



# POLICY ANALYSIS

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## Voucher Programs

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School choice is a common term, but what it encompasses is not always well understood. There are two categories of school choice: public school choice and private school choice. Public school choice — which includes open enrollment, magnet schools and charter schools — provides parents with educational choices within the public-school

before the first publicly-funded, choice-oriented voucher program was started, the Milwaukee Parental Choice Program in Milwaukee. Since then, the number of voucher programs in the country increased — particularly over the past several years. There are currently 25 voucher programs in 14 states plus D.C.

**THERE ARE CURRENTLY 25 VOUCHER PROGRAMS IN 14 STATES PLUS THE DISTRICT OF COLUMBIA (D.C.).**

### What are Vouchers?

sector. Private school choice programs allow public dollars to fund education options in the private sector, generally at private schools. These programs include voucher programs, education savings accounts (ESAs) and tax credit scholarship programs.

Voucher programs allow students to use public funds to attend a private school rather than a public school. The state provides a set amount of money — typically based on the state's per-pupil amount — for private school tuition. Many states' voucher programs are specifically designed for students who have documented disabilities or for students meeting certain household income guidelines. States typically require participating schools to adhere to certain provisions, such as teacher certification or school accreditation requirements.

While not an entirely new concept, economist Milton Friedman first introduced the idea of school vouchers as a form of free-market competition and school choice in the 1960s. He suggested that providing education options for parents and students would create competition and improve school quality.<sup>1</sup> It would take close to 30 years

Voucher programs allow students to use public dollars to attend a private school instead of a public school and are one type of private school choice.

All states with voucher programs limit them to certain student groups, commonly requiring eligible students to meet income guidelines or have a documented disability.



Proponents claim that voucher programs empower parents by providing them with choices about where and how to educate their children, and provide students, particularly at-risk or underserved students, with better education options. They also argue that free-market competition among public and private schools improves overall school quality through competition. Interestingly, some note that arguments in favor of school vouchers shifted over the years, with less discussion about the effects of vouchers on student achievement and more discussion about both the value of choice as a right in itself and the beneficial competitive effect of voucher programs on public schools.<sup>2</sup>

Opponents claim that voucher programs divert public dollars to private schools, but without the same accountability or special education requirements as public schools. They express concerns that voucher programs siphon motivated parents and students from underfunded public schools, leaving behind a larger number of higher-needs students and fewer resources with which to serve them. Opponents also point out that it may be difficult for lower-income families to benefit from voucher programs, as the amount of money available through a voucher may not always cover the full costs of private school. Some raise concerns about public dollars funding religiously-affiliated private schools as a potential violation of the constitutional separation of church and state, as well as the potential for religious discrimination.<sup>3</sup> Finally, some argue that these programs may potentially benefit only a small number of children “without providing the comprehensive reforms needed to strengthen the entire public education system.”<sup>4</sup>

### VOUCHERS AND EDUCATION SAVINGS ACCOUNTS (ESAs)

Voucher programs generally allow public funds to be used for private school tuition. ESAs are a type of voucher program, but they are structured somewhat differently than standard voucher programs. In addition to private school tuition, students may use ESA monies to purchase various education goods and services from an approved menu of options, such as tutoring services, textbooks or online course fees.

## State Landscape

There are currently 25 voucher programs in 14 states plus D.C., including two “town tuitioning” programs in **Maine** and **Vermont**.<sup>5</sup> The number of voucher programs has grown steadily over the past several years, as has the scope of existing programs. When creating voucher programs, states typically create provisions around eligibility, accountability and funding.

### Eligibility Requirements

All states have eligibility requirements for their voucher programs. The two most common eligibility requirements are having a documented disability or meeting household income requirements — the latter are usually related to federal poverty guidelines or requirements for free and reduced-price meal programs. Other eligibility requirements include attending a low-performing school or district, living in certain geographic regions or a combination of two or more eligibility requirements.

Some states have taken steps to increase the number of eligible students, either by adding additional programs, such as **Wisconsin**, or expanding eligibility requirements, such as **Indiana**. For example, for many years, Wisconsin had one voucher program — the Milwaukee Parental Choice Program (MCPC) — specifically for students living in Milwaukee city limits. The state later added a voucher program for students living in Racine city limits. The Wisconsin Legislature recently enacted legislation adding two additional voucher programs — one for students with a documented disability and one for students meeting household income requirements. Indiana created a voucher program — Indiana Choice Scholarships — in 2011 and expanded it two years later. The 2013 legislation increased income eligibility guidelines, phased out limits on voucher awards and created new eligibility pathways for students.<sup>6</sup> Participation in the program has grown significantly since 2011, although the program increasingly serves white students from suburban, middle-income families and students who never attended a public school in Indiana.<sup>7</sup>



## States' Voucher Program Eligibility Requirements



**Students with a disability:** Eleven programs in nine states. Generally, these programs require eligible students to have a documented disability and an Individualized Education Program (IEP).



**Income eligible households:** Programs in four states plus D.C. States typically require students to live in a household with an income within a certain percentage of the federal poverty guidelines or free and reduced price meal program requirements.



