Comprehensive School Choice Policy
A Guide for Legislators

Which form of school choice do you want in your state?

A. Charter Schools
B. School Vouchers
C. Scholarship Tax Credits
D. Personal Tax Credits and Deductions
E. All of the Above
F. None
Comprehensive School Choice Policy
A Guide for Legislators

By Josh Cunningham
The National Conference of State Legislatures is the bipartisan organization that serves the legislators and staffs of the states, commonwealths and territories.

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- To promote policy innovation and communication among state legislatures.
- To ensure state legislatures a strong, cohesive voice in the federal system.

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Introduction

Legislatures around the country have enacted various forms of school choice over the past 20 years. The intent of these policies has been to improve student achievement throughout the education system, seek innovative methods of instruction and school governance, and provide parents with an alternative to neighborhood schools.

Although many methods are available to states to provide public school choices—including open enrollment policies and magnet schools—the most prominent public school choice policy is charter schools. As of summer 2013, 42 states and the District of Columbia had enacted legislation permitting these unique public schools, which operate outside the traditional school governance structure, instead exercising a high level of autonomy in exchange for more stringent accountability. Most state legislatures have adopted comprehensive charter school policies and are routinely considering adjustments to them. Extensive resources are also available to legislators who are addressing the complexities of charter school policy.

In addition to public school choice programs such as charter schools, 23 states and the District of Columbia have enacted school choice programs that provide support and incentives for parents to choose private schools in place of public schools. Options include traditional school vouchers, scholarship tax credits, and personal tax credits and deductions. Legislators frequently consider legislation to either create new programs or amend existing ones. The bulk of existing private school choice programs have emerged during the last 10 years and are found mainly in states that also have charter schools.

Considerable research has compared the various forms of choice to the traditional public school system at the academic, financial and governance levels. However, little information exists about how these forms of choice affect each other when they operate concurrently in a state. Since they must examine the broad range of available policies, it is helpful for legislators to understand how each type of school choice policy works, what questions to ask and what other states have proposed.

Many states are examining whether to adopt and implement school choice strategies. This guide is intended as a resource for understanding the types of school choice options states are considering and enacting, including the effects of using multiple forms of choice. School choice policies may not be appropriate for every state, and that decision is entirely up to individual state legislatures.
Charter Schools

What Are They?
Charter schools are publicly funded, independently managed and semi-autonomous schools of choice. They do not charge tuition and must hold to the same academic accountability measures as traditional schools. Public funds are their primary revenue source, similar to traditional schools. They have more freedom over budgets, staffing, curricula and other operations, however. In exchange for this freedom, they must deliver academic results, and community demand must be sufficient for them to remain open.

Charter schools are unique in that they operate under the oversight of a charter authorizer. The authorizer approves the initial charter school application and takes responsibility for ensuring the school’s quality and sustainability. The authorizer performs periodic reviews and ultimately decides whether the charter school remains in operation or must be closed. School districts are the most common charter authorizer, but in some states, mayors, universities, nonprofit organizations, private businesses and independent state boards also can serve as authorizers.

The number of charter schools has continued to grow since Minnesota enacted the first charter law in 1991. In some, academic results have been significantly positive; others have closed because they were not able to deliver promised results. Many charter schools remain open despite consistent low performance due largely to slow and ineffective oversight and to community pressure to keep the schools open. The majority of charter schools, however, perform at a similar level as nearby traditional public schools.

Accountability
State legislatures play a crucial role in ensuring that charter schools and charter authorizers are held accountable for their academic performance. Legislation often is required to give authorizers and the state education agencies the authority to carry out their accountability duties. Traditional public schools must follow numerous laws and regulations, such as requiring teacher licensure and providing incentives for teachers to earn master’s degrees. These requirements are meant to ensure uniform standards of quality and equity. Charter schools often are exempted from following these requirements to encourage innovative school operations. Given this flexibility, a strong accountability system helps to identify and rectify charter schools that fail to produce quality results.

State policymakers can create an accountability framework, including standards for measuring and evaluating charter school...
performance, incentives for high-performing charter schools, and repercussions for charter schools that perform poorly.

In addition to holding charter schools accountable, states can implement accountability standards for charter authorizers. Policymakers can make authorizers responsible for the performance of the charter schools they oversee and impose penalties when schools are underperforming. State policy can help empower authorizers to close underperforming charter schools in the face of external pressures from the community. One option legislators may wish to consider is to implement automatic school closures for the lowest performing schools, as defined by their state.

**Replication and Expansion**

A charter management organization (CMO) is a nonprofit entity that manages multiple charter schools, much like a traditional school district, often using a standard model of operations and philosophy for its schools. CMOs can operate schools locally, statewide or even in multiple states. Not only do they represent a useful tool for replicating and expanding successful charter schools, but they also can use economies of scale to minimize administrative costs and leverage debt for facilities. In the 2010-11 school year, nearly 39 percent of charter school students attended a school operated by either a CMO or by the for-profit version, an education management organization (EMO).\(^1\)

Simply because a CMO is expanding and opening new schools does not mean the schools produce quality results. Student achievement in CMO-operated schools varies widely. A recent study by the Center for Reinventing Public Education and Mathematica Policy Research compared the performance of 167 CMOs nationwide based on average student achievement across each CMO’s network of schools. The study found that CMOs where student performance ranked in the lowest one-third opened new schools more rapidly than those where student performance ranked in the middle and upper thirds.\(^2\) The challenge for policymakers is to create incentives for successful CMOs to replicate their educational model while limiting replication of underperforming CMOs. Although a strong accountability system will help attain this goal, states also can create incentives for new charter school networks to show positive results before expanding. These incentives can be designed to make expansion easier for proven CMOs.

Even limiting replication to CMOs demonstrating success does not guarantee new charter schools will attain the same level. The charter authorizer plays a significant role in evaluating and identifying charter schools that are suitable candidates for replication or expansion into a CMO. To successfully meet this responsibility, authorizers need adequate resources and expertise to thoroughly monitor charter school performance. The National Association of Charter School Authorizers believes states should provide partial funding to authorizers in addition to funds the authorizer receives from its schools. Authorizers that depend solely on school revenues for funding may hesitate to close low-performing schools.\(^3\)

**Funding**

Similar to traditional public schools, charter schools are primarily funded with public money. Charter schools receive funding based on the students they enroll, since the state per-pupil funding transfers with the student from the resident district to the charter school. Although charter schools receive public funding through per-pupil allocations, the amount of this funding varies greatly from state to state, based upon the specific funding formula.
States have developed three primary funding methods to determine the amount of funding charter schools receive for each student:

- An amount equal to the student's resident district per-pupil allocation,
- An amount equal to the charter authorizer's per-pupil allocation, or
- A standard statewide per-pupil allocation for charter school students.

Some states fund charter schools based on the per-pupil allocation of the student's resident district. This method requires school districts to pass along all the student's state and local funding to the charter school. A more common formula bases charter school funding on the per-pupil revenue of the charter authorizer. This method may vary depending on the authorizer—since the authorizer can be a traditional school district or a non-district entity—and on the level of the authorizing district's revenue. The final funding method bases per-pupil funding on a uniform statewide formula that ensures charter schools receive the same amount of funding wherever they and their students are located.

