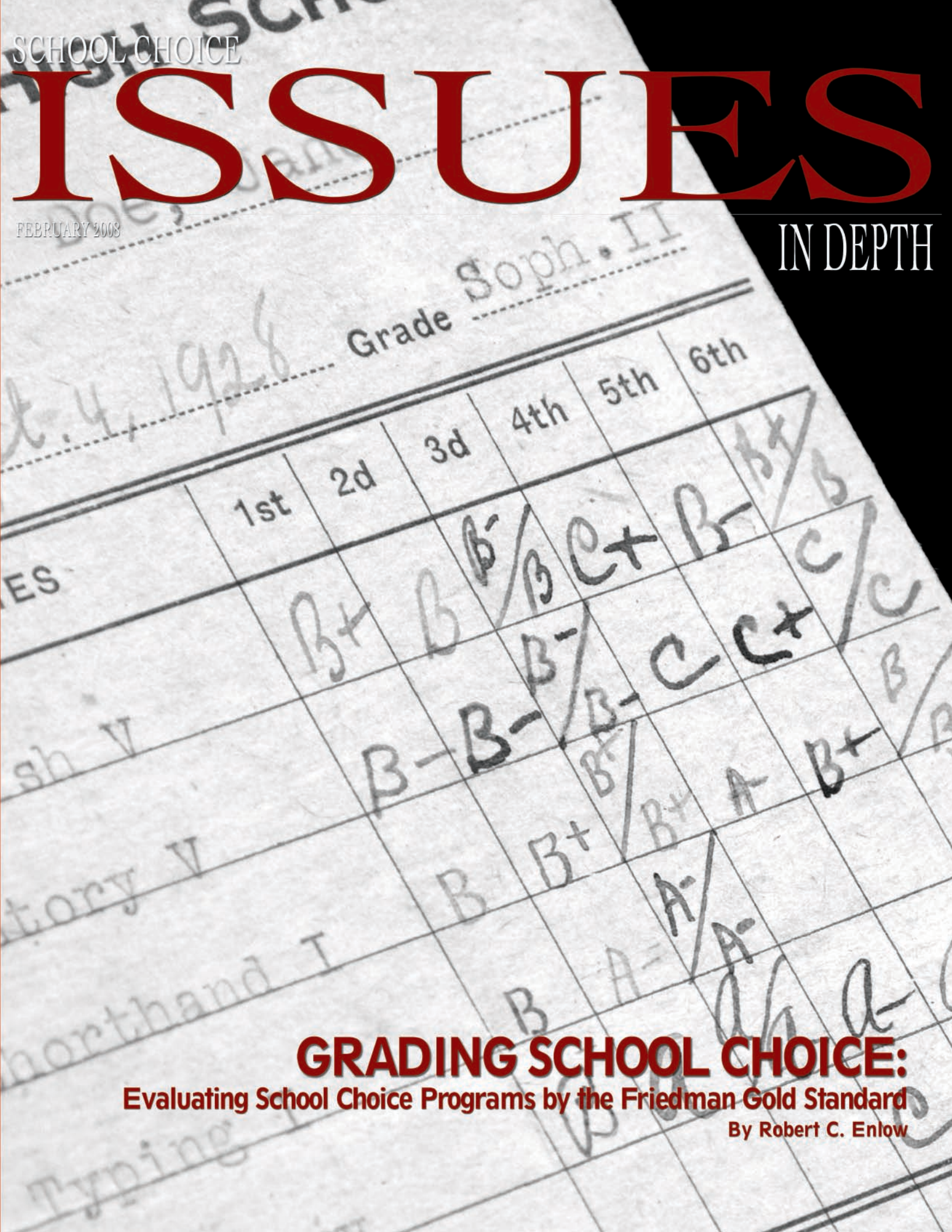


SCHOOL CHOICE

ISSUES

FEBRUARY 2008

IN DEPTH



GRADING SCHOOL CHOICE:

Evaluating School Choice Programs by the Friedman Gold Standard

By Robert C. Enlow

GRADING SCHOOL CHOICE:
EVALUATING SCHOOL CHOICE PROGRAMS BY
THE FRIEDMAN GOLD STANDARD

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THE FRIEDMAN
FOUNDATION
FOR
Educational
Choice

ABOUT THE AUTHOR



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Under his leadership, the Friedman Foundation has become one of the nation’s leading advocates for school choice, working in dozens of states to advance the issue by disseminating research, sponsoring seminars, undertaking advertising campaigns, organizing community leaders and providing grants.

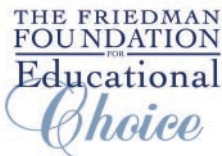
He is the co-editor of the book *Liberty and Learning, Milton Friedman’s Voucher Idea at Fifty*, author of “Grading Vouchers: Ranking America’s School Choice Programs”, and co-author of *School Choice: A Reform that Works* and “Early School Choice,” a chapter in *An Education Agenda: Let Parents Choose Their Children’s School*. His articles and quotes have appeared in numerous publications including the *Wall Street Journal*, *New York Times*, *Arizona Republic* and *National Review*.

Prior to joining the Friedman Foundation, Enlow lived and worked in England where he served as a deputy day center manager and social worker for St. Botolph’s Project, an organization providing rehabilitative care and services to homeless men, women and families. While in England, he also served on the school boards of two inner city schools in London, Hillmead Infants and Juniors Schools, where he chaired the finance committee and served on the building and curriculum committees. During his tenure, the success of the schools was nationally recognized in an inspection by Her Majesty’s Office of Standards in Education Department (OFSTED).

From 1990-92, Robert attended Oxford University where he worked on a post-graduate degree in theology. He received his B.A. degree from Seattle Pacific University.

His civic positions include private sector chairman of the Education Task Force for the American Legislative Exchange Council, a group that recently named him Private Sector Member of the Year. He is also a board member for School Choice Ohio, School Choice Indiana, Hispanic Council for Reform and Educational Options, and an advisory board member of Children First: School Choice Trust. He currently lives in Indianapolis and has two children, Jefferson and Charles.

ABOUT THE FRIEDMAN FOUNDATION FOR EDUCATIONAL CHOICE



The Friedman Foundation for Educational Choice, dubbed “the nation’s leading voucher advocates” by the *Wall Street Journal*, is a nonprofit 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 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.

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FOREWORD

In 2004, The Friedman Foundation for Educational Choice published a report titled “Grading Vouchers: Ranking America’s School Choice Programs.” Its purpose was to measure every existing school choice program against the gold standard set by Milton and Rose Friedman: that the most effective way to improve K-12 education and thus ensure a stable democracy is to separate government financing of education from government administration of schools. Government, they argue, should provide funds for every child to receive an education, and the role of government in education should be limited to ensuring that schools meet minimum standards for things such as health and safety.

While the media often report on school choice programs as though they are all the same or that they all live up to this standard, in reality, the programs fall short in a variety of ways. We hoped our 2004 report would help legislators, the media and proponents evaluate the ways in which America’s school choice programs are regulated in size, scope and terms of participation, thereby relieving them of the need to track down and decipher the reams of obscure legal jargon in which these regulations are established.

Of course, the report was not intended to oppose any of these programs. We believed then, as we do now, that in most cases having a school choice program is better than not having one. More freedom is better than less, and we understand that while we should strive for the gold standard we don’t want the perfect to be the enemy of the good.

Nonetheless, it remains important for school choice supporters to keep the gold standard in view as they fight to expand educational opportunities. Programs that provide students with purchasing power comparable to the resources available to the public school system are better than those that provide only a little money to help students seek education services outside the public system; programs that extend school choice to all students are better than those that discriminate on the basis of income, residence, disability or other factors; and programs that make it easier for parents to access a wide array of educational options are better than those that impose onerous regulations that make it harder for parents to secure educational freedom.

We are pleased to say that the report got a lot of attention in the media and among policy makers and the public. It also sparked some spirited debate among school choice supporters. We achieved our goal of drawing public attention to the discrepancy between the gold standard of full educational freedom and the restrictive features of existing programs. The success of our last report proves that the public had not been sufficiently aware of this discrepancy, and that providing a clear and standardized evaluation of each program made it possible for the public to make better sense of this complicated issue.

We are even more pleased to note that most of the new school choice programs enacted since our last report conform more closely to the Friedman gold standard than did previous programs. In particular, income restrictions are more generous, and unnecessary regulations on participating schools are much less common; often there are no such unnecessary regulations at all. And of course, in 2007 the Utah legislature enacted what would have been the nation’s first universal

voucher program, had it not been blocked by a union-sponsored misinformation campaign. If the Friedman Foundation played any role in Utah's voucher victory, we are honored.

Given the ever-changing nature of the school choice landscape, we believe that an updated edition of this report is necessary, as it is critically important to periodically reevaluate existing school choice programs by the Friedman gold standard. Since the publication of our last report, nine new school choice programs have been enacted in Georgia, Utah, Ohio, Arizona, Iowa, Rhode Island and Washington D.C. We also have become aware of a little-known voucher program for autistic students in Ohio. Ten programs in Florida, Wisconsin, Arizona, Ohio, Minnesota and Pennsylvania have been modified and expanded since our last report.

A second reason for this new edition of the report is to improve it by refining our grading criteria. Several important changes have been made to improve the grading process. For example, we now grade by percentages rather than just by letter grades, which allows for more precise comparisons. We also have improved our measure of restrictions on student participation in two ways. We have adopted objective grading criteria to provide a more impartial comparison between programs. And we now distinguish three types of participation restrictions—those arising from demographic characteristics, geographic location and legislated caps on the total size of school choice programs. This allows us to give additional grading weight to restrictions in the first category, which are more directly opposed to the Friedman gold standard.

Thirdly, we have added two new features: Adequate Yearly Progress and Room for Improvement. Adequate Yearly Progress highlights positive changes to school choice programs since our last report. For example, the Milwaukee program saw its enrollment cap raised from about 15,000 to 22,500, and eligibility for the Ohio EdChoice voucher program was expanded from about 20,000 students to over 93,500. Room for Improvement points out some simple reforms that could dramatically raise the grades of some programs.

Finally, we want to reaffirm our commitment to the gold standard of educational freedom established by Milton Friedman. We support school choice for all, not just for some, and it's our job to constantly remind the country of the need for the most basic American freedom of universal choice in schooling.



INTRODUCTION

INTRODUCTION



Now that school choice has made it onto the national stage and earned the right to be taken seriously, there is a need to once again remind the public of the gold standard Milton Friedman laid down.

When Milton Friedman put forward the idea of vouchers, the American education system was very different than it is today. There were many more public school districts serving roughly half as many students. Schools were more homogeneous, and efforts to integrate the long-segregated government school system were only just beginning. Private schools existed, of course, but the framework of our present-day monopoly system was already in place. The government saw to it that the overwhelming majority of students would be taught in its schools, by its employees, under its rules, learning what it thought they should learn and being held to academic standards (or a lack thereof) of its choosing. In 1955, most Americans thought no more about choosing their own schools than they did about choosing their own height.

Like so much else that Friedman proposed back then, school choice was a bold and radical departure from the standard of benign government control that few questioned. And, like so much else he proposed back then, school choice has stood the test of time and been vindicated by history. Just as markets are gradually displacing monopolies in everything from retirement savings to trash collection, school choice has grown from an idea into a movement, and from a movement into a proven reform.

Vouchers moved from the drawing board to the classroom in Milwaukee, which adopted the nation's first modern voucher program in 1990. Suddenly vouchers weren't just an abstract idea or a curious century-old practice in some parts of New England. Vouchers became a real movement, bringing educational hope to children trapped in poorly performing schools. The teachers' unions and others with an interest in protecting the status quo howled like mad when vouchers came to Mil-

waukee: Vouchers would serve only the rich. Vouchers wouldn't provide better education for children. Vouchers would ruin the public schools by draining their budgets. By fighting to create a voucher program and preserve it from incessant attacks, the Milwaukee reformers gave us a chance to put these claims to the test. Now, a decade and a half later, we can say confidently that the critics have been proven wrong on all counts.

