

**STATEWIDE VOUCHERS AND
REGIONAL INDEPENDENT
CHARTERS: WHAT LIES
AHEAD? (AND WHAT ARE
THE FUNDING IMPLICATIONS
FOR PUBLIC SCHOOLS?)**

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Plan

- Major policy changes in the 2013-2015 state budget.
- A little history – How did we get where we are today with school choice policies in Wisconsin?
- Where is Wisconsin headed in terms of school choice expansion and funding?
- What does this all mean for local school boards, and, what can board members do about it?

2013-2015 Budget Changes

- New statewide voucher program.
 - Capped at 500 pupils in year 2013-14.
 - Capped at 1,000 pupils in 2014-15 and thereafter.
 - No more than a number equal to 1% of a district's student population may use the voucher program.
 - Income capped at 185% of the federal poverty limit.
 - 25 schools with the most applicants receive all seats.

Max Usage by District

District - Max. Voucher Usage

- Madison Metropolitan - 271
- Kenosha - 226
- Green Bay Area Public - 207
- Appleton Area - 152
- Waukesha - 139
- Eau Claire Area - 111
- Sheboygan Area - 104
- Janesville - 103
- Oshkosh Area - 100

Funding for the New Voucher Program

Per-pupil payments to schools will be:

- \$6,442 in 2013-2014
 - \$7,210 for K-8 in 2014-2015
 - \$7,856 for 9-12 in 2014-2015
- Year 2: \$7.4 million dollar program. 100% funded by General Purpose Revenue.

Impact of Vouchers on School District Budgets?: Minimal

- 1) Impact of kids leaving districts using vouchers. Lost revenue limit authority.
 - 2) Indirect impact assuming the GPR for the program would otherwise be in school aids. This has a minimal tax levy impact.
- Why the impact is so limited:
- Almost 80% of voucher users were already in private schools.
 - There is no aid reduction like Milwaukee and hence no direct tax impact.
 - The program is of insignificant size.

Tuition Tax Credit

A subsidy to students in private school.

“Create a deduction from the individual income tax for amounts paid for tuition to a private school, beginning in tax year 2014. Limit the deduction to tuition expenses of up to \$4,000 per year per pupil enrolled in kindergarten through grade eight and \$10,000 per year per pupil enrolled in grades nine through twelve.”

\$30,000,000 annual GPR cost.

Indirect impact: Could that \$30,000,000 be spent on school aids?

Independent Charter Expansion

UW-Milwaukee may authorize schools in counties adjacent to Milwaukee. Students from throughout Milwaukee County can attend independent charters.

Has the potential to increase the size of the program significantly.

Fiscal Impact of Charter Expansion

The \$59.8 million program is funded through an equal percentage general school aid reduction across the state. In 2013 it was 1.4%.

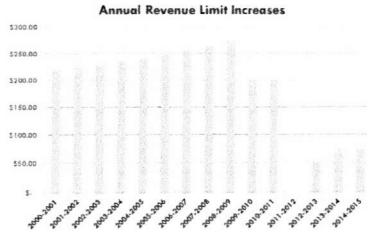
Right now about 7,700 students use the program. This will likely increase substantially in future years. There are no income restrictions.

Impact: Substantial.

Each additional pupil in an independent charter school increases your tax levy (or reduces your revenue if you do not tax to your limit).

Public School Revenue Increases

- \$150 per-pupil in both 2013-14 and 2014-2015.
- These increases trail historic averages and inflation.



More Problematic

- \$75 is a revenue limit increase.
- \$75 is a categorical aid.
 - The base for future revenue limit increases is only \$75 higher in each year, not \$150!
- A trend that undermines the equalization aid formula.

Sizing up the Policy Changes

- As of today:
 - Tuition tax credit is a significant state investment in private education.
 - Charter expansion could have a significant impact on your tax levy.
 - Limited revenue limit increases represent a policy shift away from the goal of aid equalization.
 - Least substantive in immediate impact is the most controversial: Vouchers.
 - Why: Not an incremental policy change. It is a totally different model.

