Fears versus facts about school choice: An overview of issues surrounding the effects of competition on public education

By John Garen, Ph.D.

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Executive Summary

The public displays deepening concerns about public schools regarding their lack of improvement, despite increased spending and other legislative initiatives. There is good reason for these concerns.

The historical experience in the United States shows an unfortunate paradox: decades of increased spending on public schools with little improvement in performance. Per-pupil spending nearly doubled in the United States from 1970 to 2000 while reading and mathematics competence did not improve.

Kentucky fares no better. Kentucky's efforts to improve public schools revolve around the Kentucky Education Reform Act (KERA). The first six years (1990-1996) after KERA's passage saw a 30-percent increase in per-pupil funding. However, Kentucky students' academic performance compared to the rest of the nation showed little, if any, improvement during this time period.

Still, 18 years after its passage, KERA still has not fulfilled its promise. Federally administered testing shows Kentucky students with low proficiency rates for reading and math. The reliability of our own CATS testing system is increasingly doubted, with a widening gap between what CATS and the federal testing deem proficient and recent test-grade auditing indicating inflated scores. Despite all of these problems with state-directed reform, the Kentucky Legislature continues to propose laws that attempt to micromanage schools from Frankfort.

Fortunately, good policy options are available and have been adopted in many other states. These are school-choice programs. Most families send their children to schools assigned by neighborhood. "Choice" in Kentucky currently involves changing residence, a cumbersome and expensive way to create options. School-choice programs – charter schools and voucher programs – offer ways to expand choice.

Charter schools are independently run public schools "chartered" by school districts or another legally approved entity such as a college or university. Voucher programs allow awarding each family a dollar amount used for tuition at a private or public school. In both cases, money follows the student and schools succeed only if they can attract and retain enough satisfied parents. Many public schools do not have this incentive because their money and student body are nearly guaranteed – regardless of performance.

Choice programs create competition and market-like incentives that have proven so effective and are relied on for many goods and services. Yet, education leaders and lawmakers regrettably balk at harnessing these principles for the provision of schooling.

The introduction of school-choice programs is especially important because the traditional form of school choice for families has long been in decline. Traditional forms of choice refer to having a multitude of independently-financed school districts among which a family can choose. Both the number and financial independence of school districts has fallen substantially over time.

School-choice programs can restore the salubrious effects of competition. There remain, however, many unfounded fears about school choice.

Charter schools do not "skim the cream" but enroll a diverse student population. They induce better performance from nearby traditional public schools while providing schooling services in response to parents' unique demands. Finally, charter schools and vouchers perform well regarding student outcomes. Outside Kentucky, charter schools and voucher systems have become increasingly common and represent a good policy opportunities for Kentucky.

Introduction

Kentuckians and most Americans routinely express concern about public-school systems. Even though many good public primary and secondary schools exist, clouds of worry hang over public education.

One cause for this anxiety is the seeming lack of improvement in public schools despite increased resources, legislative action and government initiatives. Another is the continued lagging performance of schools primarily serving the poor and minorities. A third is frustration with the confusion caused by testing and accountability measures.

These concerns come with strong basis in fact. As discussed below, the past several decades have witnessed a large increase in resources devoted to public schools but virtually no improved performance to show for it. Also, many governmental initiatives, such as the Kentucky Education Reform Act (KERA) of 1990, have shown little success.

Fortunately, legislative action in some states holds great promise for better-performing schools by offering school choice to families.

Most American families send students to the neighborhood public school assigned to them by the district. "Choice" only comes through a family's decision as to where they will live. Real-estate agents frequently attest to the importance of this by the questions buyers with children ask about the quality of schools serving a neighborhood or municipality.

However, for many, the necessity of moving to areas with better schools represents a cumbersome and difficult way to exercise choice among schools.[1]

School-choice programs such as charter schools and voucher programs offer the potential for much wider and less burdensome options. This report focuses on these alternatives.

School-choice reform brings competition and market-based incentives into primary and secondary education. Americans rely heavily on free and competitive markets for most goods and services and it generally works quite well. But education leaders and lawmakers balk at allowing them to work in public schools.

The considerable dissatisfaction with public schools warrants adopting this alternative approach. Many states already have moved in this direction; unfortunately, Kentucky has not.

Establishing charter schools would represent an important step toward embracing a system with market incentives. Charter schools are elementary and secondary schools that are publicly funded but operate without many of the regulations that can limit the effectiveness of traditional public schools. Charter schools are founded by different entities, including teachers, parents and universities.

Charter schools allow any qualifying student (qualifications are established in legislation creating the policy) to enroll. The public funding for the student gets credited to the charter school. Thus, parents dissatisfied with a neighborhood school can apply to the charter school. The charter school succeeds only if it attracts, and retains, enough students.

Another important step toward embracing market-based schooling involves the use of vouchers. Vouchers award money for school to qualifying families (again, qualifications are established in legislation creating the policy) for each student, and that money can be spent at the school of their choice – public or private. If a parent chooses a school that costs more than the voucher they get, they must pay the difference.

Schools succeed by satisfying voluntary buyers (in these cases, parents), which provides a strong incentive to produce a quality product. Also, the public schools must compete with charter schools and voucher options in order to satisfy families. This provides incentive for traditional public schools to improve.

Current evidence indicates that charter schools and voucher systems have become increasingly common, enroll diverse student populations, encourage better performances from nearby traditional public schools, often open up and provide schools in response to parents' demands and show positive academic outcomes.

[1] Other examples of "choice" involve sending children to private school or home schools. But in either case, the choice is expensive, since families must still pay taxes to support the public schools. Some localities offer some choice via magnet schools and similar programs, but these options come with serious limitations.

