

The Failure of Private School Vouchers and Tax Credit Scholarships

Although the debates, stump speeches, and campaign messages that defined the 2016 U.S. presidential election rarely mentioned education policy, the selection of businesswoman, philanthropist, and reformer Betsy DeVos for Secretary of Education propelled the topic of school choice back into the national spotlight. It's instructive to take advantage of that fluorescent glow to examine the movement's imperfections and to take stock of what has yet to be accomplished.

School choice battles are often hard-fought and the compromises made during the legislative process can leave a lasting impression on the policies that emerge. Once enacted, the desire to quickly scale a program to secure its place as a permanent fixture in a state's education landscape can sometimes result in policy missteps. As a result, there are flaws in the design of many of the nation's private school voucher and tax credit scholarship programs that have contributed to implementation failures. A recent policy innovation in the school choice landscape, Education Savings Accounts (ESAs), presents a promising mechanism to overcome many of those failures.

Starting by contextualizing the impact of existing school choice policies, this analysis attempts to make sense of the political realities that can either elevate or suppress parents' voices, before identifying the potential of ESA-funded technological innovations to totally transform teaching and learning through acute customization and highly-personalized problem-solving.

In What Ways Have Vouchers and Tax Credit Scholarships "Failed"?

In the quarter-century since the establishment of the nation's first private school voucher

program in Milwaukee in 1990, private school choice programs in the United States have largely taken one of two forms:

- A voucher or “opportunity scholarship” program that permits eligible families to offset tuition and fees at a participating private school by using funds that have been appropriated by the state or a private organization. Eligibility rules vary by program but often require that an applicant’s household income falls below a certain threshold, that students have a disability, or that students are enrolled in an under-performing public school.
- A tax-credit funded scholarship program is funded by donations to a non-profit scholarship granting organization, which distributes the funds to eligible students to offset the cost of private school tuition and fees. Donors can be individuals or corporations and the state grants them a full or partial tax credit for their donations.

Growing access to detailed administrative datasets, an appetite for empirical evidence among policymakers, and the spread of high-tech computers capable of running complex analyses in a matter of seconds mean researchers have learned a lot about these two types of programs. The track record is mostly promising, but the modest effect sizes reported in the most rigorous empirical evaluations of achievement impacts have prompted some to question why we haven’t observed larger, more transformative effects. In 1990, John Chubb and Terry Moe famously wrote, “Reformers would do well to entertain the notion that choice is a panacea.” It was a bold, ambitious claim, but the cure-all elixir never quite materialized.

Disappointing Test Score Impacts

Researchers have primarily used math and reading outcomes to judge the impact of

private school choice programs and fourteen such analyses of these achievement effects meet the “gold standard” research design, giving us a rich body of literature to draw upon. The findings of these studies inspire cautious optimism. Five studies find positive impacts overall; five studies report positive impacts for at least one important subgroup; two studies find no difference, either positive or negative, in student performance; and two studies find large, negative impacts.¹

While the overall direction of these findings—particularly the early studies of programs in Charlotte, Milwaukee, and New York—is encouraging, it’s important to ask why the findings have been mixed or even negative in some cases, and why the positive effect sizes that have been observed have generally been modest in size. For instance, in Milwaukee, Wisconsin, Economist Cecilia Rouse reports an achievement benefit of less than one percentile point for successful voucher applicants each year. This improves over time—after four years in that voucher program, successful applicants scored ten percentile points higher—but doesn’t represent a transformative change. In Louisiana, meanwhile, researchers have been able to conduct the first randomized evaluation of a school choice policy that draws students from across an entire state, uncovering large negative findings in reading, math, science, and social studies that are startling. For example, causal estimates of the impact of the Louisiana Scholarship Program suggest that participation increases the likelihood of a failing math score by 50 percent.

Why hasn't the expansion of private school choice led to larger positive impacts on test scores? It would be naïve to offer one authoritative answer to such a complex question, but some important considerations come to mind:

- Do those families with the most potential to benefit from better schooling options actually have access to school choice or are geographic, financial, or transportation constraints serving as barriers?

- Do high-quality private schools actually participate in voucher and tax credit scholarship programs?
- Are regulatory frameworks restricting the ability of choice schools and other educational providers to innovate and deeply personalize instruction?
- Do parents have the freedom to play a hands-on role in customizing the educational experience for their child?
- Are education dollars being spent efficiently so that the intended beneficiaries (students) are getting the most bang for their buck?

Access Problems

Of the fifty-five million school-aged children in the United States, less than one percent participates in a publicly funded school voucher or tax credit scholarship program.² Thus, for all the controversy surrounding these policies that purposefully expand access to those who cannot self-finance school choice, the number of students who actually meet the eligibility criteria and who live in one of the fourteen states plus the District of Columbia that operate such programs, remains incredibly small.

Even among eligible students who live in cities and states that have passed the legislation to create such school choice opportunities, how many actually end up having real “choice” in practice? Eligible students in rural areas of North Carolina, Indiana, and Louisiana might have choice on paper, but few options in practice. As one North Carolina parent explained in a survey of over 2,000 Opportunity Scholarship Program applicants conducted by a team at North Carolina State University in the fall of 2016, “There are no Catholic high schools in this area.

