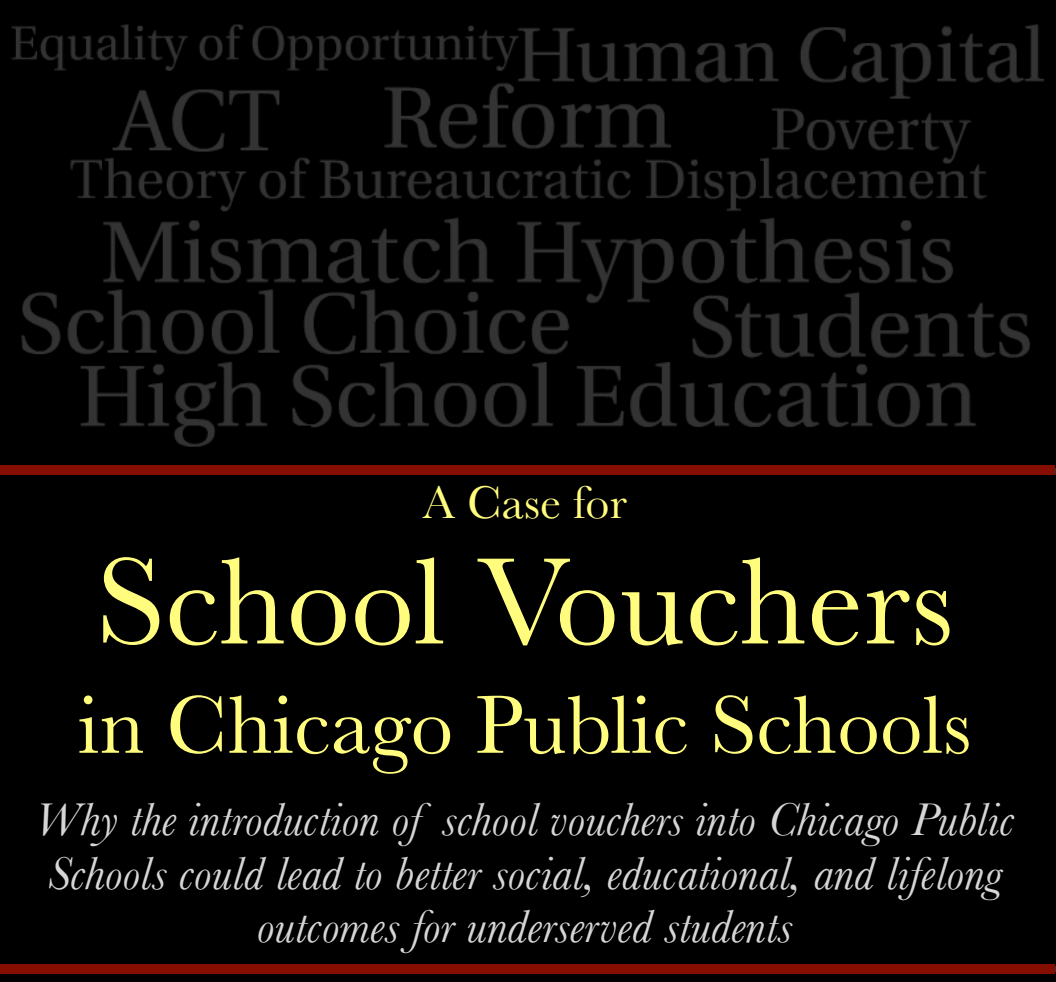


A Case for

School Vouchers

in Chicago Public Schools

Why the introduction of school vouchers into Chicago Public Schools could lead to better social, educational, and lifelong outcomes for underserved students

"Those who are without education and experience of truth would never be adequate stewards of a city."

-Plato, *The Republic*

To the reader,

The authors of this booklet would like to thank you for taking the time to read through the enclosed discussion about educational vouchers. We are convinced that this issue is one of the utmost importance, and we hope that the following pages convey our passion for this topic. The booklet is divided into four parts: a section discussing the state of Chicago Public Schools, a section discussing the current body of research on school vouchers, a section dedicated to looking into common misconceptions about vouchers, and a section going through the specifics of how vouchers could work in Chicago.

The booklet begins with an examination of how the United States compares to the rest of the industrialized world in terms of educational achievement, as measured by test scores. After segueing into a discussion of Illinois schools, the section then leads to an evaluation of the Chicago Public School (CPS) system. The second section describes school vouchers and the origins of the idea before examining the current body of scholarly research on the topic. This research comes from such places as Milwaukee, Florida, Cleveland, and Washington, D.C., all areas which have previously introduced vouchers. The third section examines eleven common arguments against school vouchers, drawing on empirical evidence to address each of their flaws in turn. Lastly, the booklet turns to the specific case of Chicago in order to properly judge how such a program would be implemented and how it would affect the Chicago school system.

We hope you will consider the case we make within these pages.

Thank you,

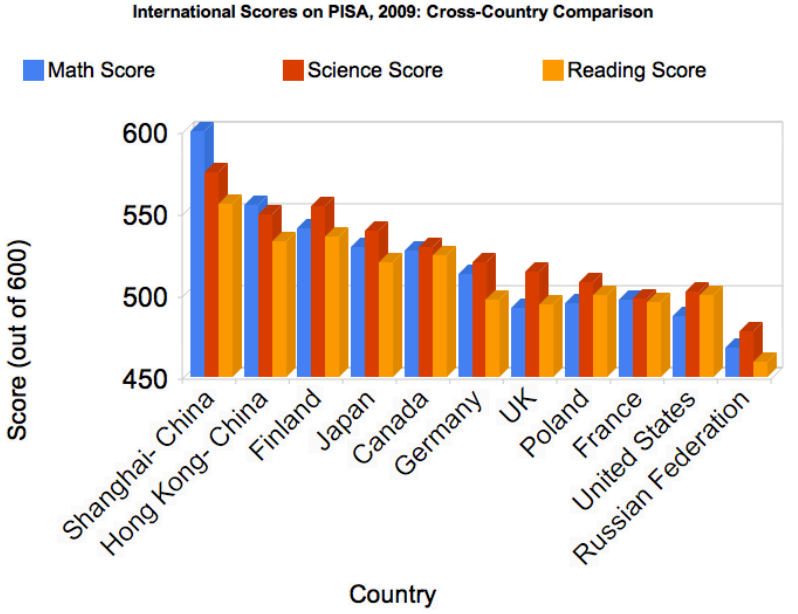
Northwestern Students for Education Reform

Section 1

Chicago Public Schools are "the worst in the nation."
–Former Secretary of Education William Bennett, 1981[1]

The public school system in the United States is largely responsible for the education of the 65-year-old cohort in the United States, which has the highest level of educational attainment for its age group in the world; however, the same system is responsible for the fact that the levels of education obtained by 21-year olds will languish in comparative mediocrity to the rest of the developed world.[2] Today, over half of American children fall below the threshold of problem solving skills considered necessary to meet workforce demands.[3] The dramatic slip in the quality of education that the average American school child receives, as measured by comparing international test scores and other measures of educational excellence, has metastasized into an issue of serious public concern.

Chart 1



Education at a Glance 2009: OECD Indicators. OECD. 2009. Web. <http://www.oecd.org/dataoecd/41/25/43636332.pdf>.

