

May 23, 2011

To: Members, Joint Committee on Finance

For the past 10 years, I have worked with legislators and community leaders to improve the accountability and transparency of the Milwaukee Parental Choice Program (MPCP).

While we have achieved some successes in these areas, the results of this year's Wisconsin Knowledge and Concepts Exams (WKCE) and the legislatively-mandated University of Arkansas study show that voucher students score similarly or worse than their Milwaukee Public School (MPS) counterparts. Having invested 20 years and over \$1 billion in school choice, these lackluster results are especially troubling given the large disparity of children with special education needs between the two programs.

Given these results, our efforts should now focus on all of the children in Milwaukee, regardless of what kind of school they attend – public, choice, or independent charter. Despite good intentions and best efforts, the achievement gap between Milwaukee and the rest of the state persists.

Instead, we now appear to be on the brink of spending a great deal of political and financial energy debating the expansion of a voucher program that has not resulted in improved achievement. Almost weekly, we bounce from one new expansion idea to the next, which are being fast-tracked without any details, draft legislation, or public hearings.

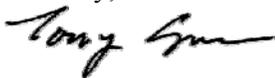
One proposal removes the educational accountability from choice schools by eliminating the requirement that voucher students take state assessments. Another makes wealthy families eligible for vouchers, disregarding the premise of the program. Then we saw an ill-conceived bill to provide vouchers to special needs children, who would give up their legal rights and protections in order to attend private schools that may not have the necessary supports to meet their needs. Most recently, expansion schemes surfaced for Racine, Beloit, Green Bay, Fond du Lac, and even Spooner.

While voucher champions rally around expansion, the 2011-13 state budget makes catastrophic cuts in funding for public schools. To put this into perspective, the cuts to MPS will balloon elementary class sizes to 34 per class, while funding for school choice is increased by millions.

I understand some may believe it is a moral imperative to offer vouchers to all parents in the state. I believe it is a moral imperative to find ways to improve the achievement of all of Wisconsin's children. To spend hundreds of millions to expand a 20-year-old program that has not improved overall student achievement, while defunding public education, is morally wrong. **I urge you to restore funding for public schools and work collaboratively to improve the quality of all Milwaukee schools before considering any voucher expansion.**

Enclosed, you will find a summary analysis of voucher student enrollment, achievement, and projected costs for long-term expansion.

Sincerely,



Tony Evers, PhD  
State Superintendent

## **Analysis of MPCP Data and Implications for Program Expansion**

Recent efforts to expand school choice beyond the current Milwaukee Parental Choice Program (MPCP) have focused on eliminating the current income restrictions, which would allow middle-income and affluent families to send their children to private schools at the public's expense, and expanding the program geographically, either to other urban areas or statewide.

While some of these efforts were included in the Governor's 2011-13 biennial budget proposal, several school choice bills have advanced in the legislature and numerous other proposals have been discussed by elected officials in their speeches and the media. These efforts raise critical policy and philosophical questions regarding the wisdom, necessity, and demand for expanding school choice, given the ambiguous performance data and minimal accountability.

Private school choice was created as an intervention to improve academic performance among low-income students that had limited access to high-performing schools. However, after 20 years and spending over \$1 billion, the academic performance data and the enrollment history of the school choice program point to several concerning trends, including:

### **Low-income students in the Milwaukee Public Schools (MPS) have higher academic achievement, particularly in math, than their counterparts in schools choice.**

Significant numbers of choice students perform below average on reading and math, raising serious questions about whether improvement requirements should apply to these schools.

### **Most choice schools are dependent on public funds to maintain operations.**

On average 83 percent of students enrolled in any given choice school are on publicly-funded vouchers. This government subsidy has protected Milwaukee private schools from the market forces that have led to declining private enrollment statewide.

Additionally, enrollment data points to a concerning trend where Milwaukee private schools enroll students with disabilities at half the rate as private schools throughout Wisconsin.

### **Expanding school choice is not free, and will divert state resources and increase local property taxes.**

When expanding the program, the majority of new participants will likely be students currently enrolled in private schools. As a result, the costs for educating these students will shift from parents to property taxpayers.

Moreover, at the current per-pupil voucher cost, expanding the program statewide would cost nearly \$750 million. Furthermore, some have indicated a need to increase the voucher payment, particularly at the high school level, which would further increase this cost.