**Facilities**

An important funding consideration for charter schools is to secure adequate learning facilities. While traditional public schools can take advantage of local tax and bond revenues to finance building construction and maintenance, charter schools may not have access to such funding. Thus, they may use operational funds intended for classroom instruction to pay facility costs. A charter school, as a result, would have fewer funds for classroom instruction than nearby traditional public schools even if they receive identical per-pupil funding. Lack of funds may mean that charter schools must occupy buildings without standard school amenities such as gymnasiums and libraries. Some charter school facilities lack adequate accessibility—such as ramps and restrooms—for students with disabilities. New charter schools also face the challenge of limited or insufficient credit, which makes it difficult for them to secure low-interest private loans and may lead to high-interest lease agreements.

State policy can help charter schools acquire facilities funding through several sources, including:

- Direct state assistance,
- Tax-exempt bonds,
- State grant programs,
- Credit enhancement programs,
- Federal grant programs,
- Sharing local bond revenue, and
- Sharing school district facilities.

**Autonomy**

The primary characteristic separating charter schools from traditional public schools is the autonomy charter schools have to design their mission, hiring practices and budget. They are granted this freedom in exchange for stricter accountability. Such autonomy allows charter schools to offer more innovative methods of educating students. It also allows instruction to be tailored to individual student needs instead of following the more traditional instructional model used in neighborhood public schools. The charter contract often defines what
flexibility a charter school is granted from state and local requirements. Some states have enacted policies that give new charter schools automatic autonomy in such areas as budgeting, staffing, professional development strategies and curriculum.

**Teachers**

One of the more disputed uses of autonomy in charter schools is teacher hiring. Some common examples of charter school autonomy in relation to hiring teachers include:

- No teacher licensure required,
- Teachers do not participate in the district or state pension system,
- No automatic raises for teachers with master’s degrees,
- No teacher tenure,
- No union participation or collective bargaining, and
- Teacher evaluations based in part on student performance.

While this type of autonomy may offer charter schools creative and strategic staffing options, it also may contribute to an increase in teacher turnover compared to traditional public schools. A 2010 study by the National Center on School Choice found that the rate at which teachers leave the profession and move between schools is significantly higher in charter schools than in traditional public schools and can negatively affect school quality. The study also found that charter schools tend to hire teachers who are at greater risk of leaving the profession and switching schools because they are younger, less likely to have an education degree or state licensure, and more often work part-time.

**Research on Student Achievement**

Legislators often want to know if research on student achievement in charter schools shows that students who attend charter schools outperform students in traditional public schools. Research on this question has provided mixed results. Nationwide data has shown that, based on test scores alone, charter schools typically do not show stronger academic performance. According to 2011 data provided by the National Alliance for Public Charter Schools, a higher percentage of students in traditional public schools tested at a proficient level on fourth- and eighth-grade National Assessment of Educational Progress (NAEP) exams in math and reading than did charter schools. Many researchers and charter school proponents point out that simply comparing proficiency scores fails to account for important differences in student demographics and, therefore, does not accurately capture quality differences between charter schools and traditional public schools.

In 2009, the Center for Research on Education Outcomes (CREDO) released a report on a study of charter school performance in 16 states. At the time, it found that 17 percent of charter schools performed better than nearby traditional public schools, 46 percent performed similarly, and 37 percent performed worse. In a 2013 update, CREDO expanded the report to 27 states. The new report found that 25 percent of charter schools performed better than nearby traditional public schools, 56 percent performed similarly, and 19 percent performed worse. The study suggests the decrease in charter schools that performed worse than traditional public schools could be due to the number of low-performing charter school closures since the original report, and that learning in charter schools varied greatly across the 27 states studied.

More detailed research has shown that certain groups of charter school students—especially middle school and low-income charter students—perform stronger academically. A 2011 meta-analysis published by the National Charter School Research Project found that charter middle school students tended to outperform
traditional public school students in math and reading. Research from a 2010 study by the Institute of Education Sciences (IES) found that low-income and low-achieving middle school charter students academically performed better in math than their traditional public school peers. Similarly, the 2013 CREDO study showed that high-poverty students, African-American students, and English language-learning students in charter schools showed significantly higher learning gains in both math and reading. On the other hand, the IES study also revealed that high-income/prior high-achieving charter middle school students showed significantly lower scores on state math tests.

It also is important to consider student achievement and growth factors beyond test scores, such as narrowing of the achievement gap, higher graduation rates, student and school improvement over time, and student success after high school. This data, however, can vary greatly by state and few national-level reports examine these factors. A 2009 report from RAND Corporation found that charter school students are more likely to graduate high school and enroll in college than similar traditional public school students, but the report contained data from only eight states.

State legislators can play a critical role in ensuring student achievement in charter schools through accountability. Policymakers can create accountability systems that both hold charter schools accountable if they perform poorly and provide incentives and rewards for high-achieving charter schools.

Questions for Legislators to Ask

• Does your state have an accountability framework—including standards for measuring and evaluating charter school performance, incentives for high-performing charter schools and repercussions for low-performing charter schools?

• Has your state enacted accountability standards for charter authorizers that make them responsible for the performance of the schools they oversee? If so, what are those standards?

• Do charter management organizations operate networks of charter schools in your state? Are those networks local or part of a larger multi-state network of charter schools? How does your state track overall network performance, if at all?

• How are charter school authorizers funded in your state, and do they receive enough to provide quality oversight of their schools?

• How do charter schools receive funding in your state? How do charter school funding levels compare to funding for traditional public schools?

• How does your state fund charter school facilities? What options are available for charter schools to occupy low-cost facilities? What amenities are essential to a public school facility, i.e., library, gymnasium, cafeteria, etc.?

• What flexibility do charter schools in your state have that traditional public schools do not?
• How does teacher hiring differ between traditional public schools and charter schools in your state? How does your state measure teacher effectiveness in public schools, including charter schools?

• How does your state collect and report data on student performance and growth in public schools, including charter schools?

Legislative Policy Options

• Clear and comprehensive accountability standards at both the charter school and charter authorizer levels, including:
  • Automatic closure of lowest-performing schools.
  • Evaluation of authorizers based on performance of all schools they oversee.
  • Enforcement of penalties for low-performing charter schools and authorizers as well as incentives for high-performing ones.

• Processes that make charter replication easier for charter schools and CMOs that have a proven record of high academic performance, including:
  • Allowing successful CMOs to include multiple charter schools in one charter application.
  • Non-financial rewards to successful charter schools, such as relieving them of certain reporting requirements.
  • Competitive grant programs for high-performing charter schools and CMOs.

• Providing state funding for charter authorizers to supplement the fees they collect from their schools to enhance their oversight capacity.

• Requiring and providing support for charter schools to include specific amenities in all facilities, such as:
  • Kitchen/cafeteria that complies with the National School Lunch Program requirements,
  • Library, and
  • Gymnasium.

• Making underused school district facilities available to charter schools. Options include:
  • Giving charter schools the “right of first refusal” to vacant district buildings—districts must offer unused space to nearby charter schools before using it for any other purpose.
  • Requiring districts to offer long-term lease agreements to charter schools.
  • Requiring districts to charge low rent to charter schools.