The Organization of Economic Cooperation and Development (OECD) is a collection of developed countries that seeks to "provide a forum in which governments can work together to share experiences and seek solutions to common problems."[4] The difference between average test scores of 15-year-olds from different socioeconomic backgrounds in the United States is the largest among OECD members.[3] Classic explanations for low results in education tend to blame the methods of calibration, not the system, for low performance. For instance, some claim that the recent influx of immigrants who must learn English as a second language are the reason for our low test scores.[5] However, four out of the five OECD countries that have higher immigrant populations than the United States have higher math scores.[6] As seen in Chart 1, in most recent test data of the 33 OECD countries, the United States ranks 22nd in science and 27th in math.[6] With a less educated workforce, the United States will face serious economic and social problems, including economic stratification, segregation, decreased productivity, stagnate standard of living increases, and a weakened economic and philosophic American hegemony. "It is an undeniable fact that countries who out-educate us today are going to out-compete us tomorrow," President Barack Obama stated in September 2011. "If we're serious about building an economy that lasts—an economy in which hard work pays off with the opportunity for solid middle-class jobs—we've got to get serious about education."[7]

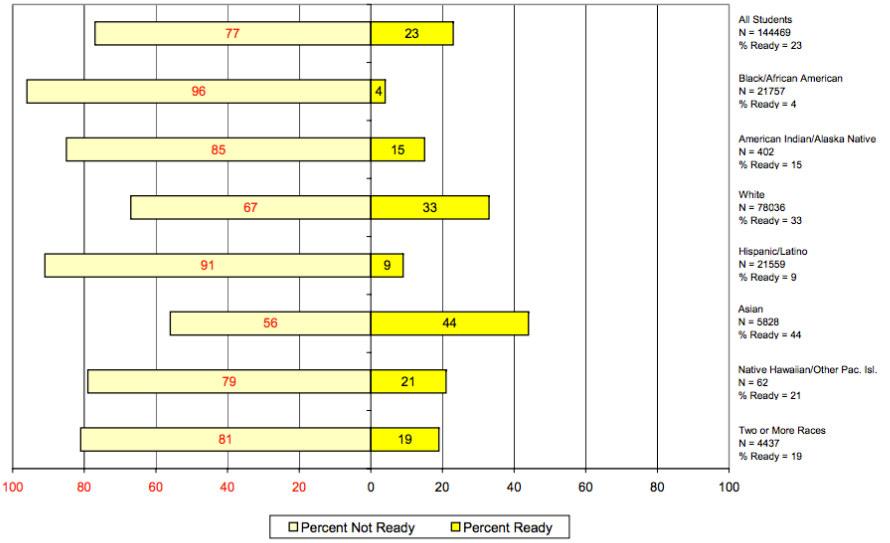
Education is critically linked to economic growth, and therefore vital to the future of our nation. As Stanford professor and education researcher Eric Hanushek recently wrote in The Wall Street Journal, "Over the past half century, countries with higher math and science skills have grown faster than those with lower-skilled populations."[8] He also notes that disparities in education--as exemplified by the abundant differences between inner-city Chicago public schools and elite, suburban private schools--lead to additional income inequality, a source of concern for many Americans. Furthermore, studies have consistently confirmed that education increases the level of a

Chart 2

ACT PROFILE REPORT - State: SECTION III, COLLEGE READINESS & THE IMPACT OF COURSE RIGOR
Graduating Class 2011
Total Students in Report: 144,469

PAGE 22
Code 149999
Illinois

Figure 3.5. Percent of Students Meeting ACT College Readiness Benchmark Scores by Race/Ethnicity[1]: ALL FOUR



ed. and comp. *ACT Profile Report: Graduating Class of 2014- Illinois*. Iowa City: The ACT Company, 2011. 22. Web.

country's "human capital"; the accumulation of human capital is often cited as being one of the most important determinants of a country's economic growth.[9] Thus, there will be a high price to pay for failing to reform the education system.

In Illinois, the problem only seems to worsen. All high school juniors are required to take the ACT as part of the Prairie State Achievement Exam (PSAE).[10] In 2010, only 23% of high school juniors in the state met the ACT benchmark for college readiness in all four categories (math, science, reading, English).[11] As can be seen Chart 2, only 4% of African Americans and 9% of Latino high school students met the benchmarks, a fact which is illustrative of a larger trend--wherein education is not an economic equalizer, but rather a method of stratification.

Nowhere are these problems more apparent than in Chicago, America's 3rd largest city,[12] where 41.6% of students identify as black, and 44.1% identify as Latino.[13] In addition, 87% of CPS students come from low-income households. According to a study done by the University of Chicago's Consortium on Chicago Public Schools Research, half of the students who attended a CPS school as freshmen in high school dropped out by the time they were seniors.[14] This number should be particularly alarming, given that a high school diploma is essentially a prerequisite for many jobs today.

There have been a bevy of reformers and crusaders who have sought to reverse the fortunes of CPS. These efforts have largely failed. A pair of the more recent efforts have included Rahm Emanuel's push to lengthen the school day[15] and the Renaissance 2010 program.[16] It is unlikely that teachers' unions will allow the lengthening of the school day.[17] Renaissance 2010 was a program emphasizing the creation of charter and turnaround schools.[18] Private investors, typically corporations or individuals, pumped over $50 million into forming these schools; however, the non-partisan Politics and Policy group at Northwestern University determined that the Renaissance 2010 program had not resulted in wholesale improvements as promised.[19] Indeed, though slightly over half of Renaissance 2010-sponsored elementary schools outperform the surrounding schools, there have been no detailed statistical analyses of the program to date to show that this program —wherein 103 schools received tens of millions of dollars in additional funding—does, indeed work. As a general conclusion, the Renaissance 2010 program likely had some positive effects—but was quite expensive, as well. Nonetheless, the program has continued under the auspicious title of "New Schools for Chicago."[20] For genuine improvement, Chicago must continue to look elsewhere, because the current complex mix of charter and magnet schools is not improving the education of the average student.

We cannot continue to fail our students by pursuing piecemeal and tepid reform any longer. America's education system currently relies on a "one size fits all" model, wherein all students are educated in the same core subjects for the same length of time. This assembly-line model addresses neither the strengths nor the deficits of most students. Indeed, our education system requires a full-scale overhaul. Individualized instruction and education plans could become a reality by giving parents and students a choice about where their child goes to school. Differentiation of content, instruction, and teaching styles will be the hallmark of an education market that thrives on successful outcomes for all students. By allowing parents to choose their child's educational environment, a system of school choice would eliminate the need for the one size fits all model for education. In such a system, if the size doesn't fit, if the education style doesn't meet the needs of a child, other schools exist to meet his needs. Why not give parents and students a choice about where they attend school?

Section 2
School Vouchers: Overview and Research

Far from being a reformers' pipe dream, school choice exists in various forms across the United States. The Foundation for Educational Choice indicates that school choice measures, from tuition tax credits to vouchers for students with disabilities, to corporate-funded voucher programs exist in sixteen states and the District of Columbia.[21] School choice measures cross political and geographic boundaries and exist as a necessity in some rural states, such as Maine and Vermont, whose remote, small towns lack the resources to adequately educate all students. Voucher programs specifically for students with disabilities have been a popular means to meet federal education regulations for students with disabilities. More recently, school vouchers and parent choice have become a potent tool to provide parents and students an alternative to failing urban public schools. In fact, 2011 was labelled "The Year of School Choice" by the *Wall Street Journal*.[22] In Section 2, we examine four voucher programs from across the United States, all of which seek to stimulate the educational market through parent choice and accountability to student success.

What is a school voucher? How does it work?

In theory, an educational voucher is a defined amount of money given to parents by the government to totally or partially subsidize their child's tuition at a private, parochial, or an alternative public school located outside the district in which a family resides. School vouchers, as they will be called in this booklet, can be universal, meaning that the government can provide them to everyone regardless of socioeconomic status, or "means-tested," in which the government can provide families whose income does not exceed a certain level. Most voucher programs in the United States are means-tested and at

this time, we believe that means-tested vouchers are more practical due to a smaller and more necessitous eligible population. Voucher programs may be funded several ways, including through federal grants, private donations, or state local funds. The latter is the most common form of voucher funding, because it uses money that would already have been spent on a pupil in their community school and allows parents to use that money at another school. By removing the child and his school aid from his community school, the cost to that school is merely one less student. In fact, most voucher programs provide parents with less money that the cost-per-pupil at a public school, saving the state and local property taxpayers money in the long run; this is because the cost of public school tends to be higher than the cost of private school.[23-4] Once parents know the amount of money they have to subsidize tuition at another school, their child must gain acceptance at a private, parochial, or alternative public school, to whom the voucher money is sent by the government for payment of tuition.

Who came up with this idea?