Finally, it will be difficult to expand the choice program without replicating the funding flaw that penalizes Milwaukee taxpayers. Notably, over 17 percent of this year's MPS property tax levy is related to the choice program.

## I. ARE TOO MANY CHOICE SCHOOLS NOT MAKING THE GRADE?

When the school choice program began in the 1990-91 school year, the legislative intent was to create a targeted program that provided low-income students struggling in MPS access to high-quality private schools. The implicit presumption was that those schools offered a superior education that was financially out of reach for low-income families.

As such, the quality and academic performance of choice students is a central issue; however, while many outstanding schools joined the program, poor regulatory controls led to some opportunistic operators and fly by night entities that capitalized on the new program, exploiting students, parents, and taxpayers.

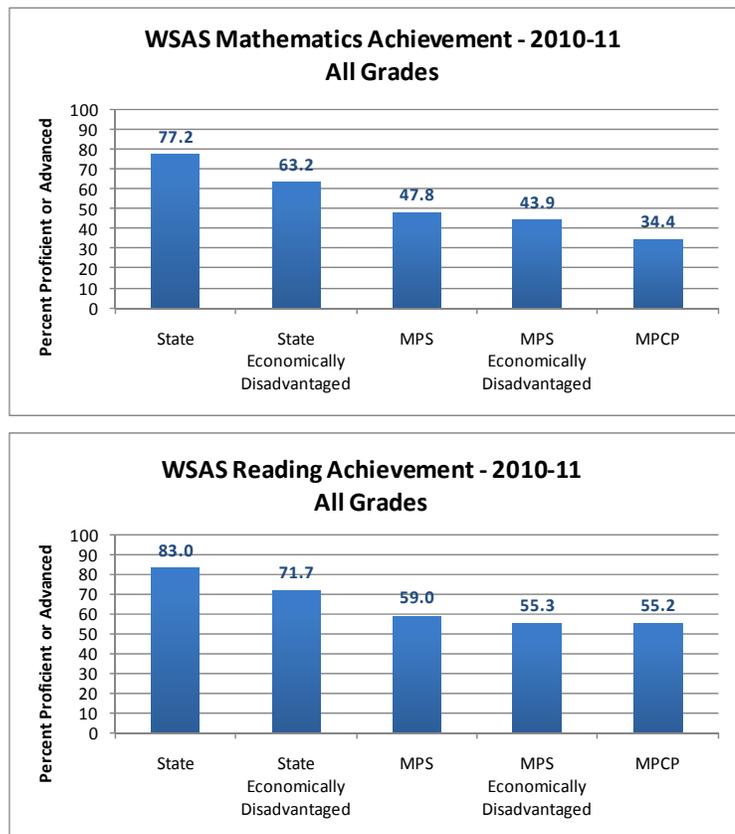
Over time, operations and financial accountability measures were gradually added to the program to combat the most egregious violators, and in 2006 the legislature commissioned a study of student performance in school choice.

Additionally, 2009 Wisconsin Act 28 established that *choice schools* must be pre-accredited and starting in the 2010-11 school year *choice pupils* must take the Wisconsin Knowledge and Concepts Exams (WKCE). This assessment data provided the first apples-to-apples comparison of student performance among MPS and choice schools.

Results from the state exams show that both MPS and choice schools have significantly lower student achievement than the statewide average, including students from economically disadvantaged families.

Notably, low-income MPS and choice students demonstrate similar reading achievement, but low-income MPS students do significantly better in mathematics (see Figure 1), especially at the elementary and middle school levels. This remains true, even though MPS enrolls significantly more students with disabilities.

MPS math improvements are largely due to the \$10 million Pupil Achievement Grant, which supported a rigorous, highly-evaluated math teacher leader program in partnership with UW-Milwaukee. This grant is eliminated in the 2011-13 state budget.



**Figure 1: Low-income MPS students outperform choice (MPCP) students in mathematics, especially in the elementary and middle school levels. Reading achievement is similar between both programs.**

While overall reading performance was similar, MPS students tended to perform a little better in early grades, while choice students performed slightly better in the later grades. This may contribute to the improved graduation rates in some choice schools.

Additionally, when the reading and math performance for MPS, choice, and independent charter schools (2r) are arrayed on a scatter plot, three interesting trends emerge (see Figure 2).