School-choice basics

Charter schools represent an important form of choice in 40 states and the District of Columbia.

State policies vary regarding the latitude granted to charter schools, and thus, the extent of meaningful choice parents and families have.[2] While nearly all charter-school laws require substantial reporting and accountability, those states enabling a consequential amount of choice and competition operate with less restrictions regarding: the number of charters allowed; who can sponsor and operate them; who can teach in the schools, the kinds of students they can enroll; and the amount of public money accompanying each student enrolled.

A key feature of charter schools is that the money follows the student, so charters must attract and retain satisfied parents and students in order to survive. This is strong motivation to provide a quality educational product. Thus, aside from standard reporting requirements, having fewer restrictions on charter-school operations offers more opportunity for schools to find the best way to teach. At this point, Kentucky offers no charter-school options, although House Bill 578 introduced during the 2008 Kentucky legislative session proposed their authorization.[3]

A basic voucher program awards each family a dollar amount for tuition at a private school or credited to the revenue of a public school, whichever the family chooses. Allowing use of the voucher money at any school means, as with charters, the money follows the student. Participating schools survive only by retaining a sufficient number of students via satisfied parents. Also, parents can top off voucher funds with their own money if they want to send students to schools that cost more than the amount covered by a voucher.

For example, a school that charges $8,000 annual tuition becomes affordable – even to families of modest means – if they get a voucher for $6,000. This system mirrors the widely known government food stamps program, only with education.

Use of vouchers or voucher-like systems is growing but still limited. There are 21 voucher-style programs in 15 states or municipalities.[4] Most have limitations, including significant restrictions on which schools can use them; which families/students are eligible; the amount of the voucher; and whether a family can top it off. These restrictions impose limits on the choices available to parents and consequently on competition among schools.

One type of voucher program awards a dollar amount in the form of a tax credit, so families are reimbursed for education expenses "indirectly" through tax credits. The tax credit offsets other taxes owed. This approach functions much like a voucher and pays for expenditures on education at any school, private or public. However, this type of tax-credit program remains quite unusual, and typically the tax credit is capped at low amounts.

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[2] For a summary offered by the Center for Education Reform, logon to: http://www.edreform.com/index.cfm?fuseAction=cLaw.

[3] The exception is the Gatton Academy of Math and Sciences, serving 120 students at Western Kentucky University.

[4] See Enlow (2008).

Another version of tax credits involves individuals or corporations receiving tax credits for donations to organizations awarding scholarships to participating private schools. However, the individual or corporation cannot designate the donation go to a particular student. Thus, the money someone spends does not go for the education of a designated student, nor does it enable families who donate the money to move their children from one school to another with the funds to follow.

This version of an educational tax credit supports the activities of scholarship organizations, which typically award scholarships to students from low-income families. The tax credits also contribute to the overall viability of the private sector in education. However, they do not promote school choice and competition as much as direct tax credits or vouchers.

Kentucky offers no voucher programs. House Bill 397, introduced during the 2007 and 2008 legislative sessions, proposed vouchers for special-needs students. House Bill 160, also introduced during the 2008 session, proposed tax credits for certain individual-education expenses and for donations to scholarship organizations.

Marketplace incentives: choice, competition

Americans rely heavily on the free market for many goods and services. Markets work primarily because they involve a great incentive system and require "voluntary exchange."

In order to earn income, providers must sell what someone voluntarily wants to buy. This induces the seller to provide goods that buyers value. In addition, that product or service must be as good, or better, than the competition's. Customers reward sellers that provide a valuable and better product.

The ability of customers to spend their money elsewhere provides the backbone of the incentive system. And this articulates a key component of school-choice programs such as charter schools and voucher programs.

Charter schools only receive money for students who actually enroll. These schools can survive only if they attract and retain enough students. As in markets, charter schools succeed only by satisfying voluntary buyers, who are, in this case, parents. Private schools that might attract voucher-program students face a similar situation. Parents who become dissatisfied with a school can take their children – and money – elsewhere. Schools survive only by providing the type of schooling parents want for their children, and a better education than the competition.

Another advantage of market competition that charter schools and voucher systems emulate involves bringing new "suppliers" into the market. As with competitive markets, new schools can open in new locations or existing schools can expand. Thus, students in poorly performing schools do not remain trapped in failing institutions because of limited space in better schools. Poorly performing schools get replaced by others providing superior educational services. Also, just like in the marketplace, public schools must compete with charter-school and voucher options, thus improving the incentives for public schools to satisfy families and students.

These mechanisms evaporate when government becomes the provider of the goods or services, as with public education. Students get assigned public schools based on the neighborhood where their families live; switching schools proves cumbersome and difficult, often requiring changing residence or a stream of complaints and appeals to school officials.

As a result, the public-school revenue base – money from state and local governments – is not closely tied to how a school performs academically. This reduces the competitive pressure on schools because less reason exists to satisfy the customers – parents with students at the school – and more reason to please the political "masters" who control the funding (and who often are beholden to special interests). All of this reduces the need to perform well academically and operate cost efficiently, since approximately the same number of students – and same amount of money – show up, regardless of how well a school performs.

States often try to address these problems with a "top-down" process in which education officials develop and mandate curriculum and other programs. Such programs likely won't succeed. Providing quality education depends a lot on family situations and students' characteristics, including how they respond to various teaching methods. Sets of rules provided by education officials cannot adjudicate what is best for each situation. This is best done by the teachers, parents and students. Relying on programs and plans developed jointly by the schools and parents works best.

School-choice programs provide incentive to use this information effectively. Schools that do not will lose students and fail. State education agencies have neither the information to establish specific, effective education plans for individual families to follow nor particularly strong incentives to create them. Public school funds and jobs remain safe, regardless of the quality of their programs.

