3. School Choice in Milwaukee Fifteen Years Later

Paul E. Peterson
with Nathan Torinus and Brad Smith

Whether or not the supply of schools can meet the parental demand for choice has been central to the school choice debate for more than a decade. Unfortunately, the two sides to the debate often carry their argument to the extreme. On the one side, one finds, to coin a term, the strict *inelasticians*: Those who assume that supply will not change in response to an increase in demand. When model builders make such an assumption, they easily reach the conclusion that choice systems will necessarily be highly stratified.[1] In fact, studies of school choice find increasing stratification

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1. See Charles F. Manski, "Educational Choice (Vouchers) and Social Mobility," *Economics of Education Review* 11, no. 4 (1992): 351–69. For a contrasting view see Terry M. Moe and Kenneth W. Shotts, "Computer Models of Educational Institutions: The Case of Vouchers and Social Equity," in *The Politics of Education and the New Institutionalism*, ed. William L. Boyd, Robert L. Crowson and Hanne B. Mawhinney (London: Falmer Press, 1996).

in contexts where school supply was forced to remain fixed.[2] But one cannot generalize from such situations to those where supply is allowed to fluctuate.[3]

On the other side, one finds those who might be called strict *elasticians*, those who assume that supply will increase smoothly as demand increases. Milton Friedman's essay that helped give rise to the school choice movement is an example of an elastician's argument.[4] But it is another matter to assume that supply will expand rapidly no matter what kind of school choice program is introduced, especially when that program is the outcome of political bargains and it falls well short of fulfilling the assumptions that Friedman set forth.

In practice, supply response will be affected by two major factors—(1) legal and political barriers and (2) financial incentives given to potential suppliers. To study how these two factors affect school supply, we examined the school choice innovations in the city of Milwaukee, where the first small voucher experiment began in 1990 and where much larger voucher and charter interventions have been in place since 1998. We also gathered information on the impact of the choice interventions on existing public schools.

If one can generalize from the Milwaukee experience, school supply is quite elastic, responding quickly to changes in parental demand whenever legal and political conditions are relaxed. Even if financial arrangements are considerably less than ideal, the supply grows with demand. But, whether those newly created schools provide a high-quality education is another matter.

2. Edward B. Fiske and Helen F. Ladd, *When Schools Compete: A Cautionary Tale* (Washington DC: Brookings Institution Press, 2000).

3. See, for example, Bryan C. Hassel, *The Charter School Challenge: Avoiding the Pitfalls, Fulfilling the Challenge* (Washington DC: Brookings Institution Press, 1999).

4. Milton Friedman, "The Role of Government in Education," in *Economics and the Public Interest*, ed. Robert Solo (Piscataway, NJ: Rutgers University Press, 1955).

Choice can sustain and enhance existing quality schools and it can have positive impacts on traditional public schools that must now take active steps to maintain their enrollments. But when financial arrangements are inadequate and oversight is lax, some of the new schools may be of lesser quality. As Howard Fuller, a vigorous school choice advocate who previously served as Milwaukee's public school superintendent has observed: "I don't think I [initially] understood how hard it is to create a really good school."[5]

School Choice in Milwaukee

Milwaukee has the largest, most mature system of school choice—consisting of both vouchers and charter schools—within a large American city. It began in 1990 when the state of Wisconsin established the Milwaukee Parental Choice Program (MPCP). For the first eight years, MPCP was limited to serving no more than 1.5 percent of the Milwaukee Public School (MPS) population, about 1,700 students. It was directed towards low-income families, who were given a voucher of (initially) up to $2,500 to pay the cost of sending their child to one of the participating private schools. Only a small number of private, secular schools within Milwaukee, which never numbered more than twenty-three, participated in the program. Schools could not ask parents to supplement the voucher with an additional tuition payment.

The state of Wisconsin enlarged the program in 1996 so that it could serve up to 15 percent of the MPS population, or approximately 15,000 students, and sectarian schools were, for the first time, allowed to participate. However, the program remained limited to low-income families and schools still needed

5. Alan J. Borsuk and Sarah Carr, "A Question of Accountability," *Milwaukee Journal Sentinel*, June 12, 2005.

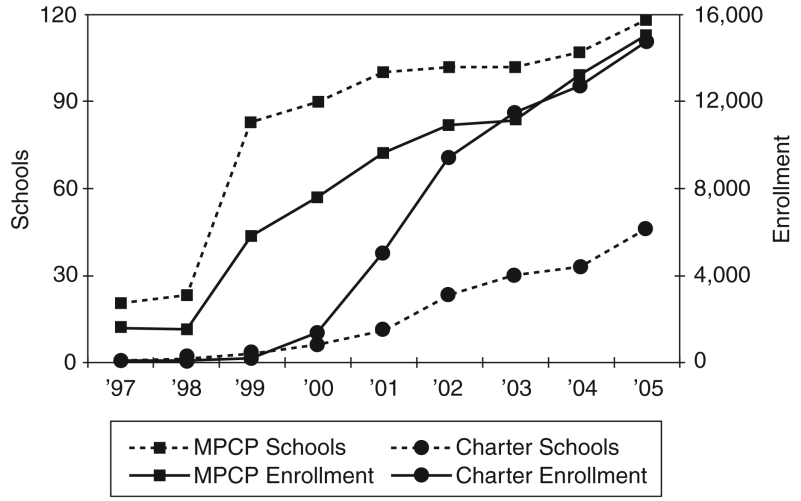

Fig. 3.1 Growth of Choice and Charter Schools in Milwaukee, 1997–2005

Sources: Wisconsin Department of Public Instruction.

to accept the voucher as the full tuition payment. The enlarged program did not become operative until the 1999 school year (a school year is identified by the chronological year in which it ends) when a lawsuit objecting to its constitutionality was rejected by Wisconsin's highest court. Ever since, any private school in Milwaukee, religious or secular, may become an MPCP member, provided its application is accepted by the state's Department of Education. Until recently, the state approved most applications.

