (albeit a small one) of their tuition themselves, it is reasonable to assume that participation among eligible high school students will be lower than among eligible middle and elementary students because of the greater expense. Thus, expanding the program into high school may have lowered the percentage of eligible students participating. Second, parents may have been reluctant to begin enrollment in a private high school when it appeared at that time that they would lose eligibility in 11th grade, since this would require their children to switch schools in the middle of their high-school careers. These two factors probably account for the program's lower participation rates in 2003-04 and 2004-05.¹

Cleveland Voucher Participants (Estimated Percentage of Eligible Students)



Note on Estimation of Eligible Population

To determine the percentage of eligible students who participate, it was necessary to estimate the eligible population. Our estimate is the number of Cleveland public school students in grades corresponding to the age cohorts of students who were eligible for the program when they were in K-3. That is, in the first year of the program we used enrollment in K-3, then K-4 in the next year, K-5 in the next, and so on. This reflects the population of students in each year who could have been using a voucher if they had applied when they were in K-3.

Our estimate of the eligible population is somewhat smaller than the actual eligible population. This is because Cleveland students who have never been enrolled in public school are eligible for the program. Thus, the actual percentage of eligible students using the program will be somewhat smaller than our estimate.²

¹ Participation data were obtained from School Choice Wisconsin.

² Data for Cleveland public school enrollment were obtained from the U.S. Department of Education's Common Core of Data. Data were imputed for 2003-04 and 2004-05.



OHIO AUTISM VOUCHERS

Eligibility

All Ohio students diagnosed with disabilities in the autism spectrum are eligible to be reimbursed for education services received from private providers, including tuition at private schools. Students currently in private schools must formally enroll as public school students to be eligible, but they may do this without leaving their private schools. Only services specified in the student's Individual Education Plan, the document specifying services public schools are required to provide, are eligible for reimbursement. The program did not yet exist when the 2003 Friedman Foundation report *Grading Vouchers* was published.

Initial Application Process

Parents must fill out and mail in an application form, available on the Web. In addition to contact information, it asks only for the student's district of residence and the name and address of the private service provider. Parents also must sign and mail in a permission form

allowing the public school system to release their information to private service providers. There is no deadline, but parents cannot be reimbursed for education services that were provided before the application process was completed.

Continuing Participation Process

Once the service has been provided, parents must fill out a Cost of Services form. In addition to the information from the initial application, this form asks for the services provided, the beginning and end dates of the service provision and the cost. Parents must re-apply to continue participating in the program each year.

Process Evaluation

Fair. Parents must obtain services on their own first and then get reimbursed; because the private service providers are not directly involved in the transfer of funds, parents may find themselves liable to pay the bill for their services themselves in some cases while

they wait for the state to reimburse them. The prospect of such problems is reduced because parents are accepted into the program before they receive services, which provides some assurance that payment for those services will be forthcoming, but this possibility still may deter some parents from participating. Also, applying through the mail and having to deal with a government office rather than the private school increases the difficulty of participating.

Participation History

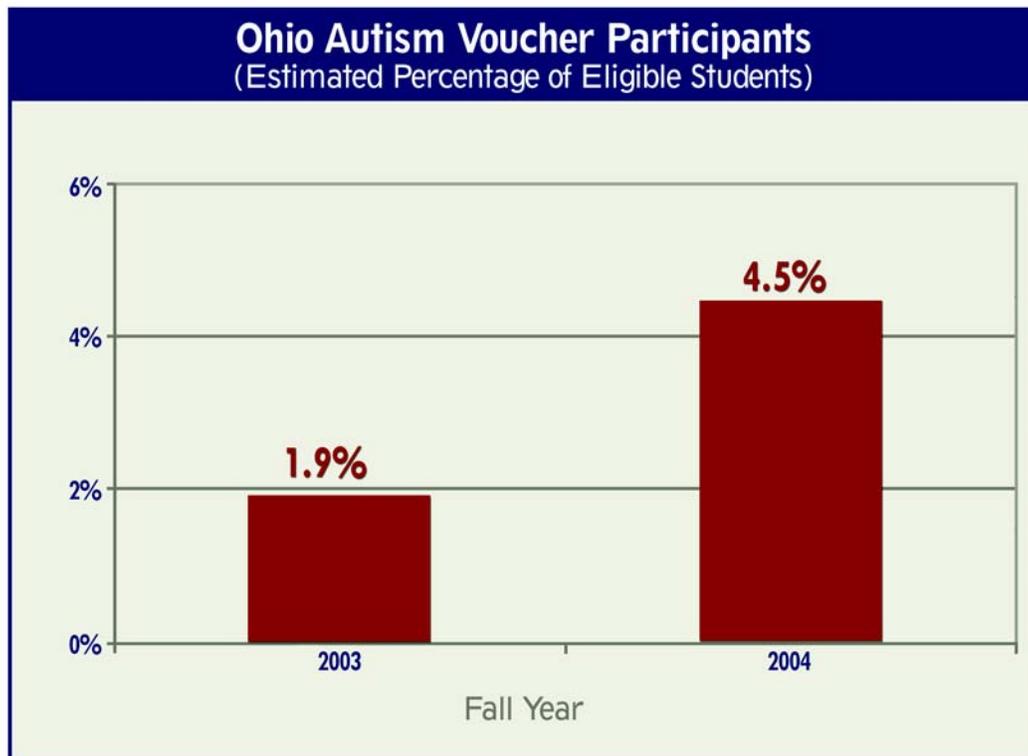
The participation level in 2004-05 was 270 students, or 4.5 percent of the eligible population. It is estimated that



about 100 students participated in 2003-04, or 1.9 percent of the eligible population. The program came into existence in the spring of 2004, so the increase between the 2003-04 school year and the 2004-05 school year represents parents entering the program in the first year for which it was available for the whole school year.¹

Note on the Eligible Population

For the eligible population, we use the enrollment of autistic students ages 6-21 in Ohio public schools. While students may enter the program even if they have not previously been enrolled in public schools, they must formally enroll in their local public school district to do so (even though they actually remain in private schools). Thus, by using public school enrollments we are using the actual eligible population.²



¹ Participation data were obtained from the Ohio Department of Education (for 2003-04) and the Ohio Legislative Office of Education Oversight (for 2004-05).

² Data for the number of autistic students in Ohio public schools were obtained from the U.S. Department of Education. The datum for 2004-05 was imputed.

FLORIDA A+ VOUCHERS



Eligibility

Every summer, Florida assigns each public school a letter grade based on its performance in the previous school year. If a school gets an F grade, and also has had at least one F in any of the three previous years, students who were enrolled in that school the previous spring may apply for a voucher. They may begin using the voucher the following fall. Students are eligible only if they were enrolled in the school in the spring of the year in which the second (or third or fourth) F was assigned; students enrolled at that school in future years are not eligible, unless of course the school gets another F. Because it is restricted to students in failing schools but does not impose any income or geographic restrictions, the program received a grade of B (3.0) for student eligibility in the 2003 Friedman Foundation report *Grading Vouchers*.

Initial Application Process

Once the state announces school grades, which

determine what schools are eligible, parents have only two weeks to apply for the program. The application process is entirely Web-based. Parents enter their child's name, Social Security number, contact information and the school their child is currently attending (which must be an eligible school); they then receive a confirmation number. The private school must then log on and confirm the child's enrollment. Parents can use their confirmation numbers to log on and check the status of their applications.

