

# A SCHOOL VOUCHER PROGRAM FOR BALTIMORE CITY

*DAN LIPS*



MILTON & ROSE D. FRIEDMAN  
FOUNDATION

Educational  
*Choice*

## ABOUT THE AUTHOR

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## MPPI

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# EXECUTIVE SUMMARY

Baltimore City's public school system is in crisis. Academically, the school system fails on any number of measures. The city's graduation rate is barely above 50 percent and students continually lag well behind state averages on standardized tests. Adding to these problems is the school system's current fiscal crisis, created by years of fiscal mismanagement that has now caused multi-million dollar budget deficits.

Despite persistent problems in the city's public schools, city officials continue to oppose student-centered, parent-directed school choice reform proposals such as school vouchers. Such voucher programs have proven successful in other cities, such as Milwaukee and Cleveland, which have seen test scores and parental satisfaction climb.<sup>1</sup> Washington D.C. was the most recent city to launch a school voucher program. More than a thousand low-income students were awarded vouchers for the fall of 2004.<sup>2</sup>

This paper explores how Baltimore could enact a similar school voucher program. It examines the current state of the Baltimore City school system and considers other cities' experiences with vouchers. Finally, the paper outlines a voucher program for Baltimore. The purpose of this report is to offer policymakers a fiscally sound voucher proposal for Baltimore City that benefits participating students as well as the school system in general.

The program under consideration in this paper targets vouchers to low-income students in Baltimore City and a gradual phasing-in of the program over ten years. During the first year of the program, 1,000 vouchers are awarded. By year ten, 10,000 students would receive vouchers. The program is designed to have a positive fiscal impact, saving the school district more than \$1 million in year one and more than \$6 million annually by year ten.

Depending on the source of funding, this program could be implemented by Baltimore City officials for a fiscal savings. Or, it could be a state-led proposal funded by the Maryland state government, designed to infuse the Baltimore school system with resources and demonstrate the viability of student-centered reforms.

Baltimore City cannot afford to let another generation of children pass through the city's failing public school system. This paper outlines a fiscally responsible proposal for school vouchers and urges lawmakers to embrace these long-overdue school choice reforms.

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1. Jay Greene, "A Survey of Results from Voucher Experiments: Where We Are and What We Know," *Manhattan Institute Civic Report 11*, July 2000.
  2. Washington Scholarship Fund, "D.C. K-12 Scholarship Program Facts and Figures" at <http://www.dcscholarship.org/factsstats.php>.

## BACKGROUND: NO SCHOOL CHOICE IN BALTIMORE

On March 7, 1996 Baltimore Mayor Kurt L. Schmoke, a Democrat, stood before an audience at the Johns Hopkins Club to call for dramatic reform in the Baltimore City School System:

I have to admit that far too many of our students score far below state norms on the Maryland School Performance Assessment Program (MSPAP) and other standardized tests. For too many of our students, poor academic performance begins in elementary school and continues straight through to high school with devastating consequences...

It's time to give all Baltimore parents the option to pull their children out of poorly run schools and place them in schools where they believe their children will get a better education. If exercising this option leads to a mass exodus from some schools, these schools will learn a painful lesson: either they will have to improve or declining enrollments will force them to shut down and poorly performing staff would lose their jobs. Successful teachers and administrators, on the other hand, would be rewarded for the progress of their students.<sup>3</sup>

That year, Mayor Schmoke gathered the Mayor's Task Force on School Choice to study whether Baltimore City should implement student-centered education reforms, including options such as allowing widespread choice among public schools or offering vouchers for private schools.

In November of 1996, the task force issued its report, calling for a number of choice-based reforms.<sup>4</sup> Specifically, the report recommended: 1) an end to neighborhood-based enrollment, allowing parents to choose their child's public school, and 2) legislation to create publicly-funded charter schools that would operate independently of the city school board. The report did not recommend private school vouchers. "Now is not the time," explained City Councilman Keiffer J. Mitchell Jr, the task force chairman, "The majority felt that the priority for the use of public funds should be the public school options that are being created."<sup>5</sup>

While the task force's recommendations slowed the momentum created by Schmoke's call to arms, the mayor continued to argue for school vouchers during the remainder of his term.<sup>6</sup> Over the years this momentum has returned. *The Baltimore Sun* editorialized in favor of school vouchers multiple times after the 1996 task force's report.<sup>7</sup> Representative Howard P. Rawlings, the former West Baltimore Democrat and chairman of the House Appropriations committee, proposed vouchers bills during the 1990s. "Poor families ought to have the same options as rich families," Rawlings explained at the time.<sup>8</sup>

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3. "Schmoke's retreat to school choice," *Baltimore Sun*, March 17, 1996.

4. "City task force opposes school vouchers," *Baltimore Sun*, November 22, 1996.

5. *Ibid.*

6. "Why School Vouchers Can Help Inner-City Children," remarks delivered by Hon. Kurt L. Schmoke at a Manhattan Institute luncheon, August 1999.

7. For example, "An Open Mind on Vouchers," *Baltimore Sun*, November 25, 1996 and "School choice option not forgotten," *Baltimore Sun*, March 15, 1998.

No action was ever taken on the Task Force's recommendations. Today, no real school choice exists in Baltimore. Even moderate reforms such as public school choice,<sup>9</sup> which exists in 46 states across the nation<sup>10</sup>, have not been embraced by local officials. While the federal No Child Left Behind Act of 2001 gives parents with children in struggling public schools the opportunity to transfer to another public school, only a few hundred of the 30,000 eligible Baltimore students have been able to transfer so far due to limited seats in quality public schools.<sup>11</sup>

The Maryland General Assembly passed a law in 2003 authorizing the creation of publicly funded charter schools. But since the law restricted discretion of charter school authorization to local school boards, not a single school has opened across the state. According to *The Baltimore Sun*, at least 40 private groups and individuals have inquired about launching charter schools, but the school board is taking a "slow growth" approach, limiting the number of charters available and delaying the creation of new charter schools.<sup>12</sup> In the fall of 2004, Governor Ehrlich renewed his push for the creation of charter schools across the state by launching the Governor's Commission on Quality Education in Maryland led by Lt. Governor Michael S. Steele.<sup>13</sup>

At present, despite the widespread failure of the Baltimore City public school system, elected officials have ignored the Task Force on School Choice's recommendations and have failed to initiate any student-centered school choice reform programs. As described in the following section, the condition of Baltimore schools has reached a crisis point, and city leaders have run out of non-choice based reform options.

## **THE PERFORMANCE OF THE BALTIMORE CITY PUBLIC SCHOOL SYSTEM (BCPS)**

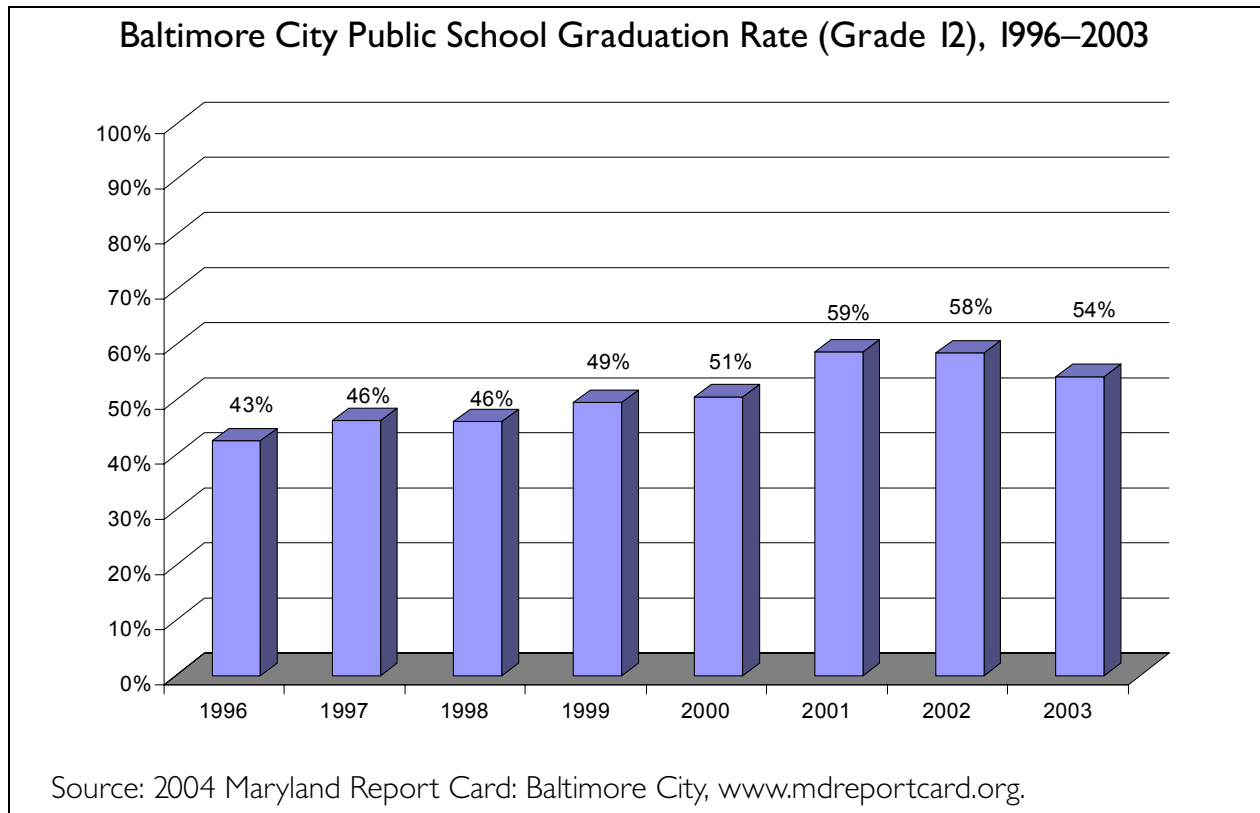
A review of the performance of Baltimore City's public school system (BCPS) confirms that, judged by nearly any measure, the school system is failing. The scope of this failure should cause citizens and policymakers to recognize the urgent need for dramatic reform.