The success of vouchers in Milwaukee led to the growth of school choice elsewhere. People gave less heed to the Chicken Littles as they saw that in Milwaukee the sky wasn't falling—quite the reverse, in fact. Today there are 21 school choice programs for K-12 students in 13 states and Washington D.C. Six of those programs were enacted in just the last two years, and five of the those were in states where Democrats control either the statehouse or the governor's office. Six more school choice programs were expanded or improved in the last two years. This means not only that school choice is enjoying its biggest legislative successes ever, but also that school choice has broken down the partisan barrier and forged a true bipartisan coalition. And more expansions of school choice are on the horizon.

But, as with any successful movement, there is a danger that school choice programs will lose sight of the standards they first set out to uphold. To get this far, school choice has had to accept political compromises—programs operate under legal restrictions that exclude children from equal participation and unnecessarily restrict their range of choices. Now that school choice has made it onto the national stage and earned the right to be taken seriously, there is a need to once again remind the public of the gold standard Milton Friedman laid down: that every child ought to have educational freedom, and

that this freedom ought to be offered on the most generous terms possible.

That's why The Friedman Foundation for Educational Choice first published "Grading Vouchers: Ranking America's School Choice Programs" in 2004. Our goal was to raise awareness of the limits and restrictions that are imposed on school choice programs and evaluate the extent to which each program deviates from the ideal of providing a full measure of school choice to every child. Now, with this revised and updated edition, we hope to provide an even better evaluation of the regulations that restrict school choice programs, and keep this vital issue in the public eye as school choice continues to expand.

The media typically report on school choice programs as though they were all the same. In reality, there are numerous differences between school choice programs, in large part because opponents of reform have succeeded in saddling school choice with all kinds of restrictions that prevent them from offering full educational choice to all students. Everything from who may participate, to how much of their education funding they may take with them out of the government-run system, to what kinds of schools they may attend, is tangled in a thicket of legal and legislative proscriptions.

The purpose of this report is to cut through the jargon, provide clear and systematic information about these restrictions and evaluate how close each program comes to the gold standard. This will help focus public attention and help school choice advocates in their efforts to open up programs to all students.

This report evaluates school choice programs based on three criteria: student restrictions, purchasing power



Programs that extend school choice to all students are better than those that discriminate on the basis of income, residence, disability or other factors; and programs that make it easier for parents to access a wide array of educational options are better than those that impose onerous regulations that make it harder for parents to secure educational freedom.

and school restrictions. The first criterion measures how accessible a program is for students who want to participate—whether students are denied educational freedom based on their personal characteristics, their place of residence or an overall participation cap. Purchasing power measures the dollar value of the voucher or scholarship provided, which directly determines how much educational choice each participating student will be able to exercise. And school restrictions measures the extent to which participating schools must submit to regulations beyond a reasonable minimum standard; these excess regulations reduce student choice by placing unnecessary limits on what kind of education students are empowered to receive.

The nation's highest-scoring school choice program is once again Florida's McKay voucher program for disabled students. The program has no participation restrictions other than being limited to disabled students, provides a very generous voucher, and imposes few unnecessary restrictions on participating schools. The program gets a grade of A-, with a score of 76 percent—the only program to earn a grade in the "A" range.

The nation's lowest-scoring school choice program is the personal tax-credit and deduction available to private school parents in Minnesota. The program is income-restricted, and—like most school choice programs that operate through the tax code—it provides parents with little money, and thus little choice. The program gets a grade of C-, with a percentage score of 48 percent.

Vouchers versus Tax Credits

There is a debate going on in the school choice movement over which form of school choice is the most promising: school vouchers, tax-credit scholarships, or personal tax credits for private school tuition. A report that grades school choice programs might be expected to take a position on which of these forms is the best. However, this report does not do that.

It isn't that the Friedman Foundation doesn't have any opinions on this subject. Milton Friedman himself expressed a preference for vouchers over tax credits. And members of the Friedman Foundation staff, have been known to express their opinions on the question from time to time as well.

But the purpose of this report isn't to express a preference for vouchers or tax credits. It is to evaluate each program by the Friedman gold standard of universal choice. What matters for the purposes of that standard is not whether school choice comes from a voucher or through the tax code, but how many students it helps (student restrictions), how much it helps them (purchasing power), and how great a variety of schools it will help them choose from (school restrictions).

To those who say that there is little hope in vouchers because they invite greater government regulation or greater government entanglement in private school curricula, we reply that there is no reason to think so. There is nothing magical about the tax code that protects its provisions from political interference. What protects a program from interference is the diligent vigilance of its supporters. That's why, contrary to the claims that are sometimes made about vouchers, there has been little to no regulatory encroachment on private schools participating in America's twelve voucher programs. In real life, this just hasn't been a huge problem.

On the other hand, to those who look down on tax credits because they provide only a paltry amount of money, we respond that this weakness alone shouldn't disqualify these programs. This is a reason to support more generous tax credit programs, not to withdraw our support from tax credits altogether.

And we say the same thing in reverse to tax credit advocates who look down on vouchers because they don't help a large enough number of people. For one thing, it's not necessarily true—Florida's McKay program and Milwaukee's voucher program have very large numbers of participants. If some voucher programs are limited to small numbers of students, this is a reason to support expanding those programs.

All this is why it's so important to keep the Friedman gold standard of universal choice in view. The number of students matter, the amount of money they get matters, and the variety of private school choices they are allowed to make matters. We need to evaluate programs based on how good a job they do in all three areas—and we need to evaluate each program individually, not lump together all vouch-

ers and all tax credits as though there weren't tremendous variety within each of those categories.

Arizona's original tax-credit scholarship program, the one funded by individual donations, scores highly on the Friedman gold standard. It imposes no restrictions on which students can use it, and imposes no unnecessary regulations on participating schools. Its only problem is the lack of available funding, which limits both the number of students who can participate and the size of the scholarships.

By contrast, Arizona's other tax-credit scholarship program scores much lower, largely because it imposes an income restriction. Tax-credit scholarship programs in some other states score lower still.

The voucher programs for disabled students in Florida and Georgia, like Arizona's personal tax-credit scholarship program, impose no income restrictions. They impose only a light regulatory burden on participating schools. Unlike the Arizona program, they have plenty of funding available. However, also unlike the Arizona program, they impose a pretty serious demographic restriction: only disabled students can participate. Therefore, our grades for these voucher programs are not very different from our grades for the Arizona tax credit program.

On the other hand, the Milwaukee and Cleveland voucher programs fall short of the Friedman standard in a variety of ways. These pioneering programs were created in the early days of the modern school choice movement, when greater political compromises were necessary. While we owe a debt of gratitude to these trailblazers, we should acknowledge that they represent only a fraction of the Friedman gold standard.

At the Friedman Foundation, we intend to keep our eye on the ball—universal choice. We will continue to support programs that offer choice to as many students as possible, that give them as much money as possible and that allow them to choose as many schools as possible. In short, we will support systemic reform over limited reform, regardless of which form it takes.

Universal Vouchers and Utah

In early 2007, Utah gave the school choice movement



School choice programs aren't just being enacted; they're growing.

an extraordinary breakthrough by enacting the nation's first universal voucher program. By the end of 2007, the teachers' unions had given the school choice movement a moderate setback by rolling back the program with a \$3 million referendum smear campaign.

This is exactly the opposite of the way some people have portrayed the events of this tumultuous year. The unions have trumpeted the loss of the Utah program far and wide as though it represented some enormous vindication of their agenda. And some people who are friendly to the school choice movement have been wringing their hands, wondering whether it means the end of vouchers, or at the very least the end of our aspiration for universal vouchers. They have said less about the wider significance of the program's original enactment by the state legislature and the governor.

In fact, while the loss of the program was a disaster for Utah's children, it is only a stumble for the school choice movement—one from which we will recover quickly. There are currently 21 school choice programs in 13 states plus the District of Columbia. About 185,000 students use vouchers and tax-credit scholarships to attend private schools using public funds.

And the movement is gaining momentum, not losing it. Nine of the 21 school choice programs were enacted in the three years since we published the first edition of this report, and 12 of the 21 programs were enacted since 2000. Moreover, in the last three years, ten school choice programs have been expanded—some of them multiple times. And all five of the new programs enacted in 2006 came in states with Democratic governors or legislatures. Basically, all of the major growth in the school choice movement happened after the crushing voucher referendum defeat in Michigan in 2000.

The enactment of universal vouchers in Utah is far more important than their repeal. No state had ever embraced universal vouchers until now. Utah showed that universal voucher laws can be enacted. The union smear campaign can't change that.

The Utah voucher was the closest program ever to meeting Milton Friedman's gold standard. Had it been in-

cluded in our grading for this report, it would have been our only full “A” program, with a score of 84 percent. (The \$3,000 maximum voucher amount would have been its only major drawback, earning a 65 percent for purchasing power; the program also required teachers with bachelor’s degrees and standardized testing, for a school restrictions score of 88 percent).

Some are saying that the Utah program lost because it was universal. But more limited voucher programs put up for referendum have lost, too. Anyone who thinks the campaign against the Utah program would have been any different if the program had been targeted at some particular population is simply not paying attention.

The problem is the nature of the referendum. Referenda allow the teachers’ unions to make the most of their advantages—their millions of dollars in coerced union dues, their dishonest propaganda and the legions of voters who benefit financially from protecting the union gravy train. They are wrong on all the issues, and wrong on all the facts, which is why school choice does better in a legislative setting where it’s easier for the truth to get a hearing. But they have lots of money, effective lies and lots of willing troops, and that counts for a lot in a referendum campaign.

But there are signs that even this advantage is waning. The national teachers’ unions had to pour at least \$3 million into Utah to beat vouchers. It wasn’t the local union. And they had to resort to ever more outrageous and inflammatory falsehoods; they seem to be leaning more—and more crudely—on the bogus “segregation” argument every year. That’s probably because we’ve done such a good job of disproving their other talking points. The message is getting through. What will the unions do when we’ve won the argument over segregation the way we’ve already won it over the academic benefits of choice?

The Utah experience this year was a good one for the Friedman vision of universal choice. The movement proved that a universal bill can be passed, and that even on the unfavorable ground of a referendum fight, the unions had to make extraordinary efforts to beat it. Pulling back from the universal vision of educational freedom would only help the unions prop up their mystique of

indestructibility, while abandoning unknown thousands of children to continue suffering a mediocre (or worse) education at the hands of the government monopoly.



GRADING CRITERIA

GRADING CRITERIA



Every student deserves educational freedom, whether rich or poor; Caucasian or a person of color; disabled or not disabled.

This report grades all 21 existing K-12 school choice programs on three criteria:

- Student restrictions—the extent to which a program excludes students based on demographic characteristics such as income or disability status, geographic location, or a cap on the total size of the programs;
- Purchasing power—the amount of money a program provides to make school choice effective; and
- School restrictions—the breadth of schools from which participants are allowed to choose.

The overall score for each program is a combination of its scores on these three criteria. Each of these criteria makes up one third of the overall score. We assigned each program a letter grade based on its overall score using five-point increments—80 percent or above is an “A,” 75 percent to 80 percent is an “A-,” 70 percent to 75 percent is a “B+,” and so on. As mentioned previously and explained in greater detail below, these criteria are significantly improved over our 2004 report.

In our previous report, we incorporated into the grading system a consideration of the competitive pressure school choice exerts on public schools. We rewarded programs that we thought were more likely to generate a stronger effect on public schools. In our new report, since we are now using objective criteria, we searched for a way to evaluate this aspect of school choice programs objectively. However, we have not been satisfied with the criteria we developed, which ended up being based on each state’s school funding formulas rather than the characteristics of their school choice programs. And in any event, we believe that the most important driver of competitive effect is universal choice—the important thing is to offer as much choice as possible to as many students as possible. For that reason, we think the

grading criteria we have developed for student restrictions, purchasing power and school restrictions represent the best possible measure of competitive effect.