The one school that we had a true interest was an hour away and tuition was extremely high. We considered a local Christian school, but it was not a good fit for my daughter.”³

Advantaged parents living in “choice deserts” like this can overcome such barriers by self-financing hybrid educational experiences for their children. Where the local public or private school demonstrates a deficit in a subject area or course, they can supplement with online courses, private tutoring, or by purchasing additional instructional resources to use in the home with their children.⁴ Disadvantaged parents, on the other hand, don’t have the dollars to spare for investments like this and vouchers or tax credit scholarships aren’t flexible enough to serve this role. For many activists involved in the fight for school choice, the question remains, “How can we give low-income people more options?”

Vouchers Haven’t Spurred Major Innovation

If the United States is going to make major progress in climbing the international rankings of student achievement and narrowing achievement gaps, education needs game-changing, dynamic innovations that will offer fresh solutions to persistent and stubborn problems. To be sure, the expansion of private school voucher and tax credit scholarship programs has helped boost graduation rates and college enrollment, but it hasn’t spurred wholesale reform.⁵ Tradition, status quo bias, and the bundled nature of funding streams ensure that schools of choice largely resemble their district school counterparts in terms of physical appearance and routines. This is reflected in organizational aspects, such as the structure of the school day, classroom layout, and adherence to a traditional school calendar, as well as in the instructional design that dictates teaching and learning norms. Across the public and private sectors, historical cycles of reinvention have been largely superficial. We’ve got interactive

whiteboards instead of blackboards, tablets instead of textbooks. The furniture looks different and schools have hired a lot more non-teaching personnel, but none of these changes are transformative. In spite of the expansion of private school choice, the fundamental building blocks—that is, the organizational structures and rules, the machinery of instruction, and the institutional approaches to teaching and learning—have remained constant for over a century.⁶

What reforms have been pursued, instead? The structure of education on the private school side often mirrors what happens on the public school side, where education dollars for personnel costs have swelled in recent decades. Scafidi estimates that the number of public school administrators and non-teaching staff grew seven times faster than the increase in students between 1950 and 2009.⁷ Thus, one of the largest educational reforms in K-12 education since 1950 appears to have been a staffing surge. Increasing the number of assistant principals, curriculum specialists, and accountability coordinators is one way to invest in education, but advocates for digital learning have pointed to technology and personalized learning as other potential investment opportunities that should receive more attention.⁸

Perhaps it's not of huge importance that public and private schools haven't made significant strides in investing in technology. Proponents of personalized learning write about "disruptive innovations" as stealthy reforms that start by serving clients at the fringes, rather than competing directly for individuals who are already well served by traditional providers. By scaling up slowly and remaining under the radar while in their infancy, such innovations can build steam before taking on the status quo.⁹ Yet progress in this field has been incremental. For instance, a successful personalized learning program requires highly sophisticated instructional and logistical coordination and even though intriguing new learning platforms have cropped up in recent years—such as "Cortex" at Achievement First, "Spark" at Matchbook Learning, and

Gooru’s “Learning Navigator”—they haven’t been widely adopted. Why is this? It could be the case that traditional funding models are largely responsible for handcuffing reformers to the “grammar” of schooling. Students are counted in discrete, whole units, making instructional expenses inflexible and thus reducing the incentive for educational entrepreneurs to generate niche-products that might serve a small number of students in a narrow and highly focused way. Disruptive innovations are snuffed out in their infancy because the families on the margin that they attempt to serve, such as school voucher recipients, don’t have access to flexible financial resources to access their products.

Thus, a primary weakness of school choice through vouchers and tax credit scholarships is that the bundled nature of these funding instruments hasn’t offered a way for reformers to ditch the traditional “grammar” of schooling in favor of innovative new products, services, and approaches to learning.

Voucher Users Incur Hidden Expenses

Further consideration of the funding design of private school vouchers and tax credit scholarship programs leads to another concern: Vouchers and tax credit scholarships are designed to pay for private school tuition and fees but the cost of switching school sectors involves numerous hidden expenses, such as transportation, uniforms, textbooks, testing fees, field trips, and after-school programs. Such unexpected bills can create significant participation barriers for low-income families. Even in cases where the cost of private school tuition and fees is lower than the potential maximum value of the voucher, parents can’t redeem the savings to offset related educational expenses. That is, current voucher laws mandate that the state allocate whichever is less—the cost of tuition and fees *or* the maximum value of the voucher. For

parents who choose a private school with lower tuition and fees than the voucher would potentially allow, those savings go to the state.

In a recent parent survey, a North Carolina State University research team asked applicants why so many of them had applied for and been awarded a private school voucher for their child, but only some ended up using it. As these parents explained:

Some of the extra fees were costly, application for each at 200 dollars, even if they don't accept them, nonrefundable. Field trip, and event fees ended up 1000 dollars each, do [sic] at the beginning of year.

I make minimum wage, was awarded the full amount of the scholarships, and still have to pay about \$4000/year which is the remainder of the tuition cost, application fees, yearly activity fees and other nonrefundable administrative costs, lunches, and of course the uniforms. There isn't any assistance available for these things. I wish my kids could play sports too but it just costs too much. I go broke for this school but I do it because I feel my kids have a better chance of being successful if they aren't around the distractions of public school.¹⁰

A more flexible version of a school voucher would better equip parents to capture the full value of their award, and unbundle that financial allocation in order to cover unanticipated school-related expenses that pop up after tuition and fees have been paid. This small change has the potential to better promote participation among those who are most in need of better educational options.

