

Chapter 12

Design Guidelines for School Vouchers

Joseph Viteritti observed in 1999 that “the more relevant question of our time is not *whether* to enact choice, but *how* to enact it to achieve desirable public objectives.”¹

There are many different ideas about how vouchers ought to be implemented. This chapter presents design principles drawn from model voucher bills, pilot programs implemented by state legislatures, and programs challenged and upheld by courts. Legislation and model bills discussed here can be found on the Web at www.heartland.org.

CHOICES TO BE MADE

A voucher is a certificate that can be used to purchase a particular good or service. A voucher is the same as money except that it can be used only to purchase the good or service specified. In the case of schools, a public voucher is issued by a government agency to a parent or legal guardian for the purpose of paying tuition at a participating private or government school. The school returns the voucher to the government agency and is paid a specified

¹Joseph P. Viteritti, *Choosing Equality: School Choice, the Constitution, and Civil Society* (Washington, DC: The Brookings Institution, 1999), 211.

amount. Private vouchers operate much the same way but are funded by private organizations and individuals.

A school voucher plan consists of the legislation, constitutional provisions, and administrative policies that are adopted to implement school vouchers. School vouchers create a competitive education marketplace, where private and government, religious and secular, not-for-profit and for-profit schools compete for tuition dollars that are controlled by parents. This is not pure *laissez-faire* market competition because parents are subsidized and participating schools may be subject to some regulation.

Sophisticated school voucher plans have been advanced by dozens of experts.² Each plan answers fundamental design questions differently. Should all parents, or only low-income parents, be entitled to receive vouchers? Should the plan be implemented all at once or phased in over several years? How should the value of the voucher be set, and should it be the same regardless of the tuition charged by the participating school? What restrictions, if any, should be imposed on participating schools regarding enrollment, curricula, facilities, and other policies?

There is no single correct answer to most of these questions because every state and community has different preferences, resources, and opportunities. Trusting the competitive marketplace to produce schooling radically decentralizes decision making because parents, entrepreneurs, educators, and civic leaders all will be free to make choices that determine what schools look like, how they are financed, and what role remains for governments. It is impossible to anticipate solutions to every

²John E. Coons and Stephen D. Sugarman, *Education by Choice: The Case for Family Control* (Berkeley and Los Angeles: University of California Press, 1978); John E. Coons and Stephen D. Sugarman, *Scholarships for Children* (Berkeley: Institute of Governmental Studies Press, University of California, Berkeley, 1992); Thomas Hetland and Robert Wittmann, "Sample Educational Choice Legislation," in *Rebuilding America's Schools*, ed. Joseph L. Bast and Diane C. Bast (Chicago: The Heartland Institute, 1991); Joseph L. Bast, "Model School Voucher Legislation," Heartland Policy Study 98, Chicago, The Heartland Institute, March 2002; David J. Harmer, *School Choice: Why We Need It, How We Can Get It* (Salt Lake City: Northwest Publishing, Inc., 1993). All bills are available on the Internet at www.heartland.org.

hypothetically possible problem that a school voucher program might face; in fact, the problems themselves are now only dimly anticipated and understood.

A program designed for a major city will differ in many respects from one designed for a rural area or a retirement community, and a group whose members are principally concerned with access to quality schools for the poor will offer a plan different from one produced by a group principally concerned with religious freedom, providing tax relief, or improving vocational education. "Agreement on pie-in-the-sky specifics is easy to achieve but politically futile," wrote Myron Lieberman. "The crucial issue is what compromises voucher constituencies are willing to make to achieve a voucher plan that can be enacted."³ The goal should be to include advocates for these and other worthy objectives in the planning process.

Four decades of scholarship, advocacy, politics, and litigation have produced general agreement on guidelines to ensure that voucher plans are workable and constitutional. These guidelines are described in the following sections.

PHASING IN AND INCREMENTALISM

Because voucher advocates face powerful opposition from organized interests who benefit from the status quo, they must form alliances with groups that may disagree with them on some issues. If they remain uncompromising, voucher advocates are unlikely to prevail in the political arena.

Two common compromises are (1) agreeing to phase in an ambitious voucher plan over several years, and (2) adopting the voucher plan in increments, starting with plans that might benefit only small numbers of students or limit participation to only some kinds of schools and following up with legislation to expand the programs.

³Myron Lieberman, *Privatization and Educational Choice* (New York: St. Martin's Press, 1989), 256.

Phase-in provisions specify that parts of the new program are to be implemented only after passage of time or some other triggering event. Almost all voucher proposals contain phase-in provisions that usually cover from two to ten years. Phase-in provisions may specify that eligibility is restricted at first to low-income students, students in particular cities or school districts, or students attending failing government schools. Or they may require that the size of the voucher be small at first and then increase gradually. A plan may be phased in by limiting eligibility to one or two grade levels, such as kindergarten and first grade, during the first year, and then adding one or two grades each year.

Phase-in provisions can have distinctive benefits, including the following:

- They reduce the cost of the program during its early years by limiting the number of pupils who participate.
- They pre-empt charges that the program would benefit wealthy families disproportionately or hurt minorities or low-income students.
- They give the private sector time to accommodate new demand by starting new schools or expanding the capacity of existing schools.
- They give government schools time to get their houses in order to compete with one another and with private schools.
- They create opportunities to revise and improve the program as unexpected difficulties and mistakes in the original plan are discovered.