Student Restrictions

A program's score for student restrictions is made up of three components. The first component is demographic restrictions. Every student deserves educational freedom, whether rich or poor; Caucasian or a person of color; disabled or not disabled. There is no legitimate reason why all students shouldn't be free to attend the schools that work best for them, and there is no legitimate reason why some students should, by virtue of their socio-economic status or other personal characteristics, be trapped in the government's monopoly system while others are permitted to take their share of education funding and leave for superior schools. Obviously some students will benefit more from school choice than others; the most socially disadvantaged students do attend the worst public schools and therefore will gain the most from being offered an escape hatch. But every child would be better off having a choice rather than not having a choice.

Unfortunately, in the real world school choice programs don't offer a choice to all students. For political reasons that have nothing to do with what benefits students or society, restrictions have been placed on which students can participate. These restrictions discriminate against some students on the basis of factors such as income, disability status and grade level.

A program's score for demographic restrictions is equal to the percentage of students who are eligible for that program in that state. For example, only K-8 students can enter the Cleveland voucher program, so we graded it based on the percentage of all Ohio students who are

in grades K-8. Grading programs based on the eligible population in the entire state, rather than only in the area where the program is available, was necessary to separate the effect of demographic restrictions from the effect of geographic restrictions.

This system represents a change from our last report, in which subjective criteria were used to evaluate restrictions on student participation. Under our refined grading criteria, what matters are objective facts.

Demographic restrictions count for 70 percent of the student restrictions score, because they are the most directly opposed to the Friedman gold standard. Discriminating against students based on their personal characteristics represents a more direct attack on the principle of universal educational freedom than exclusion arising from geography or program size cap.

The second component is geographic restrictions. Just as students shouldn't be denied educational freedom based on their demographic characteristics, they also shouldn't be denied it based on where they live. Nonetheless, some school choice programs discriminate against some students by excluding them on the basis of where they live. The Friedman gold standard of choice for all, not just for some, is violated by any program that doesn't provide school choice to every student within the jurisdiction of the state government enacting it. A program's score for geographic restrictions is equal to the percentage of students in the state who live in the eligible area of the program. Geographic restrictions count for 20 percent of the student restrictions grade.

The third component is program size restrictions. In addition to exclusions based on students' characteristics and places of residence, many school choice programs exclude

some students by placing a cap on the total number of students who can participate. Obviously there is no legitimate educational reason to provide school choice to the first 500 students who apply and then deny it to the 501st applicant—or the 14,000th, or the 22,500th. Every student is better off having a choice. And since school choice programs save money for states and provide positive incentives for the public school system to improve, it's better for everyone to let these programs grow. A program's score for program size restrictions is equal to the percentage of all students in the state who can participate under the program cap. Program size restrictions count for 10 percent of the student restrictions grade.

What we are grading here is legal restrictions on participation, not actual participation levels. School choice programs sometimes start small when they're brand new and parents either haven't heard of them or regard them as untested, but they tend to grow much larger over time, as we documented in our 2005 report "Using School Choice." Actual participation rates are also sensitive to factors other than legal restrictions on participation. Our purpose in this report is to evaluate legal restrictions, so we do not look at actual participation levels. Instead, we look at the number of students who are legally allowed to use the program.

In some cases, the participation cap is subject to change over time. In these cases, we used the number of students who are currently allowed to use the program.

Some school choice programs are limited by dollar amount rather than enrollment. The programs are allowed to grow until the dollar value of the vouchers or scholarships awarded reaches a certain level. To grade program size restrictions for these programs, we divided the total dollar limit by either the maximum value of the voucher (for voucher programs) or the average value of the scholarships being awarded (for scholarship programs). This provides an estimate of the number of students who are able to participate.

Purchasing Power

A voucher or scholarship is only as useful as the number of dollars it is worth. If it's worth very little money, it buys very little choice. Each additional dollar is an additional unit of student empowerment. This is particularly true for

the poor families who are most in need of school choice because they are trapped in the worst public schools on account of their places of residence, and they also are the least able to afford paying both taxes for public education and tuition for private education.

A program's grade for purchasing power is based on its dollar value measured as a portion of public-school dollars. Since the government school monopoly wastes such an enormous amount of money, we no longer require (as we did our 2004 report) that programs make available every dollar of spending in public schools. Instead, a program's score for purchasing power is equal to the amount of money it provides as a percentage of three-quarters of the total public school spending in the state (up to a maximum score of 100 percent). Tax-credit scholarship programs that allow scholarship granting organizations to determine the amounts of the scholarships are graded based on the actual scholarship amounts.

Families may exercise greater school choice if they are allowed to supplement the voucher or scholarship with their own money. However, a few programs reduce families' ability to choose their schools by forbidding participants to supplement their vouchers or scholarships with additional funds. As in the previous version of this report, a program is penalized in purchasing power if it imposes such a restriction. We deduct ten percentage points from the score of these programs.

School Restrictions

School choice programs exist to give students more options and parents more freedom. Thus it goes against the purpose of such a program to impose unnecessary regulations on participating schools. It is reasonable to prevent schools from participating if they are unsafe or financially unsound, or if they discriminate by race. It is not reasonable to require private schools to look as much as possible like public schools before they are allowed to participate. Such a program isn't providing real options.

However, for reasons that have nothing to do with improving education for children, restrictions of this kind do exist among school choice programs. A few control classroom content. Others exert control over the schools' admission policies, hindering their ability to select the students that

best match the strengths of their program and staff. Still others require schools to implement testing regimes that might embody goals and priorities different from those of the schools or parents.

Grading programs for school restrictions required the use of subjective judgment rather than simply measuring numbers of students or dollars. We tried to be as fair as possible in deciding how low a grade to give each unnecessary restriction based on how broadly it inhibited freedom of educational choice.

A program's school restrictions grade is made up of three components. The first component, general school restrictions, is worth 70 percent of the school restrictions grade. This component includes everything from mild restrictions like requiring teachers to have bachelor's degrees, to moderate restrictions like requiring formal special education bureaucracies, to severe restrictions like excluding religious schools.

The second component, admission restrictions, is worth 20 percent of the school restrictions grade. We did not penalize programs with reasonable anti-discrimination requirements. But we did penalize programs that required admissions lotteries or special admission preferences for some students.

The third component, testing restrictions, is worth 10 percent of the school restrictions grade. Almost all private schools use standardized tests, because most parents expect and demand this; a few schools don't, because not everyone agrees with using standardized tests as a measurement of academic outcomes. Parents should be allowed to choose the academic approach that best fits the particular needs of their individual children.

If a testing regime is going to be required, the best policy is to allow participating schools, rather than the state, to select from among the various nationally recognized standardized tests such as the Stanford Achievement Test or the Terra Nova. This allows schools to keep control of curricular priorities by selecting a test that conforms to those priorities, and to avoid the political manipulation of outcome measurements that sometimes occurs in state testing regimes. It also prevents the formation of a local monopoly in testing

services, keeping test prices lower and allowing schools to hold testing companies accountable for their performance. There is no legitimate reason not to allow schools to choose from among these tests, since they are all nationally norm-referenced and results can be reported in a standardized format for purposes of comparison across tests.

If the state requires all participating schools to use the same test, it is better to use a nationally recognized norm-referenced test than a state-produced test. This retains the advantage of avoiding political manipulation of outcome measurements. Also, state tests are generally criterion-referenced rather than norm-referenced and reflect a much more specifically defined set of curricular choices, so they interfere with schools' ability to set curricular priorities much more than national tests.

GRADING CRITERIA AT A GLANCE

STUDENT RESTRICTIONS

(one third of overall score)

<p>DEMOGRAPHIC RESTRICTIONS (70% of student restrictions)</p>	=	$\frac{\text{ELIGIBLE STUDENTS IN STATE}}{\text{TOTAL STUDENTS IN STATE}}$
<p>GEOGRAPHIC RESTRICTIONS (20% of student restrictions)</p>	=	$\frac{\text{STUDENTS LIVING IN ELIGIBLE AREA}}{\text{TOTAL STUDENTS IN STATE}}$
<p>PROGRAM SIZE RESTRICTIONS (10% of student restrictions)</p>	=	$\frac{\text{STUDENTS ABLE TO PARTICIPATE}}{\text{TOTAL STUDENTS IN STATE}}$

PURCHASING POWER

(one third of overall score)

<p>PURCHASING POWER</p>	=	$\frac{\text{DOLLARS PROVIDED}}{75\% \text{ OF PUBLIC SCHOOL SPENDING}}$
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STUDENT RESTRICTIONS

(one third of overall score)

GENERAL SCHOOL RESTRICTIONS

(70% of student restrictions)

ADMISSION RESTRICTIONS

(20% of student restrictions)

TESTING RESTRICTIONS

(10% of student restrictions)

STUDENT RESTRICTIONS + PURCHASING POWER + SCHOOL RESTRICTIONS = OVERALL SCORE



RESULTS

GRADING SCHOOL CHOICE REPORT CARD

		Student Restrictions <i>One Third of Overall Grade</i>	<i>Demographic Restrictions (70%)</i>	<i>Geographic Restrictions (20%)</i>
1	Florida McKay Vouchers	39%	12%	100%
2	Georgia Special Needs Vouchers	37%	10%	100%
3	Arizona Personal Tax-Credit Scholarships	90%	100%	100%
4	Vermont Town Tuitioning	82%	100%	10%
5	Arizona Foster Child Vouchers	22%	2%	100%
6	Ohio Autism Vouchers	30%	0%	100%
7	Maine Town Tuitioning	81%	100%	6%
8	Ohio EdChoice Vouchers	71%	100%	5%
9	Illinois Personal Tax Credit	100%	100%	100%
10	Florida Tax-Credit Scholarships	45%	35%	100%
11	Utah Carson Smith Vouchers	37%	10%	100%
12	Washington D.C. Vouchers	46%	36%	100%
13	Iowa Personal Tax Credit	100%	100%	100%
14	Arizona Corporate Tax-Credit Scholarships	66%	65%	100%
15	Arizona Disabled Student Vouchers	27%	10%	100%
16	Pennsylvania Tax-Credit Scholarships	65%	64%	100%
17	Cleveland Vouchers	58%	67%	4%
18	Iowa Tax-Credit Scholarships	59%	55%	100%
19	Milwaukee Vouchers	19%	24%	12%
20	Rhode Island Tax-Credit Scholarships	46%	36%	100%
21	Minnesota Personal Tax Deduction & Credit	44%	20%	100%

Program Size Restrictions (10%)	Purchasing Power One Third of Overall Grade	School Restrictions One Third of Overall Grade	General School Restrictions (70%)	Admission Restrictions (20%)	Testing Restrictions (10%)	Overall Score	
						PERCENT	GRADE
100%	100%	90%	85%	100%	100%	76%	A -
100%	100%	86%	80%	100%	100%	74%	B +
2%	31%	100%	100%	100%	100%	74%	B +
100%	100%	37%	10%	100%	100%	73%	B +
0%	95%	100%	100%	100%	100%	72%	B +
100%	100%	83%	75%	100%	100%	71%	B +
100%	100%	30%	10%	100%	25%	70%	B +
1%	45%	93%	100%	100%	25%	69%	B
100%	7%	100%	100%	100%	100%	69%	B
1%	60%	99%	100%	95%	100%	68%	B
100%	75%	90%	85%	100%	100%	67%	B
2%	67%	87%	100%	50%	65%	67%	B
100%	4%	93%	90%	100%	100%	66%	B
1%	27%	100%	100%	100%	100%	64%	B -
0%	57%	100%	100%	100%	100%	61%	B -
2%	13%	100%	100%	100%	100%	59%	C +
100%	44%	75%	85%	25%	100%	59%	C +
7%	3%	100%	100%	100%	100%	54%	C
2%	66%	75%	80%	50%	85%	53%	C
0%	13%	100%	100%	100%	100%	53%	C
100%	13%	86%	80%	100%	100%	48%	C -

RESULTS



The McKay program has the largest potential number of participants of any voucher or tax-credit program in the nation.