The historical paradox: spending more and getting less

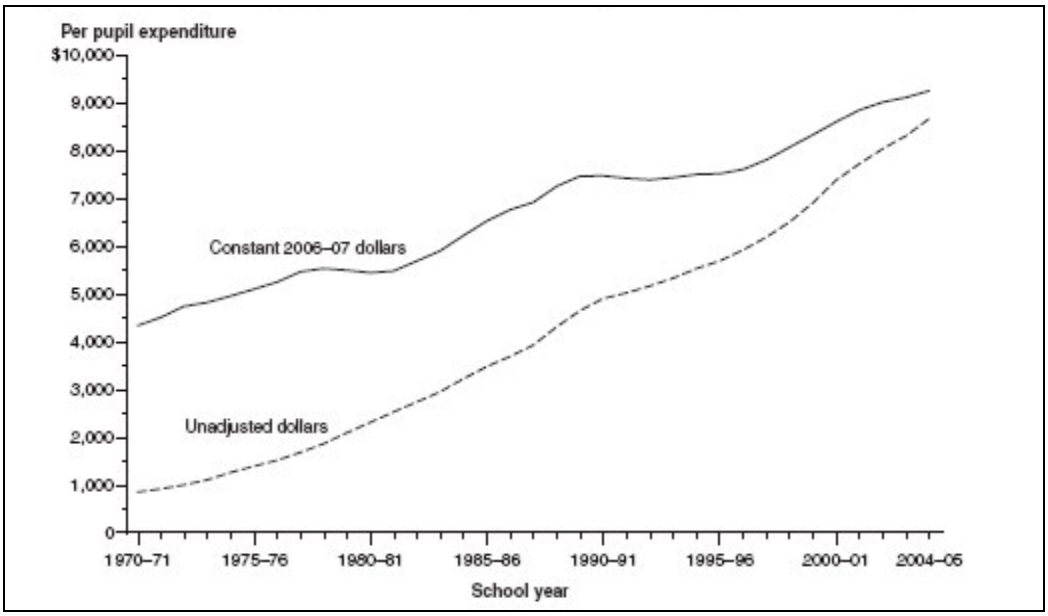
Increased resources, flat performance

During the past three to four decades, resources devoted to public schools in the United States have increased significantly. Along with this increase in resources came a substantial drop in student-teacher ratios in classrooms, rising educational levels for teachers and more administrative services. Yet, public schools as a whole showed virtually no substantial overall improvement during this same time period. This brings into question the effectiveness of public education.

Summary data of these trends is presented, and detailed statistical analysis supports the broad conclusions they show: many public schools and school systems do not use resources effectively because they have little incentive to do so. School choice and competition foster these incentives.

Chart 1 shows the average per-pupil spending in public schools from 1970 to 2005, in both unadjusted dollars and dollars adjusted for inflation. As one can see, inflation-adjusted per-pupil spending during this time period approximately doubled, rising from well under $5,000 per student to about $9,000.

Chart 1
Current Expenditure Per-Pupil in Fall Enrollment in Public Schools, 1970-71 to 2004-05[5]



Also during this time, many indicators often viewed as aspects of classroom quality rose substantially. Some examples are shown in Chart 2. From the 1960s through the 1990s, the pupil-teacher ratio fell dramatically for the typical classroom, the percent of teachers with a master's degree more than doubled and the experience level of teachers also rose substantially.

Chart 2
Selected Indicators of Classroom Quality[6]

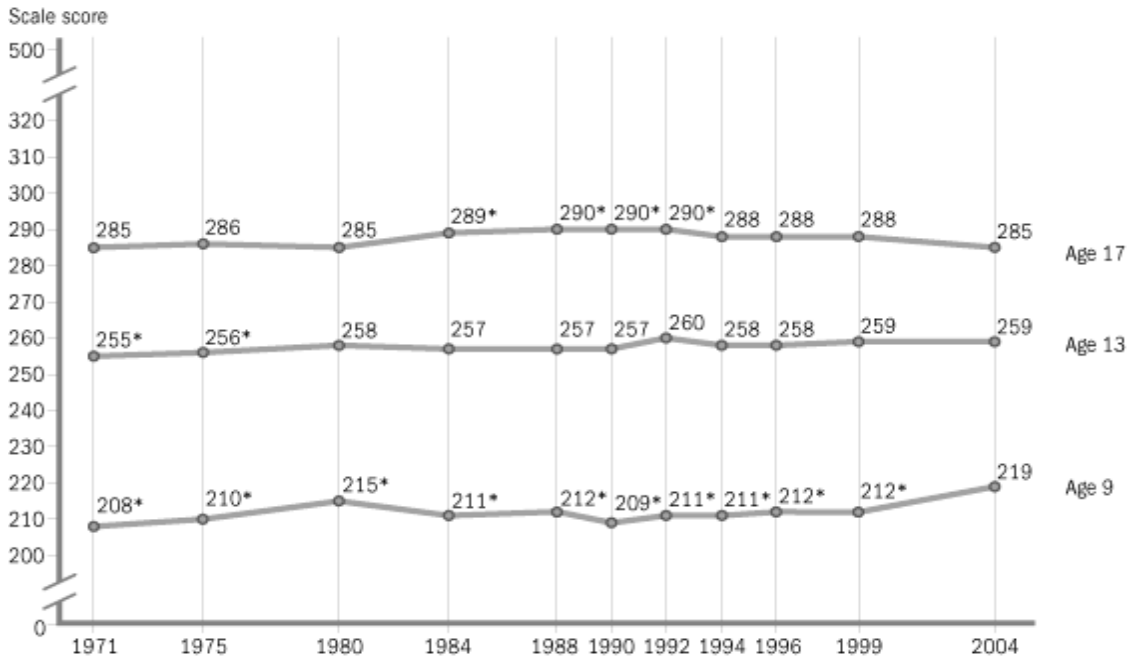
Year	Pupil-Teacher Ratio	% Teachers with Masters Degree or More	Median Years of Teaching Experience
1960	25.8	23.5	11
1970	22.3	27.5	8
1980	18.7	49.6	12
1990	17.2	53.1	15
1995	17.3	56.2	15
2001	16	56.8	14

