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THE POLITICAL ECONOMY OF D.C. SCHOOL CHOICE: An Institutional Analysis of the Washington, D.C., Opportunity Scholarship Program

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## ABSTRACT

Economic theory gives us many reasons to think that school choice programs would address several problems plaguing our nation's public-school system. This thesis examines one attempt—the Opportunity Scholarship Program (OSP) in Washington, D.C.—to implement that theory to see how the positive predictions of school choice theory play out in practice. The economic case for school choice rests on three related factors: knowledge, incentives, and competition. School choice should facilitate better school–child matches than geographically assigned government-run public schools, as parents can act on their intimate knowledge of their children's educational needs. School choice should also incentivize parents to be more informed educational consumers and incentivize schools to improve their services in an effort to attract or retain voucher students. These incentives would lead to a more competitive educational market with improved student performance.

The OSP succeeded in some of these areas but not in others. Evidence from the OSP suggests that at least some students benefited from participating in the program, either by improving their standardized test scores in reading and/or by graduating. There is no evidence that any participants were worse off for having participated in the program. Further, most participants were highly satisfied with their experiences in the program in a wide variety of categories, including safety and school quality. The program was less successful in sparking widespread competition among schools, though some public- and private-school principals did report making changes in the hope of either retaining or attracting OSP students.

The OSP's features and institutional constraints were key in shaping these outcomes. The wide range of options available to OSP students increased the possibility of finding good school–child matches, though matches were harder to achieve at the high-school level, where there were fewer options. Also key to finding good school–child matches was the wide range of information available to parents, from formal guides to personal connections. Evidence suggests that parents acted as informed consumers, examining substantive school qualities over superficial attributes, when choosing a school. They also improved as educational consumers over time, as school choice provided the incentive for them to become more involved in the educational process. A deciding factor in the OSP's inability to effect system-wide change in D.C. schools was likely the program's funding structure, which did not financially punish public schools that lost students to the OSP. If policy makers wish to improve the performance of school choice programs in the future, they should more carefully consider the financial incentives that schools face.

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The Political Economy of D.C. School Choice: An Institutional Analysis of the Washington,  
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## TABLE OF CONTENTS

List of Tables.....	iv
List of Figures.....	v
List of Abbreviations.....	vi
Chapter 1: Introduction.....	1
Chapter 2 : Theoretical Framework.....	12
Chapter 3 : Findings.....	23
Chapter 4 : Policy Recommendations.....	70
References.....	77

## LIST OF TABLES

Table 1: Percentage of Public-School Principals Who Reported Making Changes in Response to the OSP, 2008–09.....	43
Table 2: Percentage of Participating Private-School Principals Who Reported Making Changes in Response to the OSP, 2008–09.....	44
Table 3: Number of Participating OSP Private Schools, 2004–05 through 2008–09.....	46

LIST OF FIGURES

Figure 1: Scholarship Users, Fall 2004–09.....27

Figure 2: Standardized Test Achievement after at Least Four Years (SAT-9 Scale Score Points)  
.....34

Figure 3: High-School Graduation Rates for 2008–09.....35

Figure 4: Parent and Student Reports of Safety and an Orderly School Environment, 2008–09  
.....38

Figure 5: Percentage of Parents and Students Who Gave Their Schools a Grade of A or B for  
2008–09.....39