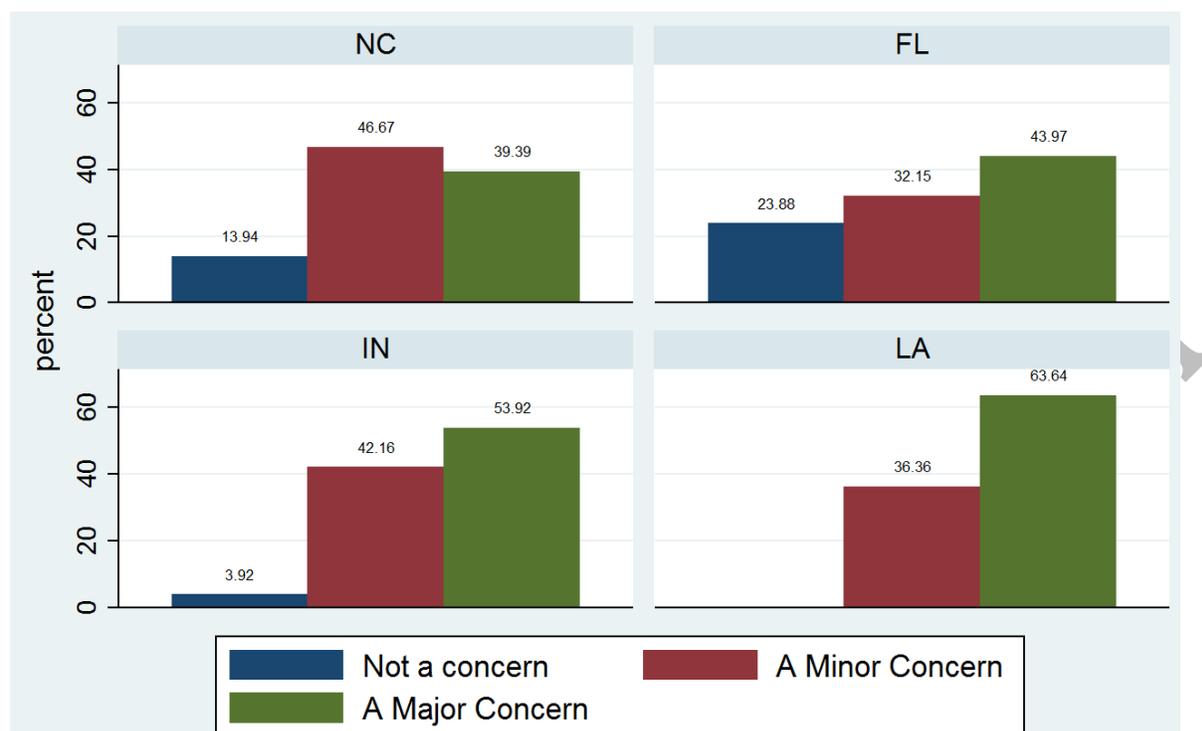
The Design of Voucher and Tax Credit Scholarship Programs Can Disincentivize Participation by High Quality Schools

If funding streams hold steady, North Carolina's Opportunity Scholarship Program, is set to expand dramatically in the coming years. Currently funded at \$24.8 million, which is enough to fund approximately 6,000 scholarships, legislation permits program growth to \$144.8 million by the 2027-28 school year, enough to fund approximately 35,000 scholarships.¹¹ At the national

level, President Trump’s budget outline released in March 2017 proposed an unprecedented federal investment in private school choice, requesting \$250 million for a new private school choice program.¹² Yet, both policies— the expansion of existing private school choice programs and the development of new programs— are premised on the assumption of participation by high quality private schools, which is in no way guaranteed.

A small but growing body of research has examined the factors that influence school participation decisions. A 2013 report by Stuit and Doan relying on survey feedback from over 300 private schools, documented a negative correlation between regulatory burden and private school participation (although regulation by government wasn’t the only deterrent to private school participation in voucher and tax-credit programs observed).¹³ More recently, a larger, four-state survey of private school principals (see figure 1) revealed that the top concern of participating private schools in North Carolina, Florida, Indiana, and Louisiana is the fear of future regulations that might come with participation.¹⁴

Figure 1: Concerns of Participating Private Schools about Future Regulations



Source: Survey data collected by Kisida, Wolf, and Rhinesmith, “Views from private schools,” and Egalite and Wolf, “A Review of the Empirical Research on School Choice.” Note: n = 830 participating school leaders.

Of course, it’s not just a case of recruiting greater numbers of private schools or other educational providers to participate in a school choice program; quality matters too. The private schools that elected to participate in Louisiana’s voucher program experienced sharp declines in enrollment in the years prior to joining the program, which raises a red flag about the average quality of participating private schools in that state.¹⁵ Some observers have questioned if the stringent program regulations served as a deterrent to high-quality private schools, so that only those schools in dire need of financial resources committed to taking voucher students.¹⁶

Thus, while there’s absolutely a role for regulation and accountability, policymakers must tread carefully in this regard because an excessive number of regulations can choke out creativity, innovation, and experimentation, which is highly problematic if it disincentivizes

participation by high-quality educational providers. The goal of school choice is not to replicate the district school system, and yet the more we require voucher schools to prove they are “public,” the closer they come to resembling the district schools that many families seek an alternative to in the first place.

Vouchers and Tax Credit Scholarship Programs Encourage Price Setting by the State

State constitutions acknowledge their responsibility for educating their citizens, but state governments don't have unlimited resources to accomplish this task. Because we haven't yet figured out a way to evaluate educational costs on a per unit basis, states must make educated guesses about the optimal value at which to set a voucher. States have taken different approaches to dealing with this problem, with some states like Louisiana requiring the private schools to accept the voucher as full payment for tuition, while others like North Carolina allow schools to charge parents a “co-payment” so that different schools are permitted to charge different tuition amounts and parents “top up” the voucher to meet this charge. Apart from respecting school autonomy to set tuition how they see fit, part of the logic behind this feature of program design is that, in theory, it should get us closer to figuring out the actual cost to educate. Nonetheless, we should look for other ways to accomplish this goal that don't allow as many disadvantaged families to fall through the cracks, such as when needy families are unable to participate in a choice program because of financial considerations.