In 2005, nearly 13,978 students, just short of the maximum allowed under the law, were accepting vouchers worth $5,943 to attend any one of 117 private schools (which in most cases also had fee-paying students as well). Those numbers represent a sharp increase from 1999 levels, when participating schools numbered eighty-six, and enrollment was just 5,800 (Figure 3.1).

Supplementing MPCP is Wisconsin's charter-school program, first set up in 1993, then enlarged in 1997. Charter schools are secular, publicly-funded schools that operate under a charter that grants them autonomy from many state and school district regulations in exchange for a commitment to fulfill the terms of their charter, which generally runs for five years. In Milwaukee, the charter may be obtained from any one of three authorizing agencies established by the state of Wisconsin—Milwaukee Public Schools (MPS), the city of Milwaukee (the city), or the University of Wisconsin-Milwaukee (UWM). By 2005, these agencies had licensed forty-five charter schools serving over 14,562 students, more than ten times the enrollment in charters only five years earlier (Figure 3.1).[6]

Of the forty-five charter schools, twenty-one (with an enrollment of 8,249) were *district-controlled schools* chartered by MPS, which have greater flexibility than traditional MPS schools but are nonetheless subject to many district regulations, including collective bargaining agreements. Thirteen (with an enrollment of 2,610) were *independent charter* schools authorized by MPS but operating free of collective bargaining contracts and most other district regulations. (In Wisconsin, the two types of schools are labeled instrumentalities and non-instrumentalities, neologisms avoided here.) The remaining eleven were independent charter schools (with an enrollment of 3,703) chartered by one of the other two authorizers.

In 2005 independent charter schools received $7,111 per pupil, nearly 20 percent more than the amount received by schools in MPCP (Figure 3.2). District-controlled charters receive the same amount as Milwaukee traditional public schools, which in 2005 was $9,024 plus the sizeable but officially undetermined

6. Milwaukee Area Technical College also has the authority to grant charters but it has not yet exercised that authority.

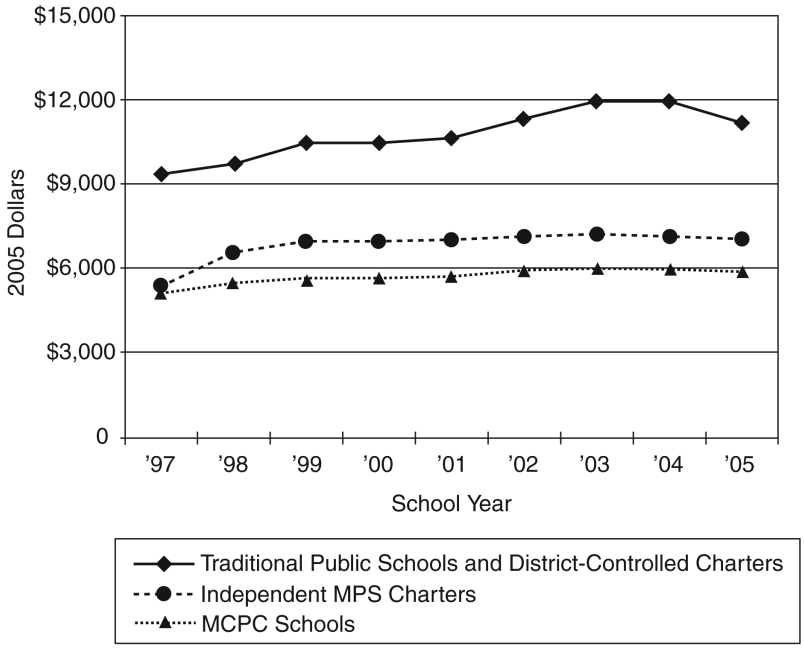

Fig. 3.2 Per-Pupil Allocation in Milwaukee Schools, 1997–2005

cost of employee pensions. Even if pension costs are set to one side, the $9,024 per pupil expenditure is 20 percent more than the amount received by independent charters and 40 percent more than the maximum amount that voucher schools could receive from the government ($5,943).

Although most choice schools have many fewer dollars per pupil than do traditional public schools in Milwaukee, the numbers of students attending choice schools has increased rapidly since 1999. By 2005, Milwaukee's voucher and charter programs were serving 28,540 students, 23.7 percent of all students being educated at public expense (Figure 3.3). Another 6,700 of the Milwaukee students chose to attend public schools outside the district, lifting the percentage of students exercising choice at the expense of traditional public schools to close to 30 percent of all publicly-funded students living in Milwaukee. That is a long dis-

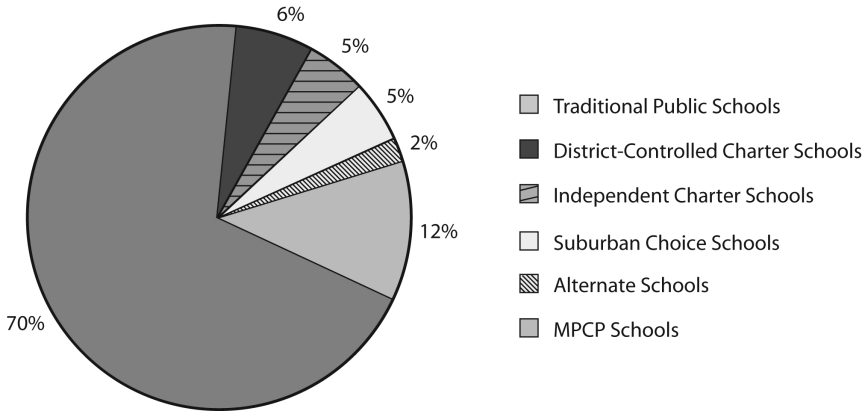

Fig. 3.3 Enrollment of Milwaukee Residents, by School Type, 2005
Note: Alternate schools are administered by the Milwaukee public schools but are exempt from many of its standard regulations. They serve specialized, mainly at-risk populations.
Sources: Milwaukee Public Schools for traditional school enrollment; Wisconsin Department of Public Instruction for charter school enrollment.

tance from the 10 percent participation rate in Milwaukee's voucher and charter schools six years previously. Clearly, the supply of choice-based schooling within a large central city can be highly elastic.