## LIST OF ABBREVIATIONS

AFT: American Federation of Teachers

CYITC: D.C. Children and Youth Investment Trust Corporation

DCPS: District of Columbia Public Schools

GAO: Government Accountability Office

IOT: impact on treated

ITT: intent to treat

NCLB: No Child Left Behind

NEA: National Education Association

OSP: Washington, D.C., Opportunity Scholarship Program

SAT-9: Stanford Achievement Test, version 9

SINI: schools in need of improvement

WSF: Washington Scholarship Foundation

## CHAPTER 1: INTRODUCTION

Economic theory predicts many positive results from school choice, from increased competition to improved educational outcomes. This body of literature (examined later in this chapter) tends to examine school choice in a vacuum (all other things held constant) and focus on broad educational markets, such as the universal voucher program proposed by Milton Friedman in 1955. Attempts to implement school choice, however, interact with a variety of other educational policies and tend to be substantially limited in scope, whether they are means-tested or otherwise limited to a subset of schools, geographic areas, or students. This thesis examines one such attempt to implement school choice—the Opportunity Scholarship Program (OSP) in Washington, D.C.—to see how successful policymakers were at reaping the supposed benefits of school choice theory. The approach outlined in this thesis emphasizes the importance of institutions, examining how the OSP’s attributes and “rules of the game” impacted the program’s results. Specifically, I examine institutions with effects on knowledge, incentives, and competition. This analysis draws on a variety of sources, including personal interviews, congressional testimony, official program evaluations, and other reports.

In addition to the school choice literature discussed later in this chapter, there is also a broader body of literature on the desirability of centralization in education (see Dewey 1916; Gutman 1987; Tyack 1974; Ladd 2002; Berry 2007). This literature, however, is outside the scope of this project, which only seeks to use Washington, D.C., as a case study to see if school choice lived up to its promises.

### *What Is School Choice?*

Choice is a widely valued aspect of American life. If a consumer wants to buy anything from a new car to a tube of toothpaste, there are numerous brands to choose from at a variety of stores competing on cost, quality, and other factors. Yet, in one of the most important services provided in our country—education—the electorate seems largely content to delegate choice to the government via the public-school system. While some individuals opt out of the system by sending their children to private schools, most Americans still attend their government-assigned local public schools (Hess 2010). This behavior creates a virtual monopoly for public schools, as they receive a fresh crop of customers (students) every year regardless of school performance. Private schools, on the other hand, are like any other private business: they must consistently provide services of a high enough quality to attract customers, or they risk going out of business. In fact, one could argue that they face an even higher performance threshold for success than most private businesses, as their main competition is from “free” government schools. Private schools do not just need to perform better than public schools; they need to perform significantly better than public schools if they hope to attract parents away from the “free” alternative and stay in business. In contrast, governments rarely shut down even the worst public schools (Stuit 2010). Public schools therefore face little incentive to innovate.

Individuals of enough means still have some choice under such a system—they take into account the quality of the local public schools when deciding where to live (Elmore and Fuller 1996; Wolf 2005). Such behavior drives up real estate prices in areas with perceived good schools (Hayes and Taylor 1996; Clark and Herrin 2000; Hwang 2005), leaving the worst public schools in areas parents cannot afford to leave. The result, in other words, is a dearth of choice

and quality in poor, urban areas. School choice is an educational reform designed to change that dynamic.

School choice aims to empower parents to send their children to the schools of their choice rather than be limited to their local public schools. Programs can be based on anything from school vouchers to education tax credits to open-enrollment policies to charter schools. In this analysis, school choice will refer to voucher programs that allow students to attend the schools of their choice. Voucher programs can vary on a number of fronts. Vouchers can be publicly or privately funded. The programs can be universal (open to all students) or limited to a certain segment of the population (e.g., families under a certain income level, students with special needs, etc.). Vouchers can also vary in their monetary allotments, from full educational funding to partial vouchers that pay, for example, 50 percent of private-school tuition. The specific setup of a voucher program can therefore look very different from city to city, but the intent is the same: to increase choice and competition in the educational marketplace. While this analysis focuses on vouchers, many of its arguments will also apply to other school choice programs, such as charter schools.