Incrementalism is a different strategy. It consists of seeking passage of very limited or modest voucher plans with no provisions for later expansion. Supporters of an incrementalist strategy plan to introduce at a future date new legislation that would expand the program. They expect the limited program to create the informed awareness and support needed for passage of more ambitious programs.

Examples of incrementalism include voucher programs operating in Milwaukee, Cleveland, and Florida at the time this book was written. The Milwaukee program, for example, initially limited eligibility to low-income students in Milwaukee and specifically excluded religious schools, with no provisions in the legislation for later expansion of the program. The sponsors of that legislation returned successfully to the state legislature to include more students as well as religious schools. By the time this was written, about 11,000 students in Milwaukee were attending private schools using vouchers.⁴

Some supporters of choice prefer incrementalist strategies to comprehensive proposals with phase-in provisions, usually as a matter of political expediency.⁵ But although incrementalism may be more practical in certain circumstances, it is vulnerable to three criticisms.

First, incrementalism runs counter to the successful strategy of big-government advocates, who often build broad-based coalitions for their programs by advocating big, rather than modest, expansions of entitlements, tax increases, bond issues, and spending programs. The idea is to demand the sun and stars, and let the other side appear to be moderate by endorsing a scaled-back version of the original proposal. In some cases, especially cases of initiative politics, beginning with a limited plan fails to capture the enthusiasm of enough parents and private school leaders to win.

Second, incrementalism encourages the public to confuse pilot programs with real tests of the voucher concept. A pilot voucher program limited to students from low-income families and nonreligious schools, such as the original Milwaukee program, is not a meaningful test of the efficacy of a more comprehensive voucher program. Disadvantaged students allowed to participate in a small pilot program are likely to suffer from circumstances that limit their ability to benefit from a new and better school, and the supply of

⁴Marya DeGrow, "Milwaukee Voucher Program Continues to Expand," *School Reform News*, May 2003, 6.

⁵For a further discussion of incremental measures, see Lieberman, *Privatization and Educational Choice*, 252–56, 340–45.

schools may be so limited that real competition and choice do not occur. If students participating in a pilot voucher program fail to show sudden and significant improvements in academic achievement, voucher critics can claim (and in the case of the Milwaukee program, they have done so) that the experiment failed. And they will use that so-called failure to oppose the program's expansion.

The third weakness of incrementalism is that, in most cases, opponents of choice fight as hard against limited plans as against more ambitious ones. Teachers union leaders understand that voucher plans directed at low-income minority parents are intended to break the alliance between organized labor and minorities, a key element in the coalition against privatization of all kinds. Union leaders therefore invest heavily in preventing even the most modest plans from winning approval.

Most choice advocates accept income or geographic restrictions on which families can participate in the early stages of a phased-in choice program, but they oppose prohibitions on the participation of religious and for-profit schools. Most successful private schools in the United States today are religiously affiliated because offering religious curricula and subsidies from church members are two key ways they compete for students against free and much better-funded government schools. Although some private schools without religious affiliations are high-quality institutions, many have tenuous finances or appeal mainly to wealthy consumers who have special preferences.

The ability or willingness of not-for-profit schools to accommodate new demand is too much in question to exclude for-profit schools from a voucher program. For-profit schools have greater access to start-up capital, and their presence stimulates development of efficient management practices in education, helping hold down or even reduce costs to taxpayers. The number and variety of new schools would be enhanced by the participation of for-profit schools in the choice plan.⁶

⁶See Myron Lieberman, "Market Solutions to the Education Crisis," Policy Analysis No. 75, Washington, DC, Cato Institute, July 1986, and Lieberman, *Privatization and Educational Choice*, 158, 184, and 257.

VALUE OF VOUCHERS

In *Capitalism and Freedom*, Milton Friedman envisioned government and private schools accepting vouchers set at current per-pupil spending levels of government schools.⁷ Two decades later, in *Free to Choose*, he suggested that the voucher amount could be set slightly lower than current spending, so inclusion of children already attending private schools would not require higher taxes.⁸ Setting vouchers at either level would provide complete financial relief for most parents who choose private schools, encourage most existing private schools to participate in the voucher program, encourage new schools to be started, and place great pressure on government schools to improve. These remain the goals of most serious voucher proponents.⁹

To avoid increasing taxes or reducing government-school per-pupil spending, some voucher proposals set a lower voucher amount for private schools—half the current government-school per-pupil spending level is often proposed. These proposals either do not require government schools to participate in the program or else set the vouchers of government schools equal to their current average per-pupil spending. This can be called a two-tier approach because government and private schools are treated differently.

The special treatment given to government schools under the two-tier approach can be justified by pointing to special burdens government schools must bear. These include collective bargaining agreements with their staffs, being required to accept all students in their attendance zone, and regulation and interference by school boards and agencies of state government. Because private schools currently spend about half as much per pupil as government schools, their lower-cost vouchers may still be sufficient to cover tuition. Of course, a two-tier voucher program would deliver less financial relief

⁷Milton Friedman, *Capitalism and Freedom* (Chicago: University of Chicago Press, 1962), 93.