Conditions Facilitating Growth in Supply

Economic theory tells us that school supply can be expected to be highly elastic whenever the barriers to entry are minimal. We find evidence of this in the Milwaukee experience. Whenever the political, legal, and financial barriers were relaxed, the supply response was enhanced.

Legal and Political Environment

As in most parts of the United States, school choice in Wisconsin is a highly partisan political issue, with most Republicans and

Democrats firmly opposed to one another. As a result, shifts in the partisan composition of the legislature, or the gubernatorial chair, have translated into new laws, or interpretations of laws, that have had important consequences for choice school supply. At the local level, changes in the balance of power within the MPS's elected school board have also been of consequence. In 1999, a reform faction, with strong support from the mayor and the business community, won five seats, gaining control of the nine-member board. In subsequent years, majority control shifted back and forth between candidates endorsed by the school reform movement and those championed by teacher and other unions. In the last elections, in 2005, the reform faction regained control, but only by a one-vote margin. In 2006, the teachers union opposed the renewal of the school superintendent's contract and publicly announced that it plans to challenge reform members up for re-election in 2007. With power constantly in flux at both the state and local levels, many compromises have been struck and many policy adjustments have raised and lowered barriers to entry into the choice program.

Voucher Schools

In 1999, with the court decision finding the enlarged voucher program constitutional, important entry barriers fell. Religious schools could participate, up to around 15,000 students could be given vouchers, and the amount of the voucher was increased. As a result, supply changed almost overnight. The number of participating schools expanded immediately from twenty-three to eighty-six, and the number of participating students from 1,497 to 5,761. The major reason for the increment was the inclusion of schools with a religious affiliation since religious schools constituted nearly 90 percent of the private schools in Milwaukee (as well as elsewhere in the United States).

The extremely elastic supply response to the court decision was due mainly to two factors. First, sectarian schools had considerable available capacity. Many of the sectarian schools had been built by Catholic and Lutheran immigrants, who had left Milwaukee for the suburbs, leaving empty places behind. With an ample supply of under-utilized classrooms, these parochial schools immediately opened their doors to voucher recipients. Second, while waiting for the widely anticipated Wisconsin Supreme Court decision, voucher supporters prepared the schools and the students for a favorable outcome. Indeed, while the litigation was proceeding, many of the new voucher students from low-income families had already begun to attend private schools on privately-funded scholarships from Parents Advancing Values in Education (PAVE), an organization funded by community leaders and the Lynde and Harry Bradley Foundation. In a sense, much of both the demand and the supply were already in place; it was simply a matter of waiting for a court suit to be resolved.

Once the decision was handed down and the legal barriers to entry were reduced to a minimum—all that was required of private schools was that they apply for participation to the State Department of Education and that they possess a building that passed routine health and safety checks—the number of participating schools increased steadily. By 2003, the number had expanded to 107, with another rise to 117 by 2005. Enrollment also rose until it approached the maximum allowed by law.

Charter Schools

Changes in the supply of charter schools have also been strongly affected by political and legal developments. When the first Wisconsin school charter law was enacted in 1993, it had little impact. Originally, only two charter schools could be formed in any one district. Although this provision was later relaxed, MPS, the

then sole authorizer for Milwaukee, had by 1997 granted only three charters to schools serving less than 200 students. But in that year new legislation gave chartering power to the city of Milwaukee and the University of Wisconsin-Milwaukee. Mayor John Norquist appointed Howard Fuller to head the city's Charter School Review Committee and encouraged him to begin granting charters to schools immediately. The first three schools approved by the city were up and running by the 1999 school year, and the first schools approved by UWM were operational by 2000.

Meanwhile, MPS, too, began approving new charter schools while at the same time converting traditional public schools to charter status, both to respond to the competition of the other authorizers and because pro-choice forces gained strength on the MPS school board. As part of a legislative compromise, MPS was given the authority to grant two different types of charters: independent and district-controlled.

District-controlled charter schools differ from the independent schools chartered by MPS in five main respects. First, teachers at district-controlled schools are represented in the collective bargaining process by the teachers union, while teachers at independent charters are not. Second, teachers at district-controlled schools receive all the benefits, including a handsome pension package that teachers at traditional public schools receive but teachers at independent charter schools do not. Third, the funding levels are different. Independent charters are given the same amount as independent charter schools authorized by the other two agencies, which in 2005 was $7,111 per pupil. District-controlled charters, however, receive the same amount as traditional public schools, which in 2005 was $9,024, plus whatever amount was necessary to sustain the teachers benefit package. Fourth, MPS assumes the responsibility for identifying an appropriate physical plant for any district-controlled charter school that was

Table 3.1 Number of Charter Schools by Authorizer and Source, 2005

	District-Controlled	*MPS Independent*	*UWM Schools*	*City of Milwaukee*	***Total***
Converted MPS Schools	14	2	0	0	**16**
Converted Voucher Schools	0	2	2	2	**6**
New Schools	7	10	5	2	**24**
Total	**21**	**14**	**7**	**4**	**46**

Source: School Choice Wisconsin, 2005b.

not a conversion from an existing public school. In all cases, district-controlled charter schools are placed in buildings formerly occupied by an MPS school. Meanwhile, independent charter schools are expected to find their own facility, which may or may not be a former public-school building. Fifth, district-controlled charter schools are required to pay to the central office a fee of $887 per pupil (in 2005) for a package of services. That same year independent charters paid a fee of $306 for a smaller set of services.

