



Where the school choice movement should go from here

By Matthew Ladner
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My friends Howard Fuller and Andrew Coulson started a needed discussion regarding the direction of the parental choice movement. Dr. Fuller has been quite outspoken in [his opposition to universal choice programs](#) in recent years, and Coulson raised a number of interesting and valid points in [his redefinED piece](#). The parental choice movement has suffered from a nagging need to address third-party payer issues squarely. It's a discussion that we should no longer put off. The example of American colleges and universities continues to scream a warning into our deaf ear regarding the danger of runaway cost inflation associated with education and third-party payers.

Howard Fuller and Andrew Coulson also indirectly raise a more fundamental question: where are we ultimately going with this whole private school choice movement? Dr. Fuller supports private choice for the poor and opposes it for others. He has concerns that the interests of the poor will be lost in a universal system. I'm sympathetic to Howard's point of view. I view the public school system as profoundly tilted towards the interests of the wealthy and extraordinarily indifferent to those of the poor. We should have no desire to recreate such inequities in a choice system.

Andrew makes the case that third-party payer problems are of such severity that we should attempt to provide public assistance to the poor through a system of tax credits, and have other families handle the education of their children privately. Andrew's proposed solution to the very real third-party payment issues is in effect to minimize third-party payment as much as possible, and to do it as indirectly as possible through a system of tax credits.

Despite the fact that Howard comes from the social justice wing of the parental choice movement and Andrew from the libertarian right, they agree that private choice should be more or less limited to the poor.

My own view is different from both Howard and Andrew's. I believe the collective funding of education will be a permanent feature of American society and that it should remain universally accessible to all. I believe Howard's real concerns over equity and Andrew's real concerns over third-party payment can be mitigated through techniques other than means-testing.

American Education and the Social Insurance Model

In 1935, the Social Security Act created two programs aimed at alleviating poverty. The first, Social Security, followed a social insurance model (everyone pays, everyone eligible for benefits). The second, Aid to Families with Dependent Children, provided assistance to widows with orphaned children and employed a means test (only the poor could access it).

While Social Security retains incredibly strong public support to this day, lawmakers abolished AFDC 16 years ago after shielding it from decades of public hostility.

Without delving into the problems with either program, which are considerable in both cases, let me simply note that the current public school system in America follows much more closely the social insurance model of Social Security than the welfare model of AFDC.

Middle- and high-income taxpayers pay school taxes and have children who require education of one sort or another. Such parents would find it very strange indeed if they were asked to pay taxes to support a system of schools, but their children were excluded from attending the schools. Some parents voluntarily choose to do this when they pay private school tuition, but I would dare to guess that even they would feel justifiable outrage at being excluded.

Middle- and high-income taxpayers not only pay school taxes, they usually pay a good deal more school taxes than low-income taxpayers. A complex ideology might convince some of them that they should accept such an obvious inequity in the name of social justice or some other ideal. I would be willing to wager, however, that the percentage would remain in the single digit range. Most Americans would find the notion of means testing public schools absurd on its face.

A system of public schools or vouchers that taxes all but only makes some eligible entails a massive redistribution of wealth. I am not aware of anyone ever having filed a bill to means-test public schools, or to make middle-to-high-income children ineligible to participate in charter schools, virtual learning programs or anything of the sort.

The same principle applies to private school aid. Everyone pays for such aid, either directly in the case of vouchers or indirectly in the case of foregone public funds through tax credits. Social Security could benefit from a number of reforms, but talk of switching it from a social insurance model to a welfare model is quite rare. Most of the reform conversation around Social Security revolves around giving citizens more control over the funds, and that is where I think our conversation about education should follow.

Improving Equity in a Choice-Based System

So we're all in this together on the financing side permanently. How should we address equity issues? First we need to understand that the current system of public schooling is systematically biased in favor of high-income children. Andrew notes recent efforts to equalize funding (unfortunately my computer wouldn't open the link provided) but district averages often conceal school-level inequities. Far more critically, the bias in the system goes far deeper than money.

The career opportunities for bright, university-educated women have (thankfully) proliferated in recent decades while the attractiveness of teaching as a profession has stagnated. Low starting pay, step increases and summers vacation is not a package likely to attract many of the best and brightest students into a profession these days.

We of course compound this problem by treating our limited supply of highly capable teachers poorly by doing nothing or next to nothing to recognize their accomplishments. Predictably, many of these people leave the profession, enter administration or migrate to the leafy suburbs. Inner-city children get the very short end of the stick.

Having the federal government ineffectually throw Title I dollars at low-income districts is an inadequate response. NAEP shows that our Black and Hispanic students who reach 12th grade are there with an average level of academic achievement comparable to the average 8th grade Anglo. If we were able to factor in dropouts, the numbers would look even worse. We desperately need far more powerful policy interventions.

Fortunately, means-testing is neither the only nor the best way to move to a more equitable funding system. Public schooling aid can and should be adjusted according to individual circumstances and special needs. Utah lawmakers pioneered this approach by passing a sliding-scale voucher with larger scholarships for lower-income children, children with special needs, and children in large families. Such a system would represent a profound improvement in terms of equity when compared to the status quo.