• Implementing state programs to support acquisition of facilities by charter schools, including:
  • Direct state funding for facilities,
  • State grant programs for facilities, and
  • State-backed credit enhancement for charter schools.

• Automatic autonomy for new charter schools over items such as budgets, hiring, professional development activities and curriculum.
  • The alternative would be to require each new charter school to request areas in which it would have autonomy through the charter application process.
School Vouchers

What Are They?
School vouchers, also referred to as opportunity scholarships, are state-funded scholarships that pay for students to attend private school rather than public school. Private schools must meet minimum standards established by legislatures in order to accept voucher recipients. Legislatures also set parameters for student eligibility that typically target subgroups of students. These can be low-income students who meet a specified income threshold, students who attend chronically low-performing schools, students living in a certain area, students with disabilities, or students in military families or foster care. Thirteen states and the District of Columbia have some type of school voucher program.

Student Eligibility
State legislatures often determine which students are eligible for school voucher systems. Currently, eight states offer vouchers to students with disabilities, five award them to students under a certain income threshold, and three give them to students who attend low-performing schools. Other factors states use to determine student eligibility in their voucher programs include whether the student is in foster care, if they are the child of an active duty service member, if there are no public schools in the student’s district, and if voters in the school district have approved using public school funds for private school tuition. Most school voucher programs also require students to have previously attended a public school in order to qualify for a voucher.

Some argue that, despite being eligible, some low-income families cannot participate in voucher programs because parents are responsible for any tuition that exceeds the amount of the voucher. The National Center for Education Statistics calculated the average tuition in the 2007-08 school year for private elementary schools to be $6,733 and for private high schools to be $10,549, the most current tuition data available. This compares with an average state contribution per student of $5,466.42 in the 2007-08 school year. This means low-income families likely may not be able to afford tuition for a number of schools, but also that the voucher would cover 100 percent of the tuition in some schools.

Students with Disabilities
More states make school vouchers available to students with disabilities than to any other subpopulation of students. Such programs may affect the education of students with disabilities, however, by removing many guarantees contained in federal special needs support programs. The federal Individuals with Disabilities Education Act (IDEA) guarantees students with disabilities a Free and Appropriate Public Education (FAPE) and requires school districts to create individual education plans (IEPs) for qualifying public school students. The
U.S. Department of Education views any parent who accepts a special needs voucher the same as any other parent who voluntarily enrolls a child in private school. Parents, as a result, waive their guaranteed FAPE. They do not receive any federal funding for education, and the children lose the individual education plan to which they otherwise would be entitled in a public school. States have the option of creating through legislation similar benefits for students that accept special needs vouchers.

Accountability

When states enact school voucher programs, they also will want to consider the level of state oversight and accountability to put in place. This includes setting minimum participation standards that private schools must meet to receive voucher students. It also includes whether to collect and evaluate data on voucher school performance and make that data available to parents so they can choose a school based on academic quality.

Louisiana publishes average state assessment scores for all students who receive vouchers. In addition, the state publishes the rate at which scholarship recipients finish the highest grade level offered at each participating voucher school, as well as survey results measuring parental satisfaction with the voucher program.

School Participation Requirements

States must define which private schools can participate in the voucher program. While it is feasible to allow any private school to receive voucher students, every state with an existing program limits participation in some way. Some limits currently in place in states include:

- Requiring official accreditation from the state or from independent accrediting agencies,
- Requiring private schools to be open for a designated period of time prior to participation,
- Requiring the state to verify a private school's financial stability,
- Requiring private schools to implement state-approved teacher evaluation plans,
- Requiring schools to develop a comprehensive academic accountability plan approved by the state,
- Capping the tuition amount that can be charged to a voucher student,
- Requiring private schools to adhere to a published student discipline policy,
- Requiring private schools to comply with state attendance and seat-time standards,
- Prohibiting private schools from rejecting program applicants for any reason other than not having space available,
- Requiring private schools to report voucher student performance to the state,
- Including private schools in the state's school accountability rating system, such as an A-F school grading system, and
- Requiring private schools to meet minimum student performance objectives to remain a participating school.
State Assessments
States that are considering voucher programs will have to decide whether they will require participating private schools to administer state assessments. While measuring academic performance with student assessments is common in private schools—despite the fact that they are exempt from most state and federal testing mandates—the assessments used vary widely among schools. Legislators that are evaluating the effectiveness of voucher programs want to know how voucher students are performing compared to other public school students. Providing this information can be challenging, however, if voucher students do not take the same tests as their public school counterparts. In addition, states may want to hold participating schools accountable for their performance. Again, unless a common performance measure is available for comparison, it is challenging to judge a private school’s performance against that of public schools. This has led to five of the 12 states with voucher programs to require that private schools administer state assessments to voucher students.

Many private schools object to such a requirement for a number of reasons, however. Their curriculum often does not align with the state assessments, so the tests may not accurately represent what students have learned. Private schools may have to redesign their curriculum to avoid low test scores, thus limiting the autonomy that is a key characteristic differentiating them from public schools. The National Association of Independent Schools contends that private schools have the flexibility to offer their own assessments, which measure student learning and growth more comprehensively than do current state assessments. That said, many states are developing new assessments they anticipate will better measure students’ comprehension of material and critical thinking skills.

It is common for private schools to seek accreditation from independent accrediting agencies. Part of the accreditation includes showing evidence of student performance. The accreditation could serve either as a possible alternative to requiring assessments or as an additional accountability tool. Indiana and Wisconsin require that voucher schools maintain independent accreditation. As an alternative, Indiana voucher schools can receive accreditation from the state.

Fiscal Impact
Measuring the fiscal impact of school vouchers is straightforward in that the state offers students a scholarship in exchange for migrating from a public school to a private school. If the scholarship is less than the amount the state would otherwise pay for a student to attend a public school, then the state recoups the difference. The state then can choose to reinvest those funds in state education funding, spend them on something else, or not spend them and count them as budget savings.

Currently, five states with voucher programs cap their scholarships at less than the average state per-pupil allocation, seven offer scholarships up to the amount that a participating student’s neighborhood school otherwise would have received from the state for that student, and Utah offers students with disabilities scholarships that, given the right circumstances, could equal more than what the state spends on a public school student.

Estimating the Fiscal Impact of a Proposed Voucher Program
Two major challenges exist to estimating the fiscal impact of school voucher legislation. The first is accurately distinguishing between public school students who otherwise would have stayed in public school from those students who would have switched to a private school without the voucher. This is important because students who would have enrolled in private school without receiving the voucher do not create savings, but
actually add to the cost of the program Without the voucher, the state no longer would have had to provide funding for them, since they were leaving the public school system. Unfortunately, resources to measure the number of such students are limited.

Second, analysts must estimate how many students will apply for and receive scholarships in future years. This is difficult, since many unknown factors can affect student participation. For example, analysts do not know how many students will meet private school admission requirements, the capacity of participating schools to meet the demand of voucher recipients, or the extent to which the voucher will motivate parents to seek the private school alternative. Three states have imposed a cap on the number of vouchers that can be awarded in a single year. Caps relieve some cost uncertainty because they create a maximum possible cost of the program. On the other hand, if the cap is reached, some students may be denied access to the program.