One example of an unintended consequence of this approach can be seen among rural parents in states that allow parental co-payment but have a limited set of private school options. If a “choice set” only includes two potential private schools, both of which have unaffordable tuition prices, a voucher program designed to allow schools to charge parents a co-payment can

turn out to be entirely off-limits to those families most in need. Because there aren't enough schools in their price bracket to choose between, they get no real choice, and because the nature of the voucher is that it can only be spent one time in one place, parents can't use those funds to assemble an alternative individualized educational plan from tutors, online providers, etc. As one parent explained, "We placed my K in a local private school using the scholarship. We decided not to accept the scholarship for my 4th grader because the private schools that would fit his needs best for upper grades are too expensive even with the scholarship."¹⁷

Instead of guessing at per pupil costs, a better approach would be to fund education in a way that can be subdivided to fund isolated services and, thus, allow analysts to calculate per-unit costs. Both traditional public schools and schools of choice would benefit from such clarification of how resources are allocated.

Vouchers and Tax Credit Scholarship Programs Haven't Done Enough to Elevate Low Income Parents' Voices

With any government institution, bureaucracy can be challenging to navigate for citizens with low levels of educational attainment or for whom English is a second language.

Unfortunately, this axiom is often especially true in the case of the traditional public school system. Any monopoly inevitably results in a concentration of power, which can lead to unequal treatment and, in the case of education, it's often those in poverty who are least well equipped to advocate for themselves if they are being underserved. For many low-income people, the public school system is just another government body with which they have negative interactions.

Strategies to elevate the voices of a marginalized group in a democracy often revolve around efforts to "get out the vote." Dissatisfied parents can throw their support behind a

candidate for school board, but the voices of low-income residents aren't always heard at the same volume as their higher-income counterparts. Because of off-cycle elections and the coordinated power of well-organized and well-resourced interest groups, school board elections can be ineffective tools to elevate the voices of the marginalized.¹⁸ Rather than concentrating power among elected school board members or district officials, power should be dispersed in order to address the problems of inequality in our society. Access to financial resources is one effective strategy that enables low-income citizens to exercise power over their lives. For many school choice activists with a social justice orientation, this has been a major motivation for supporting school vouchers.

Rather than giving public school officials the authority to decide what's best for a child's education, vouchers use competitive markets to distribute power to parents. Polling data collected by the journal, *Education Next*, suggests that parents will respond well to an expansion of ESAs because parent satisfaction rises in concert with school autonomy.¹⁹ Across five primary characteristics—teacher quality, school discipline, expectations for student achievement, safety, and instruction in character or values—the authors observe the lowest levels of parental satisfaction in district-assigned schools, higher levels among parents of charter school students, and the highest levels in private schools. Expanding access to even more flexible choice mechanisms is the next logical step to offer low-income parents the ultimate autonomy and decision-making authority over their children's education.

ESAs as an Alternative Choice Mechanism

After decades of lukewarm reforms in education, it's easy to become disheartened, but it would be naïve to underestimate the human capacity for reinvention. An expansion of Education

Savings Accounts could invigorate and transform the education sector by providing an alternative choice mechanism with the potential to address many of the challenges listed above.

What is an Education Savings Account?

First established in 2011, an ESA is essentially a government-authorized, restricted-use “education debit card” that is publicly funded but privately managed by parents. Although relatively new to the K-12 education sector, similar savings accounts have long existed in health care and higher education. The defining characteristic of an ESA is that some or all of the money that would have been spent on a child’s education in a traditional public school is essentially placed into a bank account, which parents can access to spend on their choice of approved educational expenses for their children.

ESA funds are deposited quarterly and they can be spent in a single transaction, such as by financing private school tuition, or they can be spent across multiple categories that are determined by parents such as private tutoring, textbooks, instructional materials, community college courses, Advanced Placement course, online courses, exam fees, or other approved educational expenses. For parents of children with special educational needs, funds can also be used to pay for therapists, specialized services, approved software, and other educational aids. Quarterly audits ensure that funds are only spent on approved educational expenses and unused funds roll over into the next year and can even be saved for college expenses.

Although ESA legislation has been enacted in only a handful of states, ESAs are set to become a major part of the educational landscape in the United States. At the time of writing, five states have enacted Education Savings Accounts programs (see table 1), three of which are currently operational: Arizona’s Empowerment Scholarship Program, Florida’s Gardiner

Scholarship Program, and Mississippi's Education Scholarship Account Program. All of these programs, except for one notable exception, focus primarily on students with disabilities. Signed into law by Gov. Brian Sandoval, Nevada's ESA is the nation's most expansive program as the only screening criteria applied to determine student eligibility is that students must have been previously enrolled in a public school for 100 consecutive days. As a result, program eligibility is near universal. In 2015, twelve additional states filed ESA bills (CO, GA, IA, IL, MN, MS, MT, NM, OK, OR, TN, VA) so it's very likely more programs of this nature will be established in the future.

