



## **A SNAPSHOT OF SCHOOL CHOICE IN THE UNITED STATES** by Paul DiPerna

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The United States has experienced unprecedented enactments and expansions of private school choice programs over the last two years. State legislatures and governors – highly influential policy actors in U.S. education – enacted thirteen new programs in this short time period.

Today there are 39 publicly-funded private school choice programs in 21 states and the District of Columbia, and it is estimated that these programs will collectively serve at least 245,000 school children in the 2012-2013 school year.<sup>1</sup> Most of these programs operate in the midwestern and southern parts of the country. The number of programs has more than doubled since 2006.<sup>2</sup>

The main focus of this chapter will be to highlight those public policies that advance parental choice of private schools in the United States, or private school choice. Currently there are four types of policy mechanisms that allow for private school choice: vouchers; education savings accounts; tax-credit scholarships; and individual tax credits and deductions.

Other mechanisms for school choice exist within public school systems, which will be briefly described near the end of this brief overview. These policies establish public charter schools and open enrollment programs. Virtual schools (sometimes called “cyber schools”) emerged in the 1990s and may operate within either a private school choice or public school choice framework. We also briefly define and describe the current state of virtual schools.

## *Vouchers*

Education vouchers (commonly referred to as “school vouchers” in the United States) give parents the option of sending their children to the school of their choice, whether that school is public or private, including both religious and non-religious schools. Tax dollars typically expended by state government or a public school district are reallocated to parents in the form of a “school voucher” to pay partial or full tuition for their child’s school. Milton Friedman, a Nobel Laureate economist, first proposed this original concept of “school choice” for U.S. education nearly 60 years ago.<sup>3</sup>

For the coming school year, 18 voucher programs will serve around 100,000 students. Most voucher programs have limits on student eligibility, based on household income, residential location, or if the child is disabled or has special needs. Over the last decade, the number of children using special-needs vouchers has grown by more than 400 percent (from roughly 5,000 students to 26,000 students). The number of students using vouchers based on other factors has grown by more than 250 percent since 2000 (from roughly 19,000 students to 67,000 students).<sup>4</sup>

Some new programs have the potential to become very large in scale. More than 500,000 students are eligible to qualify for a voucher in the state of Indiana. This program is entering its second year in 2012-2013 and projects to enroll about 10,000 students. More than 250,000 students are now eligible for school vouchers in Louisiana. These two voucher programs are the most expansive policies to date supporting school choice in the United States.

## *Education savings accounts (ESAs)*

A close cousin to vouchers are education savings accounts (“ESAs”, hereafter). ESAs allow parents to withdraw their child from a public district or charter school, and receive a payment into a government-authorized savings account with restricted, but multiple uses. Parents can then use these funds to pay for private school tuition,

online education programs, private tutoring or saving for future college expenses. ESAs are a new school choice policy innovation.

Arizona, so far, is the only state to enact an ESA program. The ESA law bases eligibility on one of three considerations: the child has special needs; a child's parent is a member of the military; or the child attends a public school that is doing poorly within the state's accountability system.

## *Tax-credit scholarships*

Since the late 1990s, some U.S. states have been issuing tax credits to individuals and businesses if they contribute money to nonprofit organizations that distribute private school scholarships.<sup>5</sup> Such a public policy supports what are commonly referred to as "tax-credit scholarships." Anyone may start a nonprofit "scholarship granting organization" (SGO). Some states require that students meet certain income or other demographic criteria to be eligible for scholarships.

In the 2012-2013 school year, 14 tax-credit scholarships will serve an estimated 145,000 school children in 11 states. The largest (and oldest) programs operate in Arizona, Pennsylvania, and Florida. Louisiana, New Hampshire, and Virginia enacted tax-credits scholarship policies in 2012, and these states will be implementing the newest programs in the country.<sup>6</sup>

## *Individual tax credits and deductions*

Parents can receive a tax credit or tax deduction from government income taxes for approved educational expenses. This usually includes private school tuition as well as books, supplies, computers, tutors, and transportation. Even when tuition is not eligible for the credit or deduction, these programs still make school choice easier for parents because they relieve the burden of non-tuition expenses at private schools. Some programs restrict the income level of eligible recipients or the amount they can claim.

Currently, there are six individual tax credit/deduction programs in the United States. Iowa and Minnesota launched the earliest of these programs decades ago. At least a few hundred thousand U.S. taxpayers (in these six states) participate in any given year. In 2011, North Carolina enacted the most generous individual tax credit program that refunds up to \$6,000 to families having children with disabilities or other special needs.

*In the following section, we briefly describe other school choice options that exist within the traditional funding arrangements involving U.S. public schools.*

## ***Public charter schools***

Charter schools are independent public schools that are exempt from many state and local rules and regulations in exchange for increased financial and academic accountability. These largely autonomous public schools are typically required to adhere to state-based standards and to administer state-approved assessments and testing programs.