[5] From Snyder (2008). Page 57.
[6] 1960 to 1995 Data is from Hanushek (2002). 2000 Data from Snyder (2008). Figure 6 and Table 66.

Though public-school systems clearly received large increases in funding and seeming improvement in classroom and teacher quality, there appears little to show for it. Chart 3 illustrates this by charting selected outcomes for the National Assessment of Educational Progress (NAEP) long-term trend examination. (The NAEP exam is taken by a national sample of students in various years. The National Assessment Governing Board, whose members are appointed by the U.S. Secretary of Education, administers the program.)

Chart 3 shows reading scores over time using the NAEP long-term trend assessment. Only those scores marked with an asterisk are statistically significantly different from the 2004 scores. The chart indicates essentially no progress in reading competence among public-school students during this period of large increases in resources devoted to public education. A similar chart for mathematics scores shows some improvement for 9- and 13-year-olds, but not for 17-year-olds.

Chart 3
U.S. Average Reading Scores,
National Assessment of Educational Progress Long-Term Trend Assessments[7]



In addition to the NAEP long-term trend showing little or no progress overall, it also demonstrates minimal progress made serving minority students.

Chart 4 presents the gap in the scores between black and other students. This chart shows the average reading test scores of 9-year olds, but other test results for older students follow a similar pattern. (Scores and gaps identified on this graph with an asterisk are statistically significantly different from the 2004 scores or the 2004 gap of 26 points.) While data indicate some decline in the gap, no clear, consistent decline over time exists, and a substantial disparity remains. For example, due to the size of the samples of black students in the Long Term Trend NAEP, the gap in 2004 actually is not significantly different from the gaps reported in 1980, 1988, 1994 and 1996.

Though these charts in themselves do not prove that the increased educational spending has no impact, more detailed econometric analysis supports such conclusions.

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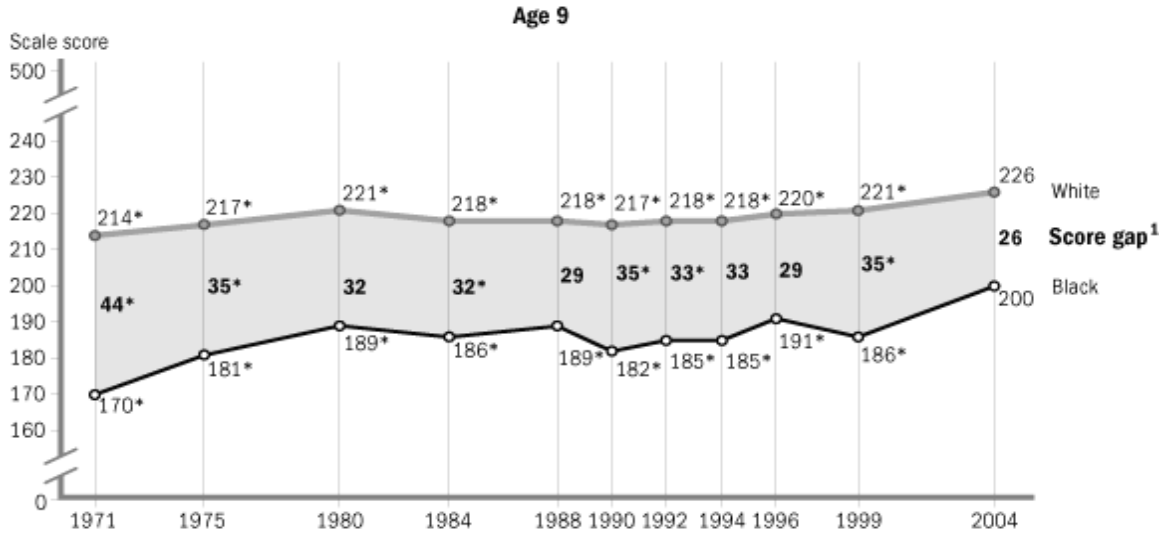
[7] See Perie, Moran, and Lutkus (2005). Online at http://nces.ed.gov/nationsreportcard/ltt/results2004/nat-reading-scalescore.asp

Chart 4
Reading Scores by Race,
National Assessment of Educational Progress Long-Term Trend Assessments[8]



These studies usually show that increased expenditures on public schools have not produced a positive effect on student performance. This is true of overall expenditures, and with regard to spending on various categories such as those on reducing the student-teacher ratio, teacher salaries, facilities and administration.[9]

How can resources not matter?

The historical paradox is that increased resources have been devoted to public schools for more than three decades, yet our nation's typical public-school system seems to be doing no better.

How is it possible that resources do not matter? Of course, resources matter, but in order to be effective, they must be wisely spent. There are many good schools and school districts that make productive use of their funding. However, the data comprising the historical paradox implies that ineffective use of resources must be quite pervasive.

The historical paradox also does not imply that resources cannot matter. What it does imply is that there are improper incentives to use resources effectively in many settings. In the next section, we discuss government-directed initiatives to address this problem, with a particular focus on Kentucky's experience. We then contrast this with the potential of increased school choice.