⁸Milton Friedman and Rose Friedman, *Free to Choose* (New York: Harcourt Brace Jovanovich, 1980), 164.

⁹David Kirkpatrick, *School Choice: The Idea That Will Not Die* (Mesa, Ariz.: Blue Bird Publishing, 1997); John Merrifield, *The School Choice Wars* (Lanham, Md.: Scarecrow Press, Inc., 2001).

to parents who choose high-spending private schools, would encourage fewer new schools to be started, and would place less competitive pressure on government schools to improve.

Some voucher proposals would set a higher voucher value for low-income students than for other students. Such special treatment may be justified because low-income students are the worst-served by government schools, they live in communities where the cost of attracting high-quality teachers and delivering a high-quality education may be high, and they may be more likely to have learning disabilities or other problems that make their education more expensive.

As a matter of strategy, some voucher proponents believe low-income compensatory vouchers help consolidate support in low-income neighborhoods and show voters and politicians that voucher proponents are not primarily interested in benefiting middle- or upper-income families. Others, however, wonder whether such special treatment hurts the broad appeal of the voucher plan by alienating taxpayer advocates and middle-income Catholics, Jews, Lutherans, Moslems, and others who pay tuition at parochial schools. Some also wonder if compensatory vouchers might reward schools that are failing to be positive influences in their communities.

Most local government school districts use state and federal funding to provide targeted assistance to students with special needs, such as those who have learning disabilities, who are mentally retarded, or who suffer from physical handicaps. Provision can be made in any voucher plan for the issuance of separate compensatory vouchers for these students so choice may be afforded them as well.¹⁰ Special-needs students should not be excluded from the voucher program, nor should private schools be required to provide special-needs programs unless funds for those programs are included. Specialized private schools have long provided education at public expense for students with rare and difficult-to-treat disabilities, such as autism.

¹⁰Thomas Ascik, "State Compensatory Education Programs Could Be Voucherized," in *Educational Choice* (St. Louis: Clearinghouse for Educational Choice, January 1986).

TUITION ADD-ONS

Closely related to the issue of how much a voucher should be worth is whether participating schools should be allowed to charge more than the value of the vouchers. The less school vouchers are worth, the greater is the need to allow tuition add-ons.

Opponents of vouchers, and some voucher proponents as well, oppose tuition add-ons for fear they would worsen socioeconomic stratification and racial segregation in education.¹¹ Such fears may be sincere, but they seem to be misplaced. Private schools in most parts of the country are not characterized by ethnic or social segregation; many already educate large numbers of low-income and minority students.¹² In fact, by some measures, government schools in major cities are more segregated than private schools.¹³ Empirical evidence from current pilot voucher programs gives more reason to believe that even vouchers set at modest levels will make effective and integrated schools available to low-income and minority students.¹⁴

¹¹See John F. Witte, *The Market Approach to Education: An Analysis of America's First Voucher Program* (Princeton: Princeton University Press), 206ff; John E. Coons and Stephen D. Sugarman, *Family Choice in Education: A Model State System for Vouchers* (Berkeley, Calif.: Institute of Governmental Studies, 1971). Later proposals by Coons and Sugarman were much simpler, although limits on add-ons remain part of their plans.

¹²In Chicago, for example, more than 80 percent of the students enrolled in the school system operated by the Catholic Archdiocese are minority. Forty percent of the students are non-Catholic. Most schools have scholarship funds and other programs to provide tuition assistance to families unable to pay. Joseph Bast et al., *We Can Rescue Our Children: The Cure for Chicago's Public School Crisis* (Chicago: The Heartland Institute, 1988), 97.

¹³Paul Peterson et al., "School Vouchers: Results from Randomized Experiments," in *Economics of School Choice*, ed. Caroline M. Hoxby (Chicago: University of Chicago Press for the National Bureau of Economic Research, 2001).

¹⁴Terry M. Moe, *Private Vouchers* (Stanford: Hoover Institution Press, 1995); Cecilia E. Rouse, "School Reform in the 21st Century: A Look at the Effect of Class Size and School Vouchers on the Academic Achievement of Minority Students," Working Paper No. 440, Princeton University; Viteritti, *Choosing Equality*.

Criticism of tuition add-ons may be the result of disagreement over the purpose of school vouchers. Those who oppose add-ons see vouchers as a vehicle for achieving a variety of social or political goals, such as reduced segregation or income inequality, in addition to improving the educational opportunities for all students. Those who support add-ons would rather stay focused on improving schools and not burden school-financing mechanisms with tasks better performed by reformed social programs and regulations that deal with welfare, housing, and other matters.

Advocates of greater income equality need to be reminded that the present system is highly inegalitarian and discriminates against the poor. Besides current variations in per-student spending between wealthy and poor school districts, there is little doubt that more money is wasted or lost to corruption in urban school systems serving low-income families than in better-managed suburban systems. Even if per-student spending were roughly equal, children from poor families are far less likely to finish high school, so substantially less money is spent on them. The choice, then, is not between a voucher system with tuition add-ons and some utopian system of perfectly equal lifetime per-student spending. Rather, it is between vouchers and a highly unequal and often unfair status quo.