Continuing Participation Process

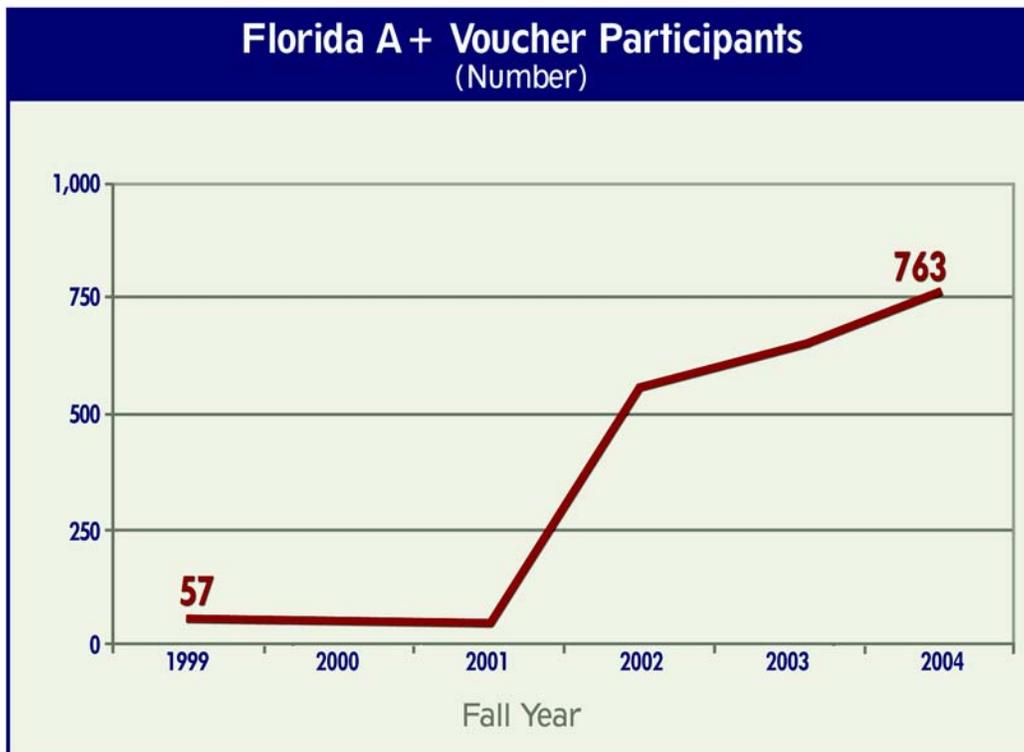
A voucher check is mailed to the private schools four times a year. Each time, a parent must come in and sign the check over to the school. Parents need not re-apply to continue participating once their children are in the program.

Process Evaluation

Poor. While the Web-based application system provides speed and convenience, the eligibility window of only two weeks is a major procedural burden. This is a particularly serious problem since parents do not even know whether they are eligible until school grades come out, at which point the two-week clock begins ticking.

Participation History

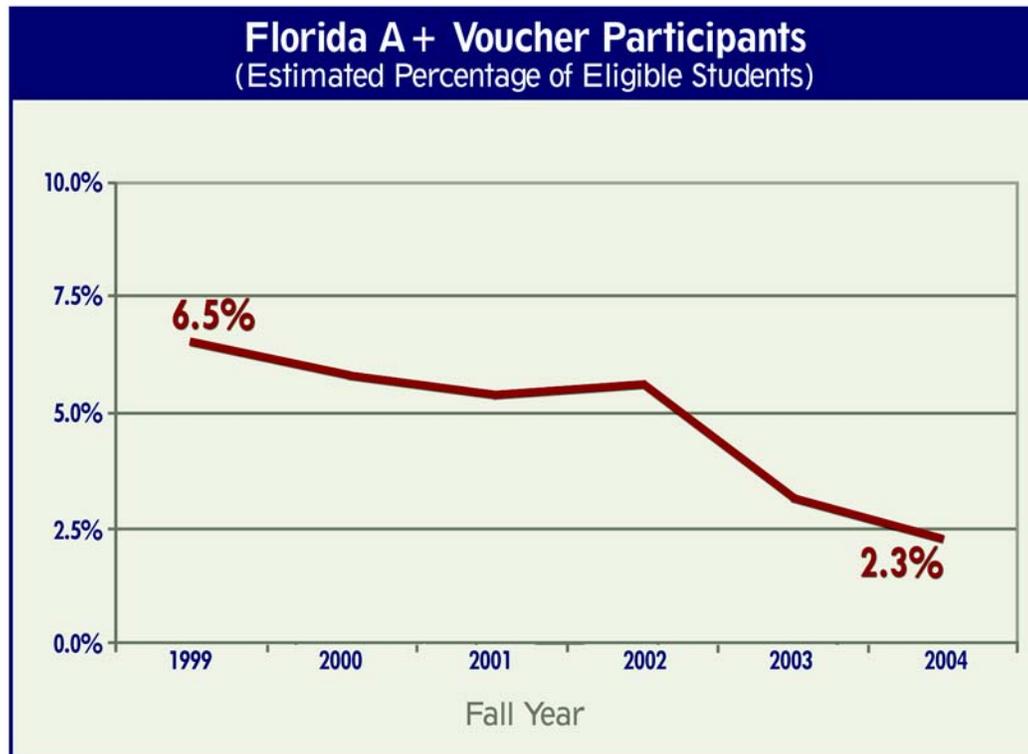
Participation in the program began at a fairly high level (6.5 percent) in 1999-2000. Only two schools in the state were eligible, which attracted major media attention to the program in those local areas. This, combined with the newness of the program, probably raised public awareness to a high level, explaining the program's



strong opening. No schools were eligible for the program in 2000-01 or 2001-02, so participation declined as no new students were able to enter and some students left through normal attrition.

Participation ticked up a little, though less than might have been expected, as the program once again had eligible schools in 2002-03. However, even though there were eligible schools in every subsequent year, participation once again declined, reaching 2.3 percent in 2004-05. As general media interest in the program has declined over time, and the number of double-F schools has increased (thus reducing the shock value in the local media market for each one), public awareness of the program is no longer as high. This undoubtedly has an effect on the number of parents who apply to participate within the two-week window of opportunity.

Another factor is the presence of an ongoing court challenge to the program. This is somewhat less likely to have been a major factor in earlier years, because Florida has a constitutional provision that allows government programs to continue to operate after being struck down by lower courts if the state is appealing to a higher court. This remarkably sensible rule prevents programs from being haphazardly vaporized and reincarnated over and over again as dueling judges play tug-of-war over public policy. Thus there was no actual prospect for the program to be shut down until it reached the Florida Supreme Court in the summer of



2005. The possibility of the program's being shut down may have depressed 2004-05 enrollment more than previous years.¹

Note on Estimation of Eligible Population

To determine the percentage of eligible students who participate, it was necessary to estimate the eligible population. In each year, we took all schools that had ever been eligible for the program and determined the highest enrollment each of those schools had ever had in an eligible year. The total of these figures is our estimate of the eligible population in that year. This will underestimate the eligible population somewhat, as some schools were eligible in multiple years and turnover in the student population will increase the number of students who were ever eligible for the program in a way that our method will not pick up. However, this effect should be small, as few schools were eligible in multiple years.²

¹ Participation data were obtained from the Florida Department of Education.

² School grades since 1999 were obtained from the Florida Department of Education and were used to determine eligible schools in each year; enrollments at those schools were obtained from the U.S. Department of Education's Common Core of Data. Data for enrollments at double-F schools in 2003-04 (used for the population that was eligible for vouchers in 2004-05) were imputed.



WASHINGTON D.C. VOUCHERS

Eligibility

Children in Washington D.C. whose families qualify for free and reduced lunch are eligible. The program did not yet exist when the 2003 Friedman Foundation report *Grading Vouchers* was published.

Initial Application Process

Parents must apply by March 11 for grades 6-12 or March 22 for grades K-5. They must appear in person to apply; the Washington Scholarship Fund, the organization administering the program, maintains two locations at which parents may fill out applications. Parents also may apply at community outreach meetings held by the organization administering the scholarship. They must bring with them proof of D.C. residence, proof of the child's current enrollment, all their tax forms and proof of parenthood or guardianship. They then must fill out a 17-page form, including an 11-page application and a six-page mandatory survey collecting data for use in evaluating the program. The application asks for a detailed breakdown of income by source (how much from wages, how much from Social Security, how much from welfare, etc.). For each household member, it asks for Social Security number, relationship, marital status, change in marital status and whether that person is a caretaker of the child. For each child applying, in addition to basic information, it asks for Social Security number, race and Hispanic/Latino status. It asks whether the parent owns his or her residence and how much the rent or mortgage payment is. The mandatory survey collects even more intrusive information about the student's parents: race, Hispanic/Latino status, level of education, employment status, total number of years worked during adulthood, number of years and months living at current address and language spoken in the home. It also includes a four-page battery of survey questions about the child's current school, the parents' priorities in choosing a school, the parents' level of involvement in the child's schoolwork and other topics.