“A” GRADED PROGRAMS

Florida McKay Scholarship Program for Students with Disabilities

Only one program earned a grade in the “A” range. Florida’s McKay Scholarship Program offers a voucher to every disabled student in Florida public schools. Because the McKay program imposes no geographic or program size restrictions, it has the largest potential number of participants of any voucher or tax-credit scholarship program in the nation, both absolutely and as a percentage of students in the state. Among such programs, only the Ohio voucher program for autistic students is also free from both geographic and program size restrictions. However, the limitation to disabled students only is even more strict than the income restrictions that are present in so many other programs; it earned a 12 percent for demographic restrictions. The program gets a 100 percent for purchasing power because the voucher is good for the full amount the public schools would have spent on that student. The program did get an 85 percent in general school restrictions, because schools are required to hire teachers who have either bachelor’s degrees, three years of teaching experience or other special qualifications. It got an A- overall, with a score of 76 percent.

FLORIDA MCKAY VOUCHERS	
STUDENT RESTRICTIONS	39%
PURCHASING POWER	100%
SCHOOL RESTRICTIONS	90%
OVERALL	76%

“B” GRADED PROGRAMS

Georgia Special Needs Scholarships

In 2007, Georgia enacted a voucher program for disabled students modeled on Florida’s McKay program. Any disabled student in public schools can receive a voucher, earning a score of 10 percent for demographic restrictions. As in Florida, the program has no geographic or program size

restrictions. The voucher is worth up to the cost of the “educational program” the student would have received in public school, which includes the bulk of the state’s per-student spending; the average actual voucher amount is currently about \$9,000. This earns a 100 percent for purchasing power. Also like Florida, Georgia requires participating schools to hire teachers with college degrees or three years of experience. Additionally, Georgia requires that private schools be accredited or applying for accreditation. This earns an 80 percent for general school restrictions. There are no admission or testing restrictions. Overall, the program earns a B+, with a score of 74 percent.

GEORGIA SPECIAL NEEDS VOUCHERS

STUDENT RESTRICTIONS	37%
PURCHASING POWER	100%
SCHOOL RESTRICTIONS	86%
OVERALL	74%

Arizona Personal Tax-Credit Scholarships

Arizona gives families a tax credit for donations to private organizations (known as School Tuition Organizations) that give out scholarships to private schools. This program is not to be confused with Arizona’s other tax-credit scholarship program, which is for corporate donors (see below). It imposes no unnecessary restrictions on participating students and schools. The program got a 2 percent for program size restrictions. It sets no fixed limit on the number of students who can participate or the total dollar size of the program; participation is determined by the amount of money raised by donations. However, the donations themselves are limited: taxpayers get credit only for donations of up to \$500 per individual and \$1,000 per married couple (the married-couple donation limit was raised to \$1,000 in 2005). These limits do restrict the amount of money coming into the program, and hence the total number of students who can participate. To deal with this unusual situation, we graded the program

based on the actual number of students who currently participate, which was 24,678 in 2006-07. The only other area in which this program does not get a 100 percent is purchasing power, where it gets a 31 percent because the average scholarship is only \$1,643. Overall, Arizona’s personal tax-credit scholarships get a B+, with a score of 74 percent.

ARIZONA PERSONAL TAX-CREDIT SCHOLARSHIPS

STUDENT RESTRICTIONS	90%
PURCHASING POWER	31%
SCHOOL RESTRICTIONS	100%
OVERALL	74%

Vermont and Maine Town Tuitioning Programs

For more than a century, Vermont and Maine have had what are known as “tuitioning” programs. These provide vouchers to students who live in towns that do not have local public schools at their grade levels. Students may redeem these vouchers at public schools in other towns nearby or at private schools. These programs each got a B+, with scores of 73 percent (in Vermont) and 70 percent (in Maine). They impose no demographic or program size restrictions. We measured geographic restrictions by using the total number of tuitioning students, including those attending public as well as private schools; this gave us the total number of students who were able to attend private schools, even though not all participants chose to do so. Vermont got a 10 percent and Maine got a 6 percent in this area. Participating towns are required to raise education funds through local taxes and contribute these toward the voucher, so the program receives the equivalent of full public-school spending per student, earning 100 percent for purchasing power. Both programs got 10 percent for general school restrictions because tuitioning students may not attend religious schools. Neither program imposes admission restrictions, but Maine got a 25 percent for testing restrictions because it requires private schools with large numbers of tuitioning students to

administer the state test. Vermont imposes no testing requirement.

VERMONT TOWN TUITIONING	
STUDENT RESTRICTIONS	82%
PURCHASING POWER	100%
SCHOOL RESTRICTIONS	37%
OVERALL	73%

MAINE TOWN TUITIONING	
STUDENT RESTRICTIONS	81%
PURCHASING POWER	100%
SCHOOL RESTRICTIONS	30%
OVERALL	70%

Arizona Displaced Pupils Choice Grants

This program, one of three new Arizona programs created in 2006, is a voucher program for foster children. The restriction to foster children only earned a 2 percent for demographic restrictions, and the program is also limited to 500 participants per year, earning a 0 percent for program size restrictions. The voucher is worth up to \$5,000, so the program got a 95 percent for purchasing power. It got a 100 percent for school restrictions since it imposes no unreasonable regulations. Overall, the program earned a B+, with a score of 72 percent.

ARIZONA FOSTER CHILD VOUCHERS	
STUDENT RESTRICTIONS	22%
PURCHASING POWER	95%
SCHOOL RESTRICTIONS	100%
OVERALL	72%

Ohio Autism Scholarship Program

Ohio allows students who have autism to use a voucher to receive education services from a private provider, including tuition at a private school. Students may use the voucher whether or not they previously were enrolled in public schools, though students not previously enrolled in public schools must formally transfer into the public system. However, the percentage of students who are autistic is so small that even with this provision the program still earned a 0 percent for demographic restrictions. On the other hand, the voucher is worth up to a generous \$20,000, earning a 100 percent for purchasing power. The program got a 75 percent for general school restrictions because schools must have a formal special-education program that has existed for at least a year and that employs teachers with special-education credentials. Many private schools prefer to serve disabled students without maintaining

a formal special-education program; contrary to the popular stereotype, many autistic students have mild disabilities that do not require extraordinary intervention, and can be handled in the classroom without a formal special-education program. Schools have to create such a formal system in order to serve voucher students. Also, the voucher pays only for services specified in the student’s Individual Education Plan. It is difficult to determine how restrictive this is in practice without a detailed examination of participants’ individual plans, so we did not deduct for this restriction. The program has no other school restrictions; it requires an annual evaluation of participants’ progress but does not specifically require testing or any other quantitative assessment, so we did not count this as a testing restriction. Overall, the program got a B+, with a 71 percent score.

OHIO AUTISM VOUCHERS	
STUDENT RESTRICTIONS	30%
PURCHASING POWER	100%
SCHOOL RESTRICTIONS	83%
OVERALL	71%

Ohio Educational Choice Scholarships Program

In 2005 Ohio enacted a voucher program for students in chronically failing public schools. Students are eligible for vouchers if they live in the attendance area of a local public school that has been designated in a state of “academic watch” or “academic emergency” by the state for three consecutive years (reflecting a 2006 expansion of an earlier, more restrictive eligibility definition). Students who are eligible for the Cleveland voucher program are not eligible for Educational Choice vouchers. We counted this as a geographic restriction because student eligibility is determined by their place of residence; the state reports that 93,501 students are eligible, earning a 5 percent for geographic restrictions. The law also calls for the state to set an annual cap on participation; it is currently set at 14,000 students, earning a 1 percent for program size restrictions. The voucher is worth up to \$4,250 in grades K-8 and \$5,000 in grades 9-12; we used the elementary value, since that is the value likely to be used by the most students, which should have earned a 55 percent for purchasing power. However, the law forbids some students to supplement the voucher with their own money. Bizarrely, the program explicitly discriminates against poor students—those whose families earn less than 200 percent of the federal poverty level are forbidden to supplement the voucher, while those above 200 percent of poverty are free to do so. This provision triggers our penalty

of ten percentage points, so the program earned a 45 percent for purchasing power. It got a 25 percent for testing restrictions because voucher students must take the state test. Overall, the program earns a B, with a score of 69 percent.

OHIO EDCHOICE VOUCHERS	
STUDENT RESTRICTIONS	71%
PURCHASING POWER	45%
SCHOOL RESTRICTIONS	93%
OVERALL	69%

Illinois Personal Tax Credits for Educational Expenses

Illinois provides a personal income tax credit for educational expenses, including private school tuition—the equivalent of a voucher program implemented through the tax code. While it does not provide enough money to cover tuition at even a cheap private school, it does make private schools marginally more affordable. Families get a tax credit worth 25 percent of education spending (including tuition) after the first \$250 of spending, up to a maximum credit of \$500. The program got a B, with a score of 69 percent. Families must earn enough to pay state income tax to benefit at all from the program, and must earn enough to pay a significant amount of state income tax to benefit fully, but we did not attempt to estimate how far this restricts the programs, since the necessary data are not easily available. The program got 100 percent in geographic, program size and school restrictions, but a 7 percent in purchasing power.

ILLINOIS PERSONAL TAX-CREDIT	
STUDENT RESTRICTIONS	100%
PURCHASING POWER	7%
SCHOOL RESTRICTIONS	100%
OVERALL	69%

Florida Tax-Credit Scholarships

Florida gives corporate taxpayers a tax credit for donations to private organizations (called Scholarship Funding Organizations) that give out private school scholarships. The program gets a B, earning a score of 68 percent. The program restricts participation to students with family incomes below 185 percent of federal poverty guidelines, earning a 35 percent for student restrictions. The amount of the scholarships is fixed at \$3,750 and the program is capped at \$88 million, meaning that about 23,467 students could participate, earning a 1 percent in program size restrictions. Students who participated in the state's former A+ Opportunity Scholarship Program are also eligible for scholarships. The amount of the scholarship

earned a 60 percent for purchasing power. The only school restriction imposed is that schools must give admission priority to participants, including former A+ program participants, earning a 95 percent for admission restrictions.

FLORIDA TAX-CREDIT SCHOLARSHIPS	
STUDENT RESTRICTIONS	45%
PURCHASING POWER	60%
SCHOOL RESTRICTIONS	99%
OVERALL	68%

Utah Carson Smith Special Needs Scholarships

In 2005 Utah enacted a voucher program for disabled students modeled on Florida's McKay program. It offers a voucher to every disabled student in public schools, as well as students with disabilities in private schools that served disabled students prior to participating in the program (the latter qualification was expanded in 2006 from an earlier, more restrictive definition). This puts it on par with Florida's McKay program for student restrictions, earning a 10 percent in that category. Grading Utah's voucher for purchasing power is tricky. The amount a student gets is based on whether or not that student receives more than three hours of special services a day. Those who receive more than three hours a day get 2.5 times the state's "weighted pupil unit" funding amount, which is set by the legislature each year. Those whose special services run for less than three hours a day get 1.5 times the weighted pupil unit. For 2005-06, these figures were \$5,700 and \$3,420. We used the lower figure because it is the one most students are likely to receive, since the large majority of special education students do not require extraordinary interventions. This earns a 75 percent in purchasing power. The program got an 85 percent for general school restrictions because it requires schools to hire teachers with a bachelor's degree, three years' experience or other special qualifications. It imposes no other school restrictions; like Ohio's program for autistic students, it requires an annual "assessment" of each participant's academic progress, but the law does not specify that this assessment be a test or other quantitative measurement of performance. Overall, Utah's vouchers got a B, with a score of 67 percent.