Charter schools may be new schools or schools that have been converted from some other legal status (Table 3.1). In 2005, two-thirds of the twenty-one district-controlled schools were conversions from traditional public school status. The remaining seven were started by former MPS employees. Of the fifteen independent schools chartered by MPS, two were converted from traditional public-school status, two had been voucher schools, and eleven were newly begun. Of the eleven charters authorized by the city and UWM, four were conversions from the voucher program, while the remainder consisted of start-up schools.

Whether or not conversions from traditional public school status add to school supply is a question that will be explored below. In 2005, of the sixteen schools converted from that status, fourteen were district-controlled while two were independent. Since 2000, there has been a steady increase in the number of

conversion schools, though, as of 2006, a further increase in their number was not anticipated.

Financial Barriers

School formation and expansion are more attractive when government dollars are predictably available for both capital and operating costs. In the case of both the voucher and charter programs, government reimbursement takes place only after the educational service is ready to be provided and is often limited to cover tuition or school operating costs. As a result, new schools face, on their own, large start-up costs because they must acquire facilities, hire administrators and teachers long before the school door opens, and continue to pay employees while the school awaits reimbursement from the designated government agency.

Voucher Schools

Despite the financial obstacles, many new voucher schools have been able to form principally because the start-up costs are low given the limited government regulation to which they are subjected. In addition, private donations have helped with the start-ups as well as with the expansions. The financial barriers are lower for elementary schools, which receive the same voucher amount but need not offer a specialized curriculum or provide for athletic and other extra-curricular activities. As a result, most choice schools serve elementary school students. But for both elementary and high schools to grow in capacity, they need to mount fund-raising campaigns.

Many of Milwaukee's choice schools have sought support from PAVE, the organization that funded choice students during the years the MPCP was stalled in the courtroom. Once the favorable court decision was handed down, PAVE began to address supply-side issues. Indeed, it has been an important vehicle

through which financial support has been channeled from a wide variety of local corporations and foundations, including the Bradley Foundation, which gave PAVE a $20 million matching grant.

Initially, PAVE played a passive role, reviewing applications and business plans submitted by those who wished to establish a school or expand existing operations. With experience, PAVE learned that a more pro-active strategy was required, simply because many educators had less well-formulated business plans than instructional visions. PAVE now works with the identified highest quality schools in MPCP, helping to develop a strategic plan, recruit volunteers, build connections to local foundations, cultivate relationships with banks and contractors, and conduct the fundraising necessary to create a successful campaign.

Charter schools

For charter schools, the financial constraints vary, depending on whether they are an independent or district-controlled charter. As mentioned before, the latter type of school is in the much more favorable position. It is provided with a physical plant by MPS; it receives a 20 percent higher reimbursement rate; its employees are paid by MPS, minimizing cash-flow problems; its staff recruitment is facilitated by the fact that its employees remain part of the collective bargaining agreement with all its salaries and benefits, including a substantial pension. Student recruitment is facilitated by the fact that students can matriculate directly into the charter school without first spending a year in a traditional MPS school, whereas independent charters cannot recruit a student until he or she has spent one year in an MPS school.

Not only do independent charter schools receive 20 percent less per pupil, but they face substantial capital costs as well. Years of planning may precede the approval of an application to the chartering agency; once approved, a building needs to be acquired

and employees must be paid for substantial periods of time before the charter is reimbursed by the government. Apart from some federal funds, no government monies enter into a charter-school account until the month before school opens. Yet expenses do not wait for the first period bell to ring.

To cover some of these expenses, many independent charter schools have received a federally funded start-up grant worth anywhere between $10,000 and $150,000 over several years of planning and/or implementation. In 2002–03 alone, twenty-one of the thirty-one Milwaukee charter schools received grants totaling $2.35 million. These grants certainly help, but they are seldom adequate. To complete the task, the charter must locate financial backers in the private sector.

Conclusions

Many independent charter and voucher schools have overcome the financial barriers created by the legal arrangements in Milwaukee so that the supply of choice schools has expanded rapidly, once political and legal barriers were removed. Still, the challenges faced by many of these schools leaves the open question as to how much the availability of quality schools has expanded.

Growth in the Supply of Quality Schools

Measuring school quality is a challenging task, of course. Unless one can compare changes in the educational performance of students in choice schools with changes in the performance of a similar group of students in traditional public schools, one can not reach any definitive conclusions about their respective quality. The only studies that have done this were undertaken nearly a decade ago, and they examined only the initial, secular-only voucher program. While most of these studies found the voucher

schools to be more effective,[7] the findings concerning this small program cannot necessarily be generalized to the much larger choice program now in place. But if definitive evidence is lacking, there is enough information from independent observers to make a reasonable, if preliminary, assessment.

Quality of Voucher Schools

The quality of voucher schools is highly variable. On the one side, one can certainly find areas of great strength, especially among the long-standing private schools that the program has helped to preserve. But, on the other side, a significant number of the newly established schools are quite problematic.