[8] Ibid.
[9] Hanushek (2002) provides a detailed review of these studies.

State-directed programs: the Kentucky experience

KERA effects on funding, performance

Ongoing dissatisfaction with public schools led many state governments to pass legislation and institute plans to address their poorly performing education systems. Kentucky is no exception. The 1990 KERA represents the main piece of legislation from which Kentucky's reform efforts flowed.

In broad terms, KERA required tax and funding changes to equalize spending throughout all schools districts by providing state-level resource guarantees to districts. It also raised the overall level of spending. Additionally, it increased state involvement in local taxation, funding and school operations. State-level testing started along with rewards to schools based on test scores.[10]

KERA achieved its intended effects with regard to spending. Between the final pre-KERA 1989-90 school year and the 1995-96 school year, per-pupil spending in Kentucky grew 30-percent, the largest increase in the nation.

Additionally, school districts with the lowest pre-KERA funding tended to have greater expenditure growth. This increased funding showed up in a variety of ways. For example, during this same time frame:

- The student-teacher ratio in Kentucky schools fell by 4.5 percent.
- Teacher payrolls rose by 3.86 percent.
- The share of teacher salaries in the budget actually fell from 46 percent to 41 percent, indicating that budget items other than teacher salaries grew faster.

Though KERA intended to improve student outcomes, the rapidly rising educational expenditures in the early- to mid-1990s had little to show regarding the effects on test scores during this time period. For example, fourth-grade NAEP math test scores for Kentucky showed a slightly lower increase than for the U.S. as a whole over this time period. The eighth-grade NAEP math test scores showed a slightly higher increase than for the U.S. Scores for Kentucky students taking the American College Test (ACT) had somewhat smaller increases than the U.S. average. In short, the increased spending and other initiatives of KERA did not institute any notable change in Kentucky student outcomes as measured by these test scores.

Still today, Kentucky students do not fare well. The 2007 NAEP reports show low proficiency rates in reading and math for Kentucky's fourth- and eighth-graders, Kentucky students taking the ACT continue score below those for the U.S., and the Kentucky Council on Postsecondary Education continues to report high levels of remedial course requirements for incoming freshmen who recently graduated from Kentucky high schools.[11]

In summary, KERA's sharply increased spending and other initiatives did not bring about notable change in student outcomes as measured by these test scores. While there has been an

[10] Much of the discussion here and in the remainder of this section is based on Hoyt (1999).
[11] For details, see Innes (2008).

attempt on the part of Kentucky education establishment to portray performance since KERA's enactment as laudable, the small improvement actually achieved to date and the recent poor performance in reading and writing proficiency show these claims of great progress do not mesh with the facts.

Testing

Like many other states, KERA required mandatory, statewide testing, presumably to track the progress of the public-school system and reward good schools and school districts for doing well. However, since its inception, the state's testing program has been problematic.

The initial test, Kentucky Instructional Results Information Systems, known by the acronym KIRIS, was deemed inadequate and replaced in 1998 by the Commonwealth Accountability Testing System, called CATS. Of course, dispensing with an inappropriate test is a good thing, but changing the test makes it impossible to make comparisons over time to assess whether improvement occurs.

Even after the introduction of CATS, the validity of the test and comparisons over time has been called into question. For example, the percent of Kentucky students deemed "proficient" according to the CATS testing system is consistently higher than that for the federally sponsored NAEP test. Thus, Kentucky's testing system overrates performance of its schools. Furthermore, the extent of the overrating has worsened over time so that Kentucky's proficient rating has come to more closely resemble NAEP's next-lowest rating of "basic."[12]

Additionally, an audit of the grading on the writing portfolios revealed that auditors disagreed with 41 percent of the scores. This was not just random error, but 94 percent of the scores in the highest, "distinguished" category were deemed too high, as were 61 percent of the scores in the next-highest category: "proficient."[13] In other words, the audit indicates a strong upward bias in scoring.

It comes as no surprise that schools and school districts want to show strong test results. After all, financial rewards and avoiding the label of being a "failing school" come with better test scores.

Strong incentives abound for good test scores, which can be produced by working to improve students' cognitive skills but also by other means, including teaching to the test, designing a test that's too easy or altering it to show improvement and grading too leniently. Unfortunately, it seems that a lot of the latter – and too little of the former – types of activities have occurred in Kentucky's public schools.

This sort of outcome is not unique to Kentucky, but is endemic to the way rewards are structured. We need a better system of assessing student and school performance, and rewarding them. Introducing competition in the form of school choice offers a better way.

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[12] See Innes (2007).

[13] This was widely reported in the Kentucky media. For example, see WHAS (2008).

The 'intangibles'

Another issue with rewards tied to test results involves focusing the incentives of schools too narrowly on training students to answer multiple-choice questions and formulaic open-response questions in selected topic areas. While topics covered in these tests remain important, time, energy, and effort is diverted away from other worthwhile aspects of education including fostering creativity, experiencing cultural activities such as art and music and nurturing intangible, noncognitive traits.

The latter include characteristics like perseverance, attention, motivation, self-confidence and tenacity. Standardized tests do not measure these directly. Yet they are important life skills-traits and presumably are valued by parents. Some scientific evidence (and much anecdotal evidence) suggests that these traits feed into success, including lifetime earnings.[14]

How should states reward schools and teachers who successfully nurture students? The present system of testing and rewards simply does not do so. Instead, an assessment by parents is needed regarding how well schools perform and giving families options through school choice.