Washington D.C. Voucher Participants	
	2004-05
Number	1,015
Estimated Percentage	1.7%

Continuing Participation Process

A voucher check is mailed to the private schools four times a year. Each time, a parent must come in and sign the check over to the school. Parents need not re-apply to continue participating once their children are in the program.

Process Evaluation

Poor. Having to show up in person to apply is a burden no other school choice program imposes, and the form required to apply is much longer and more intrusive than in any other school choice program. While collecting data on participants is a worthy goal, it should not be allowed to take such a high degree of precedence over the equally worthy goal of making participation convenient for parents. The March deadline for applications also is earlier than for most school choice programs.

Participation History

The program has just completed its first year and does not yet have much history. In its first year, the program did not have as many applicants as it had slots. One reason is that the organization administering the program was not given much advance time to set up the program and advertise it before it had to be up and running. There have been more applicants than available slots for the program's second year.¹

Note on Estimation of Eligible Population

The number of vouchers available is limited by the level of funding appropriated for the program; we consider as “eligible” all students who qualify to participate in the program independent of the number of available slots. Thus, the participation rate as calculated by our method does not necessarily reflect the actual level of interest in the program.

To determine the percentage of eligible students who participate, it was necessary to estimate the eligible population. Our estimate is 60.8 percent of public and private enrollment in the city. We use this percentage because it is the percentage of D.C. public school students eligible for free and reduced lunch. To the extent that private school students are less likely to be eligible for lunch programs, this will overestimate the eligible population somewhat.²

¹ Participation data were obtained from the Washington Scholarship Fund.

² The percentage of public school students eligible for free and reduced lunch was obtained from the District of Columbia Public Schools. The datum for public school enrollment was obtained from the U.S. Department of Education’s Common Core of Data; the datum for private school enrollment was obtained from the U.S. Department of Education’s Private School Survey. Data for 2004-05 were imputed from previous years’ data.

USING TAX-FUNDED SCHOLARSHIPS

We classified school choice programs that are administered by multiple private organizations as “tax-funded scholarship” programs. Rather than pay for school choice directly out of the government treasury, these programs give tax credits for donations to private non-profit organizations, which in turn give out private-school scholarships to students.

These programs do not have a single process for all applicants because each scholarship-granting organization has its own application process. In each state, we selected several scholarship-granting organizations that give out large numbers of scholarships and collected information on their application procedures.

Students in all three states with tax-funded scholarships are required to reapply for their scholarships every year for as long as they participate. This requirement functions primarily as a way to keep participants’ records current; it is rare for participating students to be denied scholarships in subsequent years.

It is important to note that our participation data for tax-funded scholarship programs reflect the number of scholarships distributed, not the number of students participating. In Arizona and Pennsylvania, each student is allowed to receive scholarships from more than one scholarship-granting organization, so the number of participants in those states will be somewhat lower than the number of scholarships.



ARIZONA TAX-FUNDED SCHOLARSHIPS

Eligibility

Participation is limited by the amount of funding that flows into the program. For this reason, the program received a grade of B- (2.5) for student eligibility in the 2003 Friedman Foundation report *Grading Vouchers*.

Student Tuitioning Organizations

The non-profit organizations that administer Arizona's program are called School Tuition Organizations. There were 53 such organizations in 2004-05. The six organizations profiled here gave out 75 percent of all the scholarships distributed in Arizona in 2004-05 and 72 percent of all scholarship money distributed.

Arizona Christian School Tuition Organization

The application form, which is available on the Web, asks only for basic contact information. Parents also must submit the first two pages of their tax returns and a narrative of their situation; they may submit letters of recommendation. Applications are due on July 31; no further procedure is required.

Arizona Scholarship Fund

Parents must fill out two application forms, available on the Web. In addition to basic information, one of the forms asks several yes-or-no questions and requires parents to initial a series of statements about the program. Parents may submit a statement of need, letters of recommendation and/or a letter or picture by the child himself or herself. Students are admitted on a rolling basis throughout the year. Each year, the parent and the student both must sign a Scholarship Recipient Contract, which is delivered to the private school along with the first two pages of that year's tax return.

Arizona School Choice Trust

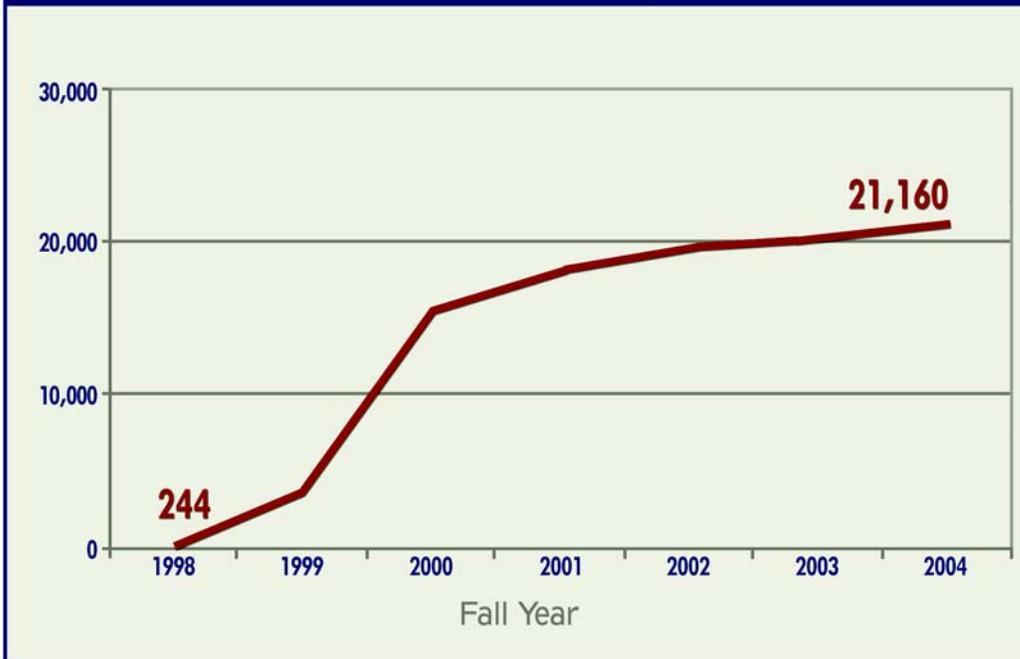
Parents must fill out an application form, available on the Web, as well as a follow-up form they get after they are accepted, which asks for the same information. The forms ask for a breakdown of income by source and any financial aid already being received. They also must submit their tax returns. There is a \$10 application fee.

Applications are accepted all year, though scholarship decisions are made in the early spring. Parents must come to the private school three times to certify continued enrollment and once to deliver renewal paperwork.

Catholic Tuition Organization of the Diocese of Phoenix

Parents must obtain the application from their schools, although a sample form is available on the Web. There are instructions for an online application procedure in an FAQ file on the Web. Students either must already be enrolled or must register their interest at a participating school. Students

Arizona Tax-Funded Scholarship Participants
(Number of Scholarships)



applying based on need, who receive priority, must supply all their tax forms and also must provide extensive financial information on the application form. These students must pay a \$17 fee for the processing of their financial information by an outside organization. The application form also asks for students' race. The application deadline is April 15.

Catholic Tuition Organization of the Diocese of Tucson

Parents must get a financial information form and send it in; this asks for a detailed breakdown of family income sources (business and personal), assets, debts and household expenses. Once this has been processed, parents must come into the school and fill out a Tuition Support Form. This asks for basic contact information for both parents, parents' marital status, the student's race, the amount of tuition the family commits to pay and the amount of scholarship funds requested.