The possibility also exists that, over time, fewer private schools will charge tuition that is less than the maximum voucher to take full advantage of the scholarship funds they can receive. This will lead to an increase in a state's average tuition, a figure that often is used to estimate a proposed voucher program's cost. As evidenced in Milwaukee, the oldest and largest modern voucher program, more than 80 percent of students enrolled in a majority of participating schools are voucher students, and a majority of schools report their per-pupil operating costs to be at or very close to the maximum voucher amount.¹⁸

**Ongoing Fiscal Analysis**

Many examples of fiscal impact statements exist that estimate the cost of pending legislation or proposed voucher programs. There are fewer analyses, however, that review the accuracy of the preliminary cost estimates or the effects voucher programs have on district- and state-level budgets. States can establish commissions or task forces to review the fiscal impact of existing programs. They also can establish financial reporting requirements for participating schools that will allow comprehensive state fiscal analyses using real data instead of estimates. Wisconsin requires participating schools to file a financial information report that includes details on school revenue and debt levels to aid in calculating an average per-pupil operating cost.¹⁹ Some argue that mandating too many reporting requirements places a heavy administrative burden on private schools and limits their autonomy. It also may discourage private schools from participating in the program.

**Legal/Constitutional Issues**

In some states, school voucher programs have faced legal and constitutional barriers. A common argument by opponents of school vouchers is that they violate state constitutional provisions that ban state support for religious schools (also known as Blaine amendments). A provision in the First Amendment of the U.S. Constitution, the Establishment Clause, also is cited by opponents as prohibiting the use of vouchers at religious schools.²⁰ In 2002, the U.S. Supreme Court heard arguments in *Zelman v. Simmons-Harris*, a case arguing that an Ohio school voucher program, the Cleveland Scholarship and Tutoring Program, violated the Establishment Clause. The Court ruled that the school voucher program did not violate the Constitution and acted to help underserved students in a failing school system. The Court found that the state government was not directly endorsing religious education but, rather, was issuing funding to parents who ultimately make the decision of whether the aid goes to a
religious or secular school. In contrast, the Arizona State Supreme Court found in 2009 that two state voucher programs violated the Aid Clause of the Arizona Constitution that prohibits any appropriation of public money to aid sectarian education.

In other states—including Colorado, Florida, Indiana and Louisiana—legal cases have been filed against state school voucher programs on grounds that are more specific to the state. Colorado’s state Supreme Court found in 2004 that a pilot school voucher program violated local control provisions in the state by requiring local funds to go to nonpublic schools in which the district had little involvement. Florida’s Opportunity Scholarship Program was struck down in 2006 when the state Supreme Court found it violated the state constitutional provision requiring a “uniform” public school system. In Louisiana, the state Supreme Court ruled the school voucher program unconstitutional in 2013 due to the program’s funding mechanism. The Legislature promptly adjusted the program funding mechanism to comply with the Court’s ruling by creating a new appropriation separate from the school funding formula. Also in 2013, the Indiana state Supreme Court upheld the Choice Scholarship Program upon finding that it did not violate any funding or religious provisions of the constitution. This case contradicts the 2009 Arizona case that found the state voucher programs to be unconstitutional under its Blaine amendment, illustrating how states can interpret similar religious education constitutional provisions differently.

Research on Student Achievement
Many studies have been conducted to evaluate the effects of school vouchers on student achievement. The results have been mixed. Early analysis of the Milwaukee Parental Choice Program showed positive gains in math and reading among voucher recipients compared to similar traditional public school students. A more recent study of the District of Columbia’s Opportunity Scholarship Program compared voucher recipients with students who applied for the voucher but were not selected to participate and, therefore, continued to attend public schools. The results showed some gains in the first few years of participation in the voucher program. After four to five years in the program, however, voucher students performed at levels similar to the control group of public school students.

Several studies have shown that students who use school vouchers have higher high school graduation rates than their public school peers and are more likely to enroll in college. A compilation and review of major school voucher studies published by the Center on Education Policy in 2011 supported this conclusion for Milwaukee’s Parental Choice voucher program, the Cleveland Scholarship and Tutoring Program, and Washington D.C.’s Opportunity Scholarship program. The CEP report also concluded that there have been some academic gains, particularly for low-income and minority students who receive vouchers. This is one reason many states have targeted low-income students in their voucher programs.
Questions for Legislators to Ask

For states considering a new voucher program:

- How does the proposed legislation define student eligibility? How many students will meet the eligibility requirements?
- How many private schools exist in your state? Do they have the capacity for an influx of new students?
- How does your state measure private school quality? Are there accreditation standards? Will participating schools be required to meet additional quality standards?
- How does your state regulate assessments in private schools? Will participating schools be required to administer state assessments? If so, who will pay for it? If not, how will the state track the program's academic effectiveness?
- What is the estimated fiscal impact of the program on the state budget? What impact, if any, will it have on local budgets?
- How does the proposed scholarship amount compare to private school tuition rates in your state? Will the scholarship be enough to convince parents to transfer their child to private school?
- Do provisions in your state constitution prohibit public support of private religious schools? What legal challenges might be made against a new voucher program?
- Is there research evidence in your state that shows students will perform better in a voucher program?

For states considering expanding an existing program:

- How many more students will be eligible for the expanded program compared to its current form?
- What percentage of eligible students have requested and received a voucher?
- How many new private schools have opened since the current program began? Will existing private schools have the capacity for an influx of new students?
- Has the statewide average private school tuition changed since the program started?
- How has the current program affected state and local budgets? What is the estimated fiscal impact of the proposed expansion?
- Has the existing program been challenged in court? If so, what was the result?
- Has your state tracked the performance of participating students? How do they compare to similar public school students?
Legislative Policy Options

- Identifying who is eligible for vouchers. They can be available to all students or may be limited to sub-populations of students, including low-income families, students who attend low-performing schools, students who live in a specific urban area, students in foster care, children of active duty service members, and students with disabilities.

- Imposing school participation requirements that ensure quality and accountability without creating a burden on private schools.

- Deciding whether to prohibit private schools from charging voucher students a different tuition than their non-voucher students.

- Deciding whether to prohibit private schools from charging voucher students any tuition in excess of the scholarship.

- Choosing whether to limit the number of voucher students that can be enrolled in a single private school to a percentage of the school’s total enrollment.

- Deciding whether to include funding for a program evaluation after implementation that considers student performance, program accessibility, and any unexpected trends that may need to be addressed with additional legislation.

- Requiring a fiscal analysis after implementation to measure the program’s fiscal impact on state and local budgets.
Scholarship Tax Credits

What Are They?
Scholarship tax credit programs, also known as tuition tax credits, allow individuals and corporations to allocate a portion of their owed state taxes to private, nonprofit scholarship granting organizations that award scholarships to participating students. The scholarship allows a student to choose among a list of private schools—and sometimes public schools outside the district—that have been approved by the scholarship organization. The scholarship can be used to pay tuition, fees, and other related expenses. As a result, the state need not appropriate per-pupil education funding for those students that receive scholarships. Thirteen states currently have this type of program.

How They Are Different from Vouchers
Scholarship tax credit programs are similar to traditional school vouchers in many ways. They are designed to support the transfer of public school students to private schools, and they provide a private school alternative to many parents who otherwise would not have that option. They also target at-risk populations such as low-income students, students at failing schools or students with disabilities.