More state directives

Despite the problems Kentucky has experienced with its state-orchestrated overhaul of public schools, state government continues to issue directives regarding how schools operate and programs they must offer. A sampling of the bills introduced during the 2008 session of the Kentucky General Assembly illustrates this:

- House Bill 34: Called for adding a physical activity requirement to the school day.
- Senate Bill 32: Called for spending on career guidance and technical education.
- House Bill 294: Called for the creation of dropout-prevention grants for certain schools.
- House Bill 461: Called for establishing family resource and youth centers at certain schools.
- House Bill 460: Called for a requirement that high schools teach 12th-graders how to vote.
- Senate Bill 207: Called for increasing the school year by two days.
- Senate Bill 129: Called for allowing school systems to give away old equipment.
- House Bill 587: Called for allowing schools to move graduation ceremonies to dates before instruction ended.

While none of these bills represent bad things, they indicate a high degree of micro management by state government that experience shows is an unsuccessful approach.[15] Good reasons exist for this. Schools throughout the commonwealth are quite heterogeneous. A valuable program for one school might hold little value for another. Therefore, the resources used to implement a program

[14] See Heckman, Stixrud and Uzrua (2006).

[15] As noted above, three education-related bills of a very different tenor came before the Kentucky Legislature. House Bills 578, 160 and 397 would have authorized public charter schools, allowed educational tax credits and created special-needs vouchers, respectively.

throughout the state may fail to achieve the desired effect and end up being wasted. This simply adds to the "more spending, no results" paradox.

Much of the information and knowledge about what works at specific schools comes from parents, teachers and students at the school. Thus, rather than mandating programs from afar in Frankfort, it would make much more sense for schools to design programs specific to the school.

In addition to allowing schools discretion, it is also important that they have incentives to use their discretion appropriately. School choice provides this incentive.

The decline of the traditional forms of school competition

Prior to the growth of charter schools, the traditional form of competition that public schools faced came from – and remains – mobility. Families often choose neighborhoods based on the quality of the local schools.

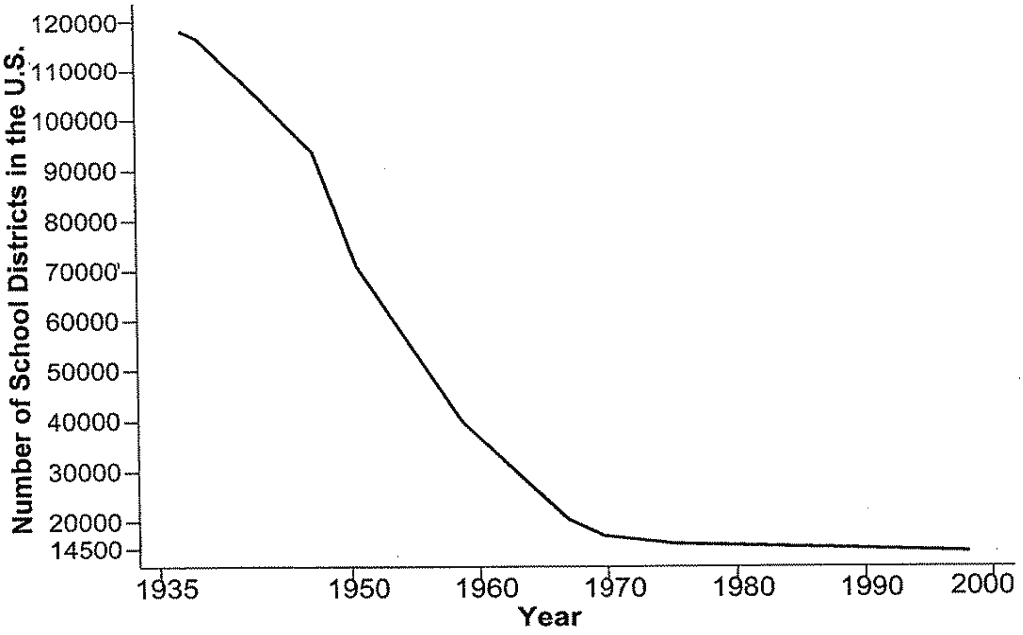
Historically, localities maintained a great deal of autonomy in determining schools policies. Traditionally, decisions on funding, taxation and programs remained local concerns and could vary substantially depending on the neighborhood. Thus, potential residents might face a reasonable variety of choices regarding public schools depending on where they choose to locate.

The potential loss of students via the mobility option would cause a loss of tax revenue and funding to local education officials and served to some degree, though imperfectly, to penalize poorly performing school districts. The converse would reward those that did well.

Two major trends have served to undermine these aspects of choice and competition among schools.

- First, the reduction in the number of school districts in the U.S. Chart 5 illustrates the remarkable decline in the number of districts, particularly up to, and throughout, the 1960s.