### *A Brief History of School Choice in America*

Under the Johnson administration, the Office of Economic Opportunity (OEO) toyed with vouchers as an alternative to school busing. The first effort to implement vouchers in American public schools—a small pilot program in Alum Rock, California—resulted, though the program looked much more like a magnet-school program than a traditional voucher system (Hess 2010). The OEO again entertained the idea of implementing school vouchers during the

Nixon administration, but the proposed voucher program for the large cities of New Hampshire never came to fruition (Enlow and Ealy 2006). The school choice movement gained momentum throughout the 1980s, with several states implementing magnet-school programs and other open-enrollment policies. School choice finally took a turn toward vouchers in 1990 when Wisconsin enacted the Milwaukee voucher program. The publicly funded Milwaukee program started small, with only 337 students in 1990, but today it provides 20,000 students with vouchers (Hess 2010).

Following on the heels of the Milwaukee program, Cleveland and Florida launched publicly funded voucher programs in 1996 and 1999, respectively. Meanwhile, privately funded voucher programs were starting to pop up in Indianapolis (1991), San Antonio (1992), Washington, D.C. (1993), Dayton, Ohio (1998), and elsewhere (Howell and Peterson 2002). Cleveland's voucher program was novel in that it included religious schools from the beginning. The Ohio Supreme Court later upheld this controversial program feature (*ibid.*). As part of increased accountability standards under Jeb Bush's tenure as governor, Florida's A+ program targeted students at public schools designated as "failing," offering them vouchers to choose better schools. In 2006, the Florida Supreme Court ruled that the part of the A+ program that funded private-school vouchers was unconstitutional. Rather than cut the program, the state responded by modifying the program's funding structure so that funds for the private-school vouchers would come from private corporations seeking tax credits (Hess 2010).

While state legislatures and private organizations have succeeded in implementing voucher programs in many cities, attempted moves toward school choice have been less successful on ballot initiatives. Over the past few decades, about two dozen referenda on vouchers have failed across the country. None have succeeded (Hess 2010). A popular

explanation for these failures is that teachers' unions are too powerful a political opponent for voucher advocates to overcome. Certainly, this political dynamic is part of the equation that makes large-scale voucher programs difficult to implement. But as Ryan and Heise (2002) have pointed out, unions are not the only major political player opposed to vouchers—suburban voters have been reluctant to support widespread systems of choice out of fear that such systems will have adverse effects on their local public schools, which they generally rate highly and have paid a premium for their children to attend through increased real estate costs. Unfortunately, as many scholars have shown, far too many public schools in middle- to upper-income areas perform at inadequate levels and might benefit from increased school choice (Izumi, Murray, and Chaney 2007). Yet, despite empirical evidence that even schools in middle- to upper-income areas could use improvements, suburban voters are largely willing to protect their local schools from the perceived threat of school choice. Unless that political dynamic changes, Ryan and Heise predict that school choice programs will be limited to geographically constrained plans in urban areas with a high number of inadequate schools. Other scholars have suggested that voucher programs are a tough political sell because they split the bases of both political parties: Democrats get split pressure from minority voters who largely support voucher programs and from unions who largely oppose voucher programs, while Republicans get split pressure from free-market advocates who largely support voucher programs and from suburban voters who are hesitant to support vouchers (Walberg 2007).

*School Choice in Washington, D.C.*

Washington, D.C., is perhaps the best example of American urban education run amok. Despite years of heavy spending, the nation's capital consistently ranks near the bottom on educational quality measures. In the fall of 2003, the district's public schools spent \$12,959 per pupil on K–12 education (NCES 2006). In the rest of the country, only New Jersey spent more than D.C. per pupil. Unfortunately for D.C. residents, high spending did not lead to superior results. For example, in that same year, 64 percent of fourth graders scored “below basic” on standardized mathematic achievement levels, compared to only 24 percent nationally (NCES 2004). Neither the high spending nor poor student performance in 2003 were historical anomalies (Lartigue 2002). Clearly something had to change in Washington, D.C., schools.