UTAH CARSON SMITH VOUCHERS	
STUDENT RESTRICTIONS	37%
PURCHASING POWER	75%
SCHOOL RESTRICTIONS	90%
OVERALL	67%

Washington D.C. Opportunity Scholarship Program

The federal government funds a voucher program for students in Washington D.C. Only students with family incomes below 185 percent of federal poverty guidelines may participate, earning a 36 percent for demographic restrictions. Participation in the program is also limited by the amount of money Congress appropriates for it; the current appropriation level produces 1,716 vouchers, earning a 2 percent for program size restrictions. The voucher is worth up to \$7,500, a generous level that would earn high marks for purchasing power in any state in the union, but public-school spending in the District is so high that, in comparison, even these well-funded vouchers earned a 67 percent. The program got a 50 percent for admission restrictions because students must be admitted by lottery; and it earned a 65 percent for testing restrictions because participating students must take the Stanford-9 test. The District voucher program got a B overall, with a score of 67 percent.

WASHINGTON D.C. VOUCHERS	
STUDENT RESTRICTIONS	46%
PURCHASING POWER	67%
SCHOOL RESTRICTIONS	87%
OVERALL	67%

Iowa Personal Tax Credits for Educational Expenses

Like Illinois, Iowa provides a personal income tax credit for education expenses, including private school tuition. The Iowa program provides a credit for 25 percent of educational expenses up to a maximum refund of \$250, earning a 4 percent score in purchasing power. The program got a 90 percent for general school restrictions because the tax credit does not apply to the portion of tuition that supports religious instruction. As in Illinois, there are no geographic or program size restrictions, and the only demographic restriction arises from the unequal distribution of the tax burden—a limitation we could not adequately measure. Overall, the program got a B, with a score of 66 percent.

IOWA PERSONAL TAX-CREDIT	
STUDENT RESTRICTIONS	100%
PURCHASING POWER	4%
SCHOOL RESTRICTIONS	93%
OVERALL	66%

Arizona Corporate Tax-Credit Scholarships

In 2006 Arizona created a tax credit for corporations that

donate to private organizations (known as School Tuition Organizations) that give out scholarships to private schools. This is not to be confused with Arizona’s other tax-credit scholarship program, which is for individual donors (see above). This program got a 65 percent for demographic restrictions because students must have family incomes below 185 percent of the income level eligible for free and reduced price lunch, which in turn is set at 185 percent of federal poverty guidelines. It is also capped at \$10 million in scholarships per year, reflecting an increase in 2006 from the initial cap of \$5 million when the program was created in 2005. Dividing \$10 million by \$1,411, the average scholarship value, we estimate that about 7,087 scholarships could be available under this cap, earning a 1 percent for program size restrictions. The scholarships are officially limited to \$4,200 in grades K-8 and \$5,500 in grades 9-12; however, the program gets a 27 percent for purchasing power since the actual scholarships given out are much smaller. The program gets a 100 percent for school restrictions because it imposes no unnecessary regulations. Overall, the program earned a B-, with a 64 percent score.

ARIZONA CORPORATE TAX-CREDIT SCHOLARSHIPS	
STUDENT RESTRICTIONS	66%
PURCHASING POWER	27%
SCHOOL RESTRICTIONS	100%
OVERALL	64%

Arizona Scholarships For Pupils With Disabilities

This program, the last of the three Arizona school choice programs enacted in 2006, provides a voucher for disabled students in public schools. This program got a score of 61 percent, earning a B- grade. The restriction to disabled students only earned a 10 percent for demographic restrictions. The program is also limited to \$2.5 million in vouchers per year, and the value of the voucher is equal to the “base support level” of state funding that student would have generated if he or she had remained in public school. This amount varies depending on factors like the severity of the student’s disability; for most students it will be equal to about \$3,000, while for a small portion of severely disabled students it will be significantly greater. With the \$2.5 million cap, only about 833 students can participate in the program even if all of them have the smaller \$3,000 vouchers. This earned a 0 percent for program size restrictions, while the \$3,000 dollar value that most students

will get earned a 57 percent for purchasing power. The program got a 100 percent for school restrictions since it imposes no unreasonable regulations.

ARIZONA DISABLED STUDENT VOUCHERS

STUDENT RESTRICTIONS	27%
PURCHASING POWER	57%
SCHOOL RESTRICTIONS	100%
OVERALL	61%

"C" GRADED PROGRAMS

Pennsylvania Tax-Credit Scholarships

Pennsylvania gives corporate taxpayers a tax credit for donations to private organizations (called Scholarship Organizations) that give out private school scholarships. This program got a C+, earning a score of 59 percent. The program restricts participation to families with incomes below \$50,000 plus \$10,000 per child or other dependent in the family, earning a 64 percent for demographic restrictions. The legal cap on funding for the program, which has been raised each year since our 2004 report, is now \$44.7 million. The average scholarship in 2005-06 was worth about \$1,085, so the new cap will permit about 42,000 students to participate, earning a 2 percent for program size restrictions. The program got a 13 percent for purchasing power, and a 100 percent for school restrictions because it imposes no unnecessary regulations on participating schools.

PENNSYLVANIA TAX-CREDIT SCHOLARSHIPS

STUDENT RESTRICTIONS	65%
PURCHASING POWER	13%
SCHOOL RESTRICTIONS	100%
OVERALL	59%

Ohio Scholarship And Tutoring Program In Cleveland

Cleveland's voucher program gets a C+, with a score of 59 percent. The program got a 67 percent for demographic restrictions; students in grades K-8, including students in public and private schools, are eligible to enter the program (expanded in 2005 from the much more restrictive previous limit of K-3). Once they enter the program, students can continue to receive a voucher through high school. The program is also, obviously, restricted to students living in the city of Cleveland, earning a 4 percent for geographic restrictions. The value of the voucher has been raised repeatedly in recent years and now is worth up to \$3,450, earning a 44 percent for purchasing power. The program reduces the

voucher amount somewhat for families with incomes above 200 percent of federal poverty guidelines, but this did not change the program's grade because it affects few participants. The program got an 85 percent for general school restrictions because participating schools must have classes of at least 10 students each or a total of at least 25 students in the school, and must not teach hatred. The ambiguous word "hatred" is not defined in the statute, creating an opportunity for hostile regulators to drive schools out of the program. It got a 25 percent for admission restrictions because previous voucher students must be readmitted, students must be admitted by lottery and preference must be given to poor students (who are admitted separately by lottery until 20 percent of the total student body is reached). The program imposes no testing restrictions.

CLEVELAND VOUCHERS

STUDENT RESTRICTIONS	58%
PURCHASING POWER	44%
SCHOOL RESTRICTIONS	75%
OVERALL	59%

Iowa Tax-Credit Scholarships

In 2006, Iowa created a tax credit for families that donate to private organizations (known as School Tuition Organizations) that give out scholarships to private schools. This program got a C, having earned a 54 percent. Like Arizona's program, on which it was based, this program got a 100 percent for school restrictions. However, the Iowa program got a 55 percent for demographic restrictions, because students must have family incomes below 300 percent of federal poverty guidelines to participate. It got a 3 percent for purchasing power, since the average scholarship is worth only \$213. And it got a 7 percent for program size restrictions, because it is capped at \$5 million total in scholarships. Currently this allows about 35,000 students to participate.

IOWA TAX-CREDIT SCHOLARSHIPS

STUDENT RESTRICTIONS	59%
PURCHASING POWER	3%
SCHOOL RESTRICTIONS	100%
OVERALL	54%

Wisconsin Parental Choice Program In Milwaukee

Milwaukee's well-known voucher program gets a C, having earned a score of 53 percent. Only students with family incomes below 175 percent of federal poverty guidelines may participate, earning a 24 percent for demographic restric-

tions. The program got a 12 percent for geographic restrictions because only Milwaukee residents may participate, and a 2 percent for program size restrictions. In 2006 the program’s enrollment cap was raised from 15 percent of Milwaukee Public Schools’ student population, or about 15,000 students, to a straight cap of 22,500 students. The vouchers’ maximum dollar value is roughly equal to the amount of state spending (but not local spending) the child would have generated in the public schools. This should have earned a 76 percent for purchasing power, but students are forbidden to supplement the voucher, so we penalized the program ten percentage points, giving it a 66 percent. The program got an 80 percent for general school restrictions because schools must allow students to “opt out” of religious instruction, and schools must either be accredited by one of a given set of organizations or approved to participate in Wisconsin’s Partners for Advancing Values in Education scholarship program. It got a 50 percent for admission restrictions because students must be admitted by lottery. Starting in 2006-07, participating schools must give a nationally normed standardized test in reading, math and science to all voucher students in grades 4, 8, and 10. This earned the program an 85 percent for testing restrictions. The program also requires private schools to hire teachers with high school diplomas or alternative certificates, but this is a reasonable regulation so it did not reduce the program’s grade.

MILWAUKEE VOUCHERS	
STUDENT RESTRICTIONS	19%
PURCHASING POWER	66%
SCHOOL RESTRICTIONS	75%
OVERALL	53%

Rhode Island Tax-Credit Scholarships
 In 2006, Rhode Island created a tax credit for corporations that donate to private organizations (called Scholarship Organizations) that give out private school scholarships. This program gets a C, earning a score of 53 percent. It got a 36 percent in demographic restrictions because students must have family incomes below 250 percent of federal poverty guidelines. The program is also capped at \$1 million; dividing this by \$1,088, the average dollar value of scholarships given out under existing programs in Arizona, Iowa and Pennsylvania, we estimate that only about 919 scholarships can be given out under this cap. (The actual scholarship amounts given out in Rhode Island are not available.) This earned a 0 percent in program size restrictions.

RHODE ISLAND TAX-CREDIT SCHOLARSHIPS	
STUDENT RESTRICTIONS	46%
PURCHASING POWER	13%
SCHOOL RESTRICTIONS	100%
OVERALL	53%

Minnesota Personal Tax Deduction and Credit for Educational Expenses
 Minnesota has a personal tax deduction and a personal tax credit for money spent on educational expenses, similar to Illinois’ and Iowa’s tax credits. Parents may take a tax deduction for educational expenses of up to \$1,625 of taxable income in grades K-6 and for \$2,500 in grades 7-12. Minnesota also has a tax credit for education expenses other than tuition, such as textbooks. Taxpayers may claim a refundable credit for 75 percent of non-tuition education expenses, worth up to \$1,000 per child in the family. Before recent changes to the program, there was a limit of \$2,000 per family and the credit for expenses associated with each particular child could not exceed \$1,000; these limits were removed in 2005. The value of the credit is reduced gradually for taxpayers earning more than \$33,500, reaching zero for families making \$37,500. The 2005 changes to the program allow families with more than two children to raise the \$37,500 income limit by \$2,000 for every child in the family after the first two. This tax credit improves access to private schools even though it doesn’t include tuition because schools may bill parents separately for non-tuition expenses, allowing private-school parents to benefit from the tax credit. The income restrictions on the tax credit earned a 20 percent for demographic restrictions; the \$1,000 per child value earned a 13 percent in purchasing power. The credit and deduction both do not apply to the portion of tuition that covers religious instruction, and they also cannot be used at for-profit schools, earning an 80 percent in general student restrictions. There are no admission restrictions or testing restrictions. The Minnesota tax deduction and credit earned an overall grade of C-, with a score of 48 percent.

MINNESOTA PERSONAL TAX DEDUCTION/CREDIT	
STUDENT RESTRICTIONS	44%
PURCHASING POWER	13%
SCHOOL RESTRICTIONS	86%
OVERALL	48%

ADEQUATE YEARLY PROGRESS

School choice programs aren't just being enacted; they're growing. In fact, we had a lot of trouble preparing this report because we kept having to edit the grades every time we got the news that a school choice program had expanded!

Ten of the 21 school choice programs graded in this report have been expanded since our last edition. Two of these were programs that didn't even exist in 2004; they have been both enacted and expanded since then. The other eight expansions were to programs we graded in our previous edition.

Below, we've listed the ten program expansions and the impact they're having on access to school choice. We have noted where the expansions have had an impact on the program's grades.