A number of key differences exist between traditional vouchers and scholarship tax credits, however. One key difference is the source of scholarship funds. Under a scholarship tax credit program, funding of scholarships is handled completely in the private sector. The government’s only role is to provide an incentive for donations and to regulate the program administration, but not to fund it. Instead, private donations are made to private scholarship organizations.

Not only is funding handled in the private sector, but so is issuance of scholarships, although with strict guidance under state statutes and regulations. By having private organizations both raise funds and award scholarships, the state is freed of many administrative costs associated with a traditional voucher program. Scholarship organizations also have autonomy to create and operate the program in line with their mission and vision.

States have far less control over operation of scholarship tax credit programs than traditional voucher programs. While the state can set minimum school participation standards, scholarship organizations can choose the private schools to which they will offer scholarships. Although it is not always the case, many scholarship organizations limit their scholarships to religious schools of a specific denomination. They also can choose the scholarship amount up to the maximum allowed in statute, whereas traditional voucher students always receive the statutory maximum.
Student Eligibility
As with school vouchers, state legislatures can establish limitations on student eligibility for scholarship tax credit programs. Most often, states tie student eligibility to household income in relation to either the federal poverty guidelines or eligibility for free and reduced price lunch. Some states also have more specific eligibility requirements, including home-schooled students, students with disabilities, students who legally reside in the United States, and students who are attending failing schools. Five states also require students to have previously attended public school to be eligible to receive a scholarship.

Who Receives the Credit and How Much
Tax credits for donations to scholarship organizations are given either to individuals or businesses. As of summer 2013, 11 states offer these tax credits to individuals and 10 offer them to businesses; eight offer them to both. Typically, taxpayers can claim the credit on their state income taxes. Some states allow credits to be claimed on other forms of taxation, such as sales tax, severance tax and insurance premium tax.

The value of the tax credit varies greatly from state to state. Arizona and Georgia offer a dollar-for-dollar tax credit on donations made to scholarship organizations. Louisiana offers a tax credit equal to the portion of a donation that the receiving scholarship organization uses to fund scholarships.

Accountability
Similar to school vouchers, states must consider the level of oversight and accountability of a scholarship tax credit program. Many options for school participation requirements are the same as voucher programs. States choose their level of involvement in the operation of participating private schools.

Scholarship Organizations
Scholarship tax credit programs create scholarship organizations, an entity not found in traditional voucher programs, and states will need to decide how to regulate them. The level of regulation varies greatly from state to state. Common elements of these regulations include:

- Requiring 501c(3) status from the Internal Revenue Service.
- Defining a minimum amount of funds a scholarship organization must use for scholarships and a maximum amount of funds that can be used for administrative purposes.
- Defining the maximum value of each scholarship awarded.
- Requiring scholarship organizations to offer scholarships to more than one school.

Disagreement exists about the appropriate level of government regulation for scholarship organizations. Some believe the best accountability is through an economic approach. They suggest donors will hold scholarship organizations accountable with their wallets and that, if a scholarship organization is mishandling its finances or is operating its program poorly, donors will no longer contribute to it. Although relying on market forces
to hold programs accountable may enhance innovation, parental choice and cost-effectiveness, such a system requires that donors be aware of the activities of the scholarship organizations to which they donate. This has led some states to enact reporting requirements. Arizona requires scholarship organizations to file annual financial audits with the state Department of Education and to annually report data such as:

- Number of scholarships awarded,
- Value of all scholarships awarded,
- Total contributions received,
- Names and salaries of the scholarship organization’s three highest paid employees, and
- Schools to which scholarships were awarded.

Existing regulations on scholarship organizations in states with scholarship tax credit programs are almost solely limited to financial performance. Scholarship organizations generally are not considered by states to be responsible for the academic performance of the schools to which they offer scholarships.

**Fiscal Impact**

While measuring the fiscal impact of school vouchers is fairly uncomplicated, doing so for a scholarship tax credit program is far more complex because the state does not directly fund any part of the program. However, the program still has a significant effect on the state budget. By issuing a new tax credit, the state is forgoing tax revenue it otherwise would have collected. That lost revenue is countered by the savings realized from transferring students from publicly funded schools into private ones. The challenge for legislators and fiscal analysts is to determine not only how much revenue will be lost, but also the number of students who actually will transfer. The ability to strike the right balance between these two key factors will determine whether the program saves the state money or increases the budget. Another important factor in determining the budget savings produced is accurately estimating the number of participating students who would have transferred to private schools regardless of the scholarship program. These students should not be counted as producing savings because the state would not have had to pay for them to attend public school. In fact, by awarding them a scholarship, they are actually adding costs to the program. They are difficult to count, however, and the number will vary greatly from state to state.

Many states have imposed a cap on the total amount the state will award in tax credits for a scholarship program. This statewide cap allows policymakers to know the maximum amount of revenue to be forgone. Taxpayers who want to claim the credit must first apply to the state to verify that the cap has not been reached. Typically, credits are awarded on a first-come, first-served basis until the statewide cap is reached.

Setting the statewide cap on credits awarded must be balanced strategically with the number of students predicted to participate in the program and transfer out of the public school system. If the cap is set too high or if there is no cap, then the state runs the risk of too little student participation to balance the revenue forgone from the tax credit. An excess of revenue potentially could conflict with a provision that most states include in their statutes that requires scholarship organizations to spend a certain percentage (usually between 90 percent and 97 percent) of their revenue on scholarships. In contrast, if the cap is set too low, donations to scholarship organizations may not meet the student demand for scholarships. In this event, the state would be forgoing potential budget savings because it not only would pay for students to attend public school who otherwise would transfer to a private school, but also might deny qualifying students’ access to the program.
These programs are designed to grow substantially each year in student participation for the first 12 to 13 years, since once students receive scholarships they usually are entitled to keep them through high school graduation. In addition, each year until the first cohort graduates from high school will see new students enter the program in kindergarten or first grade. The assumption is that no significant migration will occur back to public schools. With this growth, states will need to annually adjust the statewide cap to accommodate increased student participation. Some states, such as Arizona and Florida, have enacted automatic increases.

**Legal/Constitutional Issues**

Similar to school vouchers, scholarship tax credits have faced opposition in states by those who claim such programs violate the Establishment Clause of the U.S. Constitution. Most notably, in 2011 the U.S. Supreme Court heard *Arizona Christian School Tuition Organization v. Winn*, a case challenging the constitutionality of Arizona’s scholarship tax credit program. The Court found that the government never truly possesses the money that funds the scholarships, since a tax credit is not a government expenditure. Therefore, the Court ruled that the Arizona taxpayers challenging the program had not suffered any financial harm and did not have legal standing to file the claim. The Court’s opinion did not address the Establishment Clause argument, leaving the door open to future challenges in federal court.

Previously, in 1999, the Arizona state Supreme Court ruled in *Kotterman v. Killian* that scholarship tax credits did not violate state or federal constitutional religious provisions. This is in contrast to Arizona’s state school voucher program, which was found to be unconstitutional in 2009. The primary reason the scholarship tax credit program survived while the school voucher program did not concerns the two programs’ different funding mechanisms. Scholarship tax credit programs use private donations to fund scholarships, whereas school voucher programs use public funds, which makes them more vulnerable in constitutional examinations.