If parents are not allowed to add to their vouchers, some schools would choose not to participate in the voucher program. Whether this is a large or small number of schools depends on how high the voucher value is, but it necessarily leads to fewer options for parents, less competition among schools, and less accountability to parents. Tuition add-ons may also have the advantage of evoking greater parental involvement in and commitment to their children's education.¹⁵

Finally, tuition add-ons comport with the liberty principle that people should be free to spend their money as it suits their preferences. Telling people they cannot spend more (or less) on their children's education than their neighbors spend violates the basic

¹⁵This is a central theme of Andrew Coulson in *Market Education: The Unknown History* (New Brunswick, N.J.: Transaction Publishers, 1999).

institutions of capitalism and the moral rules of a free society. Not all parents would voluntarily choose to invest more in schooling when they face unmet needs in other areas such as housing, transportation, and food. What right does the state have to overrule their better-informed choices? Some parents may rightly believe their children would benefit more from in-home tutoring, other enrichment activities, or even longer family vacations than paying more in taxes for a school that may be inefficient or ill-suited to their child's needs. A free society protects the liberty to act on such beliefs.

FUNDING SOURCES

In most states today, approximately half the money allocated for elementary and secondary education is appropriated at the state level. These funds are allocated according to complicated formulas that seek to equalize funding among school districts that have different tax-raising abilities. The questions facing voucher planners are whether to voucherize both state and local funds, to voucherize one funding source, or to reform the current mix of state and local funding. The significance of these questions depends in large part on the current state/local funding mix. State funds or local funds, separately, may not provide a voucher value high enough to increase educational opportunities significantly.

It may seem that the simplest way to implement school vouchers would be to replace local funding with state-funded vouchers of equal value for all students, thus achieving statewide equality of spending and eliminating the need for complicated spending formulas. But such a proposal may be too radical, or too simple, or both.

Current school-funding patterns are the result of many years of negotiation among powerful constituencies over what the law requires, how much is spent, and who should pay school taxes. Many voucher advocates appear unaware of the political support for current funding arrangements. They diminish their odds of success by making vouchers contingent on sweeping away the old

funding agreements. When it comes to school-funding formulas, it may be better to let sleeping dogs lie.

Some voucher advocates are leery of centralizing funding in the hands of state governments because teachers unions and school bureaucracies are often best organized to exert pressure in state capitols. Taxpayers are rightly skeptical of proposals to swap higher state taxes for property tax relief, because, in the past, such schemes left taxpayers paying more.¹⁶ Shifting principal responsibility for funding schools from local to state governments can have the effect of punishing communities that tolerate nuisances, such as nuclear power plants or landfills, in return for the tax revenues they generate. Exclusive state funding would reward NIMBYism (Not In My Back Yard), with adverse effects on job creation. Keeping funding decentralized is more complex, but it retains some of the liberty interests that are protected, however imperfectly, by allowing local taxpayers to determine how much is spent to educate their community's children.

A different option is to set the voucher amount in each district equal to the current per-pupil allocation from state and local tax sources.¹⁷ Current equalization formulas could remain relatively unchanged, and the complex and historic alliances that created them left undisturbed. The voucher value would differ from district to district, reflecting the different priorities and resources of each community, but state-funding formulas aimed at equalizing spending by subsidizing poor districts could be retained. Parents could be allowed to supplement their vouchers with private funds to gain admission to higher-priced schools, including government schools in other districts if they so desire.

The question of whether federal funds can be included in the voucher will probably be decided by either the U.S. Secretary of Education or Congress, rather than by state or local government

¹⁶See Joseph L. Bast, Herbert J. Walberg, and Robert J. Genetski, "The Heartland Report on School Finance Reform for Illinois," Heartland Policy Study 72, Chicago, The Heartland Institute, 1996.

¹⁷See Bast, "Model School Voucher Legislation." (In note 2 above.)

officials.¹⁸ If an attempt is made to include federal funds, the voucher plan is likely to end up in the federal courts. The strong inclination of federal courts, including the U.S. Supreme Court, to apply burdensome regulations to any institutional recipient of federal aid, however indirect, may argue against inclusion of federal funds.¹⁹

EDUCATION SAVINGS ACCOUNTS

Early critics of voucher programs warned they would lead to tuition inflation because private schools that previously spent and charged less than the amount of the voucher could increase their spending and tuition up to the maximum amount allowed. Parents, insulated from the true cost of the schooling their children received, would not be price-conscious shoppers, and an important element of the market model would be missing.

In response to this criticism, some voucher proposals today include provisions for Education Savings Accounts (ESAs). These are personal savings accounts, established in the name of each qualified student, into which parents can deposit the difference between the voucher value and the actual tuition charged. If a voucher were worth \$7,000, for example, and a parent chose a school charging \$6,000 for tuition, the \$1,000 difference would be deposited in the student's ESA. Withdrawals from the ESA could be permitted only to pay for tuition, tutoring, and other educational expenses for the student until the student reaches a certain age (19, 21, or 23 are often suggested) when anything left in the account would revert to taxpayers.