School choice, the idea that parents should be free to choose which school their child attends, has been a principle of free-market educational theorists for some time. However, the idea of a school voucher is attributed to economist Milton Friedman, largely due to his essay "The Role of Government in Education," which he penned in 1955.[25] Friedman postulated that when given the opportunity to choose, parents would enter the educational marketplace and the market would respond in the same way all markets do. Good schools will prosper. Bad schools will fail. Dr. and Mrs. Friedman stated their goal for American education succinctly:

> Our goal is to have a system in which every family in the U.S. will be able to choose for itself the school to which its children go. We are far from that ultimate result. If we had that a system of free

> choice we would also have a system of competition, innovation which would change the character of education.[25]

Since his 1955 essay, Friedman has innovated and fought for choices in the education market for every family in America. Sixteen states now have extensive school choices for students, especially in urban school districts. While school vouchers for every family and a free market in education is often cited as being the long-term goal of the school choice movement, it is important to note that neither Dr. Friedman, school choice advocates, nor the authors of the booklet seek the destruction of public schools or the commoditization of for-profit schools. We simply seek to enable every American to have access to a market in which public schools compete with their private and parochial counterparts in a market to which every American has access. Will this inevitably lead to the failure of some public, parochial, and private schools who fail their students? Yes. But it will also lead to the success of other schools in their stead, schools who meet the needs of families and educate children to strength the fiber of our Republic.

What problems with the educational system make vouchers necessary?

In Chicago, the five-year citywide graduation rate in 2011 was just 58.3%. This is an improvement from as low as 47% in 1999 and 2002. In some cohorts, such as black males, the graduation rate is a dismal 44%.[26] Clearly, a number of external problems contribute to these statistics, including socioeconomic status, teen pregnancy, criminal activity, drug use, etc. Regardless, the data indicate that something more must be done. Chicago already has plenty of charter schools. According to a report by Dr. Margaret Raymond, director of the CREDO Institute at Stanford University, Chicago is one of few locations nationwide where charter schools have posted statistically significant improvements in educational outcomes compared to conventional public schools.[27] These improvements and positive steps should

be congratulated but there is more work to be done. The nearly imperceptible pace of change in Chicago Public Schools and other large urban districts is detrimental to the future of our nation. Because of significant bureaucratic, governmental, and labor-based road blocks, the pace of change in community schools in Chicago will remain imperceptible indefinitely unless drastic change occurs outside the hierarchy of the CPS central office. Vouchers, money given directly to parents to pay for the cost of a private, parochial, or alternative private school, would open CPS to systemic change. When introduced to the free market, CPS schools would need to compete with their peers. Every student is guaranteed a suitable, free public education in the United States. Under a voucher program, this would not change. The difference between the current system and a voucher-based system is that a 58.3% graduation rate over five years would not be tolerated by the market. Such schools would fall under intense pressure to perform, lest they be replaced by improved schools.

Where are they currently used? Do they work? What evidence supports this?

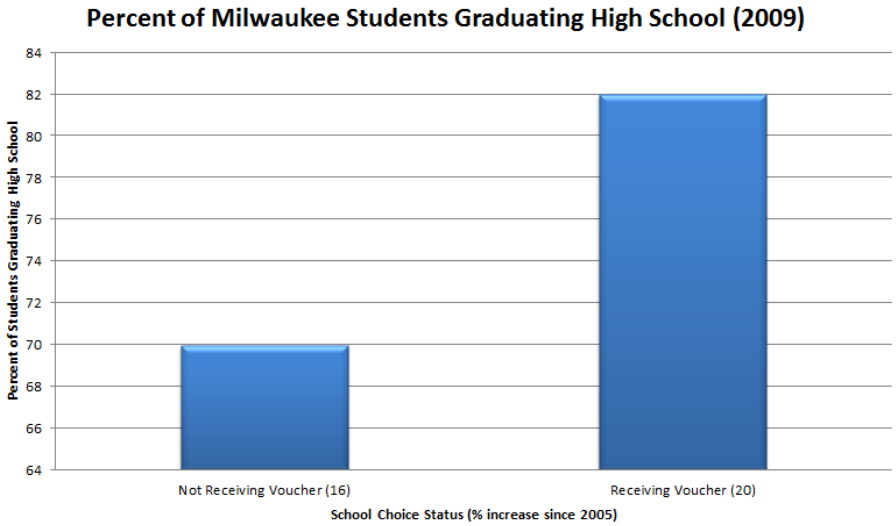
Several states, cities, and individual school districts have implemented voucher programs to great success. Programs in Washington, DC, Florida, and Milwaukee have been in operation for many years, affording families the opportunity to choose an alternative school for their children using the funds which would otherwise have been spent at their local public school. Each program listed above is a means-tested, defined-benefit program, meaning the vouchers are available only to families who fall below a certain income level. Indiana and Louisiana are the latest states to approve school voucher programs; these programs will go into effect in the coming years.

A wealth of quality research exists regarding the voucher programs that have been implemented in Washington, D.C., Florida, Cleveland, and Milwaukee.

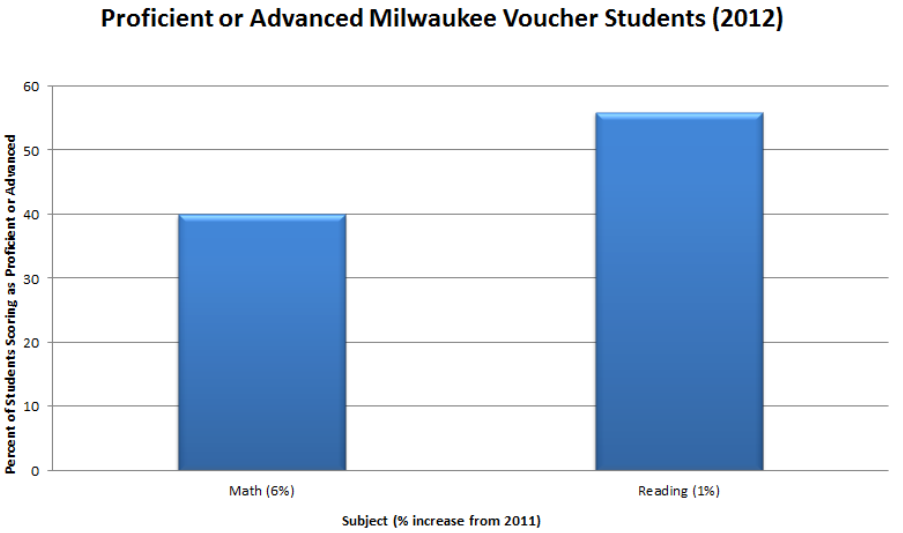
In this section, we will review the nonpartisan, professor-vetted research about these programs.

I. Milwaukee

That said, Milwaukee's voucher program, enacted in 1990 under Mayor John Norquist,[28] provided the first substantive glimpse into how vouchers could work in a large-scale, impoverished setting; today, the vouchers are worth $6,442, and there are nearly 21,000 students using a voucher.[29] The vouchers are means-tested, and at first were constrained to use at a non-sectarian school. Cecilia Rouse, a professor at Princeton, evaluated the program's effects in a 1997 paper for the National Bureau of Economic Research (NBER) that was published in the *Quarterly Journal of Economics*; this report became the flagship report on the early program's effectiveness.[30] In it, Rouse finds that students who took a voucher and attended another school showed robustly positive improvements on their math scores, with no effect on reading scores. Earlier this year Professor Patrick Wolf of the University of Arkansas (in conjunction with Professors John F. Witte and Jay P.



Peterson, Paul. "Graduation Rates Higher at Milwaukee Voucher Schools." *EducationNext*. (2011): n. page. Web. 10 May. 2012. <http://educationnext.org/graduation-rates-higher-at-milwaukee-voucher-schools/>.



Duncan, William. "Test scores improve for Milwaukee voucher schools, AP, 3/27/12." *Defending New Hampshire Public Education*. N.p., 28 Mar 2012. Web. 2 May 2012. <http://www.dnhpe.org/bills-in-the-2011-legislative-session/wisconsin/testscoresimproveformilwaukeevoucherschoolsap32712>.