- First, a notable number of MPS schools are clustered above the main trend line across the first and second quadrants, reflecting MPS students’ stronger overall math performance.
- Second, independent charter schools are near or above the city-wide average in reading and math.
- Third, a significant number of choice schools perform below the MPS average in reading and math. In light of this, the state may need to impose improvement requirements on consistently low-performing choice schools.

<b>1<sup>st</sup> Quadrant</b> ↑ Above average math; ↓ Below average reading	<b>2<sup>nd</sup> Quadrant</b> ↑ Above average math; ↑ Above average reading
<b>3<sup>rd</sup> Quadrant</b> ↓ Below average math; ↓ Below average reading	<b>4<sup>th</sup> Quadrant</b> ↓ Below average math; ↑ Above average reading



**Figure 2: City-wide comparison of reading and mathematics performance among Milwaukee students enrolled in public schools, the choice program and independent charter schools. The scatter plot shows that choice and public school students perform similarly in reading, but public school students perform better in mathematics.**

## II. WHEN IS A PRIVATE SCHOOL REALLY A PUBLIC SCHOOL?

**Program Growth:** Enrollment in choice schools has grown steadily since 1998-99, when the Wisconsin Supreme Court ruled that private religious schools could participate in the choice program.

However, in the last few years enrollment has leveled off, stabilizing at just over 20,000 students. This growth is in stark contrast to the statewide private school enrollment trend.

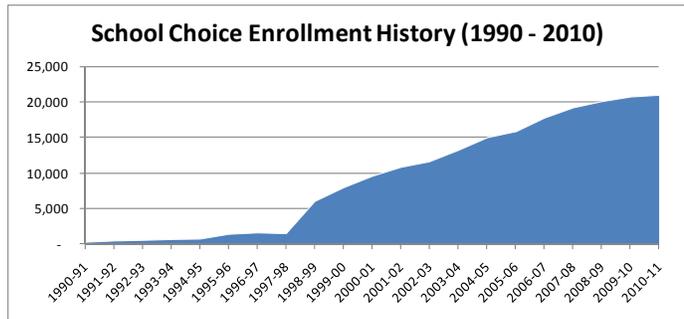
Over the last decade, statewide private school enrollment has *declined* 14 percent, while private school enrollment (including choice schools) in Milwaukee has *grown* by 14 percent. This is not surprising, given the level of subsidy that Milwaukee private schools receive through vouchers.

**Wholesale Subsidy:** With only a few exceptions, private schools participating in the choice program are entirely dependent on voucher students to maintain enrollment. It is unlikely that the current number of private schools in Milwaukee could exist without this significant government subsidy (in the form of vouchers). This raises an important question:

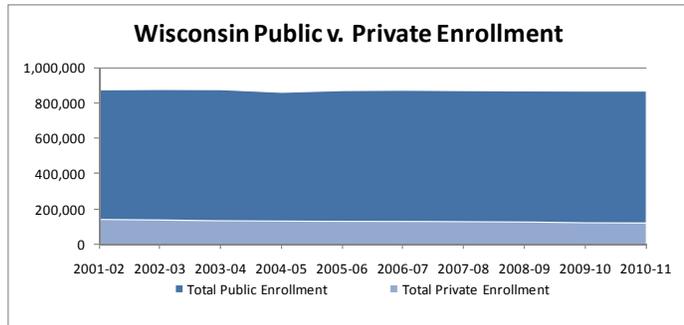
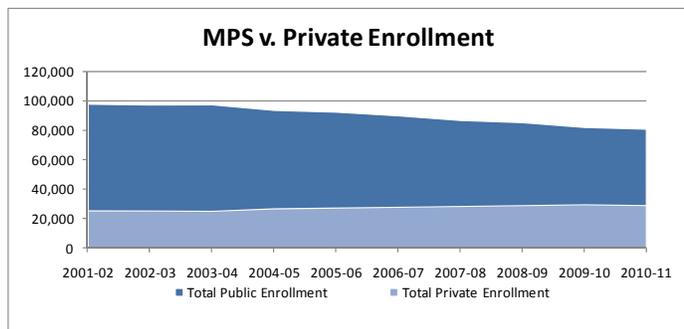
**If only one in five students enrolled in a choice school pays tuition, then when do choice schools stop being private schools and become something else?**

For the 2010-11 school year, on average 83 percent of students enrolled in any given choice school were on publicly-funded vouchers. Moreover, it is notable that:

- 1/4 of choice schools had 99 percent or more of their students on vouchers.
- 1/2 of choice schools had 94 percent or more of their students on vouchers.
- 3/4 of choice schools had 76 percent or more of their students on vouchers.