¹⁸Former Secretary of Education William Bennett reportedly rejected advice that it was within his discretionary authority to include Chapter 1 funds in education vouchers without Congressional approval. For an assessment of legislation to do so (The Equity and Choice [TEACH] Act of 1985), see *Justice and Excellence: The Case for Choice in Chapter 1* (Washington, DC: U.S. Department of Education, 1985).

¹⁹In 1986, the U.S. Supreme Court ruled in the *Grove City* case that a private college that refused direct government assistance but accepted students with federal loans was subject to federal civil rights regulations. In 1988, Congress approved, over the veto of President Ronald Reagan, the Civil Rights Restoration Act, which expands federal regulatory authority to the whole institution no matter how narrow the financial benefit.

Individual savings accounts are a tested and popular approach to empowering consumers. Millions of adults use similar Individual Retirement Accounts (IRAs) to save for their retirement, and tens of thousands of people qualify for Medical Savings Accounts (MSAs), accounts into which employers make regular deposits and from which employees can pay medical bills. Money in these accounts accumulates tax-free.

Education Savings Accounts could be the key to making the voucher concept more popular among suburban parents who think their government schools are of high quality but impose too great a tax burden. Per-student spending for suburban high schools often exceeds \$12,000, more than even relatively expensive private schools typically charge for tuition. Many parents would be tempted to enroll their children in a private school charging, say, \$9,000, and place the remaining \$3,000 in the student's ESA to be used for college tuition.

Education Savings Accounts bring vouchers closer to the model of competitive markets described in Chapters 4 and 7. Education Savings Accounts put parents in control of how much they pay for their children's schooling and create rewards, such as being able to save for college tuition, for making wise spending decisions. In these ways, ESAs avoid the pitfall of relying too much on third parties (government in the current system or scholarship-granting entities under the tuition tax-credit option) to pay for schooling.

FISCAL IMPACT

Voucher programs that would increase taxpayers' costs, be revenue-neutral, or produce tax relief have been designed. Calculating the exact cost of a voucher program is precarious business, because it depends on the design of the program, including restrictions and obligations of students and schools, on how many parents would use the program to move their children, and on the nature and cost of new schools that would emerge. Nevertheless, estimates are possible and often required before political approval can be secured.

The net cost or savings of a voucher plan is calculated by subtracting the expense of issuing vouchers to students already attending private schools and those choosing private schools for the first time, from the avoided costs achieved by no longer having to make space in government schools for the children who leave.

Consider enrollment and spending information for the Chicago Public Schools (CPS), in Figure 12.1. What would happen to total spending if vouchers worth an average of \$3,500 per student—enough to cover 100 percent of the cost of tuition at the average private school—were offered?

If all 126,000 pupils now attending private schools accepted the voucher, and the number of students choosing private schools doubled, then 252,000 students would be eligible for vouchers:

$$\text{number of students: } 126,000 \times 2 = 252,000$$

The cost of issuing the vouchers would be \$882 million:

$$\text{cost of vouchers: } 252,000 \times \$3,500 = \$882,000,000$$

The vouchers would allow the Chicago Public Schools to save just under \$834 million, the approximate cost of educating 126,000 students in their government schools:

$$\text{annual cost avoided: } 126,000 \times \$6,617 = \$833,742,000$$

FIGURE 12.1 1997–1998 Chicago Schools Data

Enrollment	554,184 (100%)
Government schools	428,184 (77%)
Private schools	126,000 (23%)
Average per-pupil spending	
Government schools	\$ 6,617
Private schools (tuition)	\$ 3,462
CPS budget	\$2.83 billion

SOURCES: National Center for Education Statistics, Chicago Public Schools, and Institute of Urban Life. Average private school tuition is the national average for 1992–93 adjusted for inflation by using the calculator at www.economy.com.

Subtracting the avoided costs from the cost of the vouchers reveals the program would cost taxpayers approximately \$48 million a year:

$$\text{net cost: } \$882,000,000 - \$833,742,000 = \$48,258,000$$

Our hypothetical voucher program would cost just 2 percent more than current spending, less than a typical annual increase in spending. Even this almost certainly overestimates the cost because it uses a low estimate of CPS per-pupil spending and assumes that 100 percent of students currently enrolled in private schools would choose to use vouchers.²⁰ Other entitlement programs typically enroll around 80 percent of those eligible.²¹ Some parents would choose schools that do not qualify for the vouchers, whereas others would simply decide to pay tuition themselves rather than seek public aid. If 80 percent of students attending private schools used vouchers, a more realistic estimate, taxpayers would actually save \$128 million a year.

The value of the voucher could be increased to take into account the higher tuition of sectarian (nonreligious) schools and then the estimate run again. Any net cost could be spread out over several years by phasing in the program, or it could be financed by a one- or two-year freeze on per-pupil spending by government schools. Proposals made by the American Legislative Exchange Council (ALEC), and Joseph Bast (one of the present authors) include freezes on tax revenues, spending, or administrative costs.

In the CPS example, private school enrollment rises from 23 percent to 46 percent of all school-age students. Why not assume private enrollment would rise to 60 percent, the estimate presented in Chapter 11? First, because such a large transfer of

²⁰Myron Lieberman, *Public Education: An Autopsy* (Cambridge: Harvard University Press, 1993), 114ff.