In 2004, Washington, D.C., embarked on a five-year school choice experiment: the Washington, D.C., Opportunity Scholarship Program (OSP), the first federally funded, private-school voucher program in the United States. The OSP, operated by the Washington Scholarship Fund (WSF), a 501(c)(3) organization, targeted approximately 1,700 D.C. students per year, giving their parents scholarships worth up to \$7,500 for their children to attend the private schools of their choice. Parents could spend the scholarships on tuition, school fees, and transportation costs, and scholarships were renewable for up to five years provided that the student remained in good academic standing. To be eligible, students had to have a family income at or below 185 percent of the federal poverty line. According to 2000 census figures, just over 10 percent of the children in Washington, D.C., were eligible for the program (Wolf et al. 2010).

The program received four applications for every slot (ibid.) and had a 75 percent approval rating from D.C. residents (Simmons 2011). Even better, the OSP offered a bargain to taxpayers: it cost \$10,000 less per student (at a conservative estimate) by the program's fifth year (Ewing 2010). Yet, when it came time to renew it in 2009, Congress chose to ratchet down the program. Buried within a 1,000-plus-page spending bill was a provision that prohibited new students from entering the program. Students currently enrolled can continue in the program until they graduate (or until program funds run out, whichever comes first), but the Department of Education pulled 216 new students from the program for the 2009–2010 school year.

### *Literature Review*

The theoretical debate surrounding school choice is not limited to modern times. Classical economists, including Adam Smith, tackled issues of incentives and competition in education. Even if Smith did not explicitly propose a voucher program, his insights certainly set the stage for the modern education debate. In his famous *An Inquiry into the Nature and Causes of the Wealth of Nations*, Smith discussed the important role that competition plays in any profession: “the rivalry of competitors, who are all endeavouring to jostle one another out of employment, obliges every man to endeavour to execute his work with a certain degree of exactness” (Smith [1776] 1976, 759). Unfortunately, as Smith pointed out, many institutional features of education, such as large school endowments that inhibit innovation and the lack of merit pay for teachers, fail to foster such competition. Without pay tied to performance, the only motivating factor that Smith saw for teachers was maintaining their reputations, and even that

was a weak force as schools and teachers received a steady stream of students independent of their merits and reputations (just as they do in modern times).

In addition to salary issues, Smith also foreshadowed the modern discussion of choice by emphasizing the negative effects that a lack of choice in education should bring about. When students do not choose teachers voluntarily, Smith expected that such a setup would “diminish very much in all of them [teachers] the necessity of diligence and of attention to their respective pupils” (ibid., 763). This result is through no fault of the teachers themselves, whom Smith viewed as “more or less corrupted by the circumstances, which render them more or less independent of their success and reputation in their particular professions” (ibid., 780). While Smith supported a version of public schooling (albeit one very different from the modern variety), he was quick to point to the superior results of private education where competitive forces were more at play. Because of the more competitive institutional environment in the private sector, the parts of education in which there are no public institutions are generally the best taught.

Milton Friedman (1962) built on Smith’s work and launched the modern debate over school choice by proposing a universal voucher system in his 1955 essay “The Role of Government in Education,” which later became a chapter in *Capitalism and Freedom*. Under Friedman’s scheme, the government would require a minimum level of schooling, financed by giving parents a voucher. Parents would be free to spend the voucher plus any additional funds of their own to purchase educational services from an approved institution of their choosing. The government would ensure minimum standards through the approval process, though it is clear

that Friedman had a low bar in mind for standards so that schools would have substantial freedom to innovate and attract customers.

Friedman ([1955] 1962, 91) thought that such a system would foster innovation and variety in schools and would vastly outperform the status quo of public schooling:

If present public expenditures on schooling were made available to parents regardless of where they send their children, a wide variety of schools would spring up to meet the demand. Parents could express their views about schools directly by withdrawing their children from one school and sending them to another, to a much greater extent than is now possible . . . Here, as in other fields, competitive enterprise is likely to be far more efficient in meeting consumer demand than either nationalized enterprises or enterprises run to serve other purposes.