**Questions for Legislators to Ask**

- How does the proposed legislation define student eligibility? How many students will meet the eligibility requirements?
- How many private schools are there in your state? Do they have the capacity for an influx of new students?
- How generous does the tax credit need to be to attract enough donors to fund the program?
- To what taxes should the credit apply?
- How does your state measure private school quality? Are there accreditation standards? Will participating schools have to meet additional quality standards?
- What financial and academic accountability standards exist for scholarship organizations?
- How much revenue are scholarship organizations allowed to keep for administrative purposes?
- How does your state regulate assessments in private schools? Will participating schools be required to administer state assessments? If so, who will pay for them? If not, how will the state track the program’s effectiveness?
• What is the estimated fiscal impact of the program on the state budget? What impact, if any, will it have on local budgets?

• How does the proposed scholarship amount compare to private school tuition rates in your state? Will the scholarship be enough to convince parents to transfer their child to private school?

Legislative Policy Options

For states considering a new scholarship tax credit program:

• Identifying who is eligible for a voucher. It can be available to all students or may be limited to sub-populations of students, including low-income families, students who attend low-performing schools, students who live in a specific urban area, students in foster care, children of active duty service members, and students with disabilities.

• Deciding whether to allow existing private school students to participate or limiting it to only those students who are either entering grade school for the first time or are transferring from a public school.

• Awarding tax credits to individual taxpayers, business entities or both.

• Awarding credits to various types of taxation, including income tax, sales tax, severance tax, business taxes, insurance premium tax, etc.

• Capping the total amount the state can award in tax credits under the program in a single year.

• Limiting the amount of revenue a scholarship organization can use for administrative purposes.

• Requiring scholarship organizations to offer scholarships to multiple schools.

• Imposing school participation requirements that ensure quality and accountability without creating an unwelcome burden on private schools.

• Prohibiting private schools from charging participating students a different tuition rate than non-participating students.

• Prohibiting private schools from charging participating students any tuition in excess of the scholarship.

• Limiting the number of participating students who can be enrolled in a single private school to a percentage of the school’s total enrollment.

• Including funding for a program evaluation after implementation that considers student performance, program accessibility, and any unexpected trends that may need to be addressed with additional legislation.

• Requiring fiscal analysis after implementation to measure the program’s fiscal impact on state and local budgets.
<table>
<thead>
<tr>
<th>For states considering expanding a scholarship tax credit program:</th>
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<tbody>
<tr>
<td>• Expanding student eligibility by including all students or additional subpopulations of students—low-income families, students who attend low-performing schools, students who live in a specific urban area, students in foster care, children of active duty service members, and students with disabilities.</td>
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<tr>
<td>• Increasing the income threshold for students to qualify for a scholarship.</td>
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<tr>
<td>• Awarding tax credits to individual taxpayers, business entities or both.</td>
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<tr>
<td>• Expanding the types of taxation to which the credit applies, including income tax, sales tax, severance tax, business taxes, insurance premium tax, etc.</td>
</tr>
<tr>
<td>• Increasing the total amount the state can award in tax credits under the program in a single year. This can be increased in various ways, including legislation, allowing a certain level of student participation to trigger an increase, or enacting annual automatic increases.</td>
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Personal Tax Credits and Deductions

What Are They?
Eight states offer either tax credits or tax deductions to parents for private school expenses they have incurred. Four states offer only tax credits, and three offer only tax deductions. Minnesota gives parents both options. These tax breaks are designed to make private school more affordable for low- and middle-income families. They also reduce the tax burden on families that pay taxes into the public school system despite the fact that they are not using it.

Tax credits and deductions may be less attractive to low-income families that pay fewer taxes. Tax credits are more attractive to taxpayers in general than tax deductions because they apply directly to the amount owed in taxes rather than just being subtracted from taxable income. For families that do not pay any taxes, only refundable tax credits will save them money. With a refundable tax credit, if the taxpayer owes less in taxes than the value of the credit, the state will add the remainder of the credit to the tax refund.

Who Receives the Credit or Deduction?
Families eligible for tax credits and deductions vary by state. Six of the eight states allow any parent with a child enrolled in private school to receive the credit or deduction. Alabama limits the tax credit to only those families that are transferring from a failing public school to a private school. North Carolina limits the tax credit to parents of students with disabilities. While Minnesota has no income limit on its tax deduction, it allows only families with annual incomes of less than $37,500 to receive the tax credit. Alabama and Minnesota offer refundable tax credits, and North Carolina allows parents to carry unused credits forward for up to three years.

Fiscal Impact
It is difficult to measure the fiscal impact of a tax credit or deduction to parents for private school expenses. None of the eight states with this type of law place a cap on the aggregate amount of credits or deductions that can be awarded. Having such a cap would allow the state to more accurately measure the forgone tax revenue from the program but might restrict some parents from participating. Any tax credit or deduction will reduce the amount of tax revenue collected by the state. The reduction in revenue can be countered, in part, through savings if students transfer from public school to private school. Tying such a transfer to the personal tax credit or deduction would be challenging. Alabama is the exception, where only parents of transferring students can claim the credit.
Questions for Legislators to Ask

- How many students are enrolled in private school in your state?
- What is the average private school tuition in your state?
- What is the average household income of students enrolled in private schools in your state?

Legislative Policy Options

- Awarding a tax credit or tax deduction for private school expenses.
- Allowing the credit to be used only for private school tuition or to be used to cover other expenses such as books, supplies, transportation, etc.
- Limiting eligibility to those who currently are attending public school or including those who already are attending private school.
- Requiring a fiscal analysis after implementation to measure the program’s fiscal impact on state and local budgets.
Empowering Parents

Why Is It Important?
Research has shown that students whose parents are engaged in their education tend to receive higher grades and higher test scores and are more likely to graduate from high school. A pillar of the school choice idea is to give parents the authority to make the best decision for their child's education. In some cases, this requires providing parents with the necessary resources for them to make school choices that ensure they select high-quality schools. In other cases, this means empowering parents to intervene in their current low-performing school.

Many parents do not want—or are not financially able—to change schools simply because their child's school is performing poorly. Instead, they may wish to fundamentally change how their child's school provides education. Until recently, parents could rely only upon their elected school board members to force school changes such as replacing a principal or converting to a charter school. While many examples exist of school boards accomplishing such changes, five or more years of low performance may occur before any fundamental changes are implemented. Considering that most students attend elementary school for six years and middle and high school for even fewer years, some parents and policymakers have voiced concern that students can spend all their elementary school years in a low-performing school before any interventions are attempted. This concern has grown into a movement for more parental involvement in the timing and manner in which low-performing schools are handled, including introduction of parent trigger laws.

Parent Triggers
The concept of a parent trigger policy gained national attention in January 2010 when California passed the nation's first such law. The basic concept of the policy is that parents have the ability to intervene in their child's school if it is performing poorly. With enough signatures from parents, any number of actions can be taken against the low-performing school, including converting it to a charter school, replacing some school administration staff and faculty, or closing the school altogether. Some states also have proposed offering affected students private school vouchers. Currently, seven states have adopted some form of a parent trigger law.