What are vouchers?

- Market-based education reform?
- Cost saving privatization effort?
- A political movement?
- A social justice movement?
- A subsidy for private religious schools?
- An attack on public education?
- Something else?

1990 – The Policy Window Opened

Why Milwaukee? Why 1990?

- Frustration with MPS' ability to reform from within.
 - Long-simmering legal battle over MPS segregation.
 - Board was "schizophrenic" and "bitterly divided"
 - A transparency problem. Bruce Murphy and John Pawasarat reported in 1980 that despite MPS claims, students were performing well below average. MPS' initial response was to condemn reporting.
- 1987: Howard Fuller, Spencer Coggs, and Polly Williams proposed a new North Division school district.
 - Idea failed, but brought outside reform into the mainstream policy discussion.
- Lynde and Harry Bradley Foundation
 - Could fund an advocacy infrastructure.
- Bi-Partisan legislative champions. Tommy Thompson, Polly Williams, and Gary George
- Very limited program

From Disruptive Change to Status Quo

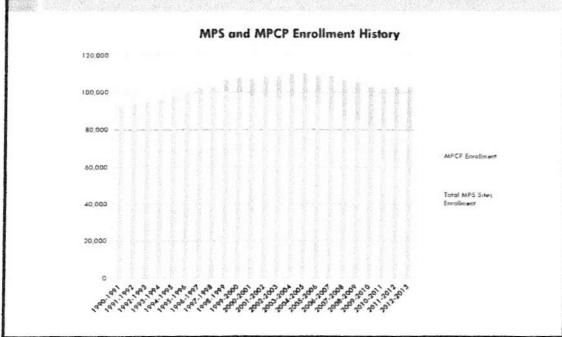
- The Universal Promise of vouchers: A panacea
 - "When schools compete to attract students, that can't help but to improve education." - President George Bush
- Improved student performance taken for granted.
- Public school improvement caused by competition.
- Happy parents.
- Market-based accountability.
- Cost savings.

Promise Meets Reality

Year 1 evaluation:

- “This program is not now, nor probably will it ever be, the answer for the extensive and complex problems associated with providing a quality education for Milwaukee children” – John Witte
- DPI: The majority of pupils who used the MPCP in its first year of existence were no longer using it in its second. Yet, enrollment increased in year two.
- Juanita Virgil Academy declared bankruptcy and folded in the middle of the 1990-1991 school year.

Growing Market Share Post 1998



An Accountability Challenge

- Mandella Academy
- Alex's Academics of Excellence
- Led directly to increased regulation of Act 155:
 - DPI empowered to shut down schools.
 - Extensive fiscal accountability framework.
- Permanently undermined the idea that a pure market-based regulatory approach to the MPCP was sufficient.

MPCP 2003 = MPS 1980s?

Limited academic transparency.

A crisis of public confidence.

Racial tensions amongst support base.

Quality concerns in schools primarily located in African-American neighborhoods and populated by African-American students caused some to question whether the MPCP was in fact holding back segments of African-American Milwaukee.

A growing belief that a choice between two bad options is no choice at all began to surface.

A loss of prominent advocates

United by Crisis

15% program enrollment cap hit in 2005-2006.

Concerns took a backseat to the real possibility of students being kicked out of school.

Cap lifted in a compromise that brought:

- Standardized testing;
- Accreditation; and
- A program evaluation.

A New Status Quo

Between 2005 and 2013 we saw:

- Testing requirements normalized between choice and public schools.
- Restrictions on new schools.
- Elimination of the cap.
- Loosening of income restrictions.
- The completion of an academic study showing little substantive differences between MPS and the MPCP in regards to academic performance.
- Ever increasing MPCP market share.

Were vouchers in Milwaukee successful?

Positives:

- Success stories.
- Many dedicated educators.

Negatives:

- Community division.
- Limited evidence of any aggregate academic improvement.
- School failures.