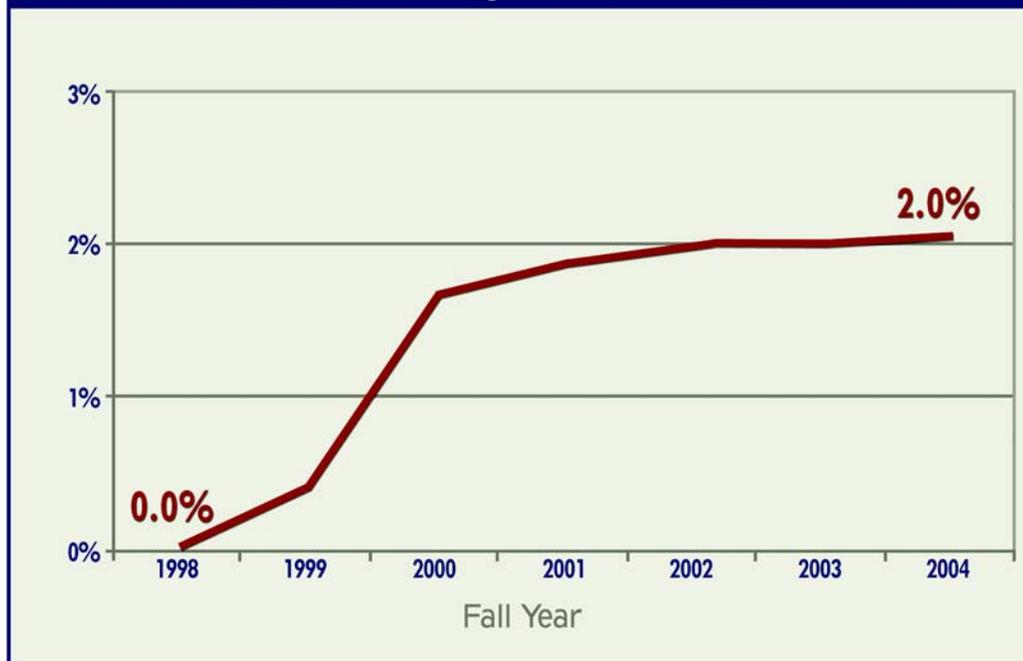
Institute for Better Education

Parents may apply for a financial-need scholarship or a "recommended" scholarship (that is, one where the student has been recommended). The application form for a recommended scholarship asks only for contact information and the school the student wishes to attend. Parents applying for financial-need scholarships must complete a detailed financial analysis, either online or on a form. There is a fee to process this analysis (\$18 if online, \$24 if by form). Parents must wait for the results of this analysis, then bring them to the school along with their tax returns and applications. The deadline for application is set by the schools.

Process Evaluation

Excellent. Because Arizona's program does not set income restrictions for participating students, School Tuition Organizations are not required to collect financial information from applicants. Many such organizations do this anyway because one of their goals

Arizona Tax-Funded Scholarship Participants (Estimated Percentage of All Arizona Students)



is to help poorer students, while other organizations with other goals do not. The Arizona program permits each tuition organization to make the process as easy as its particular goals will allow, so the program earns high marks for facilitating ease of participation.

Participation History

Participation was very low in the program's first year, 1998, because of a court challenge. In January 1999 the Arizona Supreme Court ruled in favor of the program; participation picked up in 1999, rising from 244 scholarships to 3,713. In October 1999 the U.S. Supreme Court turned down an appeal of the case; in 2000 the program grew to 15,377 scholarships. Gradual growth since then has brought the program up to 21,160 scholarships.¹

Note on Estimation of Eligible Population

All Arizona students are eligible to receive the scholarships, so we used the total number of Arizona students (public and private) as the eligible population. However, the number of students who may participate is limited by the amount of funding that flows into the program, so the percentage of the total population that participates does not necessarily reflect the actual level of interest in the program.²

¹ Participation data were obtained from the Arizona Department of Revenue.

² Data for public school enrollment were obtained from the U.S. Department of Education's Common Core of Data; data for private school enrollment were obtained from the U.S. Department of Education's Private School Survey. Data for private enrollment for 1998-99 and 2000-01, and for both public and private enrollment after 2002-03, were imputed.



FLORIDA TAX-FUNDED SCHOLARSHIPS

Eligibility

Participation is limited by the amount of funding that flows into the program. Only students eligible for free and reduced lunch may receive scholarships; students either must have been enrolled in public school the year before they receive scholarships or be entering kindergarten or first grade. For these reasons, the program received a grade of B- (2.5) for student eligibility in the 2003 Friedman Foundation report *Grading Vouchers*.

Scholarship Funding Organizations

The non-profit organizations that administer Florida's program are called Scholarship Funding Organizations. There were six such organizations in 2004-05, but more than 98 percent of all scholarships were granted by four of these organizations, so we profiled those four. Our participation data for this program are estimates.

Children First Central Florida

The application form is available on the Web. In addition

to basic information, it asks for Social Security numbers, the amount of the household's rent or mortgage payment and the student's race (this last item is optional). Parents must return the application with all tax forms, the student's report card, proof of custody (if this is not established on the tax forms) and a money order to cover the \$20 application fee. The deadline for application is June 30; parents may check the status of their applications online. There is no other necessary process.

Florida P.R.I.D.E. (Parental Rights In Deciding Education)

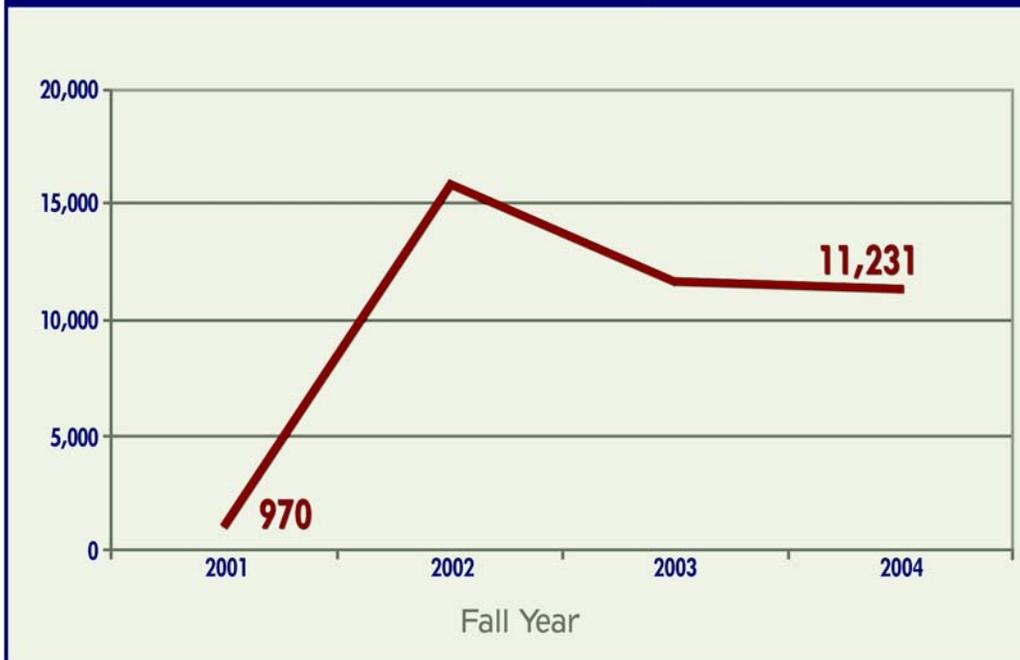
The application form, available on the Web, asks for information on non-custodial parents; a breakdown of income by source; the student's race (this is optional); whether parents had their rent, car or personal expenses paid for by a business or farm; the rent or mortgage amount and who pays for it; and a breakdown of assets and investments, in addition to basic information. The form must be returned with all tax

forms, documentation of non-taxable income, the student's report card and a money order to cover the \$20 application fee. The deadline for application is April 30; parents may check the status of their applications online. There is no other necessary process.

H.E.R.O.E.S. (Helping Educate Responsible, Outstanding, and Enlightened Students)

The application process and the form are the same as for Children First Central Florida. Parents filing to renew their applications must do so by April 30, as opposed to the June 30 deadline for regular applications.