Parent trigger laws have drawn criticism for a number of reasons. Some of the more common reasons critics oppose parent triggers include:

- They can divide communities and pit parents against each other.
- Processes already are in place for intervening in low-performing schools, albeit at a slower pace than parent triggers allow.
- Parents already can play an active role in their child's school through school accountability committees and elected school boards.
- Many parents may not be aware of the changes low-performing schools already have made, such as hiring new administration and teachers.
- Concerns that some charter management organizations are using these laws to expand their enrollments.
If a state ultimately decides to develop a parent trigger, four essential questions exist for legislators to address:

- Which schools are subject to a parent trigger?
- How many signatures are required, and by whom?
- What options do parents have for intervening?
- To what extent can the district and state reject or appeal the parent action?

**Which schools are subject to a parent trigger?**
The seven states with parent trigger laws in 2013 limit the use of the trigger to schools that have consistently performed poorly. They vary, however, in their definition of consistently low-performing. Some states define it as failing to meet adequate yearly progress (AYP) for a certain number of consecutive years. Others have tied it to the school accountability rating systems. Louisiana’s law says any school receiving a D or F on the school grading scale for three or more consecutive years can be the target of the parent trigger. Ohio’s law permits the parent trigger only at Columbus-area schools that ranked in the lowest 5 percent statewide in performance for three or more consecutive years.

**How many signatures are required, and by whom?**
States will need to decide how many signatures need to be collected to force a school intervention, as well as who can sign the petition. A simple majority of qualifying parents is enough to use the trigger, except in Indiana, which requires 51 percent of parents to sign. The question of who qualifies to sign the petition is important. Some states have elected to make parents of students in lower grades who are expected to matriculate into the school eligible to sign the petition as well. It should be noted that, by including matriculating students, a larger number of signatures will be required.

**What options do parents have for intervening?**
California allows parents to choose from one of the No Child Left Behind corrective actions. These actions include converting a school into a charter school, implementing a new curriculum, or replacing faculty and administrators determined to be responsible for the school’s poor performance. In total, four states incorporated the NCLB corrective actions into their parent trigger laws as the interventions available to parents.

In Louisiana, parents who wish to use the parent trigger have only the option of adding the school to the state-operated Recovery School District (RSD). Low-income students who attend RSD schools are eligible to receive state-issued vouchers for private school tuition. In 2013, the Louisiana Legislature also gave parents the authority to petition out of the RSD. Indiana and Mississippi give parents only the charter school conversion option.

**To what extent can the district and state reject or appeal the parent action?**
States will need to decide what role the school district and state department of education will play in the parent trigger process. The district’s role can range from having no options and being required to implement whatever the parents decide to being able to reject the petition for any reason. In some cases, the district school board can choose one of the other intervention options if it can show the parent-selected option is not viable for district implementation. Some states allow school districts to appeal a parent petition to the state board of education. Similarly, some states require the state board of education to implement whatever the parents selected, while others require the state board of education to give final approval to a petition.
Parent Trigger in Use
As of summer 2013, only three schools had submitted a parent petition under a parent trigger law, all of which occurred in California. The first, at McKinley elementary school, was rejected by a court because it did not comply with state regulations. The second attempt, at Desert Trails elementary school, successfully forced conversion of the school into a charter school, but not until after a heated legal battle. In the third attempt, at Weigand Avenue elementary school, parents successfully—and with little resistance—ousted the school principal.

School Governance Councils
One unique policy that has been adopted in Connecticut is use of school governance councils. The councils consist of seven parents, five teachers and two community leaders who are elected to serve. Consistently low-performing schools must establish these councils to advise school leadership in various ways, including hiring principals, reviewing and making recommendations regarding the school’s finances and budget, developing strategies for improving student achievement, and crafting parental involvement policies. While many schools in Connecticut have established these councils, concerns have been raised about some councils that have less than the required seven parents.

Communicating School Performance Data to Parents
For parents to make informed school choices, they need access to clear and transparent school performance data. Many states require school districts to create publicly available accountability reports that include data on federal and state accountability measures, student achievement and school demographics. Parents can use this data to evaluate the school their child currently attends and to research and learn about other school options available through the state’s school choice programs.

For school performance data to be an effective tool for parental empowerment with school choice, it must be easily accessible and effectively communicated. Research conducted by Stand for Children found that many parents of low-income Latino students in the Denver public school system were not aware of public school performance data, had difficulty navigating school performance resources, or did not consider school performance data in their school choice decision-making process.

A 2007 study of how parents make school choice decisions in North Carolina found that, by simply and clearly presenting school performance data to parents, the rate at which parents choose high-performing schools increases significantly. Policymakers can play an important role in ensuring school performance data is widely available and effectively used, even by parents with little education or for whom English is not their native language.
Denver Public Schools Survey

In 2012 the University of Colorado Denver’s Buechner Institute of Governance analyzed survey results included in the school choice application that parents had to submit to qualify for a school of choice in the Denver public school system. Denver Public Schools asks parents to rank their top five preferred schools, and the district then matches students with the most compatible school based on a number of factors.

The survey included with the application asked parents why they chose the schools, what resource was the most useful in their decision, and what information was not provided but would have been helpful. The most-cited reason for selecting a school was proximity to home, family or work. The next most-cited reason was a special program or focus at the selected schools. School performance data included with the application was cited by less than 25 percent of respondents.

Parents were closely split in thirds on the question of the most useful resource. Parents and administrators of a selected school shared a similar proportion of survey responses as other parents and the accompanying school performance guide.

Finally, parents cited school performance data as the most important information not provided, despite the fact that all parents received the guide that listed performance data for every school in the district. Other common answers to this question included a lack of information about special programs and available transportation options.

Questions for Legislators to Ask

• What role does your state allow parents to play in school turnaround plans? Should parents be more involved in school turnaround decisions?

• How does your state categorize school performance? Can the public access school performance ratings for each school? How difficult is it to access such information?

• Is school performance data presented so parents of all educational backgrounds can understand it, including those who are not fluent in English?

• Is there a central source where parents can evaluate and compare the quality of their school choices?
**Legislative Policy Options**

**Parent Trigger**

- Defining which schools are subject to the petition, including what constitutes low-performing and how long they must be classified as low-performing.

- Defining who can sign the petition, including whether parents of matriculating students can be included.

- Regulating petition gathering, including setting limitations on paid signature gatherers and specifying what must be included in the petition, such as identifying a specific intervention being proposed.

- Identifying what options school districts have when a parent petition is submitted for one of its schools.

- Defining the responsibilities of the state board of education in the petition process, such as verifying the signatures, selecting a more viable intervention, overseeing a district appeal, or requiring the state board of education to enforce the original petition.

**Communicating School Performance Data to Parents**

- Developing school ratings that easily identify a school’s academic performance. Examples include A-F grading systems, 0-100 performance scores, color-coded ratings, etc.

- Establishing a state-sponsored website where parents can research their school choice options and easily find school performance data associated with the state school accountability system.

- Requiring schools to inform parents regularly about how their child’s school is performing based on the state school accountability measures.