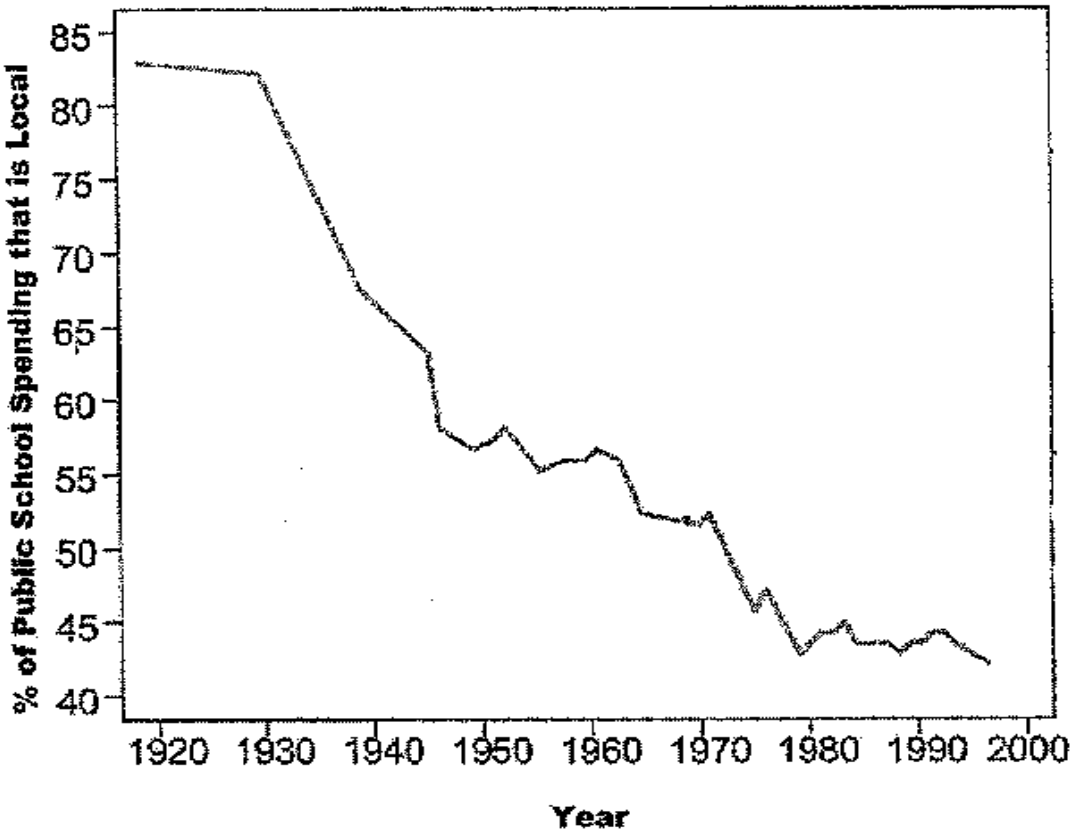
Chart 5
School Districts in the U.S. [16]



The decline continues, albeit at a slower pace. More than 100,000 school districts operated in the 1930s. That number fell to some 36,000 by the early 1960s; now there are fewer than 15,000. Naturally, the fewer the school districts, the fewer options are available to families.

[16] From Hoxby (2004).

Chart 6
Percentage of Local Funding of Public Schools in the U.S. [17]



- Second, the reduction in local control over schools and school districts.

As noted, more local control engenders more variety from which residents can choose while a greater amount of control by state government generates more homogeneous policies. Moving from one locale to another affects the school-policy regime less when state policy dictates both. Thus, mobility provides less choice and also does not serve to reduce tax collections of state government officials who establish poor educational policies, and fails to reward those who promote good ones.

Chart 6 illustrates the time trend of the percent of local funding of total public school spending. Persistent decline through the years leaves us with local funding between 40 percent and 45 percent. For the typical state, more than half the funding for its public schools now comes from state government, shifting the balance of control to state government and further away from effective choices by families. Stripped of its traditional form of competition, it comes as no surprise that the performance of public schools stagnated for quite some time.

[17] Ibid.

Fortunately, two related policy tools are available to stimulate stronger competition: charter schools and voucher programs. However, it remains for many states and localities to use them.

More facts and fears about school choice

Aren't charter schools an oddity?

In a word, "no." Charter schools have become increasingly common. More than 4,100 charter schools, including 347 new ones, operated during the 2007-08 school year. Charters operate in 40 states and the District of Columbia, and enroll more than 1.2 million students.[18] During the 2004-05 school year, enrollment in charter schools represented 2.33 percent of all enrollment nationwide. But charter enrollment varies considerably throughout states, and in some, it represents a much higher percentage of enrollment. (See Chart 7 for a sampling of states.) Unfortunately, Kentucky has no law even allowing the creation of charter schools.

Chart 7
Percent Charter School Enrollment, Selected States[19]

Location	Percent of students enrolled In charters, 2004-2005
U.S.	**2.33%**
Ohio	**3.31%**
Kentucky	**0.00%**
N. Carolina	**1.94%**
Michigan	**4.50%**
Arizona	**7.32%**
DC	**20.22%**

Do charter schools and vouchers 'skim the cream?'

A fear often arises that charter schools and vouchers would "skim the cream" by admitting only the best students, leaving the rest for the regular public schools. Concerns about segregation of schools also arise. A report by the U.S. Department of Education strongly dispels these fears.[20]

The report indicates that charter schools, on average, enroll a slightly higher percentage of students eligible for reduced-price lunches. This group typically underperforms other students and represents a lower-income demographic. Also, in the year 2000, 52 percent of charter school students were minorities, compared with 41 percent for public schools.

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[18] See to Center for Education Reform: http://209.183.221.111/index.cfm?fuseAction=stateStats&pSectionID=15&cSectionID=44.
[19] This chart is taken from Garen and Lopes (2008).
[20] See U.S. Department of Education (2000).