²¹For example, of senior citizens eligible for federal and state aid for weatherization projects only 62 percent receive benefits: for food stamps, 76 percent; for energy assistance, 74 percent; for federal nutrition services, 78 percent; for state veterans benefits, 82 percent; and for Medicaid, 83 percent. Kelly Greene, "Many Seniors Aren't Capitalizing on Benefits from U.S. and States," *Wall Street Journal*, 2 April 2002, A2.

students from government to private schools would almost certainly take place over a period of several years—some might say a decade or longer. Second, it might be the case that private school capacity would not grow sufficiently with the voucher amount set at \$3,500. That amount is the current average tuition for both independent and religious schools, weighted for enrollment. Average tuition for independent schools is higher, about \$7,400, and something closer to this amount might be needed to trigger new investments in schools by for-profit companies.

This analysis is necessarily speculative. Actual enrollment shifts would depend on whether investors and entrepreneurs perceive an opportunity to make profits by starting new schools, how effective they are in creating schools that attract parents, how the Chicago Public School system reacts to the new competition, the extent of regulations that accompany the new program, and technological, economic, and demographic changes along with other possible factors. Voucher schools, because they are not managed in a top-down fashion by government agencies, will take shapes and follow trajectories that cannot be predicted before they are launched. Even our brief example has probably erred in the direction of assuming too much in the face of uncertainty.

A standard objection to calculations such as these is that government schools cannot reduce their spending in pace with their loss of students.²² The argument seems spurious. Even in the absence of competition, government school spending closely tracks enrollment changes. The marginal cost of educating one more child is either more or less than the average cost, just as the marginal cost of producing any commodity differs from its average cost. This does not prevent businesses from reducing their spending when sales fall.

Schools, like other businesses, have many ways to reduce spending when their customers are dissatisfied with the goods they produce. Underutilized teachers can be replaced with part-time staff, administrators can be reassigned to part-time or full-time

²²New Jersey Office of Legislative Services, "Legislative Fiscal Estimate, Assembly, No. 3475," 10 September, 2001.

classroom duty, elective courses that attract few students can be dropped or contracted out to teachers in private practice, class sizes can be altered, discretionary spending can be reduced, students can be sent to schools that have excess capacity, planned expansions or improvements to facilities can be postponed or canceled, pay increases can be delayed, and the list goes on.

It is true that a school system may not be able to reduce the size of its teaching staff or facilities immediately by an amount exactly proportionate to its loss of enrollment, but this is neither implied nor required by voucher plans. All government schools have the ability to accommodate changes in their budgets; they face politically determined changes (mostly increases) every year. Most voucher plans give school systems plenty of time to make necessary adjustments to their budgets.

TESTING AND VOUCHERS

Voucher programs can contain provisions for uniform and reliable testing of student academic progress.²³ Unfortunately, calls for academic standards are often mixed with calls for top-down accountability systems, by which proponents mean allowing government to produce the tests and interfere in the operation of schools whose students fail to show acceptable levels of progress.²⁴ This has led to strong opposition from educators as well as from profamily groups leery of outcomes-based education and the intrusion of political correctness, objectionable subject matter, and questionable teaching methods into the schools.

²³For further examples, details, and documentation for this section, see Herbert J. Walberg, "Uncompetitive American Schools: Causes and Cures," in *Brookings Papers on Education Policy*, ed. Diane Ravitch (Washington, DC: The Brookings Institution, 1998).

²⁴American Federation of Teachers, *Setting Strong Standards: AFT's Criteria for Judging the Quality and Usefulness of Student Achievement Standards* (Washington, DC: American Federation of Teachers, 1995); Competitiveness Policy Council, "Reports of the Subcouncils," March 1993; Kathleen D. White, *Educational Testing: The Canadian Experience with Standards, Examinations and Assessments* (Washington, DC: General Accounting Office, April 1993).

Choice provides an answer to this objection. “Choice-based systems can make it easier to judge school performance,” writes Frederick Hess, “by decentralizing the task and then requiring only that families judge the quality of the schools they use. Under choice, so long as provision is made to collect and distribute information on school performance, parents and students will theoretically punish schools that do not perform adequately by taking their business elsewhere.”²⁵

The type of test that would work best with a voucher system is called a curriculum-based external examination, or CBEE.²⁶ Such exams do not reflect or attempt to measure academic potential, as measured by the SAT or other aptitude tests, but measure instead what is actually taught in school. They are produced and administered by people outside of, or external to, the school and the school district in order to protect teachers and administrators from the conflicts of interest inherent in having to set standards, measure performance, and take responsibility for the results. Examples of such tests include the Advanced Placement Exams and the New York Regent’s Exams.

Curriculum-based external examinations need not be produced or commissioned by government authorities. For-profit and not-for-profit companies could, and on a small scale already do, compete to provide the most useful measurements and other information to satisfy their customers.²⁷ Government authorities have often lowered examination grading standards in the past to declare success even as students learn less. In a competitive

²⁵Frederick M. Hess, *Spinning Wheels: The Politics of Urban School Reform* (Washington, DC: The Brookings Institution, 1999), 185.

²⁶John H. Bishop, “The Impact of Curriculum-Based External Examinations on School Priorities and Student Learning,” Working Paper 95, Center for Advanced Human Resource Studies, Cornell University, September 1995.