Greene), who were previously tabbed to do a series of rigorous studies of Milwaukee's Parental Choice Program (by now, long since expanded to include religious schools), published their final analysis, "The Comprehensive Longitudinal Evaluation of the Milwaukee Parental Choice Program: Summary of Final Reports."[31] In it, they sum up the effects of the voucher program along many dimensions. They find that students attending private schools through vouchers are 4% more likely to graduate high school, 4% more likely to go to college (representing a nearly 20% increase in college attendance over their peers), and 6% more likely to continue on in college past freshman year than their peers. Furthermore, choice students show higher levels of achievement in reading, and similar gains in math. The voucher program led to the state saving $52 million in 2011, and confounded many voucher detractors by showing that the program did not affect racial segregation. Additionally, Milwaukee Public School students performed "at somewhat higher levels as a result of competitive pressures from the school

voucher program." Other studies have found that Milwaukee Public School students would have had sharply higher graduation rates if their students were exposed to vouchers.[32]

II. Cleveland

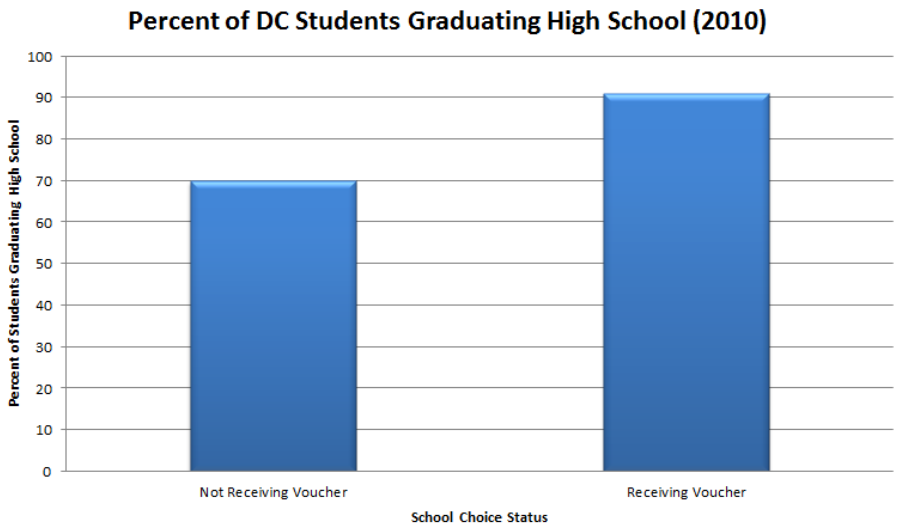
Cleveland's program went farther than Milwaukee's by opening up religious schools to take vouchers for K-8 students (which has recently been expanded to include high schoolers, as well) when it was founded in 1995. Found constitutional by the federal Supreme Court in Zelman vs. Simmons-Harris (as is discussed in the "Mythbusting" portion of this booklet), there are over 5,000 students using this program, with the voucher amount currently set at $3,450 per student (but set to rise substantially).[33] This program is not means-tested, in contrast with many similar programs throughout the United States; rather, the students must come from a district that is rated as either an "Academic Emergency" or an "Academic Watch" for two of the previous three years.[34] A study prepared by the Government Accountability Office in 2001 showed many findings similar to those in Milwaukee--the program was saving the city money, not affecting the area's racial demographics, and was having a neutral-to-small, positive impact on test scores.[35] A Harvard-led study on the program's effects after just two years showed that parents were much happier with their choice of private school than with the public school their child had been in before; they also reported more orderly classes and higher levels of discipline, both key problems in many urban schools.[36] The report noted that some schools had sharply positive test score improvements, even though the children receiving the vouchers were, economically speaking, significantly worse off than the average public school student. They concluded their report by stating that "the authors recommend that the Cleveland Scholarship Program should be continued and expanded by the State of Ohio."[36]

III. Washington, D.C.

Perhaps the most publicized voucher program currently operating in the United States comes from the nation's capital. The DC Opportunity Scholarship was authorized by Congress in 2003, was phased out in 2009,[37] and was brought back in 2011, partly because opinion polls found that nearly three-quarters of D.C. residents wanted the program expanded.[38] The massive, bipartisan support for this program comes largely out of respect for its results--voucher recipients graduated high school at a 91% clip--remarkable in a city where public school students only graduate 56% of the time (those who applied for a voucher but did not receive one graduated 70% of the time).[39] According to a U.S. Department of Education report, the program, serving nearly 2,000 students, also has sharply positive effects on how parents view the safety and overall quality of the school their child is attending.[40] And though test score gains are not dramatic, there is evidence that students receiving vouchers showed gains in their reading scores. Nonetheless, the sharp increase in graduation rates alone should be enough to show how choice's positive impact can lessen the achievement gap and promote better educational outcomes; this fact was undoubtedly not lost on D.C. constituents, over 80% of whom favor continuing the D.C. Opportunity Scholarship program.[41]

IV. Florida

Florida, long considered a harbinger of education reform, introduced a voucher program called the Opportunity Scholarship Program in 1999.[42] Florida has particular relevance to Illinois in that, due to a constitution that strictly prohibits public funds going to religious purposes, reformers there were forced to come up with a replacement to the Opportunity Scholarship Program when Florida's Supreme Court declared it to be in conflict with Florida's constitution in 2006. Before this program came to an untimely end, a series of studies looking into its efficacy were done; several groups of researchers, including professors from Harvard and the University of



Peterson, Paul. "School Vouchers in DC Produce Gains in Both Test Scores and Graduation Rates." *Educationnext*. N.p., 26 June 2010. Web. 2 May 2012. <http://educationnext.org/school-vouchers-in-dc-produce-gains-in-both-test-scores-and-graduation-rates/>.

Arkansas, in addition to current Northwestern professor David Figlio, found that the ABCDF system Florida was using led to strong test score gains.[43] Further analysis by New York Federal Reserve economist Rajashri Chakrabarti penned a paper on this program's effects, particularly by looking at schools receiving a grade of "F," writing that:

> In reading, relative to the base year, F-schools showed a 3.6 percent improvement in the first year after the program, a 4.2 percent improvement after the second year, and a 6.3 percent improvement after the third year. In math, F-schools showed a 3.4 percent, 4.2 percent, and 4.5 percent improvement in the first, second, and third years, respectively, after implementation of the program. In writing, the percentage improvement was around 15 percent. At the end of 2002 (three years after program implementation), the pre-program gap between F-schools and C-schools was closed by 37.08 percent in reading, 30.31 percent in math, and around 75 percent in writing.[44]

Admittedly, researchers cannot prove that these gains are entirely based on vouchers; it is plausible to assume that some of these gains come as a result of schools trying to avoid a D or F label. Due to this fact, our own voucher proposal includes a similar accountability system, which will be further explained later in this booklet.

The Opportunity Scholarship Program was replaced by an expanded tax credit scholarship program, wherein voluntary, tax-deductible contributions are used to fund a student's tuition at a private school, a design that could substitute for a typical voucher program should Illinois lawmakers be wary of potential constitutional violations. As is stated on Florida's Department of Education webpage, "The law provides for state tax credits for contributions to nonprofit scholarship funding organizations, called SFOs. The SFO's then award scholarships to eligible children of families that have limited financial resources."[45] This scholarship program, as studied by Professor Figlio, was found to have a positive impact on public schools, which was attributed to the effects of competition.[46] This finding is consistent with the rest of the literature showing that the voucher program had positive effects on both public school and private school students in Florida.

Perhaps the most unique part of Florida's voucher program is the McKay Scholarship Program, which allowed 22,198 students with disabilities to attend a private school of their choice in the 2010-2011 school year.[47] This venture provides large, variable-sized scholarships (ranging from over $7,000 to over $19,000, given a host of considerations) to these students. Parents seem to be much happier with this arrangement, reporting that 86% of the private schools were meeting the necessary requirements for educating their children. In public schools, this number was a paltry 30.2%.[48] Most interestingly, perhaps, is that another microcosm of market behavior shows up here, as well--when the demand for private special education services rose, so did the supply; over 1,000 schools now accept McKay vouchers, an increase of over 200 from just four years prior. Once again, Florida provides

valuable evidence that the market for educational services is not as abnormal as voucher detractors claim.

General Conclusions

Most states have some form of school choice mechanism, whether it be tax credits, like in Iowa, or scholarships for students with disabilities, like in Georgia.[21] We have profiled the major examples that have been the focus of rigorous studies, but this list is by no means exhaustive. All told, however, the research on school vouchers is unambiguous. It has been repeatedly found that school vouchers have small positive effects on test scores (for students leaving public schools and for students in public schools). Furthermore, there are large positive effects on graduation rates, and sharp increases in parental satisfaction as well--which probably helps to explain why the American public as a whole, and particularly African-Americans and Hispanics, favor implementing vouchers.[49] Amidst these results, states save tens of millions of dollars, which is crucial in times such as these, when so many states are struggling to make ends meet. Illinois is no exception.