Signs of Program Strength

In the only recent systematic effort to determine the educational impact of the voucher program, Jay Greene[8] compared high school graduation rates for voucher students attending ten private high schools with rates at MPS high schools. To estimate graduation rates in 2003, the last year for which information was available, for each school, Greene compared the number of high school graduates with the number of high school freshman attending that school four years earlier, a method he had employed previously in a nationwide study of graduation rates.[9] He estimated that 64 percent of voucher students at the ten schools graduated from high school, as compared to only 36 percent of

7. For a summary of the findings see Jay Greene, Public Policy Forum, *MPS Outpacing New Charter Schools in Innovation, Achievement*, Research Brief, vol. 89, no. 9 (December 27, 2001).

8. Jay P. Greene, "Graduation Rates for Choice and Public School Students in Milwaukee," *School Choice Wisconsin*, September 28, 2004.

9. Jay P. Greene, "High School Graduation Rates in the United States" (Center for Civic Innovation at the Manhattan Institute and the Black Alliance for Educational Options, April 2002).

those who attended MPS high schools. To adjust for the possibility that voucher students are a select group, Greene also calculated graduation rates for six Milwaukee high schools that had selective admissions based upon prior academic achievement. The graduation rate for these six selective schools was only 41 percent, well below that of the voucher schools. As a further check on his methodology, he also estimated graduation rates using an alternative method proposed by the Harvard Civil Rights Project and the Urban Institute. Using their technique, voucher schools had a 67 percent graduate rate, selective MPS high schools had a 49 percent rate, and public schools, as a whole, had a graduate rate of 39 percent. Clearly, the secondary education provided to voucher students was superior to that available in MPS high schools.

Most of these secondary schools were long-standing parochial high schools that found the program critical to stabilizing their enrollments.[10] Indeed, reporters for the *Milwaukee Journal Sentinel*, after conducting a multi-part overview of the voucher program in the summer of 2005, concluded that "the principal effect of choice has been . . . to preserve the city's private schools, many of them Lutheran and Catholic."[11]

Data on private school enrollment justify this observation. Between 1967 and 1989, the number of students in Milwaukee who were attending private schools is estimated to have fallen from nearly 50,000 to just over 34,000. The slide continued during the 1990s and accelerated after 2000, when charter schools became available, so that today there are only around 22,000 students in

10. According to a researcher at the Public Policy Forum, the ten schools that had high school voucher students during this period were as follows: Divine Savior Holy Angels, Learning Enterprise, Marquette University High School, Messmer, Pius XI, Grandview, St. Joan Antida, Woodson Academy, Believers in Christ Academy, and Ceria M. Travis Academy. All but two of these schools have a religious affiliation.

11. Alan J. Borsuk and Sarah Carr, "Lessons from the Voucher Schools," *Milwaukee Journal Sentinel*, June 11, 2005.

private schools. Of that number, nearly two-thirds are recipients of school vouchers.[12] Were it not for vouchers, the decline would certainly have been more severe, especially after middle class families had the option of sending their children to tuition-free charter schools.

Most of the private schools participating in the voucher program have a religious affiliation. In 2005, more than 10,000 of the voucher students were attending religious institutions. In percentage terms, 39 percent were attending Catholic schools, 13 percent Lutheran schools, 22 percent other religious schools, 20 percent non-religious schools serving African-American students, and 6 percent "other" schools whose religious affiliation was not determined.[13]

Clearly, voucher revenues were helping parochial schools stabilize their operations and enhance their facilities. No less than sixty-two of the schools participating in MPCP began renovations, spending an estimated $80 million dollars on improvements in their physical plant since the choice program began.[14] Six either constructed a new building or added to the existing one, seventeen built new classrooms or laboratories, ten updated their electrical systems, eight added non-classroom space, and others painted and improved their heating and air-conditioning systems, while a scattering of others enhanced their property with new roofing, windows, handicapped accessibility, and other improvements.

Some of these expansions have been quite consequential. St. Marcus, a Lutheran elementary school, mounted a $5 million

12. Data made available by the Milwaukee Public Schools and the Wisconsin Department of Public Instruction to the *Milwaukee Journal Sentinel*, June 15, 2005.

13. Bob Veierstahler, "Schools Choice Students Attend," *Milwaukee Journal Sentinel*, June 12, 2005.

14. School Choice Wisconsin, *School Choice and Community Renewal*, September 2005a. School Choice Wisconsin, *Accurate Information about School Choice*, 2005b. http://www.SchoolChoiceWI.org.

campaign that was projected to increase capacity from 130 students to a projected 350 students. And Pius XI, a Catholic secondary school, began work on a new field house that contained classroom space as well. Meanwhile, the old gym was converted to a dramatic arts center.

Nor is it just traditional religious schools that have expanded in the wake of MPCP. In a heartwarming account, Sarah Carr, as part of the *Journal Sentinel's* overview, tells of a new school established by Cheryl Brown, both a trained nurse and a pastor of the Christian church, Believers in Christ, who started a school at her church, then pursued an education degree to strengthen her qualifications for the task at hand. The school now includes a high school, its leaders report that all its graduates have been accepted into college, and the church has purchased thirty-one acres on which it plans to build an urban education campus together with other facilities. "It was a mission from us in the beginning, an old time actual missionary assignment, a calling," Brown told the reporter.[15]

Another indication of enhanced quality has been the conversion of six schools from voucher to charter school status. (All six are secular schools, because religious schools cannot receive a government charter.) The incentives to switch are clear. Charters receive 20 percent more funding. State reimbursement can be obtained not just for low-income students but for any student in attendance, allowing the school to attract middle class families. Charter schools are also protected from the intense political controversy that continues to surround the voucher program even after its constitutional status was affirmed by the courts.

To achieve charter status, a school must convince one of Milwaukee's three chartering agencies that their offerings and oper-

15. Sarah Carr, "Mission Accomplished," *Milwaukee Journal Sentinel*, June 12, 2005.

ations justify government recognition, an achievement that requires an extended application. Charter school applicants must prepare a detailed educational and financial plan that the authorizing agency finds acceptable, a standard much higher than the minimum expectations for participation in MPCP.