CONFERENCE DRAFT

State	Program Name	Enacted	Eligibility	Entity that Administers the Program	Scholarship Cap	Fall 2016 Enrollment	Status
FL	The Gardiner Scholarship Program	2014	Students with disabilities	State approved non-profit Scholarship Funding Organizations	90% of the amount of public school funding that would have been allocated to a student receiving Level III of services	6,713	Active
MS	The Mississippi Education Scholarship Account Program	2015	Students with disabilities	The Mississippi Department of Education	\$6,500	500 slots available in Y1; an additional 500 slots will be added each year	Active
NV	The Nevada Education Savings Account Program	2015	Near universal (Students must have been in public school for 100 uninterrupted school days prior to applying for an ESA)	The State Treasurer's Office	90 to 100% of the state's per pupil allocation for public school funding	0	A court injunction has currently halted enrollment.
AZ	The Arizona Empowerment	2011	Students with disabilities;	The Arizona Department of Education	90% of the state's per pupil	3,129	Active

	Scholarship Program		Students in military families, Students coming from “failing” public schools; Students in adoptive care; Students entering Kindergarten; Students from tribal lands		allocation for public school funding (although students with special needs are eligible for more funding)		
TN	The Tennessee Individualized Education Account Program	2015	Students with disabilities	The Tennessee Department of Education	100% of the state and local per pupil allocation plus special education funds the student would be entitled to through the basic education program funding formula	0	Due to launch in 2017

CONFERENCE DRAFT

When an ESA is first explained, there's a tendency to focus on all the ways it could be misused and misspent, to question the motives and quality of the innovators and risk-takers who will devise new products and services to be funded through this mechanism, and to spotlight the obvious bureaucratic obstacles and policy logjams that will choke innovation in their implementation. There are procedural solutions that tackle many of these practical concerns with ESAs, but to debate these potential hiccups would be to miss the point. What is more interesting at this juncture is to make sense of why vouchers and tax credit scholarships have not yet had the transformative impact that many hoped for and to consider if ESAs might be the choice vehicle to propel the school choice movement to the next level. By incentivizing a total redesign and reimagining of the structure and delivery of education, could this new choice architecture have the potential to transform education in ways in which vouchers and tax credit scholarships have thus far failed?

ESAs Address Many of the Design Flaws of Existing Programs

ESAs offer an exciting opportunity to address many of the flaws of contemporary voucher and tax credit scholarship programs, which can be loosely grouped into three buckets.

The first major flaw of existing programs is an access problem—families who stand to benefit greatly from expanded choice and competition often face constraints that prohibit their participation altogether, frustrating the equity goal of many targeted private school choice programs. For example, even with the additional financial freedom of a voucher or tax-credit scholarship, parents in rural areas face little true choice if there are too few private schools to choose between and no other mechanism with which to purchase educational goods and services. ESAs have the potential to empower these families to still exercise choice by giving them the

financial freedom to engage with a private tutor, purchase online services, and other educational goods in a piecemeal fashion. For those eligible families who wish to pursue a private school education in a traditional brick-and-mortar building, ESAs give them access to flexible dollars that can be employed to offset all the hidden expenses that pop up during the school year. Importantly, ESAs also ensure that the perception of a school choice program is one that is fully family-centered. Highly independent, high quality private schools that are fearful of government involvement in their operation and management might be more likely to participate in an ESA program than a traditional voucher or tax-credit scholarship program.

The second major flaw of existing private school choice programs is that they don't harness the power of the purse to the full extent possible. Vouchers do nothing to advance our knowledge of the true cost of various educational approaches and resources. The price-sorting power of an ESA can shed light on educational costs, with important implications for both efficiency and equity. That is, by better understanding educational costs on a per-unit basis, it will be possible for state and local governments, for private philanthropies, and for others to better direct scarce resources to where they will have the maximum impact for needy students. On a related note, ESAs have the potential to empower low-income parents by giving them new power over education finances and the agency to direct those resources how they see best. The political ramifications of this boost to low-income families' voices could be significant.

The third major flaw of existing choice programs is that they don't incentivize serious innovation and experimentation. It is perhaps easy to dismiss disappointing test score impacts from voucher evaluations as narrow, short-term measures of learning to begin with, but it's not like there are many encouraging signs of major innovation in the private school landscape either. It's especially easy to become frustrated by the slow pace of change that has occurred in

education when we consider the enormous technological advances that have revolutionized other sectors. Consider for example, President John F. Kennedy's son, Patrick, who was born five and a half weeks premature in 1963 and died within 39 hours from respiratory distress syndrome. Neonatal technology has advanced so rapidly since that time that Patrick's chances of survival would be 95 percent today. What analogous advancement can we point to in education over that time period? By putting dollars directly into the hands of parents, ESAs have the potential to serve as a much-needed adrenaline boost for innovation in this sector.

ESAs Empower Parents

ESAs represent an empowering and family-centered educational reform that puts parents in the driver's seat by unbundling funds in a way that permits real customization. Rather than putting all children in the care of a state-run institution of public education, ESAs recognize that parents are uniquely able to choose what's best for their children and allow them to play a more active role in their child's educational success.

Evidence shows that given the opportunity to express their individual values and preferences when selecting a school, families seize it. For instance, charter school research in New Orleans reveals that although families do value measures of academic performance when selecting a school, other factors like proximity to home, a well-known band program or football team, and after-school programs play a role too.²⁰ That's because parents understand the skills and habits that will bring their children success. They can see their children's diverse strengths and unique needs and they are uniquely positioned to recognize a school's "hidden curriculum"—that is the values that are being communicated, the culture, the general learning environment, school safety, disciplinary policies, how students are motivated and encouraged, and

opportunities for student leadership. ESAs build on this logic by recognizing parents as the primary educators and offering them the power to choose among multiple educational experiences, not just a single school. This is a powerful acknowledgement, particularly for low-income individuals who might not always feel like they have ultimate decision-making authority over issues that affect their families.