Momentarily putting aside the empirical benefits of a voucher program that we have outlined above, we would now like to touch on the more philosophical and theoretical rationale for such a program. First, the most direct effect of school vouchers is that they take money for education out of the hands of a government bureaucracy and put it back into the hands where it belongs: those of the parents. Arguably the most important aspect of a child's education is his or her parental involvement. The more involved the parents, the greater the likelihood of success for the child. Ultimately, parents know what kind of school would suit their child best, yet under the current public school system parents often do not have the opportunity or resources to send their child to this school.

A public school system with no competition results in a majority-rule method of allocating funds and resources to the schools. While majority-rule is a good concept, it is unnecessary in the market (in this case, the market for education). An ideal system, with schools competing and freedom of choice for students, would be far from a majority-rule system. Instead, a system allowing individual rule would emerge. Through the decision of which school to send their children to, parents would be 'voting' in the market. And, unlike voting in the ballot box, here each family gets exactly what they voted for.[50]

Education is fundamentally no different than any other good or service traded in the free market. And, like other goods and services, competition in the market is the biggest determinant of quality and price. Selecting a school with a voucher would be the same as shopping for a material product. Families and their children, the buyers, want to receive the best value in terms of quality of education for their money. Public and private schools, the sellers, flourish by offering the best education for the lowest price.

Competition in the education sector already exists to some degree between private schools. These schools do not receive public funding, so costs must be maintained at a low level in order to keep tuition low. As mentioned earlier in our proposal, the average cost of private school in the U.S. is much lower than the cost per student of public school. This is made possible partly because funds, in an effort to keep expenses low, are allocated in an efficient manner, just as they are in a successful small business.

Perhaps the most important result of competition is innovation. The U.S. is the most innovative country in the world, yet lately the country's education system has seen very few, if any, innovative breakthroughs. In fact, the quality of education in the U.S. has been on the decline.[51] The editors of this booklet believe that innovative breakthroughs in the field of education would help increase educational quality in the U.S.

Opponents to voucher programs, or any programs that result in competition among schools, often make the argument that they will lead to the poor being forced to attend the schools of lowest quality. Putting aside the fact that this is already the case under the current education system, this argument is fundamentally flawed. Yes, a poor family may not be able to send their child to a prestigious private boarding school that charges exorbitant tuition. They will, however, have the opportunity to pick from one of several relatively low-cost private schools in addition to their public school. The costs of many schools in a competitive system will necessarily decrease to the point where low income families have decent options available.

Now that the research on vouchers has been laid out, we will turn our attention to discussing common misconceptions held by opponents of voucher programs before laying out a plan for how a voucher program could work in Chicago.

Section 3
Common Misconceptions

1) School vouchers are unconstitutional since they violate the separation between church and state.

The Supreme Court has already weighed in on the belief that school vouchers are unconstitutional since they allow public funds to go to private, religious schools. In a 2002 decision, Zelman vs. Simmons-Harris, the Supreme Court ruled that the voucher program in place in Cleveland did not violate the Constitution's separation of church and state.[52]

At the state level, the picture is a bit murkier. Illinois' Constitution strictly prohibits the use of public money for religious purposes.[53] Without changing the wording of the constitution, as was attempted in Florida,[54] there are several ways around this. First, the Florida Supreme Court, despite ending Florida's original voucher program over concerns about constitutionality,[42] has not ended the McKay Scholarship voucher program, though it also uses public money for religious schools.[55] Additionally, if proponents of this reform are concerned about how the Illinois Supreme Court might rule, a voucher program could be created with the use of private funds (like Renaissance 2010), or tuition tax credits, in lieu of a traditional voucher program. These would serve the same purpose without compromising the program's intentions.

2) School voucher programs take money from public schools, worsening those schools.

One ubiquitous talking point about education reform is that our schools are underfunded; therefore, there is support for the idea that simply increasing educational expenditures will help solve the problems currently found in public schools, while introducing vouchers will leave these schools with even

fewer funds. While it would seem logical to believe that increases in funds would lead to better student outcomes, the data do not support this fact; over the past forty years, real per-student spending has more than doubled. Meanwhile, over that time span, test scores have barely budged for 17-year-olds.[48,56] The economics literature, as summarized by Professor Hanushek, finds little empirical support for the idea that increasing spending on education will lead to better student outcomes.[57] Similarly, simple international comparisons show that the United States is far outspending other countries while receiving far worse returns (South Korea, for example, spends $3,759/student, while the U.S. spends $7,743/student, though the U.S. ranks 27th in math while South Korea ranks 2nd).[3,58] This perverse relationship between money and test scores that shows up in the international data was encapsulated several decades ago in what Milton Friedman referred to as the "Theory of Bureaucratic Displacement," as developed by Dr. Max Gammon.[50] This theory holds that, for institutions such as education (or health care, the original field that Dr. Gammon studied), additional spending lowers productivity and worsens outcomes.

For those who are not sated by these assurances, the fact remains that, as discussed later in this booklet, voucher programs save states significant amounts of money, which could be put back into education if need be. Furthermore, vouchers *have not* drained public schools of funding in actuality; Milwaukee and Cleveland, for example, saw real per-pupil spending rise in the years after vouchers were introduced.[59]

3) School vouchers lead to wealth transfer and further economic segregation.

An economics professor at Northwestern University noted his concern that a voucher program could act as a wealth transfer to families who already had the funds to send their children to private schools. However, we firmly believe that any such adverse effects are duly cancelled by the positive

impact of a voucher program on low-income students; in fact, we believe that such a wealth transfer--though in reality, many children in inner-city private schools still have poor parents--is easily outweighed by the benefits of this program. In fact, we think that the evidence is clear--leaving students stuck in a failing public school is the most salient economic method of stratification. With a choice of school, students have a much stronger likelihood of realizing their potential and moving up the economic ladder.

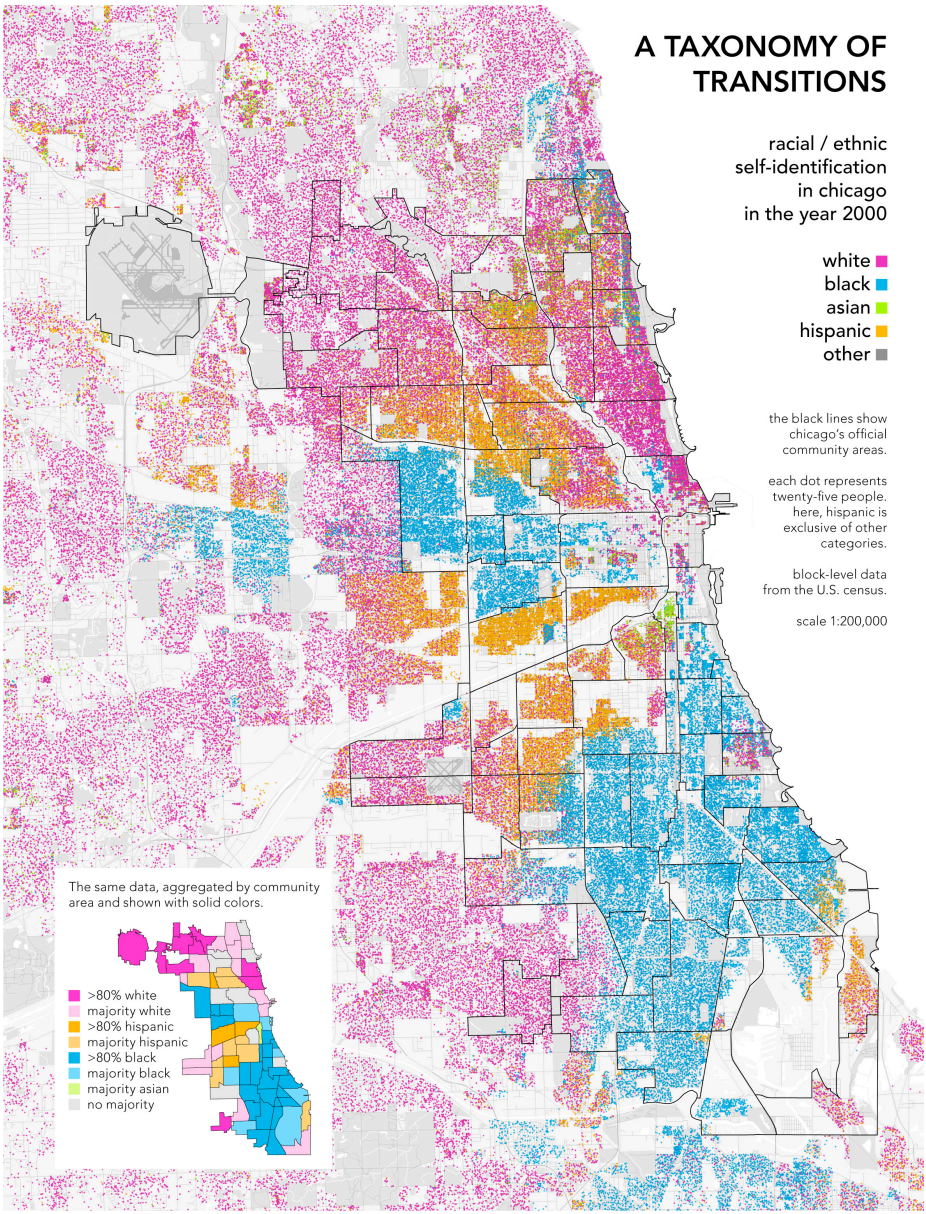
4) Vouchers increase racial segregation.