Florida Tax-Funded Scholarship Participants
(Number of Scholarships)



Y.E.S. (Youth Education Scholarship) Opportunities

Parents must contact the organization to receive an application. They must fill out a financial analysis and once this is approved they fill out another form and take it to the private school. This form is the same as the one used by Florida P.R.I.D.E. The deadline for applications is April 28. Scholarship checks are mailed to the private school five times a year; parents must come in each time to endorse the checks.

Process Evaluation

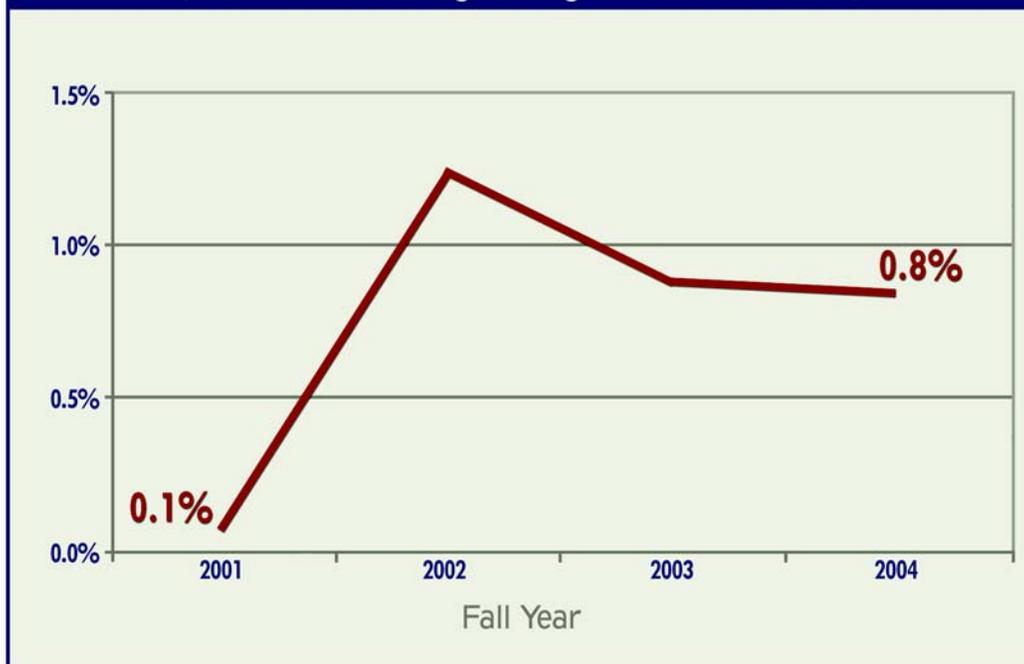
Good. Because access to the program is restricted by income, Scholarship Funding Organizations must collect financial information about applicants. However, the forms currently used are unnecessarily cumbersome and require more information than is strictly necessary. Where Milwaukee's voucher program simply asks five yes-or-no questions to establish eligibility and has applicants attach their tax returns, Florida's program requires applicants to fill out detailed financial questionnaires by hand.

On the other hand, applicants deal with a private organization rather than with a government office, as in most voucher programs. Since these organizations exist to give out scholarships, they have a stronger incentive than civil service bureaucrats to resolve problems and make the process easy for parents.

Participation History

The program came into operation in the spring of 2002, so the large increase between the 2001-02 school year and the 2002-03 school year represents parents entering the program in the first year for which it was available

Florida Tax-Funded Scholarship Participants (Estimated Percentage of Eligible Florida Students)



for the whole school year. Participation has since leveled off at slightly more than 11,000 scholarships.¹

Note on Estimation of Eligible Population

Only students who qualify for free and reduced lunch are eligible to receive the scholarships, so we used an estimate of the number of Florida students (public and private) who qualify for lunch programs as the eligible population. However, participation also is limited by the amount of funding that flows into the program, so the percentage of the population that participates does not necessarily reflect the actual level of interest in the program. We arrived at our estimate by taking the percentage of public school students who qualify for lunch programs (44.8 percent) and multiplying this by the total number of public and private school students. To the extent that private school students are less likely to be eligible for lunch programs, this will overestimate the eligible population somewhat, and thus underestimate the percentage of the eligible population that participates.²

¹ Participation data were obtained from the Florida Education Freedom Foundation.

² The percentage of Florida public school students eligible for free and reduced lunch was obtained from the Florida Department of Education. Data for public school enrollment were obtained from the U.S. Department of Education's Common Core of Data; data for private school enrollment were obtained from the U.S. Department of Education's Private School Survey. Public enrollment data after 2002-03 and private enrollment data after 2001-02 were imputed.

PENNSYLVANIA TAX-FUNDED SCHOLARSHIPS

Eligibility

Participation is limited by the amount of funding that flows into the program. There also is a relatively generous income restriction on participation. Participating households must have an income below \$50,000 plus \$10,000 for each child in the household (e.g. a one-child household must be below \$60,000, while a three-child household must be below \$80,000). Because of these limitations, the program received a grade of C (2.0) for student eligibility in the 2003 Friedman Foundation report *Grading Vouchers*.

Scholarship Organizations

The non-profit organizations that administer Pennsylvania's program are called Scholarship Organizations. There were 167 such organizations in 2004-05. Since Pennsylvania does not yet publish detailed data on Scholarship Organizations, including such information as the number of scholarships each organization distributes, we were unable to select our organizations systematically. Instead, we profiled several Scholarship Organizations that we knew distributed a

large number of scholarships. Following recent legislative changes, Pennsylvania's Department of Education has announced that it will soon begin publishing more detailed information on Scholarship Organizations.

B.L.O.C.S. (Business Leadership Organized for Catholic Schools)

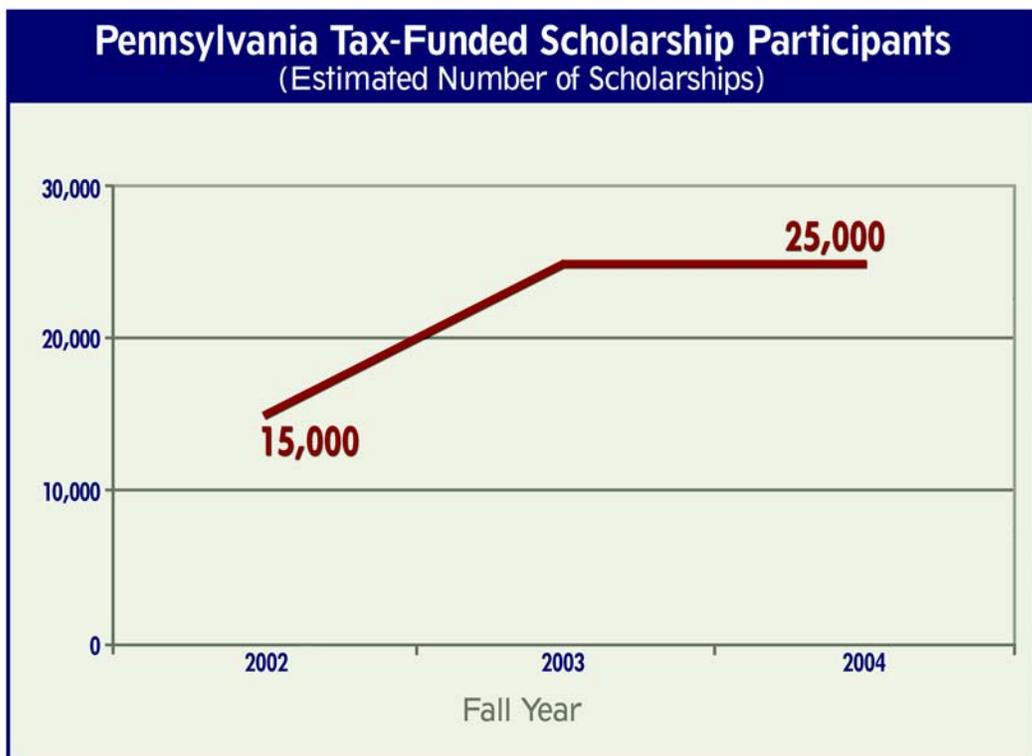
The application form is available on the Web. In addition to basic information, it asks for the relationship and status of each household member and regular and business income broken down by source; it also provides a checklist of special circumstances (e.g. lost job, recent divorce, death in the family). The application must be returned with all tax forms, documentation of non-taxable income and a \$17 application fee. Applications must be postmarked by April 15; parents may check the status of their applications online. After the scholarship has been paid to the private school, parents are sent a verification form to certify that it was used for their child; they must sign it and return it.