There is no evidence of "cream skimming" or segregation in charter schools. Additionally, many states have voucher programs specifically aimed at serving students from low-income and disadvantaged households.[21]

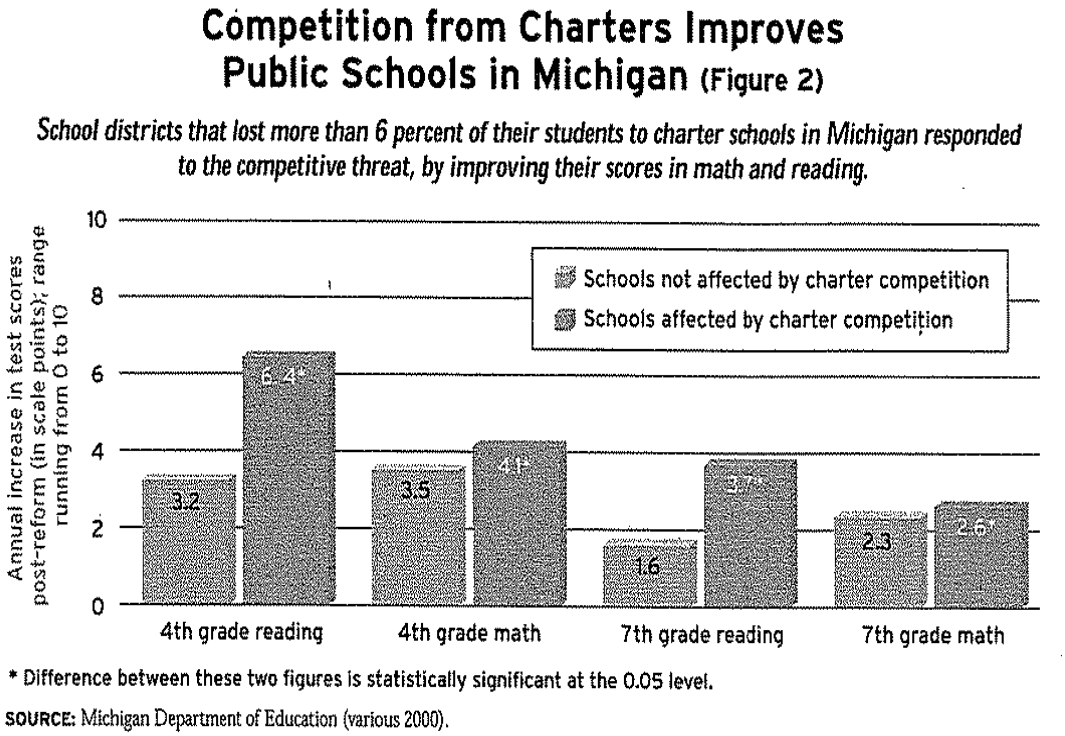
Do charter schools ruin traditional public schools?

The claim often arises that charter schools and vouchers would ruin the public school system, but no evidence supports this. In fact, the evidence shows the opposite. Traditional public schools do better when faced with greater competition from charters and vouchers.

For example, Hoxby (2001) presents evidence from Michigan, Arizona and Milwaukee indicating that children in public schools show greater improvement when those schools face more competition from charters and vouchers. Chart 8 shows some of her findings regarding Michigan. Reading and math test scores show greater improvement for both fourth- and seventh-graders among public school students in districts with significant charter school options.

International evidence also supports this conclusion. Sandstrom and Bergstrom (2005) show that the widespread introduction of vouchers in Sweden improved test score results in public schools.

Chart 8[22]



[21] See Enlow (2008).
[22] See Hoxby (2001).

What if more families want charter school space than is available?

Naturally, families become concerned about gaining admission into the school of their choice. In the traditional public school system, moving into a neighborhood with good schools virtually guaranteed that the child would get in. But what if the charter school they want fills up? How do they get in? What alternatives do they have?

Within a system of widespread charters and vouchers, the manner in which children obtain admission to a school may change substantially. However, experience in other contexts shows that markets are remarkably deft at adapting to new situations. One great advantage of charter schools and vouchers is that with sound enabling legislation, new schools can come into the market and expand to accommodate demand. Therefore, parents can readily find the type of school they want. And educational entrepreneurs would take advantage of this because parents bring both students and money into the school.

In fact, evidence suggests that charter schools do this.

It is clear that charter schools have expanded greatly. The U.S. Department of Education (2000) reports that the number of charter schools in the 1990s rose from virtually zero to more than 1,400. As noted, 347 charter schools opened in 2007 alone and now more than 4,100 operate nationwide.

Evidence from the 1990s (from the U.S. Department of Education (2000)) strongly suggests that charters are unique and are not just replacing traditional schools. While some charter schools resulted from conversions of traditional public schools during the 1990s, seven of 10 charter schools were not conversions and often differ from traditional schools in enrollment and design. For example, charters are smaller with median enrollment of 137 compared with median enrollment of 475 in public schools. Almost half of charters during this time have a configuration different from the traditional elementary, middle and high school. It seems safe to predict that these distinctive patterns will continue.

These facts indicate charter schools are entering markets to serve unique parent constituencies. In other words, competitive educational markets work well when legislation allows them to do so.

Do charter and voucher students perform well?

Generally speaking, the results of school choice in this regard are positive. Students tend to do better, or at least as well, on achievement tests in voucher programs and charter schools as they do in traditional public schools.[23]

Additionally, test scores are not the only criteria that determine student success. Judging by their popularity, parents seem satisfied with school-choice programs across the country. This fact alone ought to speak volumes to policymakers.

Conclusion

[23] For discussion, see Hoxby and Rockoff (2005) regarding charter school students and Forster (2007) on vouchers.

The long, historical stagnation of public school performance despite decades-long increases in resources should create serious concerns regarding public schools. The shortcomings of KERA and subsequent legislative action, along with confusion over state-directed testing, should give Kentuckians even more angst regarding state government's ability to improve schools.

Fortunately, good policy options exist: charter schools and vouchers. The appropriate enabling legislation for these programs would harness the incentive system of competitive markets toward improving schools.

About the Author

John Garen, department chair and Gatton Endowed Professor of Economics at the University of Kentucky, is an adjunct scholar of the Bluegrass Institute for Public Policy Solutions, Kentucky's free-market think tank.

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