Race and demographics play an instrumental role in any discussion of schooling, as the two have been intertwined for decades. For the generation before ours, the issue of forced busing still stands out; for the generation before them, the educational disparities caused by the "separate-but-equal" doctrine come to mind. These policies have had long-lasting effects in the United States, and it is reasonable to be concerned about how vouchers could change the demographic makeup of schools.

Unfortunately, Chicago, as this graph shows, is the most segregated big city in the United States; in the 2011-2012 academic year, 85.7% of CPS students were black or Latino while 8.8% were white--though only 61.8% of the city's population was black or Latino, and 45% was white.[13, 60]

From this, the reasonable conclusion can be drawn that black and Latino students are disproportionately drawn into public schools, while white students are often sent to private schools. With this in mind, then, vouchers should theoretically *decrease* the racial segregation of a city's schools, and this theory is supported by studies from Ohio, Milwaukee, and other voucher programs, as will be discussed below.

To start, it is necessary to address the implicit assumption that public schools are better at dealing with integration than are public schools. A 1998 paper



Rankin, Bill. *A Taxonomy of Transitions*. 2009. Map. radicalcartography, Chicago. Web. 20 April 2012. <http://www.radicalcartography.net/index.html?chicagodots>.

by Professor Greene and Professor Nicole Mellow, now of Williams College, looked at how public schools and private schools compared in terms of lunchroom integration. They found that private schools encouraged greater integration amongst their students, which the authors explained by writing that "public schools tend to replicate and reinforce racial segregation in housing. Because private schools do not require that their students live in particular neighborhoods, they can more easily overcome segregation in housing to provide integration in school."[61]

A 2006 analysis of the Cleveland voucher program corroborated this effect. Upon analysis of the racial composition of both the public schools that students had attended, and the private schools those students moved into, the author (Dr. Greg Forster, a Senior Fellow at the Friedman Foundation) found that vouchers allowed students to move into private schools that were far less segregated.[62] Further research by Forster concluded that the Milwaukee program had led to similar integration, while the official 2010 report on the effects of the Milwaukee voucher program on school integration showed that the program had a neutral effect on racial integration.[63] As summarized in the official report, entitled "The Milwaukee Parental Choice Program's Effect on School Integration," cites a wide body of previous research on this issue, ranging from Milwaukee to D.C. The results are unequivocal; due to serious levels of housing segregation in major metropolitan areas (explained, in part, by Harvard economist Thomas Schelling's "Tipping Point" model), public schools are seriously segregated by race, so much so that allowing students to leave for private schools leads to increased levels of integration.[64] This result was found repeatedly in Milwaukee, D.C., and Ohio.

What should be clear after reviewing these facts is that the United States, one of the freest societies in the world, and one that prides itself on the social mobility of its citizens, has implicitly created a system of educational apartheid. African-American and Latino students are sorted into failing public schools by virtue of living in certain neighborhoods and then,

unsurprisingly, fail themselves, creating a vicious cycle of poverty that undermines the basic tenets of the American Dream. The desegregation a voucher program would induce would help give these students the types of educational opportunities that more privileged students already have.

5) Vouchers worsen educational outcomes.

This myth is largely just a scare tactic used by opponents of school reform. A summary of the literature on school choice, as described within these pages, echoes what the University of Arkansas' Center on School Choice's Patrick Wolf recently described in *The Wall Street Journal*. He summarized school choice's effects as being unambiguously positive for graduation rates, mildly positive for test scores, and never negative.[65] Indeed, as we have also summarized, vouchers lead to significant increases in graduation rates and school satisfaction, and typically have a positive effect—and at worst, no effect—on test scores. Past this, competition has also been shown to increase teacher quality and to have positive effects on students still in public schools, according to research papers by Hanushek and Figlio.[66-7]

6) Vouchers lead to cream-skimming.

Besides segregation, the notion that vouchers take the best students from public schools while leaving the worst students behind in deteriorating schools, an idea known as "cream-skimming," is perhaps the most common argument against vouchers.

This concern seems relevant, especially if one believes that the students leaving public schools are necessarily the public school's best students. Using that assumption, early theoretical models of vouchers showed that cream-skimming effects were fragile and largely contingent on the presence of policies such as "tracking," where students are put into different classrooms based on their ability levels.[68] A 2010 update of that paper,

originally published in 1998 by Professors Dennis Epple and Richard Romano, found that voucher programs can also reap the benefits of choice without cream-skimming, and that competitive effects are perhaps more important.[69]

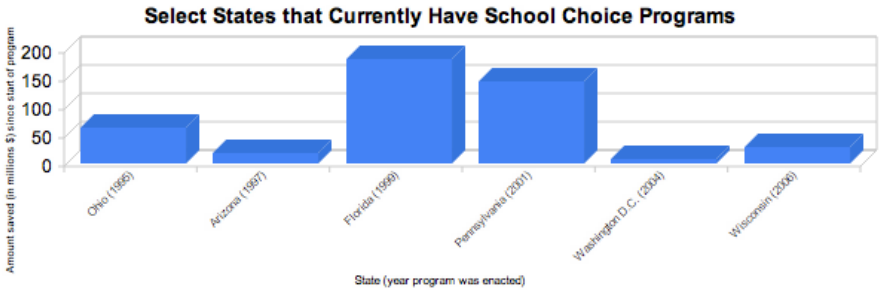
The assumption that vouchers take the best students out of public schools deserves scrutiny, for it makes two additional assumptions. First, this criticism betrays the belief that it is better for high-ability students to remain mired in a poor academic environment, at the expense of their future success, rather than allowing them to flourish at a better school. This is not the way we should view education; rather, we should be focusing on improving outcomes for *all* students, and if one student can get a better education at a different school, it is draconian for policymakers to deny them that access. Secondly, especially with the enactment of the McKay scholarship program in Florida for children with disabilities, it is not a given fact that vouchers take the best students--in Florida, for example, vouchers take students who objectively tend to perform worse on standardized tests.[48]

Indeed, in the real world outside of economic theory, it has become gradually more and more accepted that means-tested voucher programs *do not* skim the best students from public schools.[70-1] This is largely due to the "Mismatch Hypothesis," which postures that both high and low achieving students will leave the public school system when given access to vouchers.[70] The mismatch hypothesis recognizes that students who are mismatched to a certain school, and especially to the level of instruction they receive in said school, are more likely to select into a private school than those who are relatively successful in a public school. Indeed, a trio of researchers at Northwestern University, including Professor Figlio, found that for the Florida Corporate Tax Credit Scholarship Program, "the lowest-performing students are the ones most likely to select into the scholarship program," a result that provides hard evidence for this hypothesis.[72] One of the researchers who published that paper in the *Economics of Education Review*

journal, Professor Cassandra Hart (now of the University of California, Davis), did a follow-up analysis, again concluding in a 2011 paper that in Florida the mismatch hypothesis was far more salient than any cream-skimming effects. Thus, for means-tested voucher programs, the evidence seems to be fairly clear that the effects of the mismatch hypothesis are larger than any cream-skimming effects.