The only widespread alternative to public schools under the current system is parochial schools, since churches are in a position to subsidize schooling to compete with “free” government schools. Vouchers, in Friedman and Friedman’s view, would ease this financial constraint on the supply side of education, allowing a much wider range of alternatives to spring up to compete with public schools for students (1980).

Friedman and Friedman also viewed school choice and merit pay for teachers as intertwined. They thought that a system of increased school choice would naturally work to make teachers’ salaries more responsive to market forces, since school choice would inject competition and flexibility into school systems. While later scholars would come to view school choice as a “panacea,” Friedman and Friedman admitted that such a voucher plan is only a

partial solution “because it affects neither the financing of schooling nor the compulsory attendance laws” (ibid., 161).

Since Friedman first proposed a voucher system in 1955, the work of John Chubb and Terry Moe (1988; 1990) has probably provided the largest spark for school choice (especially following the publication of their 1990 book *Politics, Markets, and America's Schools*). With much of the educational research post-Friedman focusing on what attributes make for an effective school, Chubb and Moe took a step back and attempted to analyze the institutions that lead to a school's qualities rather than focus narrowly on the qualities themselves. Their simple yet powerful idea was that schools reflect their institutional environments. In this view, bad organizational properties are considered symptoms rather than causes of underlying institutional problems. Unfortunately, their analysis suggests that “the specific kinds of democratic institutions by which American public education has been governed for the last half century appear to be incompatible with effective schooling” (Chubb and Moe 1990, 2). Since politics ultimately drives public schools, the institutions of democratic control “encourage the bureaucratization and centralization of school control and discourage the emergence of coherent, strongly led, academically ambitious, professionally grounded, teamlike [*sic*] organizations” (ibid., 141). Market-controlled institutions like private schools encourage the opposite and therefore get better results.

Since the existing institutions are the problem, the key to better schools is institutional reform. Chubb and Moe advocated a new system of public education built on school autonomy and school choice. By moving toward a market system for education, Chubb and Moe hoped to avoid the bureaucratic pitfalls of the status quo of public education and to build a system based

on decentralization, competition, and choice. An environment of competition and choice would give schools strong incentives to adopt the organizations and characteristics associated with effective schooling. Chubb and Moe were skeptical of any education reform that failed to shake up the underlying educational institutions—something that they thought could only be accomplished through school choice. They encouraged reformers to shift their focus from other ideas and to “entertain the notion that choice *is* a panacea” (emphasis in original; *ibid.*, 217). Other school choice proponents have criticized this grand claim. Frederick Hess (2010) called that statement “some of the worst advice that school reformers ever got” since it raised expectations for school choice programs to unreachable levels considering the limited scope that voucher programs tend to have in practice (a scope that is usually far short of the universal systems that Friedman and Chubb and Moe proposed).

### *Roadmap*

This chapter has provided an overview of school choice. The rest of this thesis is organized as follows: chapter two builds the theoretical case for school choice, specifically focusing on how school choice improves educational institutions on the margins of knowledge, incentives, and competition. Chapter three examines evidence from Washington, D.C.’s school choice experiment (the OSP) to see how school choice performs in practice, again showing specific concern for knowledge, incentives, and competition. Chapter four offers policy recommendations and concluding remarks.

## CHAPTER 2: THEORETICAL FRAMEWORK

The strongest economic arguments in favor of school choice focus on three closely related margins: knowledge, incentives, and competition. This section explains these arguments in detail. They are by no means the only arguments that can be made for school choice, but they get at the core reasons why economic theory tells us that school choice should outperform a system of state-run, compulsory education.

### *The Knowledge Problem*

Who is in the best position to make educational decisions: parents or government officials? Specifically, who is in the best position to answer the critical question, “What is the right educational environment for a particular child?” In other words, what environment will enable a child to maximize his or her potential? Just as important to *what* the answer to that question may be is *who* is in the best position to answer it. Further, what *system* is most likely to get the answer right for the majority of students?