The first public charter school opened in Minnesota in 1992, and thousands more have opened in the last twenty years. As of 2012, 41 states and the District of Columbia, have charter school laws. There are approximately 1.7 million students attending more than 5,400 charter schools in the United States. The regulations and funding of charter schools vary from state to state.<sup>7</sup>

## ***Public magnet schools***

The United States Department of Education (USDOE) defines “magnet schools” as a public school “that offers a special curriculum capable of attracting substantial numbers of students of different racial backgrounds.”<sup>8</sup> According to USDOE, more than 2,700 magnet schools were operating during the 2010-2011 school year, serving about 2,000,000 students, nearly two-thirds of whom are African American, Latino, or other non-white race/ethnicity.<sup>9</sup> Magnet Schools of America, a nonprofit membership association, states there are more than 3,500 magnet schools in the United States.<sup>10</sup> These public schools of choice are typically found in large urban school districts such as Chicago, New York City, and Los Angeles.

## ***Open enrollment***

Generally, open enrollment policies are implemented by state governments and public school districts, allowing a student to transfer from one public school to another public school within the same school district or nearby school district. The Education Commission of the States (ECS) defines and summarizes open enrollment in the United States:

There are two basic types of open-enrollment policies in place in the states – intradistrict and interdistrict. Intradistrict open-enrollment policies allow a student to transfer to another school within his or her school district. Interdistrict open-enrollment policies allow a student to transfer to a school outside his or her home district, but often require both the sending district and the receiving district to agree to participate.

Open-enrollment policies are either mandatory or voluntary in nature, depending on the state. Mandatory policies require districts to participate in the program, often depending on the availability of space. Voluntary policies allow districts to choose whether to participate, again often depending on available space.<sup>11</sup>

According to ECS, 47 states have some form of open enrollment policy in place. Alabama, Maryland, North Carolina, and the District of Columbia do not allow intradistrict or interdistrict public school choice.

## *Virtual schools and digital learning*

Virtual schools (sometimes called “online schools” or “cyber schools”) can be run publicly or privately, allowing students to work with their curriculum and teachers over the internet—in combination with, or in place of, traditional classroom learning. In some states, online schools must have a brick-and-mortar location where children go to receive online instruction. In other states, online instruction can be done from home. Over the last ten years, public policies have been established to allow for course enrollment (“course choice”) as well as school choice.<sup>12</sup>

According to the International Association for K–12 Online Learning (iNACOL):

There are now 30 states with full-time, multi-district schools that enrolled an estimated total of 250,000 students in 2010-2011, an annual increase of 25 percent. Maine, Indiana, and Tennessee are among the states that have, in the last two years, changed their laws to allow full-time online schools for the first time, or to allow significant growth in them.

While 40 states have a state virtual school or similar state-led initiative, these programs are increasingly falling into two divergent categories: those that are sustainably funded at a level to have a real impact on their states, and those that do not have a level of reliable support. States in the former category include Florida, North Carolina, Michigan, Montana, Idaho, and Alabama.

Other state programs are in decline, mostly due to funding cuts. These include programs in Maryland, Missouri, and California. Nonetheless, all state virtual schools together accounted for 536,000 course enrollments (one student taking one semester-long course) in 2010-2011, an annual increase of 19 percent.

In 2011, Florida, Utah, Idaho, Ohio, and Wisconsin were among the states passing new online learning laws that will change the education landscape in those states in coming years.<sup>13</sup>

Broad public support and positive school choice outcomes may provide motivation for new policy proposals.

U.S. public opinion appears to be solidly supportive of vouchers, tax-credit scholarships, ESAs, and charter schools.<sup>14</sup> Survey research can detect shifts in public opinion and levels of demand. The 2011 Education Next/Harvard survey reported a jump in support for education vouchers. In their article explaining the annual survey's findings, the authors conclude:

On many questions of education policy, opinion has not changed materially over the past year... Only when external events require a rethinking of their position are they inclined to alter their views. For that reason, we find it to be of some significance that over the course of the past year the public has become much more supportive of school vouchers.<sup>15</sup>

Increasingly, school choice legislation is being supported by politicians, no matter their political party. Republicans are still more likely to sponsor legislation and push private school choice proposals, but Democrats are increasingly able to find political cover and reinforcement in the growing body of school choice research on student learning, competitive effects, and financial impacts. Ten out of eleven randomized field trial studies, the gold standard in the social sciences, have found statistically significant academic outcomes among some or all students who use school vouchers. Greg Forster, a colleague of mine, recently reviewed the empirical research on "competitive effects" and concluded that 19 of 20 studies have shown school voucher programs improving the academic performance at nearby regular public schools. Effects are small to moderate in most of these studies, which is reasonable since the programs are all currently small or thinly dispersed within a K-12 student population. No high-quality study has found a negative impact on student learning among voucher participants or impacted public schools.