Not surprisingly, the six schools that switched to charter status, who served 692 students the last year they were in the MPCP program, were among the strongest of MPCP's secular schools. Bruce Guadalupe, for example, had been one of the stars of the school voucher program in Milwaukee. Initially established within the basement of a Catholic church, it was on the verge of collapse in 1990 when the first, small, secular voucher program began. Indeed, it was featured in the local news media as the kind of disastrous school that the new voucher program was about to fund. But within a few years, it became the pride of the Latino community on Milwaukee's south side, winning business and governmental support for an expanding enrollment and the incorporation of other community programs serving all age groups. It raised the revenue to construct new, handsome buildings with modern equipment—even including child care services for employees. In 2000, MPS welcomed Bruce Guadalupe as one of its charter schools. Meanwhile, the no less respected Martha Collins school, Milwaukee College Preparatory School, which serves the African American community, converted to a UWM charter school even as it began a $4 million campaign that would allow itself to expand from 360 to 480 students. Officials at both Milwaukee College Preparatory School and Bruce Guadalupe said that the chance to grow, along with the certainty of having the cost of educating all their students covered by state payments, was crucial to their decision to convert to charter school status. Clearly, the voucher program has helped several schools move from marginal status to widely appreciated institutions that could win charter recognition.

Questionable Voucher Schools

While numerous voucher success stories can be told, not every school participating in MPCP has a quality reputation. On the contrary, even Milwaukee's strongest school-choice supporters have come to worry about the ease with which new schools, of problematic quality, have been able to attract students and secure state reimbursements under the voucher program. An official closely associated with the Catholic archdiocese of Milwaukee applauded recent efforts made to discourage weak schools from coming into being, noting that the effort was "about eight years too late" but one that was responding to a situation "we never saw . . . coming."[16] Similarly, choice supporter Robert Pavlik, director of the School Design and Development Center within the Marquette University Institute for the Transformation of Learning, concluded that, as of the summer of 2005, "there are about ten schools that ought to be closed immediately."[17] The reporters for the *Journal Sentinel* put the number somewhat higher. They reported that they were unable to visit nine of the 115 schools during their overview of the program, leaving them uneasy about what might have been taking place behind the closed doors. Inasmuch as schools often refuse access to outsiders, both to protect student privacy and to keep the school's focus on its educational objectives, one should not necessarily draw strong conclusions from this fact alone. But the reporters also asserted that "about 10 percent of the choice schools [implying ten to twelve schools] demonstrate alarming deficiencies" and named seven schools which left them with what they said were "major questions." At one school, there was only one teacher with two students, about to go to McDonalds. At others, supplies were

16. Alan J. Borsuk and Sarah Carr, "Questionable Scenes," *Milwaukee Journal Sentinel*, June 11, 2005b.

17. Alan J. Borsuk and Sarah Carr, 2005c.

limited, curriculum undefined, and teachers appeared unqualified.

Although the schools identified as deficient by the *Journal Sentinel* enrolled no more than 4.4 percent of all MPCP students, and some of these schools had just a few students, one, Harambee Community School, was particularly disappointing. It had been a major part of the original, secular voucher program and, in 2005, had 346 voucher students. In the cryptic words of the synopsis provided by reporters:

> Beset by internal fighting. Has had five principals in five years, high teacher turnover and financial problems, including former business manager being charged with stealing up to $750,000. Many of the teachers walked out briefly in a dispute with administrators. Some teachers do not have college degrees, unlike in the past.[18]

That a sizeable school that entered the voucher program as long ago as 1991 is judged to be so problematic in 2005 is certainly strong evidence that vouchers, by themselves, do not create strong schools.

Still another sign of the quality problem has been the school closure rate. Since MPCP began in the 1990–91 school year, fourteen of the participating schools had closed their operations by 2003, apparently because of financial problems or declining parental demand. Fortunately, these schools had, on average, many fewer voucher students than the average MPCP school. In the final year of their operations, they were serving only a total 642 voucher students, an average of less than forty-six students per school.

Interestingly enough, eight of these fourteen schools, like Harambee, had been among the twenty-three schools established un-

18. Alan J. Borsuk and Sarah Carr, "Questionable Scenes," *Milwaukee Journal Sentinel*, June 11, 2005b.

der the original MPCP program that was limited to secular schools. This translates into a 33 percent closure rate for the schools that helped inaugurate school choice in Milwaukee. It is ironic that the original, secular-only voucher program, the one that sparked the school choice movement nationwide, appears to have had serious weaknesses. Although a few of the early MPCP participants, most notably Bruce Guadalupe, capitalized on the new opportunity created by the program, too many of the secular organizations spawned by the program appear not to have deserved the official status given to them.

School choice supporters point out that closing weak schools is a viable strategy for enhancing the quality of urban education, a strategy that MPS needs to copy. Nonetheless, in 2005 choice supporters began taking steps to discourage the formation of new schools that do not seem up to the task at hand, urging the Wisconsin Department of Public Instruction to scrutinize the school's financial and educational plans before allowing a new voucher school to open. Their efforts seem to have had an effect. For the fall of 2006, over fifty additional school entrepreneurs had indicated an interest in joining the voucher program, but, only seventeen were approved by the department, with three applications still pending in spring 2006.

In sum, access to quality schooling under MPCP has been made possible largely because of the availability of strong parochial schools predating its inceptions. As established institutions, they were well placed to open their doors to low-income newcomers who were looking for alternatives to traditional public schools. In addition, a few secular schools, Bruce Guadalupe and Milwaukee College Preparatory School being the paramount examples, were led by educators capable of leveraging voucher dollars into quality education. But the number of weak and failing schools participating in the MPCP has been uncomfortably large.