Questions surrounding knowledge are perhaps best associated with the work of economist F. A. Hayek. Hayek describes how knowledge in a society never exists in concentrated or integrated form—rather, it exists as “the dispersed bits of incomplete and frequently contradictory knowledge which all the separate individuals possess” (Hayek 1945, 519). The central problem for society is therefore how to effectively communicate relevant knowledge such that informed decisions can be made. In regard to the efficient economic

allocation of resources (Hayek's concern), prices play the vital role of communicating information across the economy.

The idea of capturing such local knowledge ("the knowledge of the particular circumstances of time and place" [Hayek 1945]) is not limited to economic planning. For example, economist Gordon Tullock has applied Hayek's concerns to government bureaucracies in non-resource-allocating functions, describing the administrative problems in some fields that "may be of such complexity that the centralization of information necessary to make decisions effectively in a bureaucracy might not be possible" (Tullock [1965] 2005, 135). Sobel and Leeson (2007) have highlighted the knowledge problem with respect to natural disaster management, showing that the government lacks the relevant knowledge to decide which natural disasters to intervene in and what level of support to provide. Seshadri and Storr (2010) examine the knowledge problem associated with creating export processing zones, namely that government officials lack critical knowledge about where to locate new zones, what industries to promote within established zones, and which proposed units are likely to succeed within the zones.

The knowledge problem, particularly as Tullock's work on government bureaucracy describes it, is of direct concern to public education, which operates within multiple layers of bureaucracy at the district, state, and federal levels. Yet the relevant knowledge in this case is at the individual level. With neither parents nor educational bureaucrats present in every classroom to observe the behavior of every student, the question again becomes one of who is in the best position to discover and act upon such local knowledge. Additionally, which system—one based

on parental control or one based on governmental control—is better positioned to tell us if there are mistakes in assigning children to appropriate educational environments?

Regardless of who is doing the choosing, there are many factors to consider when picking the ideal educational environment for a child. What personality traits does the child exhibit (is he or she shy, outgoing, etc.)? How does the child learn (is he or she a visual learner, audio learner, etc.)? How does the child respond to authority (does he or she thrive in a rules-heavy environment or a freer atmosphere)? In considering these factors and many others, one might start by looking at a school's performance measures, but the analysis certainly could not end there. Is the child safe at school? How is the child responding to their educational experiences? What are his or her peers like? Does he or she have a positive relationship with the teacher and with other school employees?

Henig (1994) argues that “even under the best of circumstances, the neighborhood public school will not adequately serve the needs of every neighborhood child. This can be due to the particular characteristics of the child, the particular limitations of the school, or a simple lack of fit between one and the other” (ibid., 206). There are thus potentially two knowledge deficits at play in education: education officials could have more information about school environments while parents could have more information about their children. Both are important, so the question becomes, which knowledge deficit is easiest to overcome? This thesis argues later that there are mechanisms through which parents can learn about educational environments, whereas educational officials will never be able to capture the relevant information on individual students.

It seems reasonable to assume that parents have more of a vested interest in their children than a state official does. They would therefore be expected to show more concern over student

outcomes. But arguments in favor of increased parental control in education need not rely on such motivation-based arguments. Perhaps the biggest advantage that parents have over a state-run system is the increased ability for monitoring and collecting feedback. Parents have the opportunity every day to interact with their children, to ask questions about their day at school, to observe homework and test scores, and so on. From the government's perspective, performance feedback must be funneled up from the classroom level to the appropriate level of decision making. District, state, and federal officials are likely looking at aggregate data from classrooms, schools, and districts and at distinct points in time such as the end of a semester or school year. Parents would be more likely to discover a problem at all or at the very least more likely to discover a problem more quickly than the government. The same logic holds true for other environmental factors, such as school safety, which would indirectly impact student performance. Further, a parent is much more likely than an educational official to know the personality traits, learning habits, and other intimate details of a child that would help to determine the most appropriate educational environment. This intricate knowledge could be more useful in choosing an educational environment than information that is publicly available. For example, perhaps a parent knows that his or her child learns best in a certain environment and therefore selects a school that possesses that environment even though it is not the best in terms of objective quality measures such as test scores. In this instance, it is still the best fit for the child because of his unique circumstances.