### **High School Graduation Rate and Dropout Rate**

According to the Maryland Department of Education, a student entering a Baltimore public school in ninth grade has approximately a fifty-fifty chance of dropping out before graduating. For example, the graduation rate for the class of 2003 in Baltimore City was 54 percent.<sup>14</sup> In contrast, the graduation rate for the class of 2003 for all of Maryland was 84.6 percent. The graph below

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8. Robert Holland, "School Choice Goes on Offense: Updating the Post-Zellman Landscape," Lexington Institute, October 2002.
  9. Such choice programs include magnet schools, inter and intradistrict choice programs, charter schools, and tax deduction or credit programs. For more on these, see Education Commission of the States at <http://www.ecs.org/ecsmain.asp?page=/html/IssuesK12.asp>.
  10. "Can competition really improve our schools?," *Christian Science Monitor*, September 7, 2004.
  11. "No time to nap after MSPAP," *Baltimore Sun*, August 21, 2002.
  12. "Gatekeepers," *Baltimore Sun*, June 28, 2004.
  13. "Governor announces push for more charter schools," *Baltimore Sun*, August 22, 2004. "Studying Changes, Steele Tours Schools," *Washington Post*, November 24, 2004.
  14. 2004: Maryland Report Card: Baltimore City, available: [www.mdreportcard.org](http://www.mdreportcard.org). Graduation rate is determined by "dividing the number of high school graduates by the sum of the dropouts for grades 9 through 12, respectively, in consecutive years, plus the number of high school graduates."

shows the graduation rate figures for Baltimore City since 1996. At no point during this period did graduation rates top 60 percent.



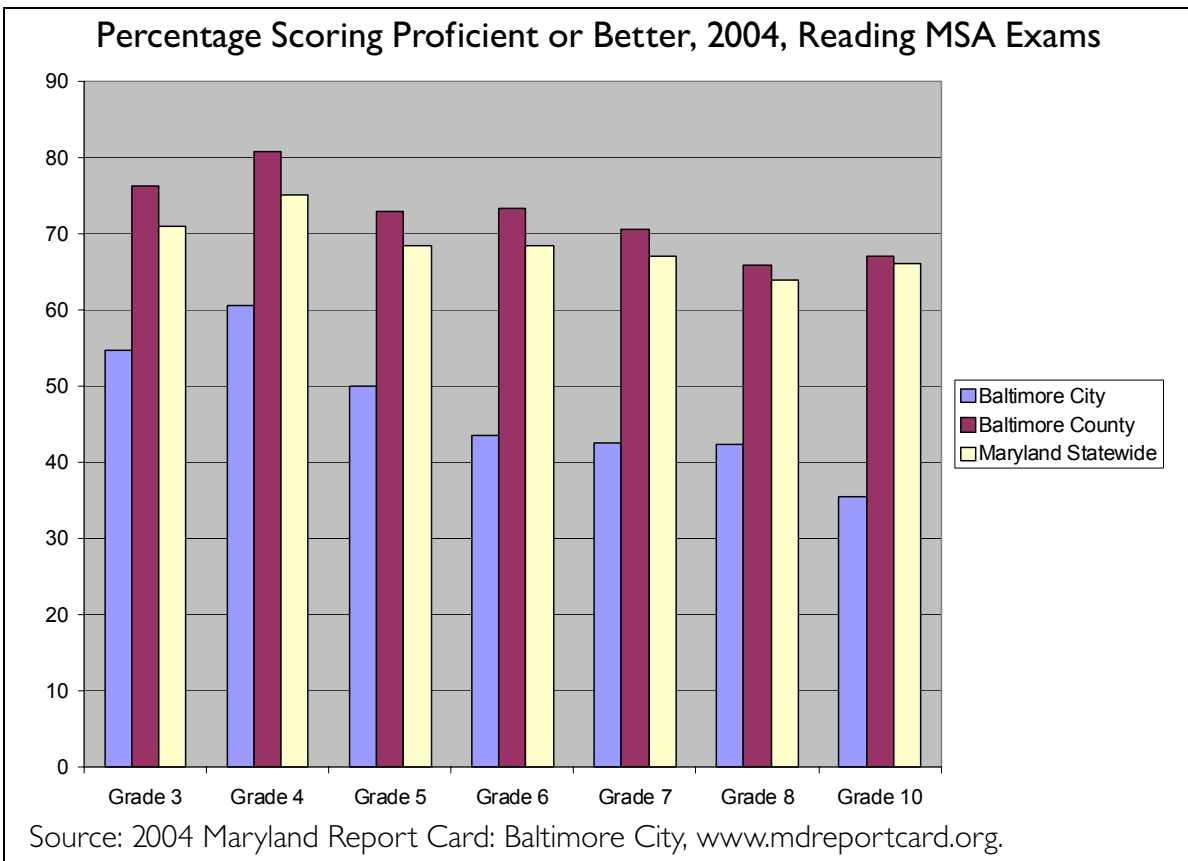
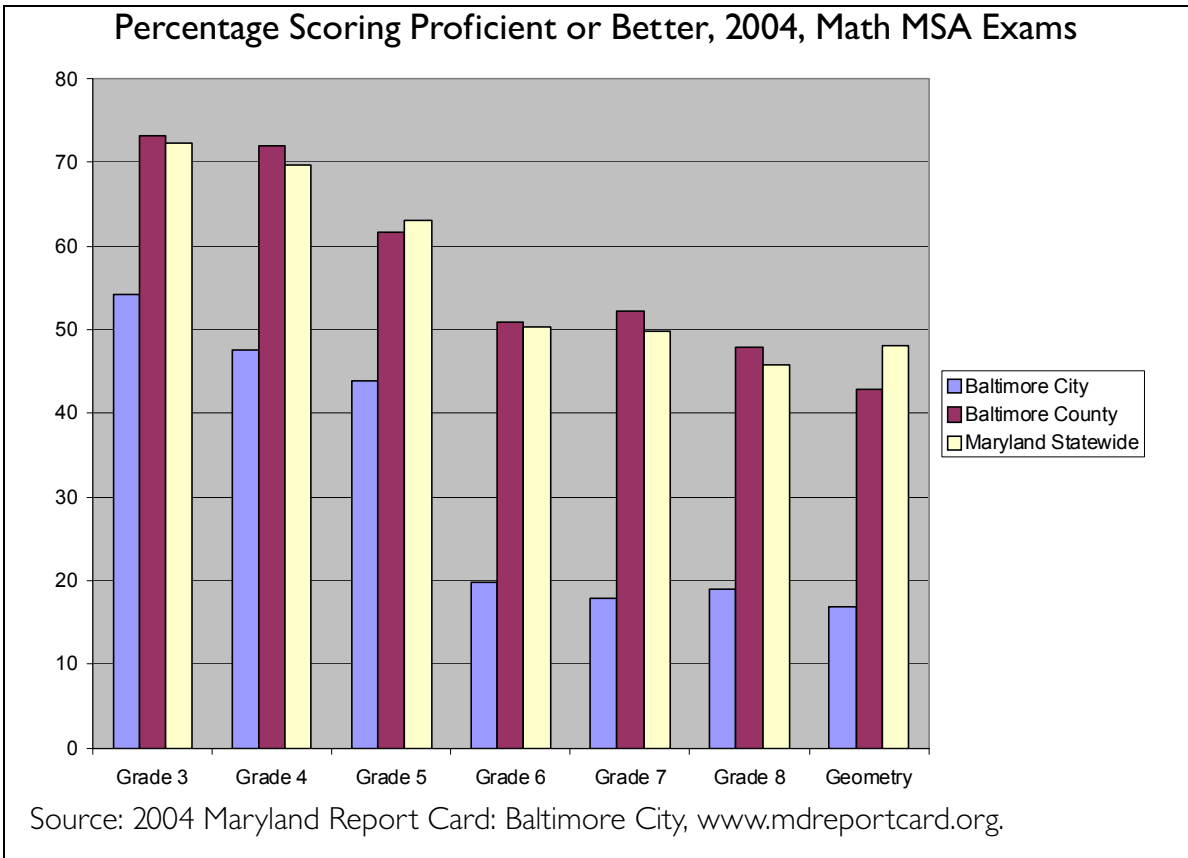
Baltimore's graduation rate is clearly unacceptably low. Moreover, there is reason to believe that Baltimore City's school system is faring worse than other major cities across the nation. The U.S. Census Bureau's 2002 American Community Survey reports that Baltimore City ranked 65th out of the 69 cities in terms of the percentage of adults 25 years or older with a high school degree (or equivalent).<sup>15</sup>