- Requiring schools to share individual student assessment scores with the student’s parents.
Bringing It All Together: Common Challenges

Benefits of Many Choices
All four school choice policies discussed in this guide have a common theme of providing parents with alternatives to the traditional public school system. Research also has shown that both charter schools and private school choice programs can improve student achievement in some subjects among low-income and minority students. In addition, they tend to increase the chances that a student will graduate from high school on time and enroll in college. For states that wish to close the opportunity gap among at-risk student populations—such as those from low-income families, minorities or students with disabilities—an all-encompassing school choice policy may offer the potential to achieve that goal.

Why So Many Choices?
Policymakers may question why a state would need all the choice policy options. Charter schools have many of the same freedom over their curriculum and school management as private schools and do not charge tuition. Some reports suggest, however, that as many as 900,000 students remain on charter school waiting lists nationwide. Adding private school choice options may help reduce these waiting lists.

Policymakers also may wonder why a state would need both school vouchers and scholarship tax credits when they essentially accomplish the same thing. Examination of the three states that have both choice programs illustrates how the programs can complement each other. Indiana and Louisiana have both means-tested vouchers and scholarship tax credits. Each has approached interaction between the two programs in similar ways. In Indiana, a stricter income threshold applies for families to qualify for the Choice Scholarship voucher program than for the School Scholarship Tax Credit program. Thus, more students are eligible for the scholarship tax credit program than for state-issued vouchers.

In Louisiana, the income threshold is the same for both choice programs. To receive the state-issued voucher, however, a student must have attended a school that receives a C or below under the state school grading system. Again, this means more students qualify for the scholarship tax credit program than for the voucher program.

Arizona’s education savings account program varies slightly from a traditional voucher program. The state also has a long-standing scholarship tax credit program. Similar to those in Indiana and Louisiana, the education savings grants have stricter eligibility requirements than the scholarship tax credit program. The grants are available only to students with disabilities, military children, foster kids, and students who attend a public school that receives a D or F under the state school grading system. Any student can receive a scholarship through the individual scholarship tax credit program, regardless of prior public or private school attendance. The corporate tax credit program is available to low-income families that previously attended public school or are entering kindergarten.
In addition, Indiana allows students to receive both a state-issued voucher and a scholarship under the scholarship tax credit program so long as combined they equal less than tuition and fees. Louisiana permits students to use only one or the other.

Some researchers have found that, in areas where charter schools are the sole form of school choice, private school enrollment in urban areas has declined as private school students migrate to tuition-free charter schools that can offer a comparable level of autonomy. However, this trend adds to the number of students for which state and local governments must provide funding. By offering private school choice in addition to charter schools, these researchers believe existing private school enrollments will be maintained. Since states can offer private school assistance that is less than the amount it would pay for a student to attend a charter school, the state will avoid a cost increase.  

**Common Challenges, Different Solutions**

A number of challenges are shared by both public and private school choice programs. Most notably are strengthening accountability and measuring program effectiveness. While these challenges are shared among the various forms of school choice programs, states have approached them in very different ways, depending on the type of policy.

**Strengthening Accountability**

Key for any school choice policy to remain viable in the political sphere is minimizing the number of low-performing schools. To accomplish this, consequences must be tied to a school’s performance. However, states have approached this tactic in different ways relative to accountability mechanisms for charter schools and private school choice programs. For charter schools, states across the country have turned to state policy as the primary tool for strengthening accountability. Numerous states have enacted stringent charter school accountability standards aimed at intervening in low-performing charter schools.

For private school choice policies, however, states for the most part have refrained from using state policy to enforce accountability. Instead, they rely upon independent accrediting agencies and market forces dictated by parents who exercise choice to hold low-performing schools accountable. An exception to this is Indiana, where schools participating in the voucher program are measured under the state school accountability system and can lose their ability to accept new voucher students if they consistently perform poorly. This standard does not apply to schools that participate in the scholarship tax credit program and have independent, not state, accreditation.

**Measuring Program Effectiveness**

The most sound research methodology for measuring the effect charter schools have on student achievement is similar to measuring a school voucher program. By comparing students who are participating in the program to students who wanted to participate but were not selected in a lottery, researchers can account for many external factors, such as the level of parental engagement and demographic variations. Random selection of students is recommended among those who meet selection criteria. Charter schools must publicly report the same performance data as other traditional public schools. This includes state assessment scores, graduation rates, attendance rates and major disciplinary actions. Private schools that participate in a private school choice program often need not report the same amount of data. Although many states require participating schools to publicly report test scores, they do not require that other performance indicators be made public.
Thus, many private schools seek independent accreditation, which often requires schools to track attendance data in addition to test scores. Accreditation standards also include requirements that parents be regularly informed of their child’s academic performance.  

How Does Competition Affect Student Learning?

One original goal of both charter schools and private school choice policies was to introduce competition into the education marketplace. While private schools have always served as a competing alternative to traditional public schools, they have never attracted enough students to pose a meaningful threat to public school enrollments and revenue. Economist Milton Friedman’s 1955 paper, “The Role of Government in Education,” launched modern efforts to use public money to pay private school tuition in the hope that competition among schools would lead to increased student achievement throughout the public school system.

With more than 20 years of experience in both charter schools and vouchers, researchers have not found a strong link between competition and increased student achievement. This is largely due to the fact that it is difficult to measure the effect of competition on the entire system and, at the same time, account for the effects of other simultaneous reforms. Some evidence indicates that competitive effects of charter schools have led to modest increases in student test scores at nearby traditional public schools. The effects weaken, however, as the distance between the school of choice and the neighborhood school increases. This seems consistent with other research previously discussed that shows parents consider school location more than quality when choosing schools.

Most research on the competitive effects of school choice has examined traditional public school response to introduction of choice schools. Little research has been conducted that examines how schools of choice respond to the competitive effects of each other, particularly in states where various forms of choice schools exist. Does the existence of private school choice affect the performance of charter schools in the same region, for example? Another interesting research question that has not yet been studied is the factors that are important to parents when they decide between a charter school and a private school of choice.

Questions for Legislators to Ask

- How many charter schools are operating in your state?
- How many total students are on charter school waiting lists? What is the average waiting list per school?
- How many private schools are operating in your state? What is their capacity to enroll additional students?
- What performance data does the state collect from private schools, if any?
- Are private schools in your state required to obtain formal accreditation from either the state or a qualified accrediting agency?
• Is there a school performance measure that can be applied to all schools participating in choice programs, including public charter schools and private schools of choice?

• What is the process that parents must undertake to select a school under each choice program in your state? Is there a way to centralize these processes?

Legislative Policy Options

• Developing a common and comparable method for measuring school performance at both public and private schools of choice.

• Developing a uniform process for applying to schools of choice.

• Allowing parents to submit a single application that applies to multiple schools of choice rather than submitting separate applications for each prospective school.

• Communicating school performance data to parents for all schools participating in a choice program.

• Including funding to evaluate how each school choice program compares to the others in areas such as student performance, fiscal impact and accessibility.
Notes


14. Although this data is several years old, it is the most current tuition available. It is unknown how much average tuition rates have changed since the data was collected.


34. Ron Zimmer et al., Charter Schools in Eight States: Effects on Achievement, Attainment, Integration, and Competition (Santa Monica, Calif.: RAND Corporation, 2009).

35. Klute, Understanding How Parents Choose Schools.