7) Voucher programs are expensive and difficult to implement.

As detailed in the graph below, and descriptively throughout this booklet, school voucher programs tend to save governments very large sums of money; Milwaukee, for example, was estimated to have saved $51.9 million during 2011 as a result of the program.[73] This is more than enough to cover the administrative costs of implementing this program and distributing information on school choice to parents.



Aud, Susan. "School Choice By the Numbers: The Fiscal Effect of School Choice Programs, 1990-2006."*School Choice Issues In Depth*. Milton and Rose D. Friedman Foundation for Educational Choice, Apr 2007. Web. 20 Apr 2012. <http://heartland.org/sites/all/modules/custom/heartland_migration/files/pdfs/21956.pdf>.

8) Voucher programs lead to increased secularization and government control over private schools.

While it is true that governments may require private schools to conform to certain standards and regulations—i.e., mandatory statewide standardized testing—the private schools still have a choice to accept the voucher; their compliance is not compulsory. Furthermore, it would seem that taking

students from public schools and putting them into private schools—a decentralization of the education process—would be beneficial, as it would expose more children to private schooling, even if some regulations are adopted by these private institutions.

9) School voucher programs lead to an increase in gang violence since kids are forced to travel across gang boundaries to get to school.

Gang violence is no doubt a major problem in cities like Chicago and certainly a cause for concern. However, school vouchers have not been shown to lead to increased gang violence. Parents of voucher students have the choice of where to send their child to school, and whether or not to enroll in the voucher program at all. If parents find that their children are exposed to gang violence they can simply opt out of the voucher program. Parental satisfaction with school vouchers has been higher than satisfaction with public schools, indicating that vouchers do not lead to increased gang violence.[74]

10) Private voucher schools have no public accountability.

Some critics of voucher programs make the argument that school vouchers enable students to attend private schools that have no public accountability nor public academic standards. While it is true that private schools are not typically subject to the same academic standards and requirements as public schools, does this mean private schools are necessarily worse academically? A wide body of research, including a 2008 study by the Cato Institute found that private schools throughout the world outperformed their public counterparts.[75] Public accountability may not always be present in private schools, but this does not mean that private schools are worse off without it, or that public school accountability always works. A prime example of what is generally considered to be a failed accountability program is the No Child Left Behind Act, which, after 10 years, is still not accomplishing its goals.[76]

Indeed, if parents thought that their private school was not delivering a quality education, they could simply send their child back to public school; thus, the only accountability measure necessary for private schools to function well is the need for them to be accountable to their consumers, the parents of their students.

11) Parents lack information needed to choose the best voucher school.
Lastly, some people bring up the point that in order for a market to function effectively, there need to be informed buyers. The argument they then make is that people in poverty do not have the resources or time to research schools, and that they thus cannot make informed decisions about what school would best fit their child's needs.

That said, however, this viewpoint exposes a deep-seated, condescending paternalism in maintaining that the poor are unable to help themselves. Simply because a family is poor does not mean that they are not willing to take time to do research; just because a family is poor, they are not inherently unable to know their children and to take their best interests to heart.

To ease this process, our team foresees the government in the role of information provider; one study by two Yale economists found that open access to information about schools via mailings to the parents led to parents making objectively better school choices for their children.[77] To this end, we think the government should create and distribute a short, simple mailing listing, at the very least, school names, geographic locations, and standardized test scores, to help parents choose a school.

Section 4

CPS Voucher Implementation and Funding

The Chicago Public Schools (CPS) system is the third largest school district in the United States. The district's budget of over $5 billion goes toward managing 675 schools in total; 474 elementary schools, 106 high schools, 87 charter school campuses, and 8 contract schools.[78-80]

The system maintains a number of schools that are not traditional public schools. Apart from traditional schools, certain elementary and high schools are classified as "charter" schools. Charter schools are independently operated and not subject to the same laws and policies as public schools. Similarly, CPS also boasts some "contract" elementary and high schools, which are schools that are operated autonomously by a private entity under contract with the Board of Education, and are similarly not subject to the same district initiatives and policies as traditional public schools. CPS also contains magnet schools, which specialize in a specific subject area, such as math and science or the humanities, and which tend to be of very high quality. Some elementary and high schools are also classified as "small," and limit their student populations to 600, or "special education," and seek to provide education to students with disabilities in specified locations. Some elementary schools are categorized as "regional gifted centers," and provide an accelerated instructional program in all subject areas. Similarly, certain high schools are designated as "selective enrollment" schools, and are described as serving to "meet the needs of Chicago's most academically-advanced students"; Northside College Prep and Walter Payton College Prep are perhaps the two most notable examples. Lastly, CPS contains career academies and military academies, which focus on career and military training.

Implementation

Given our research and observations of current voucher systems, and given the specifics of the CPS system, we believe the appropriate system for CPS would be enacted as follows:

There should be a three year preparation and planning period, which would precede the implementation of the program. During this time, CPS schools would be evaluated and rated. Each school would be ranked on an ABCDF scale, as was done in Florida schools,[44] and the ranking of each school would be based upon the following factors: graduation rates and improvements in graduation rates each year; PSAE and ACT average scores and changes in those scores each year; average neighborhood income and the quality of the schools' facilities.

Any school which would have been ranked at a D or F level after the second year of evaluation would be given one year to improve its rating by at least one level. If the school improves its ranking as such, it would receive another year to improve its rating again or, if it falls in the ABC range of the rankings, the school would remain exempt from the voucher program. Additionally, any school receiving two consecutive years of D and/or F ratings would enter the voucher program.

This process would act as an incentive for academically inferior public schools to increase performance and quality, as the schools risk losing funding otherwise. Title 1 funding, which focuses on disadvantaged students, is distributed based on enrollment numbers of these students.[81] In similar programs, such as Milwaukee, significant proportions of students with disabilities switched into the school choice program.[82] Given the prospect of lower funding,

poorly-funded CPS schools have an incentive to increase quality, efficiency, and performance to maintain Title 1 funding.

Following the three year preparation and planning stage of the voucher system, CPS would gradually implement the new system. Students would be eligible for vouchers based on two criteria: income levels and school rankings. The eligibility of students with regard to income levels would be incremented over a two year period after the initial three year grace period, in which the first year only students from families earning 125% of the poverty level would be eligible, increasing 25% each year. After the second year and thereafter, vouchers could be applied to students from families earning up to 175% of the poverty line. As an additional criteria for eligibility, only students attending schools that receive D or F rankings and that are Tier 1 or Tier 2 schools (as classified by CPS)[83] would qualify for the program.

Furthermore, a maximum of 50,000 vouchers would be available for students at a value of $6,000 for secondary school students and $4,000 for elementary school students (see the funding section below), subject to reevaluation every three years. During reevaluation, the value would also be adjusted for both inflation and changing average public and private education costs.

Private schools involved with the voucher program would be required to be need-blind in terms of admissions. This would prevent potential discrimination against voucher-funded students and would provide all applicants with equal opportunity of enrollment in private schools.

If a voucher student is admitted and chooses to attend a private school, he or she would be eligible to renew the voucher each year

until graduation from that school, regardless of whether an increase in family income would otherwise make him or her ineligible.

Finally, in order to implement and administer the new voucher system in CPS, the establishment of a committee or department within the Illinois State Board of Education would be necessary. The duties of this department would entail the following: evaluating schools during the voucher preparation period and continuing with this responsibility each year after the vouchers have been fully applied; establishing the specifics of eligibility with regards to poverty levels; and distributing the vouchers and evaluating the eligibility of each applicant. Along with distributing the vouchers, this board would also create a short informational mailing which would be sent, along with the voucher, to eligible parents; this is because, as mentioned in the "Mythbusting" section, it has been shown that providing parents access to such information increases the objective quality of their school choices.