Some might argue that low-income parents aren't well informed about the relative quality of different educational providers, but this is a problem that can be easily addressed through better provision of and access to information about provider quality. For instance, high quality online providers can distinguish themselves by submitting their programs to an evaluation by professional organizations that have developed standards to rate the quality of online programs and course offerings, such as the INACOL National Standards for Quality Online Courses. Further, ESAs can already be used to pay for contracted services from a local school district. Families who lack confidence in deciding how to spend their ESA could contract with a guidance counselor to help to guide spending decisions. One illustrative example of what this would look like in practice is provided by the Course Choice Counselor Assistance Center, which is an office of the Louisiana Department of Education that's staffed by school counselors who are available to assist parents in choosing supplemental courses as part of that state's Course Choice program.

ESAs Can Promote Equity

As described already, ESAs have the potential to amplify parent voice, but to further the goal of equity, policy should take the next step of weighting ESAs so as to provide higher-value disbursements to low-income students, students with disabilities, and those who are classified as

“hard to serve” for other reasons. This financial incentive would encourage operators to tailor their offerings to students with the greatest needs. Florida’s Gardiner Scholarship program already takes this approach by varying the amount of funding provided to students depending on their specific disability. In states that expand ESAs for other categories of students, a weighted approach to funding low-income students might incentivize the development of high-quality career and technical education courses, the provision of advanced coursework not currently available at a local high school, dual enrollment in college courses, or intensive remediation for students who might not otherwise be on track for on-time graduation.

Evidence from educational providers who already operate in a competitive environment supports this hypothesis of providers catering their services to better serve students. For example, when asked to comment on the strengths and weaknesses of a fully online charter school in Pennsylvania, one student said, “The strengths are that Sun Tech gives me the attention that I need and ask for. They also don’t hesitate nor do they take long to respond back when asked a question. I love that Sun Tech has a Help Desk Hotline for students to call if they have any problems.”²¹

Beyond online charter schools, there already exists a wealth of supplemental online learning resources and tools available for purchase. Without policy intervention, these providers are likely to cater their services to those who are already advantaged. Weighted ESAs are a viable strategy to redirect attention to the underserved by incentivizing operators to focus on them.

ESAs Redefine “Public Education”

Some will reject ESAs and criticize the families who choose them because a traditional system of publicly funded, uniform, common schools is held up as a bulwark of democracy. That vision is noble and appealing, but it’s an illusion because it has never been uniformly achieved in this country. Public schools are stratified by race and by income because neighborhoods are stratified along these lines.²² By unshackling school assignment from residence, expanded school choice could actually help to ameliorate this problem.²³ For instance, in the first year of the statewide expansion of the Louisiana Scholarship Program, 24 percent of voucher users used the funds to attend a private school that was outside of their school district lines. ESAs go one step further by allowing families to opt into multiple educational experiences that can expose children to varied peer groups in many different educational contexts.

Public education is an idea, a value, and a moral imperative, but it is not a particular set of buildings or collection of staff members. That distinction matters and ESAs go a long way towards reconceptualizing education so that students are at the center of policy efforts, and not institutions.

ESAs Exert Downward Pressure on Prices

The key distinguishing characteristic of an ESA is that it can be subdivided, giving the user the power of the purse. While vouchers and tax credit scholarships are one way for the state to financially support parents’ right and duty to choose the educational experiences that will best deliver the moral, intellectual, physical, and social education for their children, these school choice programs don’t allow for very much price differentiation. ESAs, on the other hand, encourage parents to be cost conscious. For instance, Arizona ESA spending data reveals that in

2011-12, parents saved 43 percent of their ESA money for future expenses.²⁴ By prompting parents to consider tradeoffs in their choices about how to spend ESA dollars, this policy innovation promotes the efficient use of scarce resources.