In light of the volatile economic conditions and increasing calls for government funding austerity, fiscal evaluations of existing school choice programs have become compelling support vehicles to advance private school choice policies. In a recent analysis of the Milwaukee Parental Choice Program, Robert Costrell estimates the overall annual fiscal benefit from the program reached \$46.7 million in 2010.<sup>16</sup> The Florida Legislature's Office of Program Policy Analysis and Government Accountability reported that the Florida Tax Credit Scholarship Program saved taxpayers about \$36.2 million in 2009 alone.<sup>17</sup> In the first year of its school voucher program, the State of Indiana returned \$4 million to local school districts because of costs savings.

What can a policymaker do with these savings? These funds can be deposited into a state's rainy day fund, invested in infrastructure, applied to chronically stressed out programs (such as Medicaid, state unemployment insurance, unfunded public pensions), or returned to taxpayers as a rebate. There is evidence that private school choice programs offer fiscal flexibility for policymakers.

The public salience and research evidence appear to be reshaping politics and policy in state legislatures around the country. The Friedman Foundation for Educational Choice has estimated 130 school choice bills were introduced in state legislative sessions in 2011. That nearly doubled the legislative activity of 2010, and still represented a 34 percent increase in the number school choice proposals compared to 2009, the previous off-election year.<sup>18</sup>

## *Endnotes*

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- <sup>1</sup> For complete program profiles and descriptions, see Paul DiPerna and Jeff Reed, ed., *2013 ABCs of School Choice*, (Indianapolis, IN: Friedman Foundation for Educational Choice, 2013). Available online: [www.edchoice.org](http://www.edchoice.org)
- <sup>2</sup> In 2006, there were 18 private school choice programs. The 2012-2013 participation estimates provided by the Friedman Foundation for Educational Choice. Contact Paul DiPerna, [paul@edchoice.org](mailto:paul@edchoice.org), for more information.
- <sup>3</sup> Milton Friedman, “The Role of Government in Education,” *Economics and the Public Interest* (1955).
- <sup>4</sup> Participation estimates provided by the Friedman Foundation for Educational Choice. Contact Paul DiPerna, [paul@edchoice.org](mailto:paul@edchoice.org), for more information.
- <sup>5</sup> A “tax credit” allows an individual or business to reduce the final amount of a tax owed to government.
- <sup>6</sup> Participation estimates provided by the Friedman Foundation for Educational Choice. Contact Paul DiPerna, [paul@edchoice.org](mailto:paul@edchoice.org), for more information.
- <sup>7</sup> We recommended the following sources for additional information about charter schools: National Alliance for Public Charter Schools, [www.publiccharters.org](http://www.publiccharters.org)  
The Center for Education Reform (CER), [www.edreform.com](http://www.edreform.com)
- <sup>8</sup> United States Department of Education, *Magnet Schools Assistance Fund*, (Part C. SEC.5302). Definition. Available online:  
[www2.ed.gov/policy/elsec/leg/esea02/pg65.html](http://www2.ed.gov/policy/elsec/leg/esea02/pg65.html)
- <sup>9</sup> This is a low range estimate because the USDOE report does not include counts of magnet schools in four states: Arizona, Massachusetts, New Jersey, and New Mexico. See [nces.ed.gov/pubs2012/pesschools10/tables/table\\_02.asp#r2](http://nces.ed.gov/pubs2012/pesschools10/tables/table_02.asp#r2)
- <sup>10</sup> See [www.magnet.edu](http://www.magnet.edu)
- <sup>11</sup> See [www.ecs.org/html/issue.asp?issueid=22&subIssueID=326](http://www.ecs.org/html/issue.asp?issueid=22&subIssueID=326)
- <sup>12</sup> We recommended the following sources for additional information about virtual schools and digital learning: International Association for K–12 Online Learning, [www.inacol.org](http://www.inacol.org) Connections Academy, [www.connectionsacademy.com](http://www.connectionsacademy.com) K12,

- <sup>13</sup> For an overview of how states are implementing virtual schools and digital technologies, see John Watson, Amy Murin, Lauren Vashaw, Butch Gemin, and Chris Rapp, *Keeping Pace with K-12 Online Learning: An Annual Review of State-Level Policy and Practice*, (Evergreen Education Group, 2011), p. 5.
- <sup>14</sup> See Friedman Foundation for Educational Choice, K-12 & School Choice Survey Series (2010-2012).
- <sup>15</sup> William Howell, Paul E. Peterson, and Martin West, “The Public Weighs in on School Reform,” *Education Next*, 11(4), (Fall 2011), pp. 10-22. The Education Next/PEPG archive is available online: [www.educationnext.org/edfacts](http://www.educationnext.org/edfacts)
- <sup>16</sup> Robert M. Costrell, “The Fiscal Impact of the Milwaukee Parental Choice Program: 2010- 2011 Update and Policy Options,” SCDP Milwaukee Evaluation: Report #22 (December 2010).
- <sup>17</sup> Gary R. VanLandingham, “Florida Tax Credit Scholarship Program Fiscal Year 2008-09 Fiscal Impact,” Office of Program Policy Analysis and Government Accountability (March 1, 2010).
- <sup>18</sup> Friedman Foundation data collection using StateScape to compile school choice legislation (2008-2011)