### **Performance Levels on the 2004 Maryland State Assessment (MSA)**

The school system's first and most acute problem is the academic achievement of its students. Baltimore City's students fail to meet proficiency standards on the state's educational achievement test, the Maryland State Assessment, either compared against their peers in Baltimore County or statewide averages. The following graphs document the differences in academic performance between the three geographic areas.

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15. U.S. Census Bureau, *2002 American Community Survey*.



The sad reality is that by the time a student reaches the tenth grade, he or she is only half as likely to be proficient in reading on the MSA exam if he or she lives in Baltimore City versus Baltimore County or elsewhere in the state.

### Performance on the SAT Reasoning Test

It is also useful to examine the performance of Baltimore City's college bound high school students. According to the Maryland Department of Education, only 52.5 percent of all 2003 Baltimore City twelfth grade students planned to pursue post-secondary education after high school (37.5 percent planned to attend a four-year college; 15 percent planned to attend a two-year college<sup>16</sup>). Unfortunately, the scores of Baltimore's college bound seniors are below both Maryland and national averages, as Table 1 demonstrates. Given the high school proficiency scores from above, this is unfortunate, although not altogether unexpected. As a result, many ambitious students might face a new set of difficulties since the highest achieving Baltimore students are not competitive with the highest achieving students across Maryland and the nation.

**Table 1—SAT Performance of the Graduating Class of 2001**

|        | Baltimore City | Maryland | United States |
|--------|----------------|----------|---------------|
| Verbal | 405            | 508      | 506           |
| Math   | 393            | 510      | 514           |
| Total  | 798            | 1018     | 1020          |

Source: Baltimore City Public School System, "SAT Performance of the Graduating Class of 2001," August 28, 2001.

Lower academic achievement in the elementary and secondary grades has spillover effects into college. Fewer young adults living in Baltimore City are going to college versus those living in Baltimore County. While just over 35 percent of young people between the ages of 18 and 24 living in Baltimore City are in college (or graduate school), over 42 percent living in Baltimore County are enrolled in higher educational institutions, as Table 2 demonstrates.

**Table 2—Baltimore City Lags Behind the State in the Percentage of 18-24 Year Olds in College/Grad School**

|                  |       |
|------------------|-------|
| Baltimore City   | 35.5% |
| Baltimore County | 42.3% |
| Maryland         | 36.3  |

Source: Maryland Report Card, [www.mdreportcard.org](http://www.mdreportcard.org)

### Violence in Baltimore City Schools

Due to consistently high rates of violence over the past two years, 16 Baltimore schools were placed on probation in 2004 under provisions of the federal No Child Left Behind law.<sup>17</sup> To be placed on probation, schools must have suspension and expulsion rates topping 2.5 percent of

16. Maryland Report Card: Baltimore City, Grade 12 Documented Decisions, [www.mdreportcard.org](http://www.mdreportcard.org).

17. "16 schools warned to reduce violence," *Baltimore Sun*, August 25, 2004.

the student population for two years. Thurgood Marshall Middle School had the highest rate of violent incidents, with violent incidents and disciplinary actions topping 10 percent of the student body. If no improvement is achieved during the 2004–2005 school year, these schools will be labeled “persistently dangerous.”<sup>18</sup> No other Maryland school district had a school placed on the probation list.

## **OTHER PROBLEMS IN BALTIMORE CITY**

A city’s education system performance results in numerous community outcomes that must also be examined. For example, how well a school system educates children will have a direct effect on how well those children perform as adults in the workforce. The following are examples of additional symptoms that suggest serious problems in the Baltimore City school system.

### **Adult Literacy**

According to Baltimore Reads, a non-profit organization supported by Cal Ripken Jr., Baltimore’s adult illiteracy rate was 38 percent in 2000, meaning that more than one in three adults read at or below a sixth-grade level.<sup>19</sup>

### **Low-Workforce Participation**

According to the U.S. Census Bureau, Baltimore’s workforce participation is among the lowest of the nation’s 100 largest cities. Only about one out of two Baltimore City residents had a job in 2000 according to the Census report.<sup>20</sup> One must reason that the poor performance of the city’s school system is a reason for poor performance of the city’s workforce.

### **Lower-Income Population**

Poverty is also a persistent problem in the City of Baltimore. While the statewide poverty rate of school age children (between the ages of 5 and 17) was only 9.8 percent in 1999, school age child poverty was 29 percent in Baltimore City, according to the U.S. Census Bureau. Poor students, on average, score lower on standardized tests than their more affluent peers.<sup>21</sup>

### **Declining Population**

According to the Census Bureau, the city’s population declined by 3.5 percent between 2000 and 2003.<sup>22</sup> During the 1990s, the population dropped by 11.5 percent. The state of Maryland’s population grew 11 percent over that period. While the state of Maryland’s population was growing, Baltimore’s population plummeted. This is another symptom of the poor performance in the city’s school

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18. Under the federal No Child Left Behind Act, “states must allow students who attend a persistently dangerous school, or who are victims of violent crime at school, to transfer to a safe school.” White House Fact Sheet: No Child Left Behind, January 2002, available online at: <http://www.whitehouse.gov/news/releases/2002/01/20020108.html>.

19. “The city that reads to hit the books to increase awareness about illiteracy,” *Baltimore Sun*, July 19, 2000.

20. “Baltimore isn’t working because its people don’t,” *Baltimore Sun*, March 28, 2004.

21. For example, only 10 percent of Maryland’s eighth graders who were eligible for the free and reduced price lunch program scored proficient or higher on the National Assessment of Educational Progress math exam in 2003, compared to 36 percent of their non-eligible peers. See National Center for Education Statistics, “State Mathematics 2003: Maryland Grade 8 Public Schools Snapshot Report” at <http://nces.ed.gov/nationsreportcard/pdf/stt2003/2004457MD8.pdf>.

22. U.S. Census Bureau, available online: <http://quickfacts.census.gov/qfd/states/24/24510.html>.

system: fewer people are choosing to live in Baltimore City, likely, in part, because of the lagging school system.

## **POVERTY AS AN EXCUSE**

Poverty is too often used as an excuse for low student achievement. On the contrary, schools across the nation and across the state of Maryland have defied the odds and produce high achieving students.<sup>23</sup> The mere existence of poverty does not make poor academic performance acceptable. The question is not if Baltimore schools need to be improved, but how they can be improved. The extent of the existing system's failure should encourage policymakers to pursue innovative education reforms instead of continuing to tinker with the status quo.