40% School Failure Rate

128 schools left the MPCP. Those schools have received over \$388 million dollars in public funds. About \$200 million have gone to schools that simply closed.



Taxpayer Funds to Schools that Left the MPCP
Taxpayer Funds to Schools that Closed
Taxpayer Funds to School Still in MPCP

The Unknowns

State cost savings: Dependent on the percentage of students who otherwise would have attended public schools.

District costs savings: Dependent on your ability to reduce costs when enrollments decline.

What could have been done during the past 23 years as an alternative to vouchers?

A Pragmatic Problem: Obsolescence

- "Market reform" no longer exists. Voucher policy has evolved to the point where it is neither market-based nor an education reform.
- A decentralized quasi-public state-administered school district.

What to do?

- Option 1: End the program. 25,000 students are using it. Schools are part of Milwaukee's public education infrastructure.
- Option 2: Wait. Allow the systems to continue to evolve closer to one another.
- Option 3: Normalization: Bring MPS and the MPCP under a unified funding and regulatory structure.

Conclusion of 23 Years of Vouchers

The Milwaukee voucher experience raises serious doubts about the ability of school vouchers to raise academic achievement levels in an urban area over time. In fact, the evolution of voucher policy in Milwaukee gives reasons to question whether voucher programs can remain stable enough to even offer a true evaluation of the efficacy of a market-based education policy. The political pressures surrounding voucher programs actually may make public education a good that resists privatization.

Milwaukee is Different

- More suitable for a voucher experiment:
 - More problems.
 - Higher percentage of eligible students.
 - Density.
 - More private school providers.
 - More of a market for new schools.
 - A different funding mechanism.

So what is the statewide voucher program?

- A parallel quasi-public state administered private subsidy for low-income pupils in private schools.
 - Almost 80% of students already in private schools.
 - Very low application rate.
- Insignificant:
 - Today? Yes.
 - Tomorrow? ???

What does the future hold for vouchers?

- Immediate:
 - Given the low "switcher" rate the fiscal impact will likely be the opportunity cost of increasing payments to families already in private school, and the ballooning GPR cost of the uncapped Milwaukee and Racine program.
 - In ten years this could easily be a half-billion dollar budget line.

What does the future hold for vouchers?

- Long-term:
 - No school choice cap in Wisconsin has ever held.
 - With easing of income restrictions and enrollment caps the half-billion dollar cost estimate will look small.
- Unknowns:
 - Will it continue to be 100% state funded?
 - Will new schools open and attract switchers?
 - Will new schools open and fail a la Milwaukee?

More Immediate Question

- What does the future hold for charters?
- Continued expansion of independent charters through new authorizers (CESA's, state boards, universities, etc.)?
 - Direct fiscal problem for school districts.
 - Per-pupil payment increases?
 - This too is a direct fiscal problem for school districts.

The Existential Threat

- Represents a move away from democratic governance and accountability.
 - Independent charter board members are less engaged and oriented towards the public than elected school boards.
 - Independent charter board members are also more insular and homogenous.
- Greatest threat is the movement away from a model that has proved effective.

Lessons for Boards

Limit switchers.

- Know your competition.
- Know your students' options.
- Educate as to why you are the best choice.

Be transparent with taxpayers.

- Document the percentage of your levy that goes to fund independent charter schools.
- Show the revenue limit impact of students switching.

Plan ahead.

- Do a trend analysis for realistic budget forecasts.

Work to improve governance behaviors.

- Stress the governance-performance connection to the public.

Conclusions

The Milwaukee experience demonstrates the statewide voucher expansion, and any future independent charter expansion, is of little educational merit.

The early experience of the statewide voucher program demonstrates it is primarily a new subsidy to low-income private school students.

Recent budget actions demonstrate a significant policy shift away from local control and towards state support of non-district students.

Nonetheless, your strengths are many:

- Market share
- Proven track record
- Democratic accountability

Thank you!