Another way to look at the question of who has the best knowledge in this context is not to compare parents to government experts, but rather parents and teachers to government experts. Evidence suggests that parents of voucher students report more contact with their children's

teachers than the parents of nonvoucher students in randomized field experiments (Howell and Peterson 2002). When teamed with teachers, parents need not know every detail of the curriculum or other educational factors in order to make informed decisions about what is best for their children. In that sense, choosing the right school environment is like choosing the right doctor. A parent does not need to know the intimate details of the disease that his or her child has. They just need to pick a doctor that they can work with to make the child better. From there it is simply a question of monitoring the improvement.

A potential concern—a serious one if true—is that parents will not make responsible choices about their children’s education for a variety of reasons. Perhaps the parents are negligent. Perhaps they cannot access the information needed to make an informed decision. Perhaps factors other than educational quality, such as a school’s location, religious affiliation, or some superficial aspect such as the school’s appearance, motivate their choices. A logical place to start examining this concern is to look at parents’ behavior historically. West ([1965] 1994) showed that parents have behaved more responsibly historically than they tend to get credit for. For instance, school attendance was near universal before the government enacted compulsory education laws in America. Even without the state mandating that parents send their children to school, the vast majority of parents realized the benefits of doing so. Compulsory education laws arose not in response to parental malfeasance, but because teachers were unhappy with the process through which they were paid. Such evidence is clearly not proof that parents will always make responsible decisions. But it does shift the burden of proof to the other side to show that parents, who have largely acted responsibly over the course of history, will act irresponsibly when faced with school choice.

Perhaps evidence of historical parental responsibility does not translate to a modern urban context. Fortunately, there is some evidence on this point. Howell and Peterson (2002) analyzed several urban voucher programs, including a privately funded scholarship program in Washington, D.C., sponsored by the Washington Scholarship Fund. According to survey data collected through the program, a majority of D.C. parents who used a voucher said that the “academic quality” was the primary reason why they decided to use their vouchers at particular schools. The next most popular answers were “what is taught in school” and “teacher quality,” suggesting that parents considered substantive rather than superficial qualities when picking schools for their children. Results were similar for other urban voucher programs that Howell and Peterson analyzed. A survey of other school choice research by Walberg (2007) reports findings similar to those of Howell and Peterson, with most parents selecting schools for academic quality rather than other reasons.

Any remaining concerns over parental knowledge are not necessarily a death blow to school choice. The quality of information accessible to parents on the schools available to their children is a critical factor influencing parental choice behavior (Hamilton and Guin 2005). If making such information more accessible is a valued or necessary function, there would be ample opportunity for a private organization or government agency to publish school rankings and other relevant information to assist parents as they decide what schools to send their children to.<sup>1</sup> Imperfect information, therefore, does not require a jump to government provision and assignment of educational opportunities. Further, there are reasons to believe that all parents do not need full knowledge of educational opportunities to make their children better off. As long as a critical mass of other parents are paying attention and making informed decisions, the worst

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<sup>1</sup> For examples, see <http://www.greatschools.org> and <http://www.schoolmatters.com>.

options would be expected to be systematically weeded out from the market, making it more likely that even parents who lack key information would make good choices for their children (Schneider, Teske, and Marschall 2000).

### *Incentives*

Another core problem that school choice aims to solve is one of incentives. There are theoretical reasons to believe that parents have an incentive to find out if a child is in the right educational environment while schools and government officials do not.