One can only applaud any steps that are being taken to correct this situation.

Quality of Charter Schools

It has been the conventional wisdom that conversions from traditional public school to charter status are changes in name only, not mechanisms that provide leaders genuinely new opportunities to create higher quality institutions. Only a new school, with fresh leadership and innovative ideas, can truly break the deadlock in American education. That wisdom may be true elsewhere—and, in Milwaukee, it could still turn out to be correct over the long run. But, at least in the short run, conversion schools appear to be doing at least as well as other charter schools. Just exactly why charter conversion has proven to be an efficacious school choice strategy requires further consideration.

District-Controlled Schools

Converting a traditional public school to charter status has been advocated as a way of enhancing the quality of low-performing schools. Under the 2002 federal law, No Child Left Behind, for example, schools must be reconstituted, if student test scores fail to show adequate yearly progress toward state-determined proficiency standards for five consecutive years. One of the reconstitution options is for the school to be converted to charter status. Although few conversions have thus far taken place under NCLB, the thrust of the law is based on the assumption that conversion to charter status should be attempted when all else seems to have failed.

In Milwaukee, conversion of fourteen MPS schools from a traditional status to district-controlled charter status has come under completely different circumstances. It is a sign of success, not failure. MPS schools convert to charter status at the request of

the school principal, with the support of at least half the teachers at the school. MPS is unlikely to grant the request unless it has confidence in the principal and the staff at the school. As a senior MPS administrator commented, when interviewed by one of us,

> When we first started chartering schools in Milwaukee, there was a general understanding that a [district-controlled] charter school would be an MPS school that had achieved a level of success that would allow it to use more flexibility and more autonomy effectively.

Similarly, MPS school superintendent William Andrekopoulos commented to a newspaper reporter that converted schools "were probably doing well before they became charter schools,"[19] a conclusion also reached by the Public Policy Forum (2001), a Milwaukee-based think-tank that studies school choice.[20]

Principals and teachers seek charter status in order to gain exemption from various school regulations and certain provisions of the teacher union contract. For example, charter schools, though still district-controlled, may select new teachers, not simply on the basis of seniority, but by a site-based selection committee (a practice that MPS now appears to be instituting system wide). Although this committee must still conform to certain union guidelines (such as interviewing teachers with greater seniority first), it still has more autonomy in the hiring process than do traditional public schools. Also, the district-controlled charters have greater capacity to release unsatisfactory teachers that are either not yet tenured or on probation. Charter schools can also secure "Memorandums of Understanding (MOUs)" for specific programs, such as the one at Juneau High School, which has a special January term. The principal there told our interviewer

19. Sarah Carr, "Number of Milwaukee-area Students in Charter Schools Increases," *Milwaukee Journal Sentinel*, December 30, 2002, 1A.

20. Jay Greene, Public Policy Forum, *MPS Outpacing New Charter Schools in Innovation, Achievement*, Research Brief, vol. 89, no. 9 (December 27, 2001).

that "it is easy to get the MOU approved by the union because in most cases we have been able to get 50 to 60 percent of the staff to buy in, and when we present that data to the union and the district, it's easy to get the MOU." Similarly, the principal at Fritsche Middle School told us that "if you have a charter, the union is more flexible with you."

That said, union regulations still bind district-controlled charter schools. Some principals complained to us that the union, despite certain concessions, still hinders schools from compensating teachers according to ability and subject need as well as from using adequate authority to recruit the most effective teachers. In an anonymous comment, one admitted:

> I have to be honest with you. I don't really like [the terms of our status as a district-controlled charter]. We need to have the ability to hire and fire teachers. Even with . . . site-based hiring, HR [Human Resources] sometimes sends people over here based on the contract. We can't always find the people that believe the most in our program.

But despite these limitations on their autonomy, district-controlled charter schools enjoy many advantages *vis a vis* the independents.

Independent Charters

Independent charters stand midway between the district-controlled charters and the schools operating within the MPCP framework. As compared to the latter, independent charters have decisive advantages, as is evidenced by the fact that six voucher schools have converted to charter status (while none have gone in the other direction). Although independent charters must go through a more rigorous application stage than that required of MPCP schools, their reimbursement rate is 20 percent larger, they can be reimbursed for any type of student, not just those

coming from low-income families, they have the more prestigious status of a governmentally chartered school, and they escape the political controversy that still surrounds MPCP.

At the same time, independent charters face many challenges district-controlled charters escape. They must locate their own physical plant, they incur many start-up costs, they have a lower reimbursement rate, and they cannot recruit MPS employees unless those employees are willing to forgo a substantial benefits package. Although private resources have helped independent charters overcome some of the financial challenges, the task of raising the money can, as one principal admitted, distract them from the recruitment of talented teachers and preparation for the initial school year. Until 2005, no student could enter directly into an independent charter school; they had to first attend for one year a traditional public school. In other words, charters had to be constantly addressing the transfer-student problem. The recent repeal of this provision has certainly been a positive step forward.

All of these challenges—and others—were evident in the early years of Milwaukee's charter program. "The first year we just muddled through," said one principal, adding that "everybody's first year is really tough." Another principal admitted that she came in "not knowing anything about running schools" and, as a result often felt "a lot of frustration" because she was always struggling just "to get all the administrative stuff done." Commenting from the vantage point of a conversion school, one principal expressed sympathy with start-ups chartered by MPS: The new schools "would probably have a harder time because they won't know all the bureaucracy and they won't understand many times how to get things done at Central Office." The challenges were so great for three of the twenty-eight independent charter schools that they closed. Two of those charters were authorized by the city, which initially had a more lax set of authorizing procedures.