### **Baltimore City School District Fiscal Crisis**

Given the sorry state of Baltimore City's public schools, an outside observer might question whether or not the school system is sufficiently funded. According to the Maryland Department of Education, the per pupil expenditure in the BCPS system was \$8,926 in 2003. Across Maryland, the average per pupil expenditure was \$8,344.<sup>24</sup> Despite spending approximately \$600 more dollars per student than the rest of the state, Baltimore City schools, as discussed above, are neither outperforming nor even equaling other Maryland school systems.

That said, any discussion of education reform solutions in Baltimore City must include an examination of the serious financial problems plaguing the school district. Early in 2004, the school system faced a \$75 million deficit—out of a total budget of \$900 million—causing Governor Ehrlich to offer a \$42 million state loan to the school district.<sup>25</sup> The school district rejected the loan, which would have increased the governor's authority over the school district. Instead the district chose to borrow from a rainy day fund to cover the deficit.

Ernst & Young auditors studied the root of this fiscal crisis.<sup>26</sup> The auditors' report concluded that the Baltimore City school system was plagued by widespread failures in planning and financial management. The report issued 27 recommendations for an overhaul of the district's budget preparation, monitoring, and reporting process. An additional audit found that the city schools had misused \$18.3 million in federal Title I money since 2001.<sup>27</sup> In July, State Superintendent of Schools Nancy Grasmick issued a final report of a three-person panel charged to investigate the budget deficit and study the potential for criminal wrongdoing. While the panel did not find any evidence of criminal misconduct, it reaffirmed the auditors' findings of severe breakdowns in financial planning and oversight and included similar recommendations for reform.

In August, Baltimore Circuit Court Judge Joseph H.H. Kaplan issued a ruling that halted the city's plan to pay down the deficit by saving resources and cutting programs. Moreover, the judge ruled

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23. For examples in Maryland, see Megan Farnsworth, *Getting Results* (Germantown, MD: Maryland Public Policy Institute, 2004). For earlier examples from across the nation, see Samuel Casey Carter, *No Excuses: Lessons from 21 High-Performing, High-Poverty Schools* (Washington, D.C.: The Heritage Foundation, 2000).

24. The Maryland Report Card, The Maryland Department of Education, [www.mdreportcard.org](http://www.mdreportcard.org).

25. "City schools won't seek bailout," *Baltimore Sun*, March 8, 2004.

26. "Baltimore City Public Schools: A Review of the Budget Preparation, Monitoring, and Reporting Process," Ernst & Young, February 10, 2004, available online: [http://www.bcps.k12.md.us/gbc/EY\\_report.pdf](http://www.bcps.k12.md.us/gbc/EY_report.pdf).

27. "City officials question state's timing of schools audit," *Baltimore Sun*, July 15, 2004.

that the school system had been critically under-funded by between \$439 million to \$839 million since 2001. City leaders have therefore appealed to the state to seek additional education funds to heed the judge's determination. The state, however, has appealed the ruling.

Given this recent history, it is likely BCPS system's financial problems will be an on-going concern in the years ahead. Governor Ehrlich's willingness to offer an infusion of financial resources in return for greater authority over the city's school system suggests the potential for state and city policymakers to work together to embrace a significant reform proposal, such as a school voucher program. This potential is discussed in greater detail below.

## **BACKGROUND ON SCHOOL VOUCHERS: THEORY, HISTORY, AND EVIDENCE**

Given the troubling conditions of Baltimore's school system, policymakers should explore new, innovative reforms to revolutionize the school system. One promising proposal is a school voucher program as former Mayor Schmoke recommended.

### **Theory**

There are many reasons why giving parents more control over their children's education should improve student outcomes. Our daily experience demonstrates that in general, the private sector runs businesses more efficiently than does the government. Entrepreneurs, who fear losing customers and damaging their business, must always make sure they are meeting their customers' needs. Where would one expect faster and more efficient customer service—from the post office or Federal Express? Market competition and private enterprise give Americans our bountiful, diverse supermarkets; absence of these elements gave the Soviet Union bread lines.

The forces of competition will also lead to a more efficient and effective education system. According to education scholar Andrew Coulson,<sup>28</sup> throughout history education markets have consistently done a better job than state monopolies of serving both individual needs and communal goals.

Over the past two centuries, renowned economists and political theorists have proposed various forms of privatized education systems designed to use the private marketplace to deliver education services. In 1859, English political theorist John Stuart Mill argued that a private education marketplace would provide society and parents with a diverse and efficient school system. In 1955, Nobel Laureate Milton Friedman proposed a voucher system that would provide society, through the spontaneous order of the marketplace, the most efficient allocation of resources for the education of its citizens.

Today, the argument for school choice rests on more than economic theory. Numerous voucher programs currently exist, providing practical and empirical lessons.

### **History**

Over the past fifteen years, policymakers have embraced numerous versions of private school choice. According to the Heritage Foundation, five states and the District of Columbia now have

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28. Andrew Coulson, *Market Education: The Unknown History*, Transaction Publishers, 1999.

enacted school voucher programs.<sup>29</sup> Tuition tax credits and deductions exist in Iowa, Illinois, and Minnesota. Similarly, scholarship tax credit programs exist in Arizona, Florida, and Pennsylvania. In all, 11 states and municipalities have enacted 14 publicly funded school choice programs. In 2003, scores of student-centered education initiatives were introduced in America's state legislatures. This paper will build upon the lessons learned in the past decade of publicly funded school voucher programs in order to design a voucher program for Baltimore. Table 3 provides a breakdown of some of the various forms that publicly funded private school voucher programs currently operating across America have taken.

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29. Krista Kafer, *School Choice 2003: How States are Providing Greater Opportunity in Education*, Heritage Foundation.

**Table 3— A Summary of School Voucher Programs across the Country<sup>30</sup>**

| Type                                     | Location                       | Description  | Impact   |
|--|--------------------------------|--|--|
| Urban School Choice                      | <b>Milwaukee and Cleveland</b> | Since the 1990s, thousands of low-income students in these cities have used school vouchers to attend private school.  | 13,000 students in Milwaukee are using vouchers <sup>a</sup> ; 5,000 in Cleveland <sup>b</sup> .                     |
| Tuitioning Programs in Rural Areas       | <b>Maine and Vermont</b>       | The oldest school voucher programs in the country, existing since the 1860s and 1870s; students in towns without traditional public schools can attend private schools outside their district at public expense. | In 1999, 6,505 students participated in Vermont <sup>c</sup> and 5,614 students participated in Maine <sup>d</sup> . |
| Vouchers for Students in Failing Schools | <b>Florida</b>                 | In 1999, Florida created the A+ Opportunity Scholarships program, which provides tuition vouchers to students in public schools deemed “failing” by the state.   | 732 students will receive opportunity scholarships in 2004. <sup>e</sup>   |
| Vouchers for Special Education Students  | <b>Florida</b>                 | The nation’s largest school voucher program, the McKay scholarship program provides all special education students in Florida the option of a school voucher.  | Currently, 9,200 of the 375,000 eligible special education students are using McKay vouchers. <sup>f</sup>           |

- a. Figures provided by School Choice Wisconsin, available here: [http://www.schoolchoiceinfo.org/facts/index.cfm?fl\\_id=1](http://www.schoolchoiceinfo.org/facts/index.cfm?fl_id=1).
- b. *Ibid.* Overview of the Cleveland program available at: [http://www.schoolchoiceinfo.org/facts/index.cfm?fl\\_id=2](http://www.schoolchoiceinfo.org/facts/index.cfm?fl_id=2).
- c. *Ibid.* Overview of the Vermont program available at: [http://www.schoolchoiceinfo.org/facts/index.cfm?fl\\_id=4](http://www.schoolchoiceinfo.org/facts/index.cfm?fl_id=4).
- d. *Ibid.* Overview of the Maine program available at: [http://www.schoolchoiceinfo.org/facts/index.cfm?fl\\_id=4](http://www.schoolchoiceinfo.org/facts/index.cfm?fl_id=4).
- e. Figures provided by School Choice Wisconsin, available online at: [http://www.schoolchoiceinfo.org/facts/index.cfm?fl\\_id=3](http://www.schoolchoiceinfo.org/facts/index.cfm?fl_id=3).
- f. *Ibid.*

## EXAMPLES FOR BALTIMORE

Policymakers considering implementing a school voucher program for Baltimore should look to the long-running programs in Cleveland and Milwaukee, and the pilot program that began in Washington, D.C. in 2004 as useful examples.