Flexibility and Customization Spur Innovation

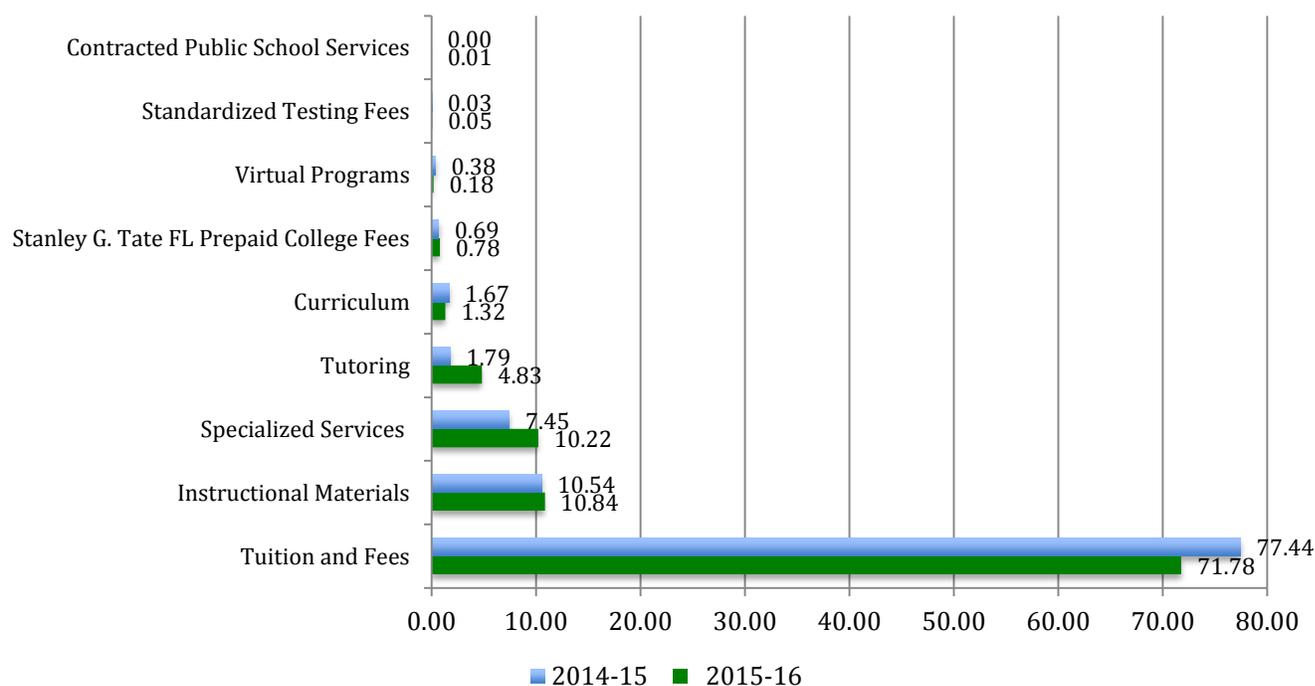
American education needs ambitious change and creative, fresh policies. We must explore the avenues for personalization that recent technological advances have opened up and ESAs offer the best hope of doing so by creating a system in which individual preferences, creativity, ingenuity, and enterprise are granted full expression.

With the spread of online learning, the single, authoritative teacher's manual of lesson plans and resources has gone the way of the Rolodex. In the past, effective teachers would pull together lesson plans by drawing on ideas and resources from one or more textbooks. Today, they mine comprehensive online lesson plan banks and download or purchase millions of dollars worth of resources and aids, often at personal expense. ESA programs offer a way for parents to do the same, with the state footing the bill for many of the educational resources identified. Instead of relying on free "open educational resources," a growth in ESA programs would incentivize high-quality content generation and open up a funding stream for project-based curriculum providers such as Educurious and New Tech Network.²⁵

Although parents might be slow to break from the norm of spending education dollars in one place and simply use the ESA to pay for private school tuition, the evidence suggests that parents grow more confident with customization over time. Spending data from ESA users in Arizona and Florida reveal that parents value and take advantage of the flexibility to customize their child's educational experience when awarded an ESA. Between September 2011 and March

2013, a third of Arizona ESA holders customized their child's education by purchasing multiple educational products or services, instead of treating the ESA like a voucher and simply using it to pay for private school tuition.²⁶ Likewise, if we examine trends in Florida ESA spending patterns shown in figure 2, we can see that parents were more likely to purchase specialized services and tutoring in 2015-16 than in the previous year, and used a lower percent of their ESA funds to pay for enrollment tuition and fees in 2015-16 than they had in 2014-15 (72 percent compared to 77 percent).²⁷

Figure 2: Percent of ESA Funds Spent, by Category



Policy Lessons and Remaining Questions

After close to three decades of experimentation with school choice policies, reformers have learned a number of valuable lessons that should inform the implementation of ESAs.

Lesson One: Address the Transportation Issue

Transportation costs should be a permissible ESA expenditure, and auditors should be flexible about what providers are approved. While many states have addressed the transportation barrier in the charter context, it's been more challenging to solve in the context of vouchers and tax credit scholarships because of the efficiency costs imposed by extending an existing bus route to serve private schools that only a handful of student may attend.

One solution is to allow families to contract with ride-sharing services. Companies like Uber and Lyft use mobile technology to serve as a mediator between users with transportation needs and drivers acting as independent contractors. Many parents already take advantage of these services for older children who may need to be shuttled to after-school programs, basketball, soccer, tutoring, or music lessons. Companies like HopSkipDrive, Kango, Zum, and Shuddle (which shut down in April, 2016) are already leveraging the mobility application approach to target families with children aged seven to seventeen years old. Safety precautions for drivers wishing to contract with these companies include vehicle safety inspections, fingerprinting, reference checks, an in-person interview, and a requirement that the driver have previous childcare experience. At HopSkipDrive, drivers wear recognizable orange t-shirts and the drivers and children they are transporting must share a code word upon arrival to ensure the right pair has found each other. Allowing ESAs to pay for transportation services of this nature would be especially helpful for low-income families, where caregiving may be shared between

several family members residing at different addresses and in which the primary caregiver might work shifts that don't line up neatly with a typical school day.

Lesson Two: Implement Scaled Eligibility Thresholds

ESA policy can address equity concerns by scaling eligibility thresholds, using financial incentives to make the hardest to serve students the most attractive to cater to. This is crucial if the goal of equity is a sincere one. Furthermore, a targeted ESA program that restricts eligibility based on family income should include provisions that allow parent income to grow for several years without families losing eligibility. Although many voucher programs do feature such provisions, they are often not generous enough. North Carolina parents who were awarded an “Opportunity Scholarship” but declined to use one despite being eligible reported the following: “I did not want to move my child to a private school then have the possibility of having to move them out of their newly developed social network the next school year if I did not get the scholarship the following year.”²⁸

Lesson Three: ESA Parents Will Need Advocates

Parents in an ESA environment will need an advocate—someone with their interest in mind who can operate as an educational advisor. Florida’s Gardiner Scholarship program permits parents to contract with a school district to pay for individualized services such as a school counselor with ESA funds. As ESAs grow, it would be easy to see this role develop, as counselors build expertise and experience with helping parents to choose how to best allocate their ESA dollars. Other states should keep this mind as they determine approved and unapproved spending categories.