**Geography:** Four programs in three states. Students residing within certain cities are eligible for these programs. Three of the four programs also require students to have an IEP or meet income eligibility requirements.



**Low-performing schools:** One state. Schools or districts must have a school rating or student academic achievement rating below certain performance thresholds for students to be eligible for the voucher program.



**Combination:** Two states. In these programs, states require eligible students meet two or more of the following eligibility requirements: have an IEP, meet income guidelines or assignment to a low-performing school.



**Town tuitioning:** Two states. School districts without a public school provide students residing in the district with funds to either attend a private school or a public school in another district.

Many states specifically designed their voucher programs for students with a documented disability. However, when students leave the public school system for any reason — including to attend a private school through a voucher program — they give up some or all of their rights under the federal Individuals with Disabilities Act (IDEA).<sup>8</sup> IDEA governs how states and public agencies provide services to students with qualifying disabilities. Some states have policies to address the special education needs for voucher students. For example, Indiana allows voucher students to receive special education services either at the private school or at a school district.<sup>9</sup> However, most states do not address this issue, leaving a potential gap in services for students with disabilities who attend private schools under voucher programs.

While voucher programs with universal eligibility do not exist in the United States, **Arizona** and **Nevada** created ESA programs with universal eligibility, meaning any student in the state may participate in the program. Arizona expanded their ESA program to universal eligibility in 2017. The new eligibility requirements will phase in over a few years, being fully implemented in the 2020-21 school year.<sup>10</sup> Nevada created its program in 2013, but the program is on hold following a 2015 court decision declaring the funding mechanism unconstitutional and program funding has not been restored.

### Accountability

Under voucher programs, private schools receive public funds for participating students. As such, accountability for participating schools is often an area of interest for policymakers and other stakeholders. States typically require any private school receiving public funds through a voucher program to adhere to various provisions. In the simplest case, this may include complying with existing state laws that apply to all private schools. Additional requirements could include accreditation by state or external accrediting bodies, demonstrating fiscal soundness or adhering to teacher licensing and staffing requirements. States also commonly require participating private schools



to receive approval from the state, and sometimes they require schools to have been in operation for one year or longer prior to accepting voucher students.

States also address accountability through student assessment requirements. Of the 15 jurisdictions with voucher programs, eight require participating students to take either the state's assessment or a nationally-standardized assessment. Five states do not require an assessment, although they may require participating schools to provide parents with an academic progress report of some kind. The remaining two states, **Louisiana** and **Ohio**, have different testing requirements for their multiple voucher programs.

## Funding

States generally base voucher amounts upon the state's per-pupil amount. State policies often indicate that the voucher amount is the state's per-pupil amount or the cost of private school tuition, whichever is less. Programs for students with a documented disability typically provide additional funding, as states' funding formulas generally include weights for various student groups.

Some state programs specifically prohibit participating private schools from charging fees or tuition beyond the voucher amount to students who meet specific income requirements. Most state programs, however, are silent on this issue, suggesting that private schools are free to charge participating students additional fees or tuition beyond what the school receives from the state.

Some voucher programs provide students with an amount less than the state's per-pupil amount, potentially providing surplus funding to the state. However, the potential impact of a school voucher program on local and state budgets varies greatly depending on the state's funding formula and program design.

State funding formulas are typically based on several factors, such as property valuation and tax rates, student enrollment and the cost of instruction, among other things. In many states, schools receive a combination of funding

from the local school district and the state. When students transfer to private schools through voucher programs, both state aid to the district and the district's funding needs may decrease, yet the amount the district must contribute will often stay the same.<sup>11</sup> Many school costs — such as staff salaries — remain fixed regardless of whether schools gain or lose a few students. Therefore, voucher programs can potentially strain schools and districts when they receive fewer per-student dollars but operation costs essentially remain the same.

## What Does the Research Say?

Research on this topic is relatively limited, as prior to about 2010, there were only a small number of voucher programs in the country.<sup>12</sup> Additionally, it is difficult to measure the effects of voucher programs on student performance because there may be other factors — such as class size, school safety issues or peer effects — that affect students' academic progress. Although many states specifically design their voucher programs to provide options for students with disabilities, most research on voucher programs does not include programs serving this population.

Finally, research in this area generally does not analyze the quality of the private schools students choose to attend through voucher programs. Many arguments in favor of voucher programs appear to rest on an assumption that private schools produce inherently better student outcomes than public schools. Yet private schools are a heterogeneous group, as different from each other as they are from public schools.<sup>13</sup> While many private schools may produce better student outcomes than public schools, the reverse may also be true.

## Academic Achievement

Most existing research on voucher programs shows mixed results. Generally, students attending private school through a voucher program tend to have similar academic

outcomes to their peers in traditional public schools.<sup>14</sup> Some studies even found that voucher students generally performed worse academically than their peers in traditional public schools.<sup>15</sup> In other words, students attending private schools through a voucher program generally performed about the same as or worse than their peers in traditional public schools.