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30. Background information on the nation’s school choice programs is available at: “Vouchers, Tax Credits, and Tax Deductions,” Education Commission of the States, available at: [www.ecs.org/clearinghouse/51/21/5121.htm](http://www.ecs.org/clearinghouse/51/21/5121.htm).

## **Milwaukee**

The Milwaukee voucher program, created in 1990, provides school vouchers worth up to \$6,000 to low-income families to purchase private school tuition for their children. The program, the oldest low-income voucher program in the country, has grown from serving 341 students in 1990 at seven schools to more than 13,000 children at 107 schools last year, approximately 15 percent of the district population.<sup>31</sup> Scholarships are awarded based on financial need and through a lottery system.

Research—discussed in greater detail below—suggests that the Milwaukee school voucher program has benefited both students receiving vouchers and the public schools motivated to improve by competition. Evidence of general improvement across the public school system led one school choice opponent, State Representative Christine Sinicki, to admit to the *Milwaukee Journal Sentinel*, “I really hate to say this because I’m not a choice supporter, but I do think that the threat of choice did force the public school system to make those changes.”<sup>32</sup>

## **Cleveland**

The Cleveland school voucher program similarly offers parental choice scholarships to lower-income families worth \$2,700. During the first year of the program in 1996, 1,994 students used vouchers to attend private schools. In 2003, the program served 5,098 students. Vouchers are awarded through a lottery with priority given to students in families earning less than 200 percent of the federal poverty line.<sup>33</sup>

## **Washington, D.C.**

In September 2004, the first federally funded K-12 school voucher program began as 1,023 students enrolled in private schools using vouchers.<sup>34</sup> Eligibility is restricted to low-income students. The voucher amounts are worth up to \$7,500. In total, the federal government is spending \$12.5 million this year to fund the program. The D.C. school district is saving approximately 8 million annually, thanks to the reduced costs from the approximately 815 students using vouchers to transfer out of public school.<sup>35</sup> The non-profit Washington Scholarship Fund is administering the program.<sup>36</sup>

## **EMPIRICAL EVIDENCE**

The growing number of publicly and privately funded school choice programs across America has afforded researchers with ample opportunity to study the effects of school choice on outcomes such as parental satisfaction, student achievement, and public school performance. This research is surveyed below.

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31. *Ibid.*

32. *Ibid.*

33. Figures provided by School Choice Wisconsin, available online at: [http://www.schoolchoiceinfo.org/facts/index.cfm?fl\\_id=2](http://www.schoolchoiceinfo.org/facts/index.cfm?fl_id=2).

34. “For Voucher Program, the Lesson Begins,” *Washington Post*, September 5, 2004.

35. *Ibid.* Author calculations. According to *The Washington Post*, 815 students used vouchers to transfer from public to private schools in 2004. The National Center for Education Statistics reports that the average per pupil expenditure in Washington D.C. public school was 10,107 in 2000. (*Digest of Education Statistics*, Table 169.)

36. The Washington Scholarship Fund, [www.washingtonscholarshipfund.org](http://www.washingtonscholarshipfund.org).

Across the board, research suggests that school choice reforms have a positive impact on student outcomes. For example, Columbia University scholars recently examined 35 empirical studies testing the effects of competition in the educational marketplace. Overall, they found that “a sizable majority of these studies reports beneficial effects of competition across all outcomes.” The report, published by the nonpartisan National Center for the Study of Privatization of Education, concluded that existing research suggests “positive gains from competition that are modest in scope with respect to feasible changes in levels of competition.”<sup>37</sup>

### **Parental Satisfaction**

While there is ongoing debate over much of the research regarding school choice, there is general agreement that the ability to choose a child’s school increases parental satisfaction with that school. This common sense idea has been proven in numerous studies. For example, in 2003, the Goldwater Institute surveyed approximately 2,600 low-income families participating in Arizona School Choice Trust’s scholarship program and found that parents able to choose their child’s school were happier than those parents who were unable to choose their child’s school.<sup>38</sup>

Several other studies have reached the same conclusion.<sup>39</sup> For example, the U.S. Department of Education’s National Household Education Survey Program also found that school choice increases parental satisfaction in a national survey of parents:

Parents whose children attended either public, chosen schools or private schools were more likely to say they were very satisfied with their children’s schools, teachers, academic standards, and order and discipline than were parents whose children attended public, assigned schools. Parents whose children attended private schools were more involved in activities at their children’s schools than were parents whose children attended public, assigned and public, chosen schools.

The Manhattan Institute surveyed participants in Florida’s McKay Scholarship program for students with special needs and found that more than 90 percent of the parents of students participating in the program were satisfied with their child’s school. Importantly, the survey also found that “that over 90 percent of parents who have left the program believe it should continue to be available to those who wish to use it.”<sup>40</sup> Policymakers implementing a school voucher program should be confident that school choice will boost parental satisfaction.

### **Effect on Academic Achievement of Students Receiving Vouchers**

A growing body of research also suggests that school choice programs have a positive impact on student achievement. For example, a study conducted by researchers from Harvard and Georgetown Universities and the University of Wisconsin released in 2001 found that African- American

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37. Clive R. Belfield and Henry M. Levin, “Analyzing School Choice Reforms,” National Center for the Study of Privatization, Columbia University, March 2002.

38. Dan Lips, “The Impact of Tuition Scholarships on Low-Income Families: A Survey of Arizona School Choice Trust Parents,” Goldwater Institute, December 11, 2003, available online: <http://www.goldwaterinstitute.org/article.php/392.html>.

39. Phillip Vassalo, “More than Grades: How School Choice Boosts Parental Satisfaction,” Cato Institute, October 27, 2000.

40. Dr. Jay Greene and Dr. Greg Forster, “Vouchers for Special Education Students: An Evaluation of Florida’s McKay Scholarship Program,” *Manhattan Institute Civic Report No. 38*, June 2003.

students receiving private scholarships in Ohio, New York, and Washington, D.C. scored significantly higher than their peers who remained in public schools.<sup>41</sup> Overall, dozens of independent studies have found that school choice programs benefit the students who participate.<sup>42</sup>

Manhattan Institute researcher Dr. Jay Greene recently examined the effects of school choice on high school graduation rates in Milwaukee and found that 64 percent of low-income students using vouchers to enroll at 10 private high schools in 1999 graduated, whereas only 36 percent of their public school peers received diplomas.<sup>43</sup>

### **Effect on Public Schools Threatened by Competition from Losing Voucher Students**

School choice programs generally only directly serve less than 10 percent of a given school system's population, so it is important to look beyond the impact of vouchers directly on participating students' achievement and consider how the program will affect the achievement of students who remain in public schools within the traditional system.

Studies have suggested that competition does have the desired effect system-wide, by encouraging traditional public schools threatened with a loss of students to make better use of their resources. For example, Harvard University economist Caroline Hoxby has studied the effects of competition in Arizona, Michigan, and Milwaukee and found that competition sparked improvement in threatened public schools.<sup>44</sup> In Arizona and Michigan, public schools affected by competition from charter schools demonstrated academic improvement higher than public schools that did not face competition. In a separate study of Milwaukee's choice program, Hoxby also found statistically significant evidence that competition spurs improvement.

Hoxby has studied more diverse evidence of the effect of competition on student achievement—including time-honored school choice programs such as inter-district choice among public schools—and found that competition leads to significant improvements. Her findings point to significant benefits from competition:

If every school in the nation were to face a high level of competition both from other districts and from private schools, the productivity of America's schools, in terms of students' level of learning at a given level of spending, would be 28 percent higher than it is now.<sup>45</sup>

Manhattan Institute researcher Jay Greene recently studied the competitive effects of Florida's voucher program and found that schools threatened with the risk of losing vouchers perform higher—on both Florida and national standardized examinations—than schools that do not face

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41. William Howell et al., "School Vouchers and Academic Performance: Results from Three Randomized Field Trials." *Journal of Policy Analysts and Management*, Spring 2002.

42. Belfield and Levin.

43. Jay Greene, "Graduation Rates for Choice and Public School Students in Milwaukee," Manhattan Institute for Policy Research, September 2004.

44. Caroline Minter Hoxby, "Rising Tide," *Education Next*, Spring 2001.

45. *Ibid.*

competition.<sup>46</sup> Moreover, Greene found that schools' performance increased in direct proportion to the level of competition they faced from vouchers.