²⁷These tests include the Iowa Basic Skills Test (University of Iowa), National Assessment Program (Testronics Testing Program, New York and Chicago), Comprehensive Test of Basic Skills (McGraw-Hill Series, Manchester, Missouri), Stanford Achievement Test (Stanford, California), and Scholastic Tests (Psychological Corp., San Antonio, Texas).

marketplace for testing services, groups that resorted to such slackening would rapidly lose their credibility and market shares.

Curriculum-based external examinations create the information and incentives needed by students, parents, teachers, and administrators to make decisions that promote academic achievement. Educational choice would create the environment that rewards decisions that promote achievement and penalize decisions that lower achievement. Together, CBEEs and educational choice provide a promising solution to the problem of school failure.

VOUCHERS FOR HOMESCHOOLERS

In response to the phenomenal growth of the homeschooling movement, nearly every state has revised or enacted statutes pertaining to home education. Many states (including Colorado, Missouri, Ohio, and Pennsylvania) have streamlined and/or liberalized regulatory procedures. Some states (Iowa and Michigan, for example) have chosen to enact impediments, such as requiring that parents meet teacher certification requirements.

Should vouchers be issued for home education expenses? Those who say yes contend that homeschooling, even though unsubsidized, has proven an attractive and effective alternative for more than a million children; that as a matter of fairness, homeschoolers are entitled to the same financial relief as parents who choose other kinds of private schooling; and that distinctions are difficult to draw between a tiny school with innovative policies and a group of homeschooling families who cooperate on science projects, field trips, and other activities.

Those who oppose giving vouchers to home educators stress two reservations: that some parents will abuse the program by using the voucher to pay for expenses unrelated to schooling (perhaps even drugs or alcohol) and that the children's best interests may not be served if their achievement and progress (or special needs and handicaps) cannot be evaluated by people outside the family. The fear in the latter case, reinforced by media coverage of families who seek to withhold medical treatment of their children on religious grounds, is that beneficial or needed intervention by

the state is less likely to take place when children are educated in the home rather than in formal schools.

These fears are generally unwarranted because state and local government authorities have been granted sufficient authority (in some cases, excessive authority) to prevent such abuses. However, the provision of vouchers to homeschoolers may increase the potential for fraud because parents, rather than school institutions, will be receiving cash reimbursements. As a result, stricter provisions for oversight of expenditures may be warranted, but in no case are stricter educational performance criteria necessary.

Some homeschoolers are fiercely independent and seek to avoid any undue government interference. As a result, they would prefer not to accept vouchers, and some even oppose voucher legislation out of fear it would lead to greater public scrutiny of homeschooling and thus more regulation. Attempting to include benefits for homeschoolers in voucher legislation can backfire, as in the case of Oregon where homeschoolers opposed a tuition tax credit proposal because of threats by government school officials to increase regulation of homeschooling if the initiative passed.²⁸

It may be possible to address the concerns of homeschoolers in the provisions for deregulation. The Montana Voucher Education proposal, for example, provides that “Home schooling of children is a parental right. Home schools may not be subject to regulation by the state or any of its political subdivisions.”²⁹ Of course, including such provisions in a voucher plan is likely to reinforce the opposition of those opposed to homeschooling.

CLOSING UNNEEDED GOVERNMENT SCHOOLS

One of the key problems confronting government schools today is the lack of a formal process for closing low-quality schools. Under a voucher plan, those schools would lose students and

²⁸Letter to Joseph Bast from Steven Buckstein dated 25 February 1991.

²⁹Montana Voucher Proposal (1987), Section 2(11).

therefore funding. Government-school authorities would be forced to consolidate schools and restructure management to meet the new competition.

The specter of school closings is probably the aspect of voucher plans that most inspires opposition by teachers unions, principals associations, and school board members. Their fear is unwarranted. The number of children who need to be educated will be the same before and after a voucher plan is passed. Educators and administrators will be as much in demand after the voucher plan takes effect as before. Good teachers and skillful administrators may face the inconvenience of taking new positions at different schools, but otherwise they should not fear the effects of a voucher plan. Unlike the present system, better performers would be rewarded with higher compensation.

There is no reason for school employees to be isolated from the challenges that affect the vast majority of Americans employed in the private sector. In the private sector, jobs are not guaranteed regardless of performance, demographic change, or organizational reform. The continuous changes in technology, techniques, and management that take place in the private sector inconvenience employers and employees alike, but such changes also make possible the tremendous growth in productivity and responsiveness to consumer needs that has characterized the American economy. For the most part, government schools have failed to keep pace with that growth because their near-monopoly status insulates them from pressure to improve their productivity and consumer satisfaction.

Few voucher proposals directly alter or abolish the statutory or constitutional authorizations for the establishment of government schools. Some voucher proposals do, however, mandate or provide strong incentives for structural and managerial changes in government schools. The power to collect and distribute tax dollars should be moved from government school boards, which have the conflicting duties of distributing funds and also running schools, and placed in the hands of a more neutral authority. In their new capacity as managers of schools in a competitive arena,

local school boards should be given maximum flexibility to meet the new competition from voucher schools.