**Figure 3: On June 10, 1998, the Wisconsin Supreme Court ruled 4-2 in *Jackson v. Benson* that religious schools could participate in the school choice, leading to significant enrollment growth.**



**Figures 4 & 5: Over the last decade, statewide private school enrollment has declined, while private school enrollment in Milwaukee has increased significantly.**



**Table 1: Enrollment comparison of students with disabilities (SwD) between public and private schools both in Milwaukee and statewide indicate significant disparities.**

Milwaukee Schools								Wisconsin Schools							
Private Enrollment				Public Enrollment				Private Enrollment				Public Enrollment			
Year	Total SwD	SwD	Total	%	SwD	Total	%	Year	Total SwD	SwD	Total	%	SwD	Total	%
2001-02	16,034	122	25,457	0.5%	15,912	97,762	16.3%	2001-02	126,852	1,389	144,861	1.0%	125,463	879,361	14.3%
2002-03	16,020	153	25,435	0.6%	15,867	97,293	16.3%	2002-03	126,879	1,560	141,373	1.1%	125,319	881,231	14.2%
2003-04	16,018	58	25,175	0.2%	15,960	97,359	16.4%	2003-04	127,779	1,340	137,217	1.0%	126,439	880,031	14.4%
2004-05	16,391	105	26,846	0.4%	16,286	93,654	17.4%	2004-05	129,070	1,386	135,840	1.0%	127,684	864,757	14.8%
2005-06	16,458	119	27,474	0.4%	16,339	92,395	17.7%	2005-06	129,873	1,583	134,170	1.2%	128,290	875,174	14.7%
2006-07	15,969	89	27,705	0.3%	15,880	89,912	17.7%	2006-07	128,526	1,706	132,525	1.3%	126,820	876,700	14.5%
2007-08	15,715	275	28,611	1.0%	15,440	86,819	17.8%	2007-08	126,496	1,976	132,708	1.5%	124,520	874,633	14.2%
2008-09	15,782	14	28,893	0.0%	15,768	85,381	18.5%	2008-09	125,304	1,570	129,955	1.2%	123,734	873,586	14.2%
2009-10	16,320	155	29,528	0.5%	16,165	82,096	19.7%	2009-10	125,301	1,889	125,953	1.5%	123,412	872,436	14.1%
2010-11	16,271	193	29,024	0.7%	16,078	80,934	19.9%	2010-11	124,722	1,959	124,514	1.6%	122,763	872,286	14.1%

Notably, the data shows a significant enrollment decline in MPS among *regular education* students, but no corresponding enrollment change among *special education* students. This is the primary reason that MPS has a substantially higher percent of special education students, compared to the rest of the state.

Because the *number* of students with disabilities in MPS has held relatively steady, while greater numbers of regular education students have opted to open enroll or participate in school choice, the *percentage* of students with disabilities in MPS has increased dramatically.

Since students with disabilities are generally more expensive to educate than regular education students, the declining share of regular education students in MPS creates substantial financial challenges that pit kids against one another. This also makes an apples-to-apples cost comparison between MPS and choice schools difficult, since choice schools enroll so few students with disabilities (which greatly reduces their per student cost).

### III. THE COST OF EXPANDING SCHOOL CHOICE

The current state approach to funding the state’s voucher program in Milwaukee is complicated. As shown on Table 2, right now the state directly pays 61.6 percent of the cost of school choice (\$3,968 on a per voucher student basis) and MPS state general aid is reduced by 38.4 percent to pay for the balance of the program (\$2,474 per voucher student).

In 2010-11, the total cost of school choice is \$130.8 million (20,300 FTE students x \$6,442 per voucher student). After factoring in MPS’ high poverty aid, which must be used to offset the school choice tax levy, the state’s share of the cost of school choice this year is roughly \$90 million and MPS’ share is \$40 million. Provisions in the 2011-13 biennial budget bill increase the cost of school choice to \$139 million in 2011-12 and \$148 million in 2012-13. MPS’ property taxes are expected to increase by several million dollars annually each of the next two years due to increased school choice costs and a reduction in high poverty aid.