Arizona Personal Tax-Credit Scholarships

The donation limit for married couples was raised from \$625 to \$1,000, eliminating the marriage penalty. As a result, the amount raised under the program went from \$31.9 million in 2004 to \$42.2 million in 2005. Had the funding remained at its 2004 level, the number of scholarships available would be about 19,416 rather than 24,678.

Pennsylvania Tax-Credit Scholarships

The overall cap on the size of the program, which was \$26.7 million in 2004, has been expanded repeatedly, most recently to \$44.7 million in 2007. If the cap remained at its 2004 level, about 24,608 scholarships would have been available instead of 41,198. The program's demographic restrictions score would be 1 percent rather than 2 percent.

Arizona Corporate Tax-Credit Scholarships

The overall cap on the size of the program was raised from \$5 million to \$10 million. It will continue to rise by 20% each year through 2010. If the cap were still \$5 million, our estimate of the number of scholarships available would have been 3,544 rather than 7,087. The program would have received a 0 percent rather than a 1 percent in program size restrictions.

Ohio Autism Vouchers

The maximum dollar value of the voucher was raised from \$15,000 to \$20,000.

Utah Carson Smith Vouchers

The definition of which private school students are eligible to receive vouchers was expanded from students in private schools specializing in teaching students with disabilities to students with disabilities in private schools that served disabled students prior to participating in the program.

Florida Tax-Credit Scholarships

A package of reforms passed in 2006 improved the regulations on the program, and also included a number of program expansions. The \$5 million limit on the amount each donor is allowed to give was removed; the dollar value of the scholarship was raised from \$3,500 to \$3,750; students receiving the scholarship remain eligible even if their family income increases to 200 percent of the poverty level; and students who previously received A+ Opportunity Scholarship vouchers are eligible for tax-credit scholarships. The increase in the scholarship's purchasing power raised the program's score in that category from 56 percent to 60 percent, and the program's overall score from 67 percent to 68 percent.

Cleveland Vouchers

The dollar value of the voucher, which was \$2,700 in 2004, has been expanded repeatedly, most recently to \$3,450. This has raised the program's purchasing power score from 35 percent to 44 percent, and the program's overall score from 56 percent to 59 percent.

Ohio EdChoice Vouchers

The definition of the eligible student population was expanded from those whose public schools are designated in a state of "academic emergency" for three consecutive years to those whose public schools have been designated in a state of "academic watch" or "academic emergency" for three consecutive years. The definition was also expanded to include students in charter schools and students entering kindergarten. About 20,000 students were eligible under the old definition, rather than 93,501. Under the old definition, the program's geographic restrictions score would be 1 percent rather than 5 percent.

Minnesota Personal Tax Credit

The limit of \$2,000 per family on the tax credit was lifted. There is no longer a restriction limiting the credit for expenses associated with each particular child in the family to

\$1,000. Finally, for families with more than two children, the income eligibility limit of \$37,500 is raised by \$2,000 for every child in the family after the first two.

Milwaukee Vouchers

The enrollment cap was raised to 22,500 students. The previous enrollment cap had been 15 percent of the total enrollment of Milwaukee Public Schools, or about 15,000 students. If the cap had not been lifted, the program would have received a 1 percent rather than 2 percent for the for program size restrictions.

ROOM FOR IMPROVEMENT

Here's how some of the school choice programs we've graded could significantly raise their grades with a simple change of rules:

DEMOGRAPHIC RESTRICTIONS

Tax-Credit Scholarships in Florida, Arizona, Pennsylvania, and Rhode Island; Vouchers in Washington D.C. and Milwaukee Personal Tax Credit & Deduction in Minnesota

Remove the income limits

The single most widespread compromise of the Friedman gold standard in school choice programs is discrimination on the basis of family income. There is no reason why school choice should be extended only to families of a particular income. As Milton Friedman argued, the poor would benefit much more from universal school choice than from school choice that includes only the poor—since a universal school choice program would create a real educational marketplace for the first time, and everyone, including the poor, would benefit from the resulting educational innovation.

FLORIDA TAX-CREDIT SCHOLARSHIPS

DEMOGRAPHIC RESTRICTIONS SCORE **CURRENT 35% POTENTIAL 100%**
 OVERALL SCORE **CURRENT 68% POTENTIAL 83%**
 OVERALL RANK **CURRENT #10 POTENTIAL #1**

WASHINGTON D.C. VOUCHERS

DEMOGRAPHIC RESTRICTIONS SCORE **CURRENT 36% POTENTIAL 100%**
 OVERALL SCORE **CURRENT 67% POTENTIAL 81%**
 OVERALL RANK **CURRENT #12 POTENTIAL #1**

ARIZONA CORPORATE TAX-CREDIT SCHOLARSHIPS

DEMOGRAPHIC RESTRICTIONS SCORE **CURRENT 65% POTENTIAL 100%**
 OVERALL SCORE **CURRENT 64% POTENTIAL 72%**
 OVERALL RANK **CURRENT #14 POTENTIAL #5**

PENNSYLVANIA TAX-CREDIT SCHOLARSHIPS

DEMOGRAPHIC RESTRICTIONS SCORE **CURRENT 64% POTENTIAL 100%**
 OVERALL SCORE **CURRENT 59% POTENTIAL 68%**
 OVERALL RANK **CURRENT #16 POTENTIAL #11**

IOWA TAX-CREDIT SCHOLARSHIPS

DEMOGRAPHIC RESTRICTIONS SCORE **CURRENT 55% POTENTIAL 100%**
 OVERALL SCORE **CURRENT 54% POTENTIAL 65%**
 OVERALL RANK **CURRENT #18 POTENTIAL #14**

MILWAUKEE VOUCHERS

DEMOGRAPHIC RESTRICTIONS SCORE **CURRENT 24% POTENTIAL 100%**
 OVERALL SCORE **CURRENT 53% POTENTIAL 71%**
 OVERALL RANK **CURRENT #19 POTENTIAL #6**

RHODE ISLAND TAX-CREDIT SCHOLARSHIPS

DEMOGRAPHIC RESTRICTIONS SCORE **CURRENT 36% POTENTIAL 100%**
 OVERALL SCORE **CURRENT 53% POTENTIAL 68%**
 OVERALL RANK **CURRENT #20 POTENTIAL #11**

MINNESOTA PERSONAL TAX DEDUCTION & CREDIT

DEMOGRAPHIC RESTRICTIONS SCORE **CURRENT 20% POTENTIAL 100%**
 OVERALL SCORE **CURRENT 53% POTENTIAL 68%**
 OVERALL RANK **CURRENT #21 POTENTIAL #13**

PROGRAM SIZE RESTRICTIONS

Tax-Credit Scholarships in Arizona, Florida, Pennsylvania, Iowa and Rhode Island and Vouchers in Arizona, Ohio, Washington D.C. and Milwaukee

Remove the program cap

Arbitrary limits on the size of voucher and tax credit programs serve no purpose. School choice programs impose no costs on the public—they are a net fiscal bonus for taxpayers and they exert a positive influence on the performance of public schools. Consequently, there is no reason to provide vouchers to the first 500 or 22,500 students and then deny a voucher to the next applicant. Similarly, there is no reason to allow scholarship granting organizations to give out \$1 million or \$10 million in scholarships but then stop them from giving out more. If the arbitrary limits were removed from voucher and tax-credit scholarship programs, their scores would improve considerably.

ARIZONA FOSTER CHILD VOUCHERS

PROGRAM SIZE RESTRICTIONS SCORE **CURRENT 0% POTENTIAL 100%**
 OVERALL SCORE **CURRENT 72% POTENTIAL 76%**
 OVERALL RANK **CURRENT #5 POTENTIAL #2**

OHIO EDCHOICE VOUCHERS

PROGRAM SIZE RESTRICTIONS SCORE **CURRENT 1% POTENTIAL 100%**
 OVERALL SCORE **CURRENT 69% POTENTIAL 73%**
 OVERALL RANK **CURRENT #8 POTENTIAL #5**

FLORIDA TAX-CREDIT SCHOLARSHIPS

PROGRAM SIZE RESTRICTIONS SCORE **CURRENT 0% POTENTIAL 100%**
 OVERALL SCORE **CURRENT 68% POTENTIAL 71%**
 OVERALL RANK **CURRENT #10 POTENTIAL #6**

WASHINGTON D.C. VOUCHERS

PROGRAM SIZE RESTRICTIONS SCORE **CURRENT 2% POTENTIAL 100%**
 OVERALL SCORE **CURRENT 67% POTENTIAL 70%**
 OVERALL RANK **CURRENT #12 POTENTIAL #8**

ARIZONA CORPORATE TAX-CREDIT SCHOLARSHIPS

PROGRAM SIZE RESTRICTIONS SCORE **CURRENT 1% POTENTIAL 100%**
 OVERALL SCORE **CURRENT 64% POTENTIAL 68%**
 OVERALL RANK **CURRENT #14 POTENTIAL #11**

ARIZONA DISABLED STUDENT VOUCHERS

PROGRAM SIZE RESTRICTIONS SCORE **CURRENT 0% POTENTIAL 100%**
 OVERALL SCORE **CURRENT 61% POTENTIAL 65%**
 OVERALL RANK **CURRENT #15 POTENTIAL #14**

PENNSYLVANIA TAX-CREDIT SCHOLARSHIPS

PROGRAM SIZE RESTRICTIONS SCORE **CURRENT 2% POTENTIAL 100%**
 OVERALL SCORE **CURRENT 59% POTENTIAL 63%**
 OVERALL RANK **CURRENT #16 POTENTIAL #15**

IOWA TAX-CREDIT SCHOLARSHIPS

PROGRAM SIZE RESTRICTIONS SCORE **CURRENT 7% POTENTIAL 100%**
 OVERALL SCORE **CURRENT 54% POTENTIAL 57%**
 OVERALL RANK **CURRENT #18 POTENTIAL #18**

MILWAUKEE VOUCHERS

PROGRAM SIZE RESTRICTIONS SCORE **CURRENT 2% POTENTIAL 100%**
 OVERALL SCORE **CURRENT 53% POTENTIAL 57%**
 OVERALL RANK **CURRENT #19 POTENTIAL #18**

RHODE ISLAND TAX-CREDIT SCHOLARSHIPS

PROGRAM SIZE RESTRICTIONS SCORE **CURRENT 0% POTENTIAL 100%**
 OVERALL SCORE **CURRENT 53% POTENTIAL 56%**
 OVERALL RANK **CURRENT #20 POTENTIAL #18**

PURCHASING POWER

Personal Tax Credits and Deductions in Illinois, Iowa and Minnesota

Raise the dollar value

Giving tax credits and deductions directly to parents who pay private school tuition has been the least successful of the three forms of school choice. The most important reason is the limited amount of purchasing power this form of school choice currently provides. Since these programs typically have few other restrictions, their scores would be dramatically improved if they provided enough money to earn even a 50 percent score in purchasing power.

ILLINOIS PERSONAL TAX CREDIT

PURCHASING POWER SCORE **CURRENT 7% POTENTIAL 50%**
 OVERALL SCORE **CURRENT 69% POTENTIAL 83%**
 OVERALL RANK **CURRENT #9 POTENTIAL #1**

IOWA PERSONAL TAX CREDIT

PURCHASING POWER SCORE **CURRENT 4% POTENTIAL 50%**
 OVERALL SCORE **CURRENT 66% POTENTIAL 81%**
 OVERALL RANK **CURRENT #13 POTENTIAL #1**

MINNESOTA PERSONAL TAX DEDUCTION & CREDIT

PURCHASING POWER SCORE **CURRENT 13% POTENTIAL 50%**
 OVERALL SCORE **CURRENT 48% POTENTIAL 60%**
 OVERALL RANK **CURRENT #21 POTENTIAL #16**

SCHOOL RESTRICTIONS

We are pleased to note that school choice programs generally do not impose more than a low level of unnecessary burdens on participating private schools. Many people are concerned that school choice programs could hypothetically be used as a “Trojan horse” to impose on private schools the same rules that prevail in the malfunctioning government school monopoly. However, these fears have almost totally failed to materialize. And since the school choice movement is growing stronger, and the teachers’ unions weaker, with each passing year, it is unlikely that this will change in the foreseeable future. Since the only really egregious school restrictions in any school choice programs are the exclusion of religious schools in Vermont and Maine, and these two programs predate the modern school choice movement, we feel it is fair to say that there is really not much “room for improvement” in the movement when it comes to school restrictions. In this area, school choice advocates can take satisfaction in a job well done.