### **The Children's Scholarship Fund in Baltimore: Demand for School Choice among Low-Income Families**

In 1999, a national non-profit organization—the Children's Scholarship Fund—announced the availability of 40,000 privately funded private school scholarships for low-income children. In total, the group received more than 1 million applications from low-income families. In Baltimore, 46,011 families applied—approximately 44 percent of the eligible population.<sup>47</sup> That year, the Baltimore Scholarship Fund awarded 430 scholarships to low-income families.<sup>48</sup> That the organization received approximately 45,000 more applications than available scholarships demonstrates the significant demand for school choice among Baltimore's low-income communities. According to the Children's Scholarship Fund-Baltimore, 495 students are currently using scholarships to attend 94 different schools for the 2004–2005 school year. Today, CSF-Baltimore currently has more than 2,000 children on a waiting list for scholarship.<sup>49</sup>

## **FACTORS THAT MUST BE CONSIDERED WHEN DESIGNING A SCHOOL VOUCHER PROGRAM: THE PRIVATE SCHOOL UNIVERSE**

In order to ensure the successful implementation of a school voucher program, policymakers must consider the ability of the private school marketplace to absorb new students.

### **Current Private School Population and Supply**

According to data from the U.S. Department of Education's Private School Universe Survey,<sup>50</sup> there were 123 private schools operating in Baltimore City in the 2001–2002 academic year. More than 20,300 K–12 students are educated in these private institutions, yielding an average school size of 165 students.

About a third (34.1 percent) is Catholic, while 38.2 percent is religious but not Catholic. The remaining 27.7 percent is not religiously affiliated. The largest private school in operation in Baltimore City is Mount St. Joseph High School, a Catholic institution serving more than 1,000 students. Indeed, most of the private school students in Baltimore City are in Catholic schools (more than 10,000 in all). Only about a quarter of all private school students attend nonsectarian private schools.

A school voucher program would require that private schools absorb new students transferring from public to private school. Naturally, it takes time for schools to build new classrooms, hire new teachers, and acquire the necessary supplies needed to educate all the additional students. According to economists Barry Chiswick and Stella Koutroumanes, private school supply is per-

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46. Jay Greene and Marcus Winters, "When Schools Compete: The Effects of Vouchers on Florida Public Schools Achievement," Manhattan Institute, August 2003.

47. "Private School Choice Plan Draws a Million Aid-seekers," *New York Times*, April 21, 1999.

48. The Baltimore Scholarship Fund, <http://www.csfbaltimore.org/>.

49. Dan Lips, Email Correspondence with Children's Scholarship Fund Baltimore, November 15, 2004.

50. See <http://nces.ed.gov/surveys/pss/privateschoolsearch>.

fectly elastic over time, meaning that supply will expand to meet demand over time.<sup>51</sup> Nevertheless, it may be difficult to build new schools or expand existing private school capacity overnight.

There is evidence that Baltimore private schools could enroll thousands of additional students today. In 1999, Ronald Valenti, Superintendent of Catholic Schools in the Archdiocese of Baltimore, estimated that Baltimore Catholic schools could take an additional 1,200 to 1,500 students, commenting that he would “welcome the opportunity of a voucher program in Baltimore.”<sup>52</sup> This is an important statement, given that the Catholic schools enroll the largest numbers of students among private schools in Baltimore City. The program outlined in this paper is designed to gradually increase private school supply over time.

### **Private School Tuition**

Critiques of programs that allow parents to use public funds to send their children to private schools often argue that private schools are too expensive for most families, even after a publicly funded voucher. These opinions, perhaps based on the traditional image of the elite prep schools featured in films like *Dead Poets Society*, are myth rather than reality. Data suggest that the average private school tuition is less than what it costs to educate a child in public school.

While no precise estimate of the average private school tuition cost in Baltimore is available, the U.S. Department of Education reported in 2000 that the average private school tuition across the country was \$4,689. (Importantly, the average post-secondary school tuition was higher than the average elementary school tuition, with tuition costs of \$6,053 and \$3,267 respectively.)<sup>53</sup> The Cato Institute surveyed private schools in five metropolitan cities and found that, in each case, the median private school tuition was below \$5,000. In Washington, D.C., the median private school tuition was \$4,500.<sup>54</sup> For Catholic schools in particular, tuition is typically below \$4,000 for an elementary school child and less than \$7,000 for a high school student.<sup>55</sup>

Since this voucher proposal calls for vouchers worth \$7,000—similar to the vouchers awarded in Washington, D.C. and Milwaukee—it is likely that this voucher proposal would facilitate a wide range of private school options and even encourage the creation of new private school supply.

## **A VOUCHER PROPOSAL FOR BALTIMORE CITY**

The preceding pages have explored the state of the current Baltimore school system, evidence from voucher programs from across the country, and the strong demand for school vouchers among Baltimore’s low-income families. The following proposal is just one example of how a voucher program could be implemented. The discussion highlights the key components of a voucher program, thereby offering policymakers the information necessary to design a voucher program to suit Baltimore’s needs. Table 4 presents the key aspects of the voucher program.

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51. Darcy Olsen, Carrie Lips, Dan Lips, “A Fiscal Analysis of a Federal \$500 Education Tax Credit to Help Millions, Save Billions,” Cato Institute, May 1, 2001.

52. Samuel Casey Carter, “A Question of Capacity,” *Policy-Review*, January-February 1999.

53. *Digest of Education Statistics 2002*, Table 61.

54. David Salisbury, “Most Private Schools aren’t Expensive,” August 29, 2003.

55. See Valerie Strauss, “Area Catholic Schools Grow, Bucking Trend,” *Washington Post* August 29, 2004, C01.

**Table 4—Key Aspects of a Voucher Proposal for Baltimore City**

|  |   |
|--|---|
| <b>Amount</b>                                      | \$7,000 per student   |
| <b>Age Range</b>                                   | K through 12  |
| <b>Eligibility</b>                                 | Low-income families, determined by the federal free and reduced school lunch program. Private school students are eligible after year 2.  |
| <b>Awarded Mechanism</b>                           | Vouchers will be awarded to eligible applicants by a lottery.   |
| <b>Number of Vouchers in Year 1</b>                | 1,000 vouchers awarded in year 1.   |
| <b>Scope of the Phase-In</b>                       | 1,000 additional vouchers would be awarded each year.   |
| <b>Ultimate Size of the Program after 10 years</b> | After 10 years, 10,000 vouchers would be awarded. At this point, policymakers could assess the impact of the program and determine whether to open the voucher program to all applying families. Ideally, all children in the Baltimore City school system should have the opportunity to participate in the voucher program. |
| <b>Private School Requirements</b>                 | A voucher proposal should require very few regulations on private schools. For example, the proposal could require that schools follow basic health and safety regulations, as well as not discriminate on the basis of race or ethnicity.  |
| <b>Funding Sources</b>                             | The voucher program could be funded either out of the existing city school budget or as a new state-funded program outside existing city budgets. Both scenarios are discussed below.   |
| <b>Management of the Program</b>                   | The program can be managed by a city office or by a qualifying non-profit organization, as is the case in Washington, D.C.  |
| <b>Administration Costs</b>                        | This analysis assumes 10 percent administration costs. These resources will provide for the administration of the program as well as the costs of performing an evaluation of the program's impact.   |
| <b>Additional Requirements</b>                     | Policymakers could require that voucher students take an annual norm-referenced exam to be studied by an independent research organization to determine the rate of improvement of voucher students.  |

### Amount of the Vouchers

The vouchers under consideration in this proposal would be worth \$7,000, approximately the same amount awarded in the Washington, D.C. voucher program.<sup>56</sup> This voucher amount would be approximately 75 percent of the per pupil expenditure in Baltimore City public schools. (Since private high school generally costs more than private elementary school, the voucher amounts could be designed to award greater resources to older students.) This is a large enough voucher

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56. This \$7,000 voucher amount will grow overtime to adjust for changes in the cost of living, estimated at 3 percent annual growth.

so that student should have a variety of choices of schools and should encourage education entrepreneurs to open additional private schools to accommodate any unmet need.

### **Eligibility**

Eligibility under this voucher program would be all K–12 students who are from low-and middle-income families. (Income would be determined by participation in the federal free and reduced school lunch program or a family income below 185 percent of the poverty line.) While all families deserve school choice, it is reasonable to means test this program since low-income students are currently performing the lowest in the Baltimore City school system.<sup>57</sup> In the event of demand exceeding supply, vouchers would be awarded through a lottery. In addition, eligibility is restricted to students in public school during the first two years of the program to ensure that the program is fiscally neutral. After year two, low-income students from private school will be eligible for scholarships.