Overcoming the Third-Party Payment Problem

Giving parents actual control over funds is every bit as important as varying the amounts according to need. The federal government's attempt to address equity issues, for instance, falls squarely into the symbolic category when the funds never see the inside of a classroom. Broadening the uses of choice funds – and requiring parents to consider opportunity costs – has the potential to mitigate third-party payment issues such as runaway costs.

Higher-education cost explosion and health care inflation share a common origin in third-party payment problems. Consumers place little pressure for efficiency because demand is fairly price inelastic and consumers only pick up a portion of the total costs due to a variety of public programs and (in the case of health care) third-party insurance.

If a state went to a universal system of school vouchers overnight, and the only allowable use of funds was to attend a private school, then the available private school spaces

would be distributed (presumably through lottery) and a gradual process of creating new private school space would ensue. It would be similar to the charter school process we see today in the states with strong laws.

If the law in question did not prohibit additional tuition and fees, one could expect a demand shock and substantial cost inflation as a limited supply of private school seats were rationed through the price mechanism – an equity disaster of the sort that Dr. Fuller rightly fears.

The devil is in the details on any choice program, but there are several ways to avoid such an outcome outside of forbidding additional fees. First and foremost, we need to give parents as many different ways to use education funds as possible – including (critically) saving them for future college expenses.

Such a pilot program is underway in Arizona with public contributions to Education Savings Accounts. This program began as a replacement for a special-needs voucher program last year, and [Arizona lawmakers expanded it to include children attending schools and districts with low grades, active duty military dependents and children who have been adopted](#). This program is very new and remains very small, but it provides the correct incentives. Parents have the incentive to seek out high-quality school options at the lowest possible cost.

Our conception of what constitutes a school has begun to broaden. Recently a couple hundred thousand students took a graduate level Stanford computer science class and growing millions of students have taken to learning on Khan Academy. Online learning is growing rapidly, and [“clicks and bricks” blended learning schools have begun to proliferate in the charter school sector with a fascinating degree of variation](#).

I believe public schooling will always be with us, for the reasons cited above. But the days of 19th Century, factory-style schooling are numbered as education faces a necessary transformation. Innovators are experimenting with the substitution of labor with technology in search of the optimal blend of the two. They already have [very promising models](#), and they are just getting started.

While the focus of this activity has been on the public schools, the traditional private-school model will require an update much earlier. Charter schools are already impacting private school enrollments far more significantly than districts. The advent of higher quality and financially scalable Charter Schools 2.0 will greatly intensify the strain on traditional private schools.

No one can say where this is all going, other than to say that improvement will come much faster in a system where parents are balancing quality and the opportunity cost between schooling models. We can't know what the typical American school will look like 50 years from now, but we can feel quite sure that that our system of schooling will be more effective, more specialized to individual needs, and less expensive through the deployment of market and/or quasi market mechanisms.

My answer to “where should we be going with this whole private choice movement thing,” therefore, is as follows:

- Our voucher and tax-credit programs to date have been basically designed to allow children to transfer into an existing stock of private schools. We need to be more far more ambitious in promoting policies that will foster innovative private-school models.
- Third-party payer problems are very real and have largely gone ignored. We need to create competition based upon not only perceived quality but also on price to mitigate these problems.
- We should fashion our policies for universal eligibility but with significantly larger levels of subsidy for lower-income and otherwise disadvantaged children and families.

[Market exchange has been the main driving force for human material progress since the far reaches of pre-history.](#) I believe the social insurance model of schooling is here to stay, so it falls to us to devise ways to set the parameters of our education system in such a way to encourage innovation and to mitigate third-party payer problems.

I believe, therefore, that every penny of K-12 spending should be allocated on the basis of a formula which thoughtfully addresses equity concerns into an account with multiple possible uses. The end result of such a system would be a far more effective, individually customized and fair system of schooling than the one we have today. I believe that, contrary to the overblown fears of K-12 reactionaries, [such a system would lead to the steady improvement of public schools, not to their destruction.](#)

A good place to start in this process would be to broaden the allowable uses for funds in our pre-existing private choice programs. Florida lawmakers, long the leaders in education reform and innovative practices, should thoughtfully consider increasing the possible uses for McKay Scholarship and Step Up for Students tax-credit funds. Students need the broadest possible market among education delivery methods, and true ownership of funds, in order to break decades of stagnation in our schooling practices.

As just one small example, children with autism in Florida could greatly benefit from [powerful and relatively inexpensive online tools and therapies.](#) Why not allow them to use McKay funds to do so?

Where Florida leads, others will follow. Today we can buy a telephone for \$50 with more computing power than the original Space Shuttles. Yet we continue to send many of our children to high-spending but dysfunctional schools. We can do much better than this, but we need to have the wisdom to embrace a very liberal and decentralized path.

Our education funding system should include everyone but give the most to the children who start with the least and give them the opportunity to save for higher education expenses. In my mind, this marries the [highest ideals of Rawls](#) with the [deepest insights of Friedman.](#)

It doesn't matter to me whether you prefer the term "Onward!" or "Forward!" The bottom line is we need to get this done.