Several strategies are apparent in model legislation and past voucher proposals. For example, the Coons-Sugarman Initiative allows government schools to form separate voucher schools that enjoy approximately the same degree of relative autonomy as private voucher schools. The aforementioned ALEC Education Voucher Amendment mandates a restructuring of government schools to become autonomous units (with each school having its own school board) and the principal and school board being given greater managerial authority in exchange for direct accountability to parents of students enrolled in the school.

Some voucher proposals contain provisions requiring the lease or sale of excess government school space to participating private schools. Such provisions encourage entry into the educational market, allow more rapid accommodation of demand for private schools, and help government schools retire debt more quickly. The Coons-Sugarman proposal mandates that community groups be assisted in the founding of voucher schools by guaranteed loans and similar assistance. A revolving loan fund for such a purpose could be established with the funds earned from the sale or lease of government school space.

ADMINISTRATION AND VOUCHER REDEMPTION

A school voucher plan needs administrative procedures and guidelines for voucher redemption. A neutral, independent oversight authority should be created for this purpose. Although input from the education establishment will be needed for these policies to be drawn correctly, it is not necessary or desirable that professional education administrators have majority representation on this authority. Competent business and civic leaders can be chosen by the governor or the legislature. Specifications for how this authority is to be appointed and what its membership and powers are to be should be included in the legislation introduced or the proposal being made.

To prevent conflicts of interest between government and private schools, a nonschool official, such as the state treasurer or the county treasurer or revenue collector, should be empowered to redeem vouchers. The Missouri Educard Bill and the Heartland Plan for Illinois offer such provisions.

No doubt some voucher opponents will predict chaos and an administrative nightmare even before administrative procedures and redemption policies are discussed. Voucher proponents can defend their program as administratively much simpler than the current regulatory maze because accountability is built into vouchers through the power of parental sovereignty. Concerns over whether school administrators will know how many students will be enrolled soon enough to draft budgets can be addressed by observing that private and government schools already face this problem every fall.

TRANSPORTATION

To exercise their new right to choose a school, parents must be able to transport their children to their new schools. Although most parents will select schools close to their homes, some will opt for schools far enough away that some form of transportation will be needed. It is reasonable to assume that, until the supply of private schools increases in response to the availability of vouchers, student transportation needs will increase under a voucher program.

The government-school system already invests heavily in student transportation. Public-school choice and charter schools are becoming more commonplace in much of the country, and school systems are increasingly adopting sophisticated student transportation systems. Some have computerized route-planning software to manage in-house transportation services; others contract with private bus companies that specialize in student transportation. School transportation is financed differently in each school district, so the exact arrangements for transporting voucher students will vary from district to district.

Parents could be given a single voucher for the sum of tuition and expected transportation costs. This would permit parents to choose how much of the voucher would be spent for transportation and how much for instruction. The disadvantage of such a single-voucher approach is that it prevents parents from choosing among competing transportation providers because this type of voucher, redeemable only by the school institution, assumes transportation will be arranged by the schools themselves.

The alternative could be separate vouchers for tuition and transportation, allowing parents to choose among competing transportation providers. The disadvantage of the split-voucher option is that it will require the issuing government agency to bear administrative costs significantly higher than those under a unified voucher approach.

Some voucher advocates will wish to retain existing criteria for transportation-assistance eligibility or to modify those criteria somewhat. Others will prefer to eliminate eligibility criteria so all students receive the same voucher amount regardless of their transportation needs. These decisions should be made on the basis of the relative importance of transportation in the district or state. If there is evidence that transportation costs would pose a significant barrier to parents seeking to exercise choice, serious consideration should be given to liberalizing eligibility standards. If transportation problems are isolated in certain areas of the state or primarily affect low-income families, the eligibility standards could be oriented to their needs.³⁰

Finally, some voucher proponents may prefer to exempt student transportation from the voucher program entirely. The case can be made that, although there is a public interest in seeing that children receive an adequate education, there is no equally compelling case that taxpayers should be obliged to subsidize a parent's decision to choose a remote school. Physical proximity to

³⁰Nebraska amended its statewide open-enrollment plan to require school districts to offer free transportation to participating disabled students who need it. See "Choice Plan Now Includes Free Transportation for Disabled," *Education Week*, 25 April 1990, 14.

a school benefits parents, students, and schools. Public policy should not work against the selection of neighborhood schools by completely freeing parents of financial responsibility for their choice of a more distant school.

CONCLUSION

Public voucher programs can vary greatly in their details, but they generally share the design principles described in this chapter. We favor phase-in periods to enable all the stakeholders in the system to learn the rules and adjust to the new realities of choice and competition. Vouchers should be worth enough to encourage for-profit firms to start schools, ensuring robust competition and plenty of choices for parents. Parents should be allowed to add on to their vouchers both to improve the effectiveness of the program and to conform to the economic and moral rules of a free society.

Opponents of vouchers often exploit the general public's ignorance of the details of how a school voucher program would work, raising a series of what-if objections to any plan to promote competition and choice. In this chapter we described how voucher programs would address these objections on subjects ranging from cost to taxpayers, student testing, and homeschooling to closing schools that lose enrollment and providing transportation to students. The voucher idea is flexible enough to meet all such objections.

RECOMMENDED READING

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