### **Phasing in the Program Participation**

In order to allow for gradual growth in private school supply, this program is designed to be phased-in over the course of ten years. During the first year, 1,000 vouchers would be awarded. Each year, an additional 1,000 vouchers would become available until 10,000 vouchers were available in year 10. At that point, the policymakers can consider opening voucher eligibility to all students since the private school marketplace will have had ten years to expand to meet new demand.

### **Other Aspects of the Proposed Program**

Policymakers need to consider additional aspects of how the program will be implemented. For example, policymakers need to determine who would administer the program, either a government agency or a non-profit organization, and whether or not to include an academic evaluation of the program by an independent research organization in the costs of the program. This analysis assumes an additional 10 percent cost of the program to cover program administration and independent evaluation costs. This is a comparable percentage for administration compared to other school choice programs in Washington, D.C.<sup>58</sup> and Arizona, for example.

In addition, policymakers must determine what requirements must be made on private schools to receive voucher programs. For example, policymakers should require that private schools not discriminate on the basis of race or ethnicity. Moreover, the state could require some annual testing as a part of the independent evaluation of the program—such as a national norm reference test such as the Stanford 9 exams or the Iowa Tests of Basic Skills—to determine the success of the

57. According to the Maryland Report Card, approximately 81 percent of the students in Baltimore City public schools participate in the free and reduced school lunch program. Available online at: <http://www.mdreport-card.org/specservtrend.asp?GROUP=FARM&Grade=E&Detail=NO&K=30AAAA>.

58. The Washington Scholarship Fund receives approximately 15 percent in administrative funds. (“Scholarship Fund Chosen to Run D.C. Voucher Program,” Washington Scholarship Fund press release, March 24, 2004.) In Arizona, scholarship-granting organizations receive ten percent in administrative costs. (Carrie Lips and Jennifer Jacoby, “The Arizona Scholarship Tax Credit: Giving Parents Choices, Saving Taxpayers Money,” Cato Institute policy analysis, September 17, 2001.) In Florida, scholarship-funding organizations are awarded no funding under the state’s corporate scholarship tax credit program. (Darcy Olsen, “Education Scholarships: Expanding Opportunities for Students, Saving Taxpayers Money,” Goldwater Institute, March 26, 2002.)

program. Many schools already administer these tests to their students. Comparing these scores against a control group, as is planned for the Washington, D.C. voucher program, may provide insight to the success of the program. However, it is critical that these requirements do not pose an unnecessary burden of regulations on private schools, as that would threaten the success of a true competitive education marketplace.

### **Funding Sources**

The voucher program could be funded as a local, Baltimore-operated program or as a state funded program. If the program were funded at the local level, Baltimore's school system would need to redirect resources currently going to public school students (approximately \$9,000 per student) to fund the \$7,000 vouchers. Given the recent financial problems in the Baltimore school system, it is unlikely that Baltimore's leaders would be willing to finance a school voucher program from existing budgets.

But the Baltimore City school system's financial problems could also be the catalyst for the creation of a school voucher program funded at the state level. In recent years, the Maryland state legislature has voted for significant education funding increases by embracing the Thornton commission proposal. Supporters of school choice, such as Governor Robert Ehrlich, could offer the funding of a voucher program as a compromise: providing emergency funding for Baltimore City to ease the burden on Baltimore's troubled school system. In total, the program would cost approximately \$8 million in year one and \$100 million per year-by-year ten. In addition to funding school choice, this infusion of state resources would provide significant resources for the local school system through cost-savings facilitated by students transferring out of public schools thanks to vouchers. These savings are examined in detail below.

### **Fiscal Impact**

The following tables project the likely fiscal impact of a voucher program. It is based on the assumption that, after year two when private school students become eligible, 20 percent of all newly awarded vouchers—or low-income students currently enrolled in private schools—will receive 200 scholarships per year.<sup>59</sup> Enrollment statistics suggest that the ratio of public to private school students eligible to participate in the voucher program is at least 10 to 1.<sup>60</sup> However, it is likely that most eligible children in private schools would apply for vouchers. For example, according to *The Washington Post*, 208 of the 1,023 students participating in the Washington, D.C. voucher program had previously been enrolled in private school before receiving vouchers.<sup>61</sup> While it's likely that this percentage will decrease as more vouchers become available, this fiscal impact is based on the very conservative projection that, after year 2, twenty percent of the newly awarded scholarships each year will be awarded to students currently enrolled in private school during the last eight years of the program simulation.

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59. This means that, each year, current private school students who meet income eligibility requirements would receive 200 of the 1,000 new vouchers.

60. National statistics suggest that private school enrollment is approximately 11 percent. Moreover, U.S. Department of Education data show the percentage of students eligible for the federal free and reduced school lunch program is higher in public school than in private school.

61. "For Voucher Programs, the Lessons Begin," *Washington Post*, September 5, 2004.

**Table 5—The Costs of a 10-Year Voucher Proposal**

|                | Number of Vouchers | Voucher Amount <sup>a</sup> | Cost of the Vouchers | Total Program Cost including Administration <sup>b</sup> |
|----------------|--------------------|-----------------------------|----------------------|--|
| <b>Year 1</b>  | 1,000              | \$7,000                     | \$7,000,000          | \$7,700,000  |
| <b>Year 2</b>  | 2,000              | \$7,210                     | \$14,420,000         | \$15,862,000   |
| <b>Year 3</b>  | 3,000              | \$7,426                     | \$22,278,900         | \$24,506,790   |
| <b>Year 4</b>  | 4,000              | \$7,649                     | \$30,596,356         | \$33,655,992   |
| <b>Year 5</b>  | 5,000              | \$7,879                     | \$39,392,808         | \$43,332,089   |
| <b>Year 6</b>  | 6,000              | \$8,115                     | \$48,689,511         | \$53,558,462   |
| <b>Year 7</b>  | 7,000              | \$8,358                     | \$58,508,563         | \$64,359,419   |
| <b>Year 8</b>  | 8,000              | \$8,609                     | \$68,872,936         | \$75,760,230   |
| <b>Year 9</b>  | 9,000              | \$8,867                     | \$79,806,515         | \$87,787,167   |
| <b>Year 10</b> | 10,000             | \$9,133                     | \$91,334,123         | \$100,467,535  |

a. This analysis assumes that the amount of the voucher increases by the rate of inflation, or approximately 3 percent annually.

b. As noted in the text, this simulation assumes a 10 percent cost for program administration.

In all, the school voucher program would cost \$7.7 million in year one, and up to \$100 million by year 10. However, it is also important to consider how public school students using vouchers to transfer into private schools would reduce the burden on the city school system. Since the current public school per student expenditure in Baltimore City is nearly \$9,000, the government realizes savings of approximately \$1,300 when each child transfers out of public schools using a \$7,000 voucher<sup>62</sup>.

Critics argue that the city and state do not save resources when a child transfers from a public school to a private school. However, to understand this dynamic better, it is helpful to consider the opposite scenario, in which all private schools in Maryland close down, sending hundreds of thousands of children back into the public school system. Clearly there would be additional costs to educating these students. If this relationship holds when the public schools add students, it must also hold when subtracting them. In all, it is likely that city schools would save \$9 million during the first year of the program and more than \$100 million in year 10 from transferring students.

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62. Calculation includes 10 percent administration cost.

**Table 6—Fiscal Savings Caused by Transferring Public School Students**

|         | Vouchers Awarded | # of vouchers for public school transfers | # of vouchers for private school students | Public school Per pupil expenditure <sup>a</sup> | Savings from Students Transfers |
|---------|------------------|---|---|--|---------------------------------|
| Year 1  | 1,000            | 1000                                      | 0   | \$8,926  | \$8,926,000                     |
| Year 2  | 2,000            | 2,000                                     | 0   | \$9,283  | \$18,566,000                    |
| Year 3  | 3,000            | 2,800                                     | 200                                       | \$9,654  | \$27,031,200                    |
| Year 4  | 4,000            | 3,600                                     | 400                                       | \$10,041   | \$36,147,600                    |
| Year 5  | 5,000            | 4,400                                     | 600                                       | \$10,442   | \$45,944,800                    |
| Year 6  | 6,000            | 5,200                                     | 800                                       | \$10,860   | \$56,472,000                    |
| Year 7  | 7,000            | 6,000                                     | 1000                                      | \$11,294   | \$67,764,000                    |
| Year 8  | 8,000            | 6,800                                     | 1200                                      | \$11,746   | \$79,872,800                    |
| Year 9  | 9,000            | 7,600                                     | 1400                                      | \$12,216   | \$92,841,600                    |
| Year 10 | 10,000           | 8,400                                     | 1600                                      | \$12,704   | \$106,713,600                   |

a. This table assumes that the per-pupil expenditure in Baltimore City public schools grows by 4 percent annually. According to the National Center for Education Statistics, unadjusted per pupil expenditures grew by 4.9 percent across the nation during the 1990s. In Maryland, the annual growth rate was 3.9 percent. (*Digest of Education Statistics 2002*, Table 169.)