**Table 2: Breakdown of the current school choice funding split in Milwaukee.**

School Choice Funding Split		
State	\$3,968	61.6%
Local	\$2,474	38.4%
<i>Total</i>	\$6,442	

**Hidden Taxes:** As a function of state law, property taxes related to choice students enrolled in choice schools are currently hidden within the overall MPS property tax levy. In short, the MPS Board is essentially compelled to levy a tax on Milwaukee property owners to fund schools it has no authority over. Notably, choice schools represent 17.1 percent of the total MPS levy.

The State Superintendent proposed addressing this issue in his 2011-13 biennial budget by changing the state funding split from its current 61.6 percent/38.4 percent ratio to a 70 percent state share/30 percent local share, which is more reflective of MPS' share of funding through the state school aid formula. Such a proposal would save Milwaukee taxpayers at least \$4 million in 2012-13 alone under the proposed 2011-13 biennial budget.

While it is presently unknown how a school choice program in Beloit, Green Bay, Racine or other communities would be funded, if the state's current method of funding choice students in Milwaukee is followed elsewhere, **it is a near certainty that both state fiscal obligations and local property taxes in these communities would increase.** This is the case as:

- (a) The state would be paying for the costs of students now enrolled in private schools that are not currently receiving vouchers; and
- (b) Local property taxpayers would be doing the same.

It has been argued school choice "saves" money for MPS and other school districts in the state for over a decade. While this point is debatable depending on the assumptions used, it is not valid if the choice program is expanded to new cities or income levels, unless students currently enrolled in private schools are prohibited from participating. Otherwise, private schools will suddenly receive state and local taxpayer-funded support for kids that were previously funded by tuition (at no expense to taxpayers).

**Table 3: Cost projections for geographic expansion of the choice program, arrayed against potential future increases in the voucher payment.**

2011-12 Projected Annual Cost of School Choice Expansion				
	2010-11 FTE Enrollment	Funding per choice student		
		\$6,442 (current law)	\$7,775 (≈ charter payment)	\$11,200 (80% of avg. cost)*
2010-11 MPCP	20,300	\$130.8 million	\$157.8 million	\$238.7 million
Milwaukee Expansion	7,300	\$47.0 million	\$56.8 million	\$85.8 million
Beloit	350**	\$2.2 million	\$2.7 million	\$3.4 million
Green Bay	3,200**	\$20.6 million	\$24.9 million	\$31.6 million
Racine	3,400**	\$22.0 million	\$26.4 million	\$32.7 million
All other school districts in state	80,450*	\$518.2 million	\$625.5 million	\$812.5 million
<b>Statewide Total</b>	<b>115,000</b>	<b>\$740.8 million</b>	<b>\$894.1 million</b>	<b>\$1.204 billion</b>

\* Source: Metropolitan Milwaukee Association of Commerce - Summer 2010 Volume 89, No. 3 "Work toward funding equity for all children in Milwaukee by increasing Choice and Charter per pupil funding levels to 80% of the MPS funding level." Please note, the projections for Beloit, Green Bay, Racine and the state are based on the respective district/state average cost.

\*\* Estimated number of Full-Time Equivalent students enrolled in private schools in these communities in 2010-11 (excludes preschool students and counts four-year-old kindergarteners as 0.5 FTE)

Simply put, if a student enrolled in a private school in Racine this year is automatically eligible for a voucher next fall, both the state and local property taxpayers would now pay for this student, which would not result in “savings” to the state, the Racine Unified School District, or any other school district since the student was not previously enrolled in a public school.

Table 3 below provides estimates on the annual cost of possible choice expansion to other cities and statewide, based on current law payments as well as two other notable proposals that align choice payments to the independent charter payment or 80 percent of MPS expenditures. This analysis assumes students currently enrolled in private schools would be eligible to receive vouchers regardless of their family income, a provision currently included in the 2011-13 biennial budget bill related to residents of the City of Milwaukee.

The data presented in this analysis should give Joint Finance Committee members pause as they consider lifting the income restrictions and expanding school choice beyond Milwaukee. The achievement data, level of subsidy and projected costs are prohibitive and unfair to most Wisconsin students, given the substantial reductions in public school funding.