Diocese of Scranton Scholarship Foundation

Every parent at a participating school gets the application form. The form is the same as the one used by B.L.O.C.S.; it must be returned with the parent's federal and state tax return and a \$19 application fee. The application deadline is April 15; there is no other necessary procedure.

Henkels Foundation

To receive a scholarship directly from the foundation, parents must call to receive an application; the foundation also distributes money to private schools to pay for scholarships for students selected by the



schools. Children applying directly to the foundation must currently be in a public school. The application form asks for the parents' and children's Social Security numbers, parents' marital status, their rent or mortgage amount, and income broken down by source, in addition to basic information. The form must be returned with all tax documents, documentation of non-taxable income and a \$19 application fee. The deadline for applications is May 27. There is no other necessary process.

Neumann Scholarship Foundation

Parents must get the application form from their schools. The form is the same as the one used by B.L.O.C.S.; it must be returned with the parent's state and local tax returns and a \$19 application fee. The application deadline is April 1. There is no other necessary process.

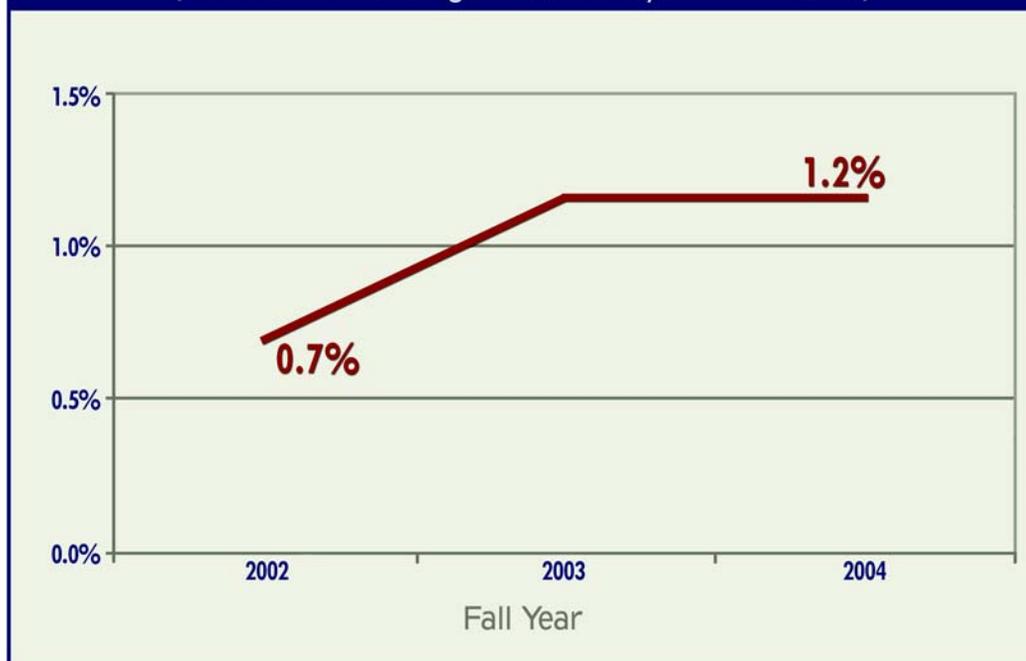
Scholastic Opportunity Scholarship Fund

Every parent at a participating school gets the application form. The form is the same as the one used by B.L.O.C.S.; it must be returned with the parent's federal and state tax return, documentation of non-taxable income and a \$15 application fee. The application deadline is March 15.

Process Evaluation

Good. Participation in Pennsylvania's tax-funded scholarship program is very similar to participation in Florida's. Because access to the program is restricted by income, Scholarship Organizations must collect financial information about applicants. However, the forms currently used are unnecessarily cumbersome and require more information than is strictly necessary. Where Milwaukee's voucher program simply asks five yes-or-no questions to establish eligibility and has applicants attach their tax returns, Pennsylvania's program requires applicants to fill out detailed financial questionnaires by hand.

Pennsylvania Tax-Funded Scholarship Participants (Estimated Percentage of All Pennsylvania Students)



On the other hand, applicants deal with a private organization rather than with a government office, as in most voucher programs. Since these organizations exist to give out scholarships, they have a stronger incentive than civil service bureaucrats to resolve problems and make the process easy for parents.

Participation History

Data on the number of participants are estimated. Participation is limited by the amount of funding that flows into the program, so the percentage of the population that participates does not necessarily reflect the actual level of interest in the program. The program reached the limit of available funding in 2003, distributing about 25,000 scholarships; this is why enrollment did not rise in 2004-05. The funding limit has been raised for 2005-06.¹

Note on Estimation of Eligible Population

The income restriction on the program left us without a convenient reference point (such as the percentage of students who qualify for lunch programs) from which to estimate the eligible population. Because the income limit is fairly generous, we simply report participation as a percentage of all Pennsylvania students (public and private).²

¹ Participation data were obtained from the REACH Alliance.

² Data for public school enrollment were obtained from the U.S. Department of Education's Common Core of Data; data for private school enrollment were obtained from the U.S. Department of Education's Private School Survey. All data for the student population except for public school enrollment in 2002-03 were imputed.

USING PERSONAL TAX DEDUCTIONS AND CREDITS

Three states have school choice programs that are administered directly to families through the tax code. Parents who pay private school tuition may get a tax credit or deduction. While these provisions are worth only a small amount, they make the option of private school a little easier for a large number of parents.

Families must earn enough to pay state income tax to benefit at all from these programs and must earn enough to pay a significant amount of state income tax to benefit fully. Additionally, as noted below, only households making less than a certain income threshold are eligible for Minnesota's tax credit. Because eligibility for these programs is limited by these factors, all three of them received a grade of C (2.0) for student eligibility in the previous Friedman Foundation report *Grading Vouchers*.

Participation data for these programs are for the number of households claiming the credit or deduction. Since there often will be more than one eligible child in a given household, the number of children benefiting from these programs will be somewhat larger than the number of households claiming the credit or deduction. In addition, under all three programs, education-related expenses from public or private schools are eligible. Families claiming the credit for public school expenses are not exercising private school choice; data are not available to disaggregate private school participants from public school participants.