In all, the savings from student transfers nearly offset the cost of the program. According to these conservative estimates, the program would save a total of \$1.2 million in year 1 and more than \$6 million annually once the program was fully phased-in.

**Table 7—Total Fiscal Impact**

|         | Cost of Voucher Program | Fiscal Savings from Transfers | Annual Fiscal Savings |
|---------|-------------------------|-------------------------------|-----------------------|
| Year 1  | \$7,700,000             | \$8,926,000                   | \$1,226,000           |
| Year 2  | \$15,862,000            | \$18,566,000                  | \$2,704,000           |
| Year 3  | \$24,506,790            | \$27,031,200                  | \$2,524,410           |
| Year 4  | \$33,655,992            | \$36,147,600                  | \$2,491,608           |
| Year 5  | \$43,332,089            | \$45,944,800                  | \$2,612,711           |
| Year 6  | \$53,558,462            | \$56,472,000                  | \$2,913,538           |
| Year 7  | \$64,359,419            | \$67,764,000                  | \$3,404,581           |
| Year 8  | \$75,760,230            | \$79,872,800                  | \$4,112,570           |
| Year 9  | \$87,787,167            | \$92,841,600                  | \$5,054,433           |
| Year 10 | \$100,467,535           | \$106,713,600                 | \$6,246,065           |

**An Infusion of State Resources or a City Controlled Program**

If policymakers could reach an agreement on a state funded program costing the general budget \$7.7 million in year one and \$101 million in year ten, the Baltimore City school system could reap local savings of \$9 million in year one and \$102 million in year ten. Since city officials have recently appealed to the state for additional education resources, the voucher program could be

used to help solve the current fiscal crisis in the Baltimore schools or used to fund other education reform projects such as reducing class sizes.

However, if state leaders do not wish to fund the program, city officials could create a locally funded school voucher program at the local level. As shown above, the school voucher program would save the city more than \$1 million per year in year 1 and actually save the district more than \$6 million annually when it is fully phased in year 10. Moreover, city officials could reduce the sizes of the voucher from \$7,000 to create more savings when students transfer. For example, if vouchers were only worth \$5,000 in year 1, the city would save approximately \$3 million dollars from transferring students during the first year of the program.<sup>63</sup> Savings would then increase over the course of the program.

## CONCLUSION

Baltimore's public school system is in desperate need of reform. The experience of the cities that have embraced school choice proposals suggests that encouraging competition within the public school system through student-centered, parent-directed reforms can improve student outcomes. This paper provides one example of a fiscally responsible voucher program that Baltimore could implement. State and city policymakers should consider this and other student-centered proposals to ensure that Baltimore's children have the opportunity for a high quality education.

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63. Author calculations.

## APPENDIX A STATE AND FEDERAL CONSTITUTIONAL QUESTIONS

Once enacted, school choice programs have traditionally faced immediate challenges in the courtroom. Opponents of school choice—including among others, the teachers unions, the ACLU, and the People for the American Way—have brought lawsuits against nearly all the school choice programs enacted across the country, charging that programs that allow parents to educate their children in private, religious schools using a publicly funded voucher violate federal and state constitutional requirements prohibiting the establishment of religion. Such arguments ignore the myriad other state and federal programs that provide funding to religious institutions, such as the Pell Grants and the GI Bill and Medicaid or Medicare.

At the federal level, this issue was settled in 2002 when the U.S. Supreme Court upheld the constitutionality of the Cleveland school voucher program. University of California-Los Angeles Law Professor Eugene Volokh, an expert in church-state issues, called the ruling “one of the most important constitutional decisions of the last 30 years.”

However, some state constitutions present an even higher “separation of church and state” than the federal constitution, more explicitly prohibiting programs like vouchers and tax credits that allow students to use taxpayer funded scholarships to attend private, religious schools. In the majority of these cases, the state has a “Blaine Amendment.” Blaine Amendments were inspired by 19<sup>th</sup> century U.S. House Speaker James Blaine’s unsuccessful, anti-Catholic effort to amend the constitution to restrict taxpayer subsidies to Protestant-dominated public schools.<sup>64</sup> Most recently in August of 2004, a Blaine Amendment was cited as the reason for a Florida appeals court to rule against Florida’s voucher program for students in failing schools.

Maryland does not have a Blaine Amendment, however, it does have “compelled support” language in its state constitution limiting state support of private, religious schools.<sup>65</sup> Whether or not a state school voucher program that gives parents the option of enrolling their children in religious schools will be determined as constitutional depends on how the court has interpreted these decisions in past decision. According to Dick Komer, senior attorney at the Institute for Justice, it is unclear how the Maryland state court would interpret the religious clauses of the state constitution.<sup>66</sup> Maryland policymakers designing school choice legislation should consult the experts at the Institute for Justice for legal advice on designing school choice legislation that will be upheld in the courtroom.

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64. “Court upholds Ohio School Vouchers,” *Washington Post*, June 28, 2002.

65. “The Empire Strikes Back,” *The Wall Street Journal*, August 17, 2004.

66. “Blaine Amendment Map,” The Institute for Justice, available online: [http://www.ij.org/PDF\\_folder/ohio\\_choice/choice\\_by\\_state\\_blaine\\_map.pdf](http://www.ij.org/PDF_folder/ohio_choice/choice_by_state_blaine_map.pdf).

## **APPENDIX B**

### **PUBLIC DEMAND FOR SCHOOL CHOICE IS ON THE RISE**

For a long time, those who oppose giving parents school choice have told policy makers that not only is the policy bad, but that people don't even want it. In addition, conventional wisdom long pushed by the educational establishment would have us believe that supporting school choice is a political loser. These two theories have begun to be exposed recently as the myths that they are.

A study done by the Milton and Rose D. Friedman Foundation in the summer of 2004 found that when asked neutrally worded questions, the public overwhelmingly supports school choice.<sup>67</sup> The study found that:

- Most Americans (64 percent) support using tax dollars already allocated to a school district for education to be used to help parents pay for the school of their choice.
- About 60 percent of Americans would be more likely to vote for a candidate supporting school choice.
- Both Republicans (68 percent) and Democrats (54 percent) would be more likely to vote for a candidate supporting school choice.
- Nearly 70 percent of African-American Democrats surveyed would be more likely to vote for a candidate supporting school choice.
- The total number of African-Americans surveyed who favor school choice reaches 80 percent.
- Even childless taxpayers support school choice. The majority of parents (65 percent) and non-parents (64 percent) favor using tax dollars to send a child to a school of their choice, whether that school is public, private or religious.

In addition, political support for school choice is increasingly found on both sides of the political spectrum. The D.C. voucher bill had the support of Democratic Senators Joseph Lieberman (CT), Sen. Diane Feinstein (CA), and Democratic Congressional Representatives Rep. Harold Ford, Jr. (TN), Rep. Gene Taylor (MS) and Rep. William Lipinski (IL)

Anthony Williams, Democrat Mayor of Washington, D.C., led the local effort. These leaders joined many other prominent Democrats from around the country who have long championed school choice, including the previously mentioned Mayor Schmoke, Mayor John Norquist of Milwaukee, and Reverend Floyd Flake, former Congressman and pastor of the 9,000 member Allen A.M.E. church in Queens, NY.

School choice has begun to exert real political consequences. As more and more parents hear about the positive impacts of educational options, they are using the issue as a way to gauge their support for elected officials.

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67. "Signals from state courts on school choice," The Institute for Justice, available online: [http://www.ij.org/PDF\\_folder/general\\_choice/signals\\_map.pdf](http://www.ij.org/PDF_folder/general_choice/signals_map.pdf).