With the passage of time, however, all authorizing agencies took increasing care before granting a charter.

As policy analyst Bryan Hassel has observed, "Charter schools, in addition to being educational institutions, have to succeed as small businesses; balancing their budgets, negotiating leases, financing packages and contracts, and making payroll. Individuals and small teams . . . are apt to possess some but not all of these skills and backgrounds."[21] Those abilities, which on their own are difficult to muster in a start-up team, must be complemented by expertise in curriculum design, facility maintenance, management, and community relations. In addition, independent charter starters must plan for providing transportation, food service, and appropriate zoning. Altogether, they represent a daunting, if not insurmountable, undertaking for many prospective educators. Building a quality charter school takes time.

Conclusions: Systemic Impact and Recommendations

While the overall supply of choice schools in Milwaukee has proven to be considerably more elastic than the supply of quality schools, the rapid increase in the percentage of students exploring choice options may still have had a broad, systemic impact on schools in Milwaukee. With many choices available, public schools are under pressure to respond to the competition.

Impacts on Traditional Public Schools

Since 1999, MPS schools have suffered a more than 5 percent enrollment loss, from around 101,000 students to 95,600 in 2005 —even when one considers district-controlled charters to be part

21. Bryan C. Hassel, "Friendly Competition," *Education Next* 3, no.1 (Winter 2003).

of the MPS system. Enrollment declines forced closures of four traditional public schools in 2005. To forestall a further slide, MPS has introduced a wide range of policies designed to make traditional public schools in the city more attractive to parents and students. Here are just some of the more important actions that have taken place:

1. In 2001, the school board appointed as its superintendent someone who had been a renegade principal, one of the first to convert his school from traditional to charter status. In 2005, the board renewed his contract for another four years, if only by a divided vote.
2. In 2001, the school board mandated that more than 70 percent of the operating budget in the district "follow the student" to the school they entered. In other words, each MPS school's budget is partly determined by its enrollment, which gives principals incentives to take steps to create as attractive an educational setting as possible.
3. After learning from a system-wide survey of parents that they prefer K–8 schools to K–5 schools, the number of K–8 schools has increased in the last few years from eighteen to fifty-six.
4. After learning from the survey of parents that they wish to have before-and-after school day programs as well as full-day kindergarten beginning at age four, elementary schools have been given the opportunity to introduce these programs.
5. With the support of a number of private foundations, small schools are being formed within large high schools.
6. Outreach and advertising have been increased. For example, the district spent over $103,000 in TV, radio, and billboard ads during the two-month period from January to March of 2004. As MPS's director of student services put it in one of our interviews: "We were advertising before the choice pro-

gram began, but it has increased—competition tends to do that to you." Individual schools are also conducting their own advertising campaigns.

While many signs are promising, we cannot be certain that the increased competition has translated into higher levels of student achievement. Still, Milwaukee public school student performance on the Wisconsin-mandated test has improved over the past decade. Between 1997 and 2005, the percentage of third-graders scoring at or above proficiency levels in reading increased from 50 percent to 71 percent. And, with just two exceptions, average test-score performance in all grades increased significantly in fourth, eighth, and tenth grades in reading, language arts, math, science, and social studies. While these improvements do not appear to exceed those achieved in the state as whole, more rigorous research found larger gains in those public schools that were most directly impacted by the voucher program than in schools less directly affected.[22] Still, that study was conducted only shortly after the expanded program was put into place and was unable to track progress by individual students. We must wait for still more refined analyses over a longer period of time before coming to definite conclusions.

In this regard, it is unfortunate that the degree of competition may have reached a new ceiling. The voucher program is about as large as the law allows, though voucher proponents were making special efforts in the Wisconsin state legislature to allow more students to participate in the voucher program. Meanwhile, there is little evidence that a spate of new charter schools will soon be established. Even as a strong supporter of choice, the current MPS school superintendent is not expecting much growth in the coming years. Once again, the Milwaukee experience underlines the

22. Caroline M. Hoxby, "Rising Tide: New Evidence on Competition and the Public Schools," *Education Next* 1, no. 4 (Winter 2001): 68–75.

critical importance of the political and legal situation surrounding school choice programs.

Recommendations

If the final word on Milwaukee remains to be written, one can still draw preliminary conclusions about the promises and pitfalls of its complex system of school choice innovation. On the positive side, a choice system that engages the private sector, especially if it includes schools with a religious affiliation, can preserve—and enhance—the contributions these schools have long made to American education at a time when their future within central cities is in jeopardy. And a policy of converting successful public schools to charter status can give talented principals and staff the flexibility they need to raise their schools to still higher levels of performance. The possibility of moving from voucher to charter status can give greater permanence to newly formed but promising secular schools.

On the negative side, problematic schools will form as well. A choice program can reduce their number, if not eliminate them altogether, if it takes such steps as the following:

1. Establish reasonable educational, financial, and physical-plant requirements before allowing a school to participate in a choice program.
2. Establish a level financial playing field by providing reimbursements equivalent to the amount received by traditional public schools operating within the community. With adequate resources, entrepreneurs who have the capability of establishing quality schools will be more likely to participate.
3. Give principals at successful public schools incentives to convert their school to charter status. In general, charter status should be a reward for success, not a punishment for failure.

4. Provide vouchers to students regardless of family income. Any school-choice program that limits support to those of low-income creates socially-segregated institutions.
5. Allow direct entry to schools of choice without first requiring attendance at a traditional public school. Since transfers among schools are often educationally costly, they should not be mandated.
6. Provide funding for advance planning and capital costs as well as arrange for a procedure to help choice schools with their initial cash flow problems.
7. Create an accountability system that allows for early identification of low-performing schools.
8. Build a political base of support that can sustain an increasingly competitive system over the long run.