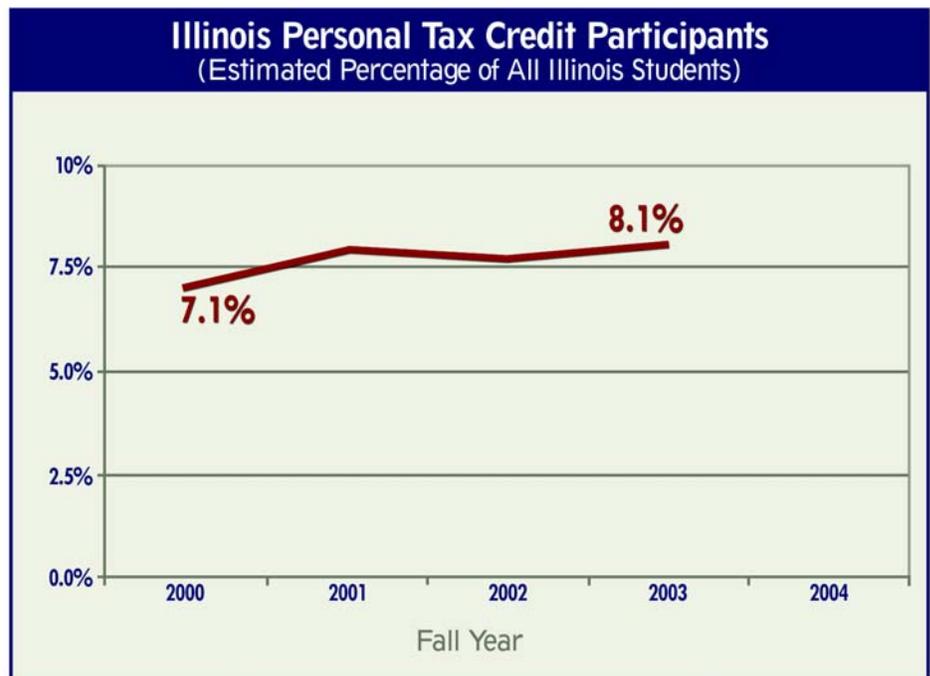
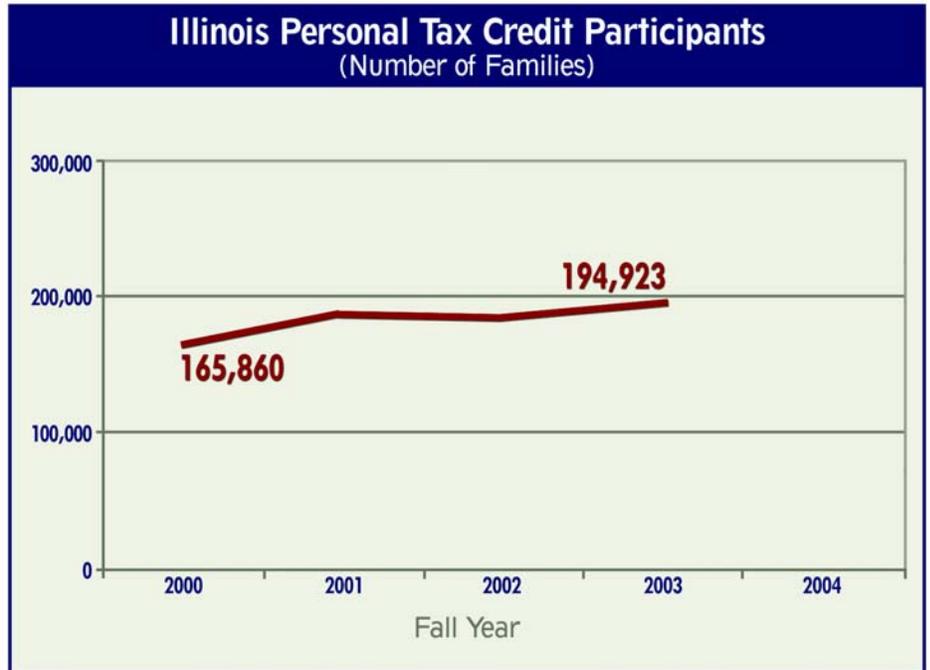


ILLINOIS PERSONAL TAX CREDIT

Illinois provides a personal income tax credit for 25 percent of money spent on educational expenses, including private school tuition, after the first \$250. It pays a maximum of \$500. The credit had its own separate line on the 2004 state 1040 form. Families must either attach a receipt from the school and fill out a worksheet or submit a Schedule ED form. The student's Social Security number and the name of the school must be provided.¹

Process Evaluation

Excellent. Families need only fill out a simple form with basic information on each child.



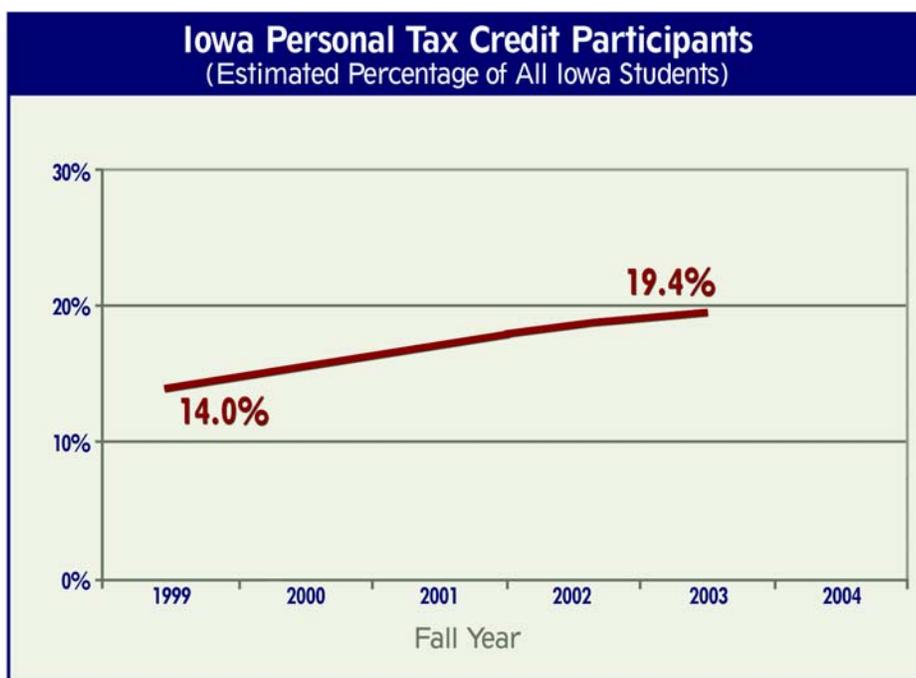
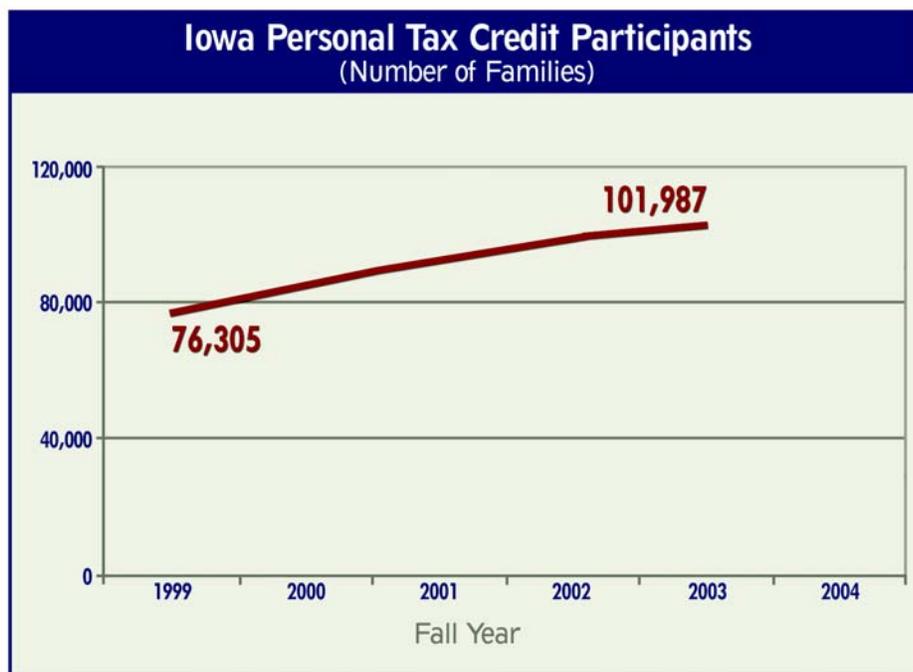
¹ Participation data were obtained from the Heartland Institute. Data for public school enrollment were obtained from the U.S. Department of Education's Common Core of Data; data for private school enrollment were obtained from the U.S. Department of Education's Private School Survey. Data for public school enrollment after 2002-03 and private enrollment for 2000-01 and after 2002-03 were imputed.

IOWA PERSONAL TAX CREDIT

Iowa has a personal tax credit that refunds 25 percent of educational expenses, including private school tuition, up to a maximum refund of \$250. The credit had its own separate line on the 2004 state 1040 form; families need only state the amount they spent.¹

Process Evaluation

Excellent. Families need only state the amount they spent.



¹ Participation data were obtained from the Iowa Catholic Conference. Data for public school enrollment were obtained from the U.S. Department of Education's Common Core of Data; data for private school enrollment were obtained from the U.S. Department of Education's Private School Survey. Data for public school enrollment for 2003-04 and private enrollment for 1998-99, 2000-01, and after 2002-03 were imputed.