Remaining Questions:

Because ESAs represent a dramatic new direction for school choice policy, there are a number of issues that cannot be informed by prior experience with private school choice and charter policies. Specifically, there are four sets of questions that need to be addressed if we are to avoid getting sand in the wheels of the ESA vehicle.

1. To make good choices, parents will need detailed and reliable information. This raises important questions about who should provide quality assurance in an ESA world. For instance, we must think carefully about identifying the appropriate entities that will certify the value of a highly customized high school diploma that will have been uniquely assembled using the services of multiple educational providers and services. College admissions officers in particular will undoubtedly raise concerns about this issue as they weigh the value of one high school “transcript” over another.
2. Related to the first point, states will need to figure out how to manage the administrative burden of overseeing ESA programs as they expand. Audits of ESA expenditures are essential for accountability purposes, but they can also provide researchers with rich and useful information about parents’ spending choices. There will clearly be an opening here for entrepreneurs and software developers to build administrative tools to track, document, and publicly share the trends in ESA spending patterns.
3. The question of information diffusion is relevant for providers as well as consumers. In order to respond to competition productively, providers themselves must be informed about which practices their more successful competitors are employing. Many current voucher programs accomplish this goal by requiring participating schools to report

students' standardized test results. Some states like Louisiana even grade the voucher schools on an A through F scale using an accountability system that's very similar to the public school system. Interested competitors can use this information to identify the high-fliers and attempt to emulate those schools' practices and policies. Thoughtful regulations established now—such as fines for providers who fail to meet minimum standards for data reporting—can set the stage for the sharing of outcome data as the ESA marketplace grows.

4. Nonetheless, policymakers should restrain efforts to devise aggressive regulations. Regulation should be flexible enough to allow providers to emulate good practices but policymakers should reject non-essential bureaucratic rules that require innovators and entrepreneurs to jump through tiny hoops. A misstep in this regard would run the risk of chilling creative experimentation and dampening the incentive for ambitious and creative providers to devise new products and services. Rolling back regulatory creep is also important if traditional public schools are to compete in an ESA environment, where existing bureaucratic rules may impede their ability to attract potential students on a level playing field.
5. If so much of the teaching and learning enterprise moves online, how will states maintain data security? The track record of some of the world's largest companies and governments is less than reassuring on this front. In 2016 alone, Yahoo—one of the largest internet companies in the world—revealed that a 2013 data breach had affected over a billion users and the Bangladeshi central bank was the victim of an \$81 million dollar cyber heist. Software developers and hardware engineers have had over two decades to get this right; educational entrepreneurs will be much newer to the scene. State

level policies will need to establish strong incentives so that these actors prioritize security, such as requiring public disclosure of data breaches and enforcing appropriate sanctions. As the digital learning sector looks set to balloon thanks to the addition of new ESA funding streams, the time to address such data security problems is now.

Conclusion

For the first half of the twentieth century, education reform was primarily focused on expanding access. Students with disabilities, English language learners, students from low-income backgrounds, and minorities were offered new educational opportunities with the goal of maximizing access to educational services for all students. Modern education reforms continue pushing progress towards this goal but have also featured a reorientation towards promoting excellence. The test based accountability movement, the emphasis on standards, and the expansion of services and programs for gifted and talented students have presented a new challenge for policymakers to meet, but the enormity of the task ahead of us is no reason to scale down our ambitions. Vouchers and tax credit scholarships have played a crucial role in recent decades by expanding access to superior learning opportunities for the poor and the marginalized, but ESAs have the potential to offer a more effective vehicle to employ from this point forward if we wish to meet the twin goals of expanding access *and* promoting excellence for all students, and doing so in a cost-conscious way.

ESAs promote excellence by expanding access to school choice in a manner that unbundles a financial award so that families are empowered to spend their education dollars flexibly, highly personalizing their child's educational experiences to ensure that a specific learning deficit can be directly addressed by the best tool, service, resource, or tutor for that

need. Highly personalized investments like this impact the marketplace by generating a financial incentive for providers to innovate and experiment to meet a niche need.

ESAs also address equity concerns because of their family-centered design, which puts parents in control. That is, under this program design, parents, not bureaucrats, are the ultimate decision makers about how the education dollars allocated for their child should be employed for maximum impact. This power shift has the potential to be incredibly empowering for marginalized parents who might otherwise have difficulty getting their voices and preferences heard. ESAs also support low-income parents by alleviating the financial worries associated with hidden educational expenses that can appear during the school year.

Finally, ESAs promote efficiency in the deployment of educational resources by shedding light on educational costs, which frequently operate as a black box. As ESA usage spreads, unit-level price information revealed by ESA usage data can help researchers identify which programs and interventions deliver the maximum impact *for a given dollar amount*. The pairing of information on costs with information on program impact can ensure a progressive, fair, and equitable distribution of scarce resources in a society seeking to promote equity, efficiency, and excellence.

If we hope to see major advances in education, policy needs to focus on promoting flexible, affordable, and innovative opportunities that advance excellence, equity, and efficiency. Done right, ESAs offer just that.

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