However, some research suggests that student performance in voucher programs may improve over time. Specifically, a multi-year study of Milwaukee's voucher program found that participating students in lower grades tended to have lower academic performance in reading and science than their peers in public schools, while students in upper grades had better academic outcomes in reading and science than their peers. In addition, some students participating in the voucher program were one to two years behind academically when first enrolling in a private school, and study results suggest that attending private school through the voucher program helped these students catch up to their grade level.<sup>16</sup>

## Funding

One common criticism of voucher programs is that they divert public funding away from traditional public schools. Although existing research on funding for voucher programs is limited, it appears that the effects of vouchers on district and schools depend on both the state's education funding formula as well as the structure of the voucher program.

Some research suggests that voucher programs do not substantially impact state and local education budgets, and may actually save the state money when voucher amounts are less than the amount a school district receives for each student.<sup>17</sup> Conversely, a review of voucher programs in five states and D.C. found that voucher programs may have some effect on state and local funding, because "in almost all cases, districts lose at least some portion of their state per-pupil aid when students opt into voucher programs."<sup>18</sup>

In addition, financial impacts of voucher programs may disproportionately affect some taxpayers rather than sharing the potential savings with all taxpayers. For example,

research on Wisconsin's MPCP found taxpayer savings because the voucher amount was lower than the state's per-pupil amount. However, the structure of the voucher program created a highly uneven impact on taxpayers. Taxpayers outside of Milwaukee received a substantially favorable benefit, while the program adversely affected taxpayers in Milwaukee.<sup>19</sup>

The following resources provide additional information about funding for voucher programs.

- **Follow the Money: A comprehensive review of the funding mechanisms of voucher programs in six cases** (Center for Evaluation & Education Policy, 2016)
- **The Fiscal Effects of School Choice Programs on Public School Districts** (EdChoice, 2012)
- **The Fiscal Impact of the Milwaukee Parental Choice Program: 2010-2011 Update and Policy Options** (School Choice Demonstration Project, 2010)

## Other Research Findings

### Graduation Rates

A few research studies found that voucher students were more likely to graduate from high school and, in one case, to enroll in a four-year college than their peers in traditional public schools, although these findings were not always conclusive.<sup>20</sup>

### Parent and Student Satisfaction

Research on two voucher programs suggests that parents with children in voucher programs showed somewhat higher satisfaction with their children's private schools than parents of students in traditional public schools. However, one study showed that satisfaction levels of voucher students were no different than their peers in traditional public schools.<sup>21</sup>

### Competition

Even when students' achievement levels were below their peers in traditional schools, a few research studies found a slight competitive effect for public schools. This means the presence of a private school that could potentially





### CASE STUDY: Milwaukee Parental Choice Program (MPCP)

The MPCP in Wisconsin is one of the oldest voucher programs in the country. A multi-year study of MPCP found mixed results and key findings include:

- Academic performance of MPCP students was mixed, but students seemed to show improvement over time. During the first few years of the study, MPCP students in lower grades generally performed similar or worse in reading and science than their peers in the Milwaukee Public School District (MPS), but MPCP students in higher grades generally showed somewhat better performance than their MPS peers. Although researchers found a boost in achievement for MPCP students in the final year of the study, the gains seemed at least partly attributable to a new testing accountability policy implemented during that school year. Interestingly, students enrolled in some Milwaukee charter schools clearly showed higher academic outcomes than MPS students.
- MPCP students tended to be more economically disadvantaged than their peers in public schools.
- Some MPCP students were one to two years behind academically when first enrolling in a private school and these private schools may have helped at least some students catch up.
- MPCP appears to improve students' educational attainment, meaning the highest level of education a student completes. Students enrolled in a private high school through MPCP were more likely to graduate from high school on time and enroll in a four-year college.
- There was evidence of a slight competitive effect on MPS, meaning MPS students appear to have improved somewhat academically with the presence of the voucher program.<sup>23</sup>

draw students away through a voucher program seemed to encourage slightly improved academic performance in the public schools that would be most affected by the voucher program.<sup>22</sup>

## Legal Challenges

Several state or local voucher programs across the country faced legal challenges, often centered around the separation of church and state debate. Specifically, whether sending public funds to sectarian private schools contradicts the Establishment Clause of the U.S. Constitution's First Amendment and a series of approximately 36 state constitutional amendments prohibiting the states from providing public funds to religious schools — collectively known as the Blaine Amendments.<sup>24</sup> The outcomes of these challenges have been a mix of upholding the programs and finding them unconstitutional; a few are still pending on appeal.

### RELATED EDUCATION COMMISSION OF THE STATES RESOURCES

- [School Choice Glossary](#)
- [50-State Comparison: Vouchers](#)
- [Education Savings Accounts: Key provisions and state variations](#)

## ENDNOTES

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12. *Ibid*, Katherine Cierniak, Molly Stewart and Anne-Maree Ruddy, 1-2.
13. Henry Braun, Frank Jenkins and Wendy Grigg, *Comparing Private Schools and Public Schools Using Hierarchical Linear Modeling* (Washington, D.C.: U.S. Department of Education, National Center for Education Statistics, Institute of Educational Sciences, 2006), <https://nces.ed.gov/nationsreportcard/pubs/studies/2006461.asp> (accessed April 5, 2017).
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