We also are proposing that Chicago follow Florida's lead in implementing a voucher program for children with disabilities. The question, then is this: would vouchers work for students with disabilities in Chicago Public Schools? We believe the answer is unequivocally "yes."

Students with disabilities have been the largest recipients of school vouchers in the United States. Arizona, Florida, Ohio, and Utah all have specific voucher-based programs for students with disabilities.[84] The cost of implementing specific accommodations and procedures for each student with a disability in individual school districts is high, especially when a district only has a small cohort of students with exceptional needs. Regardless, the federal Individuals with Disabilities Act (IDEA) affirms the right of every child to a "free, appropriate" education.[85] To provide for this, some states

decided to implement a voucher program, wherein parents could use public school money to fund tuition at a private school where their child's disability could be better accounted for, allowing all students, regardless of a disability, to receive an appropriate public education. Indeed, vouchers have been embraced in some states as the optimal solution for providing students with certain disabilities the best education available.

The model for school vouchers for students with disabilities is Florida's McKay Scholarships for Students with Disabilities Program.[47] The simplicity of the McKay program is admirable. The journal *National Affairs* noted in their Fall 2011 edition that:

> Under the McKay program, if a parent thinks that a public school is not addressing his disabled child's needs, he can use a voucher to send the child to another public school or a private school. No drawn-out legal proceedings are required.[48]

From the perspective of parents and families, the program has been highly successful. Since being implemented in 2,000, the number of student participants has grown from 970 to more than 21,000 students, with these students attending nearly 1,000 private schools.[48] McKay attracts students from across the spectrum of disabilities, and takes into account the significantly higher cost of educating children with severe disabilities as well. Students with demonstrated need receive vouchers of nearly $20,000; however, in 2010, the average voucher of $7,144 was significantly less than the average cost per pupil in conventional public schools. Besides saving the state and taxpayers money, the program has significantly increased the satisfaction of parents of students with disabilities, of whom 86% believed that the private school in which they enrolled their child "provided the services they has promised."

Opponents of school vouchers often claim that in states without specific voucher programs for students with disabilities, those students would remain in public schools with fewer resources if other students are provided with school vouchers to attend better schools. We agree, which is why we embrace voucher programs that ensure that all students with disabilities have the same opportunity to receive an excellent education as their non-disabled peers. Giving parents of disabled students the option to enroll their son or daughter at non-conventional public school outside the district in which they reside or in a private school would provide relief to families of students whose needs are not met in conventional public schools. Most importantly, school vouchers for students with disabilities would not lead to homogenous classrooms with no diversity of ability level. Many students with disabilities can and should be partially or wholly integrated into regular classrooms. It is a valuable experience for students with and without disabilities to learn and grow among students unlike themselves. Contrary to the notion that a voucher program would relegate students with disabilities to subpar schools that lack diversity of ability level, parents would have an option, and the free market would provide for schools with high levels of diversity of ability level, especially in a large city like Chicago.

Funding

In order to determine how much the vouchers would be worth, we have taken a look at three main statistics: the household income of Chicago Public School students, the cost of public schools, and the cost of private schools that voucher students would attend.

CPS is notorious for the poverty levels of its students. Approximately 87% of the 400,000 CPS students come from low-income families.[13] Furthermore, 76% of students were eligible last year for the city's free lunch program.[86] Most of the families of these students do not have an income level anywhere

close to that which is required to send their kids to private schools. A voucher amount that subsidizes the bulk, if not all, of the tuition for private schools would be necessary to give them the opportunity to do so.

The expenditure per student in Chicago Public Schools amounted to $13,078 in 2010.[13] To put this figure in perspective, a survey of 56 private high schools in Chicago reported an average tuition of approximately $10,100.[87] The actual amount paid by low-income students that attend these private schools is actually much less than this: most of the schools offer a substantial amount of financial aid to their students in need of it.[88] While costing several thousand dollars less per student, all of these 57 schools send 90% or more of their students to college. This data unequivocally shows the positive impacts that Chicago private schools can have on student achievement.

The ideal value of a voucher would be less than the cost per student of public school so as to save the city money, but at the same time the voucher would cover a significant portion of the cost of private school tuition. The specific amount of the vouchers we recommend an in-depth analysis on the costs of private schools and the amount of money, if any, low-income families in Chicago would be able to pay for their children's education. In order to be effective, we recommend the value of vouchers to be worth $6,000 for high school students, and $4,000 for students enrolled in elementary or middle school. If the voucher amount exceeds the cost of the private school, it will be redeemable for only the full amount of the tuition.

The funding sources for the vouchers will be based partly on the way the Milwaukee voucher program receives its funds. Around 80% of Milwaukee Public School students live in poverty and, at $14,000 per student, the school system spends nearly the same amount per student as CPS. Thus, there are strong similarities between the two school systems, which is why similar funding methods should be effective. Additionally, due to its voucher program, Milwaukee taxpayers saved a whopping $52 million in 2011.[73] We

would like to see Chicago emulate these savings, and we believe the city can expect such results if it is funded in the same manner as Milwaukee.[89] Voucher money will come from three sources: corporate and private donations, state education funds, and city education funds.

Tax deductible donations are an extremely effective way to raise money for a voucher system. We propose that they comprise over 50% of the cost of the vouchers (increasing to 100% if vouchers are deemed unconstitutional). Nine voucher programs across the country are funded exclusively through individual and corporate tax-credits and operate effectively.[90] The remaining costs will be paid for by the city, totaling no more than 20% of Chicago education funds, and by the state of Illinois. Administrative costs of the program would be paid for with CPS money. If inadequate amounts of money are raised through private donations, then the number of vouchers offered to students would be cut, as opposed to increasing taxpayer money used for the program.

Voucher students that choose to attend parochial schools in most cases will not need the full amount of their voucher. Because of their lower cost, Catholic and other religious schools will be a crucial part of the voucher program and their participation could result in huge savings for the public. For example, the average cost for parochial schools is far lower than the cost per student of CPS. Students attending an elementary school in the Archdiocese of Chicago pay an average tuition of $3,300, nearly $10,000 less than the cost per student in CPS.[91] Ideally, the voucher program would make use of these good, yet less costly schools. However, in the case that constitutionality issues arise because of public money being given to parochial schools, we suggest a smaller scale voucher program funded exclusively through corporate and private donations, which should resolve any such legal issues. Private donations topped $50 million for the Renaissance 2010 program and have worked effectively in other cities as well.

In summary, the voucher program we propose would offer vouchers worth up to $6,000 for high school students and up to $4,000 for middle and elementary school students (or would cover the cost of tuition at the private school, whichever is less). These vouchers will be financed largely by corporate and individual donations, utilizing a tax-credit system. The remaining costs will be funded from state and local education funding. This funding system has worked well in the past for other cities, and can be expected to save Chicago millions of dollars each year after its implementation.

Conclusion

The United States stands at a crossroads today. With mounting debt, a weak economy, and comparatively poor educational attainment, our future competitiveness and our future standard of living are in jeopardy. Public schools are not, on the whole, being as innovative as they need to be to fight this problem, and, in an unfortunate twist, the very institutions built to integrate and educate society are now segregating our nation by neighborhood and underserving those who need a quality education the most. It is not dramatic to say that the future of our country rests largely on what happens to our educational system over the next decade, as education directly impacts things such as income inequality, economic growth, and social mobility. We have, within these pages, laid out data showing that the educational system in the United States is largely failing--especially on international comparisons--and that CPS is no exception. We have also reviewed the literature on vouchers and closely examined the academic literature on arguments commonly levied against vouchers before closing with a proposal to introduce such a program into Chicago. Piecemeal reforms haven't worked in Chicago, and neither have broader ones, such as the Renaissance 2010 program. Certainly, vouchers are not a panacea, but academic research unequivocally suggests that Chicago would benefit in the same ways that other cities have--with mildly increased test scores and much stronger graduation rates.

It is time to chart a bold new course in the history of American education, one that begins not with timidity or small thinking, but rather one that values educational opportunity and wholesale reform. Together, we can bring new opportunities and new hope to the thousands of Chicago school children who are currently relegated to a life of hardship simply because they were born in the wrong neighborhood.

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Northwestern Students for Education Reform

Alex Entz
Beata Luczywek
Dane Stier
Justin Moore
Matt Davis
Mirza Drino

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