MINNESOTA PERSONAL TAX DEDUCTION AND CREDIT

Minnesota has both a personal tax deduction and a personal tax credit for educational expenses. Tuition expenses qualify for the deduction but not the credit; nonetheless, the tax credit assists parents in exercising private school choice because non-tuition expenses at private schools (which the private schools can bill separately) are eligible.

Parents may take a tax deduction for expenses of up to \$1,625 of taxable income in grades K-6 and for \$2,500 in grades 7-12. The deduction is worth the full amount spent on educational expenses, up to the specified limits.

Taxpayers also may claim a refundable credit for 75 percent of non-tuition education expenses. Each family may receive a credit of up to \$1,000 per child in the family. Before changes were legislated in 2005, there was a total limit of \$2,000 per family and the credit for expenses associated with each particular child could not exceed

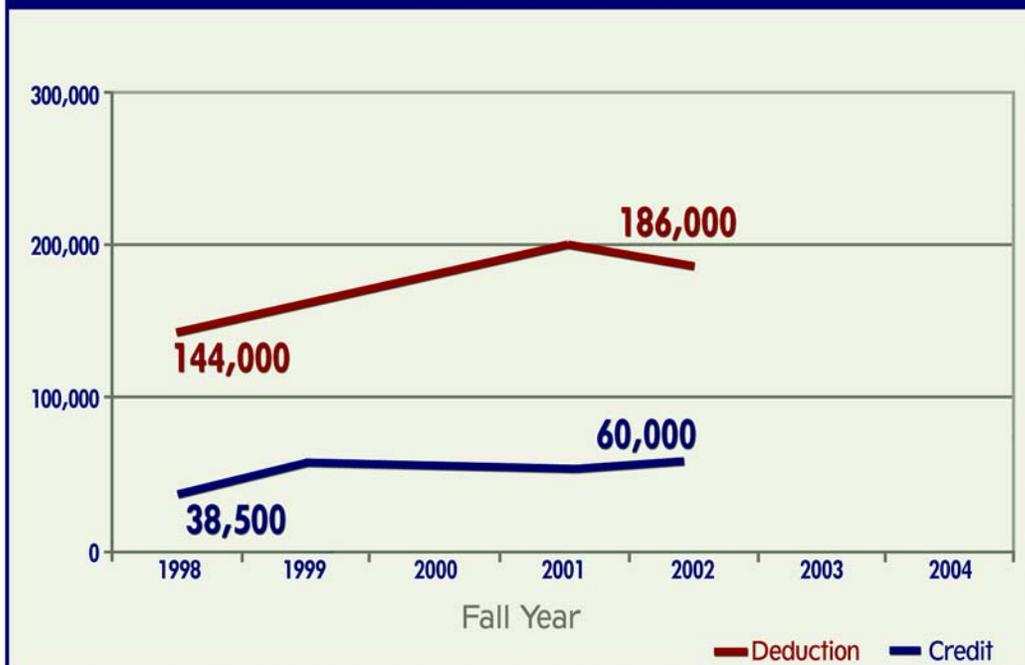
\$1,000. These limits have been removed. The value of the credit is gradually reduced for taxpayers earning more than \$33,500. Families may not claim the credit if their income is above \$37,500. The 2005 changes will allow families with more than two children to add \$2,000 to the \$37,500 income ceiling for each child in the family after the first two.

The deduction and credit each have their own lines on the state's main tax form, the M1. To get the deduction, families must declare the number of children for which it is being claimed. To obtain the credit, families also must fill out Schedule M1ED, which asks for income broken down by five types of sources (three from the federal 1040, plus welfare and non-taxable income), and the amount of each educational expense broken down by type of expense and for which child it was spent.

We measured the deduction participants as a percentage

of all students, as for the Illinois and Iowa tax credits. However, because the Minnesota tax credit has an income restriction, we measured its participants as a percentage of all students (public and private) qualifying for free and reduced lunch. To estimate this population, we took the percentage of Minnesota public school students who qualify for lunch programs (60 percent) and multiplied it by the total number of public and private school students. To the extent that private school students are less likely to qualify for lunch programs, this will overestimate the eligible

Minnesota Personal Tax Deduction and Credit Participants
(Number of Families)

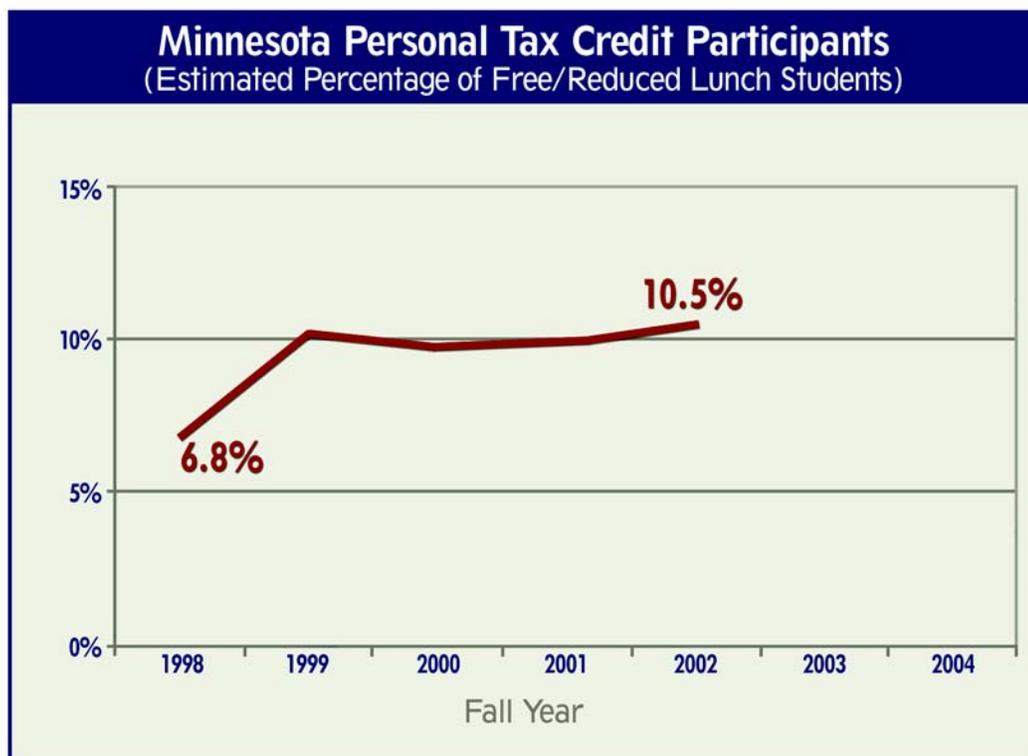


population somewhat. Also, the income cutoff for lunch programs is somewhat higher than the income cutoff for the tax credit, resulting in a small further overestimation in the eligible population.

Deduction participant data are estimates, and the credit participation datum for 2002 is estimated.¹

Process Evaluation

Good. Schedule M1ED requires parents to itemize educational expenses by type of expense in order to ensure that only expenses falling into authorized categories are included. For example, the cost of driving your own child to school does not count as an “educational expense,” but if your private school charges a fee for bus service, that does count.



¹ Participation data were obtained from the Minnesota House Research Department. Data for the deduction were imputed for 1999 and 2000. Data for public school enrollment were obtained from the U.S. Department of Education's Common Core of Data; data for private school enrollment were obtained from the U.S. Department of Education's Private School Survey. Data for private enrollment for 2000-01 and 2002-03 were imputed.

CONCLUSION

Legal challenges and burdensome procedures have had a dramatic effect on participation in school choice programs. Court challenges are closely associated with decreases in participation for which there are no other obvious explanations. Of the two programs with participation procedures evaluated as “poor,” only one has existed long enough to measure participation, and that program is the only school choice program with a long-term downward trend in participation. It is reasonable to conclude that the removal of procedural burdens and court challenges would result in substantially higher participation in school choice programs.

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