Figure 1

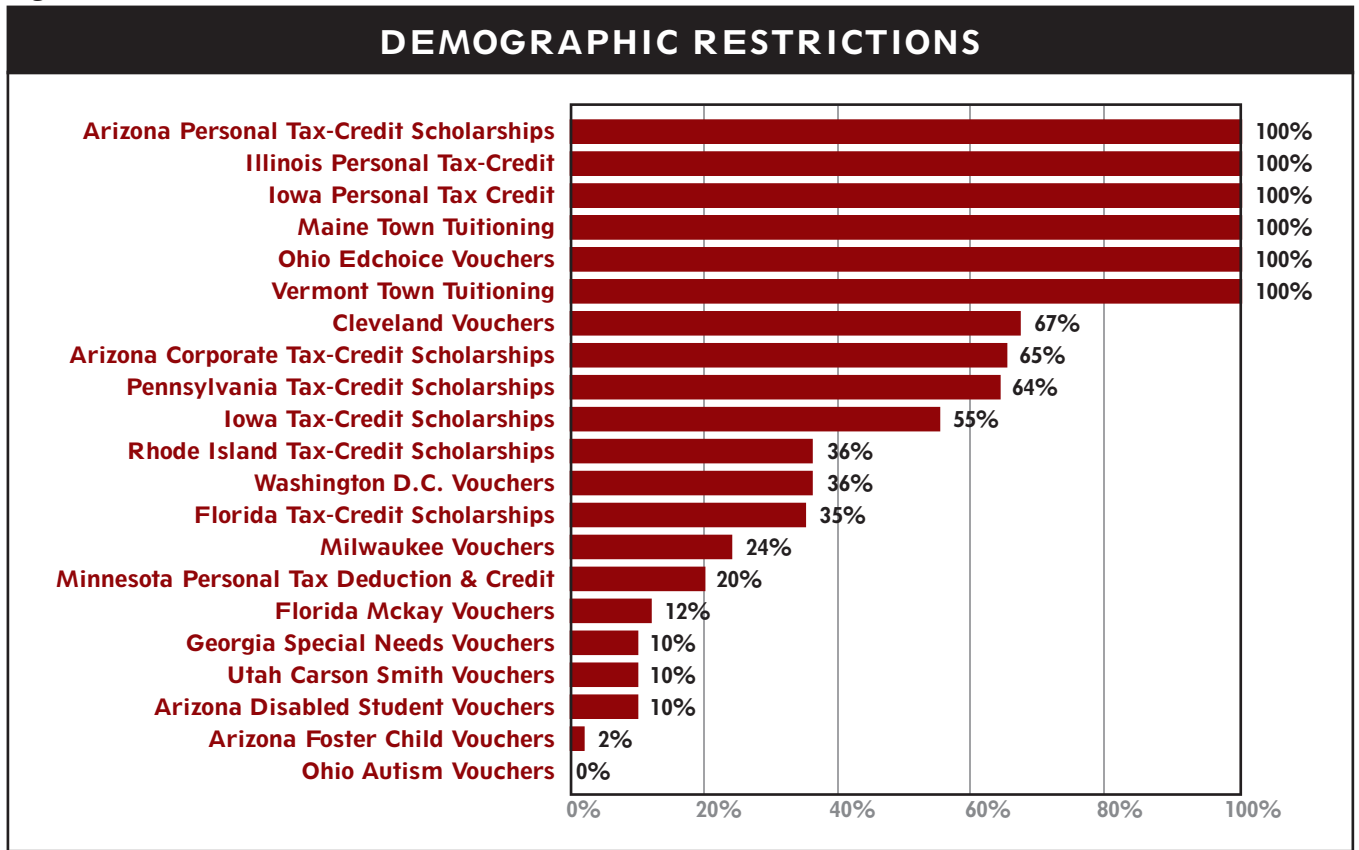


Figure 2

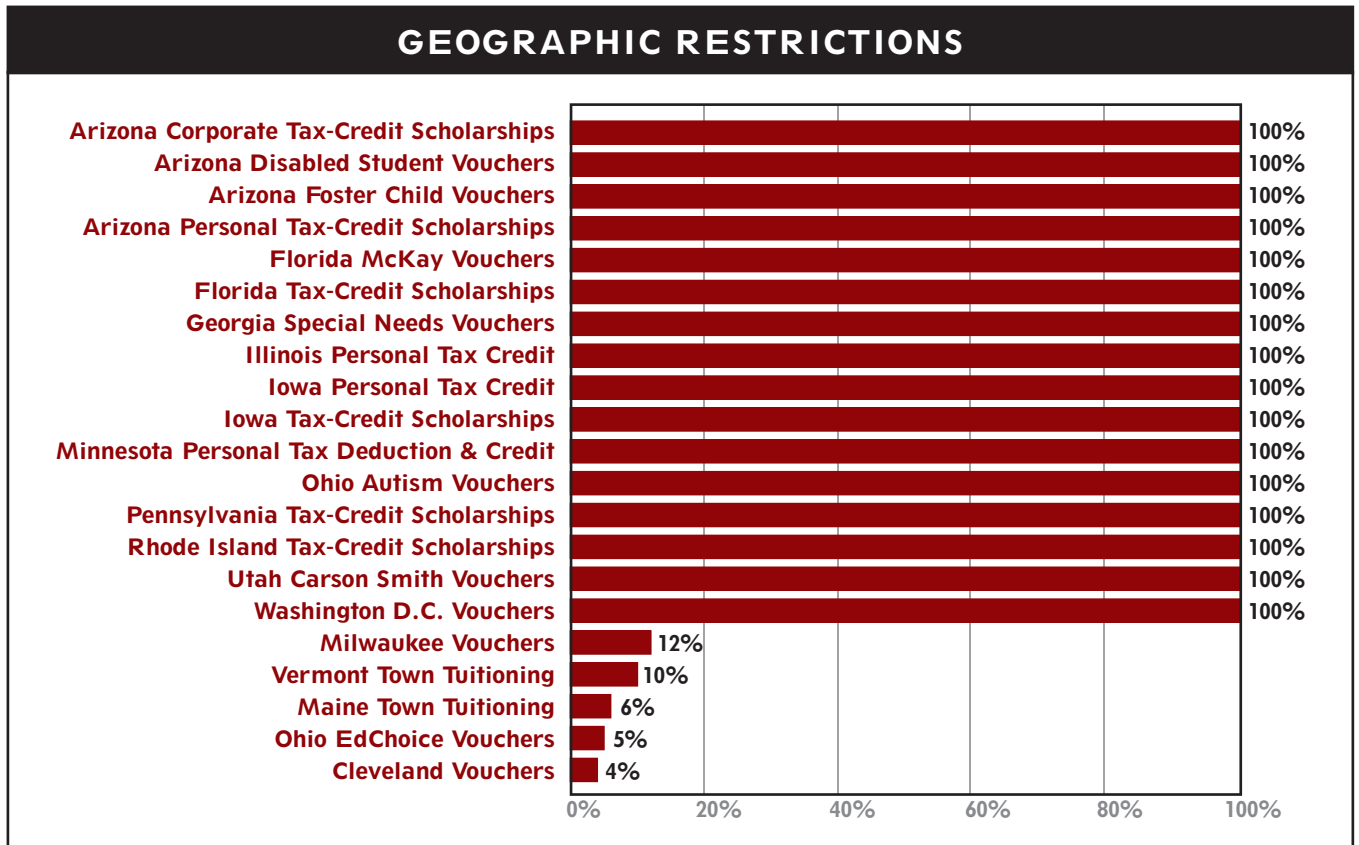


Figure 3

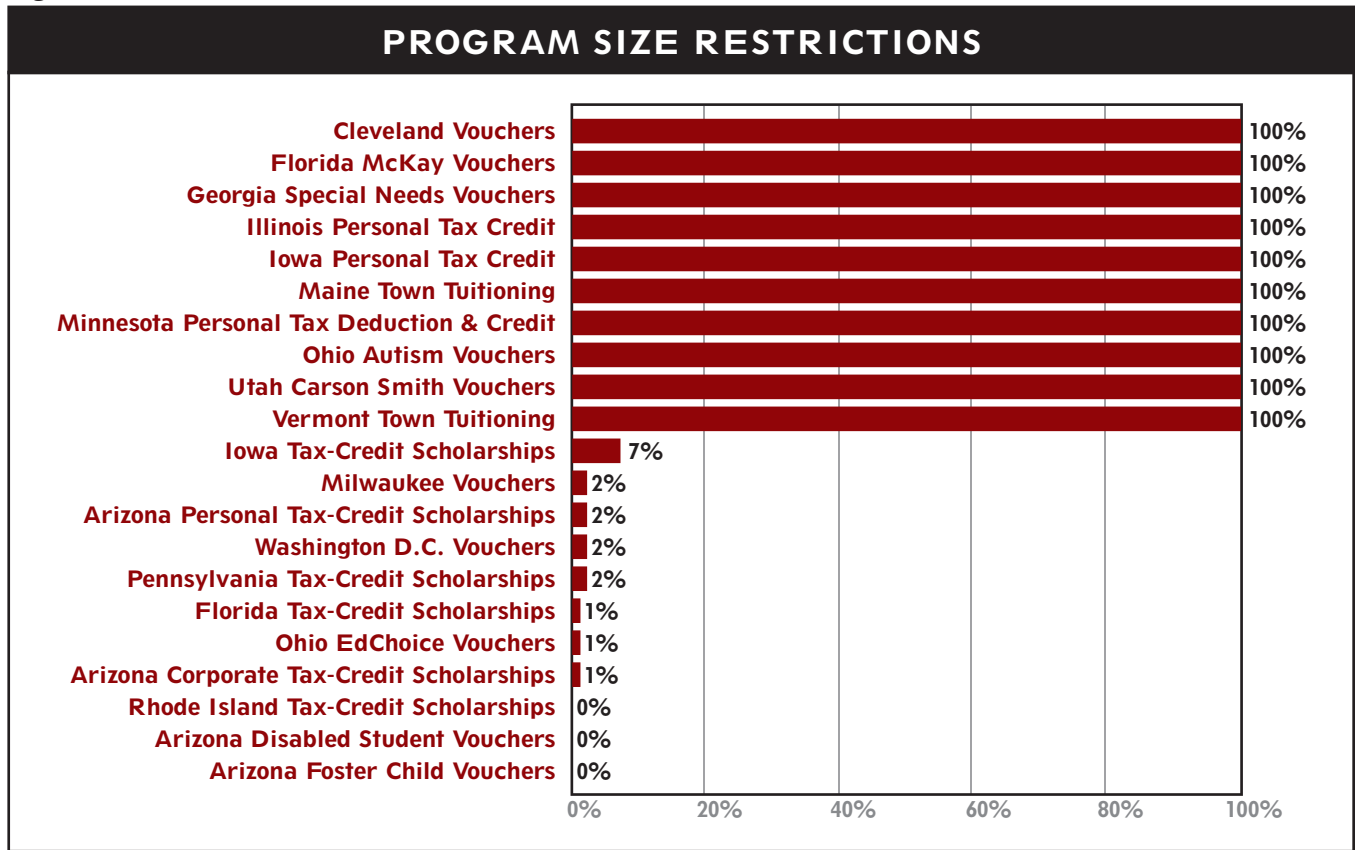


Figure 4

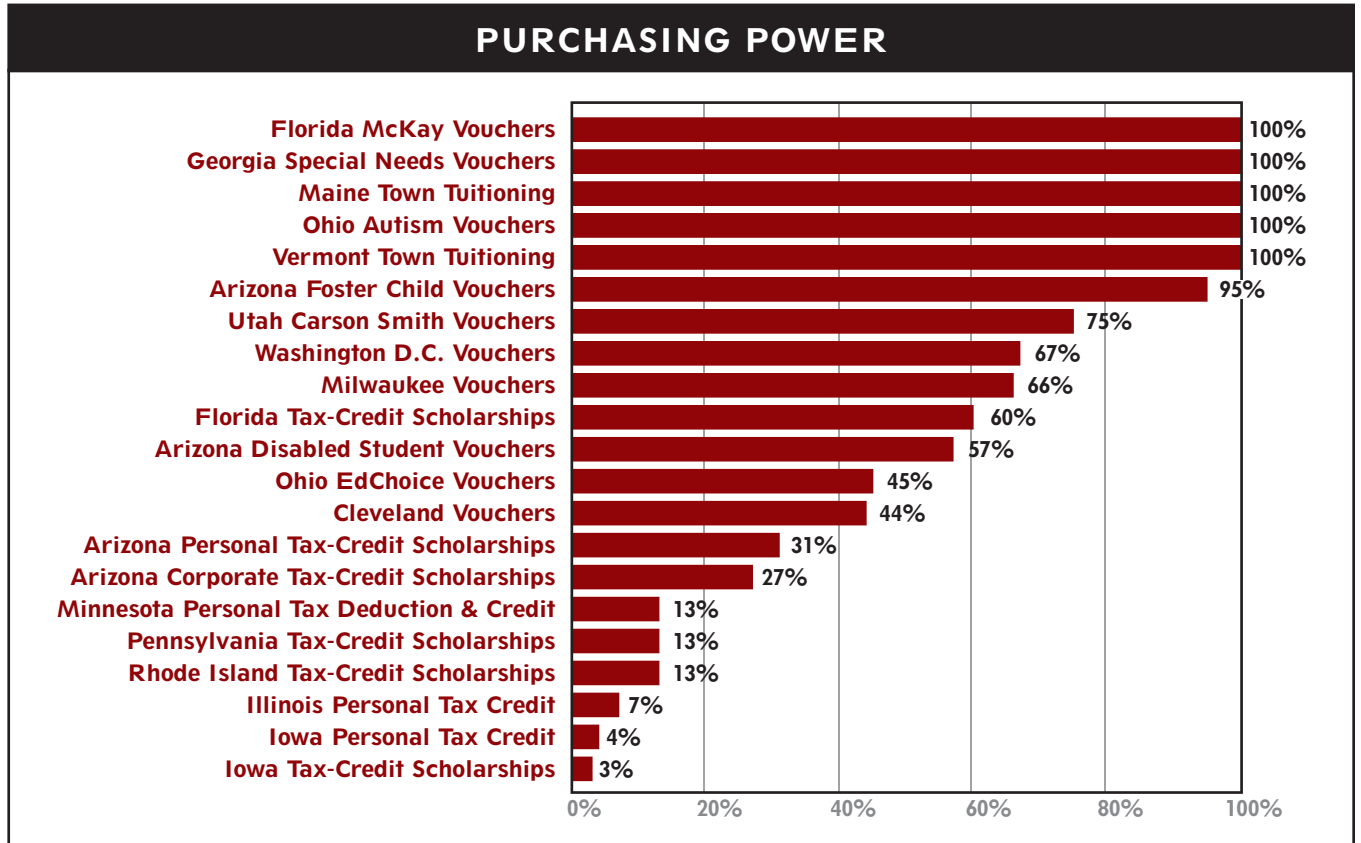


Figure 5

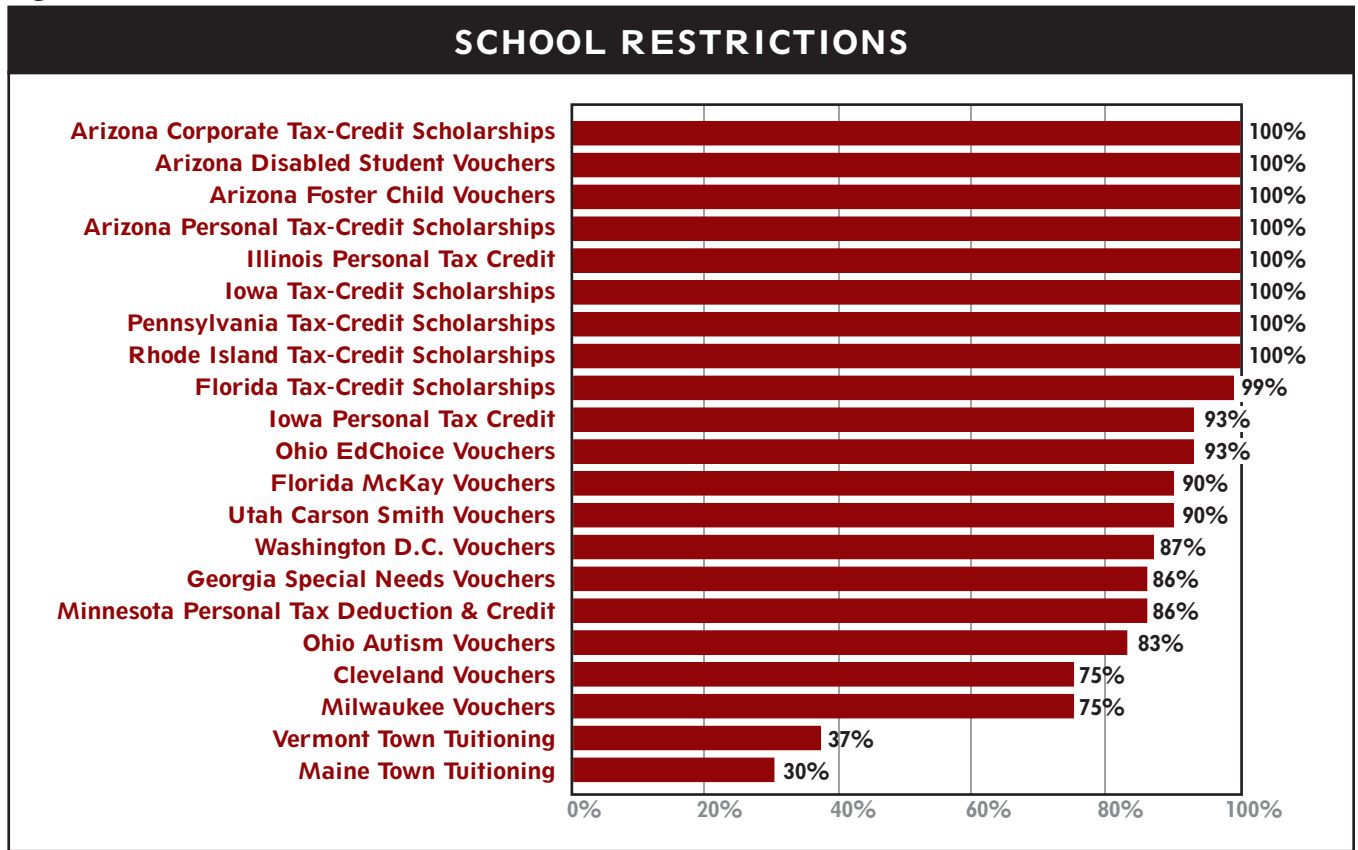
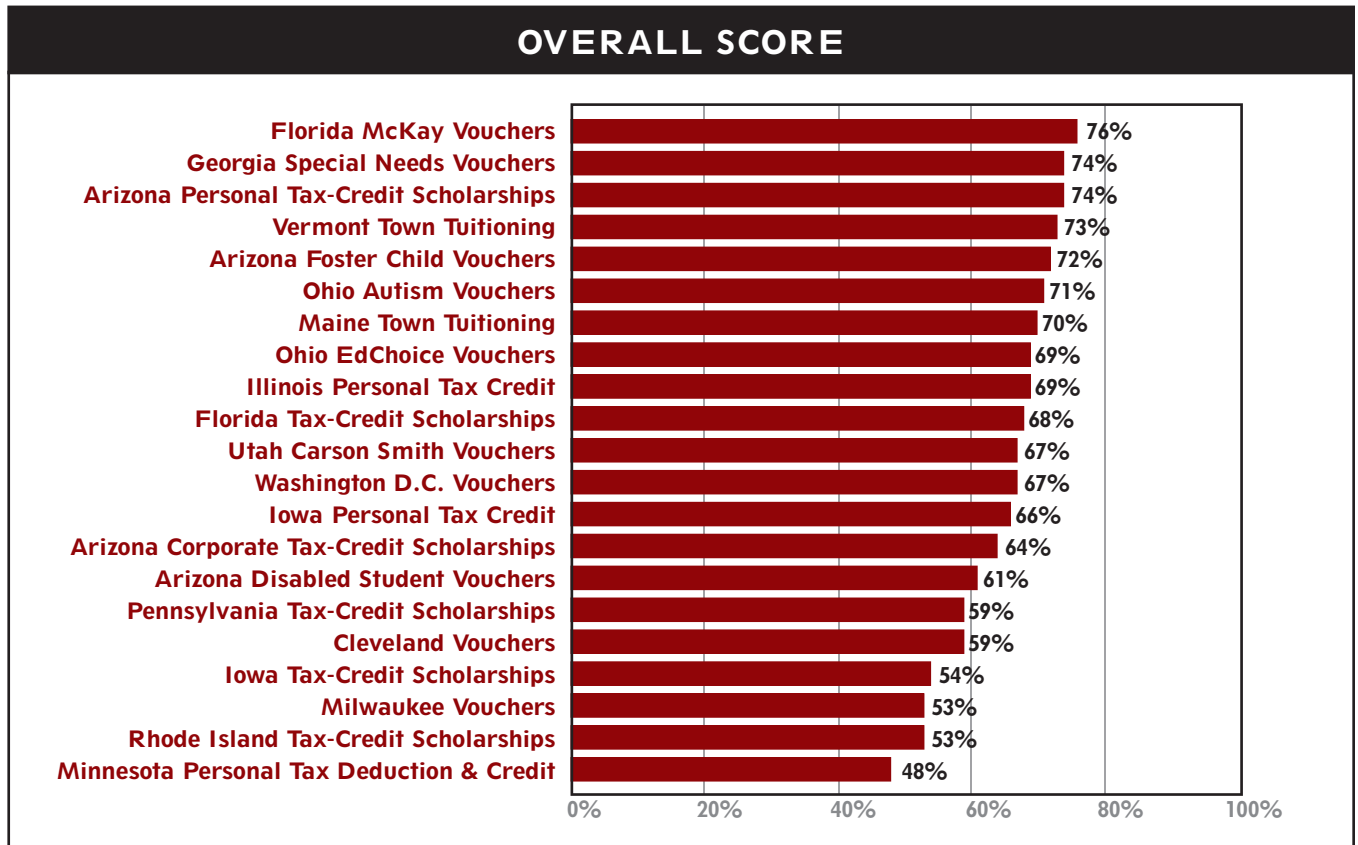


Figure 6





THE FRIEDMAN FOUNDATION WELCOMES YOUR SUPPORT

Our goal is to promote Milton and Rose Friedman's vision of a society where all parents have the freedom to choose the school that works best for their children, regardless of whether that school is publicly or privately run. One way we achieve this goal is by producing studies and reports on school choice, debunking the myths put forward by opponents of educational freedom. As a nonprofit organization, our work relies solely on the generous support of our many friends and donors. Please send your tax-deductible gift today, and help advance liberty and choice in our educational system. With your help, America can achieve the Friedmans' vision of universal school choice.

Dr. Milton Friedman, Founder

Nobel Laureate and Founder of the Friedman Foundation

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