If nothing else, school choice brings something to the table that has been sorely lacking in the public-school system: the threat of exit. While some parents choose to send their children to private schools, most American children attend the local public schools that the government assigns them to based on their home addresses. Public schools therefore have a built-in customer base that keeps coming to them year after year irrespective of performance. This school-assignment system, combined with compulsory education laws, creates a steady customer base free of any meaningful recourse if children or their parents are unsatisfied with the services provided. This dynamic has several implications, one of which is relevant to this discussion of incentives: without a meaningful threat of exit as a feedback indicator, why would schools be expected to determine the best educational environment for every child? Since the existing system practically guarantees public schools their customer base, the schools' reputations do not matter in any meaningful way. If public schools get the answer to that question wrong for a child, or even a large group of children, there will be no widespread repercussions. There are some local, state, and federal accountability standards, but most of these focus on aggregate

performance measures and therefore do not change schools' incentives regarding the needs of individual students.

Parents, on the other hand, have ample incentives to pay attention to their children's educational environments. As discussed in the previous section, it seems reasonable to assume that parents have more of a vested interest in their children than a state official does and would therefore show more concern over things such as student outcomes. This hypothesis is likely true whether choice is present or not. But an important issue to consider is how parent behavior would be expected to change under an environment of increased choice. If the government assigns a student to a local public school, a parent has limited incentives to be an informed consumer. Regardless of how much a parent knows about the school, his or her child is going there. When presented with more educational options, parents would have an increased incentive to seek out information about different educational environments. If the only choice is School A, one need not know much about School A. But if School B and School C are options, one might care about the differences between the schools in order to pick the best option for a child. School choice thus encourages parents to be informed consumers of education, especially to the extent that parents choose to supplement vouchers with their own funds. Friedman and Friedman (1980, 162) viewed voucher supplementation as a benefit of school choice that "would encourage a gradual move toward greater direct parental financing." In education, like everything else, people take greater care in choosing a product that they pay for than one that they get for free.

## *Competition*

Similar to the issue of incentives, the threat of exit that school choice would bring about has important implications for competition and innovation. Chubb and Moe (1988) identify the key feedback mechanism under school choice as exit compared to the feedback mechanism of voice under the status quo of public schooling. Using a voucher to pull a child from a failing school sends a clear message to the school: your services are not up to par and I think I can do better elsewhere. Voice is a weaker mechanism. With the school system under government control, disgruntled parents can only hope to voice their concerns and convince others in the political process that reform is necessary. Considering the vast size of the electorate, such a task is an uphill challenge. Friedman ([1955] 1962, 94) echoed this concern, writing, “The parent who would prefer to see money used for better teachers and texts rather than coaches and corridors has no way of expressing this preference except by persuading a majority to change the mixture for all.”

Since schools would have to compete over students under a school choice regime, the system should trend toward innovation and improved results for all students. In other words, public education should start to look more like private education, where such competitive forces are already at work. Since private schools charge tuition, parents are only willing to send their children to a private school if they think it is worth the cost. They are free to compare attributes of different schools, from class size to student performance to facilities to cost, and pick what they think is the best option for their children. If the school turns out to not meet their expectations, they can withdraw and find another school. Schools have the incentive to improve on the criteria relevant to their customers in an attempt to attract students.

School choice also increases incentives for schools to meet niche educational needs. Under a widespread system of school choice, there would be no reason for schools to follow the cookie-cutter pattern that we see so often today. Variations in curriculum, school size, extracurricular activities, and other factors would likely pop up under school choice. Any variations that the market deems unworthy would be expected to lose their customers and shut down, much like a private businesses that fails to meet customer needs.

A potential concern with increased choice is that private schools generally, or at least the best private schools, would have an incentive for “skimming”—they would become extremely selective, admitting only students of a certain ability or class and excluding others, leaving many struggling students trapped within the public-school system (Hirshman 1970; Fuller and Elmore 1996; Wolfe 2003). Evidence suggests that this concern does not play out in practice. In their study of urban voucher programs, Howell and Peterson (2002) found no evidence of skimming for students in grades 2–5 and only slight skimming effects for older students.

### *The Impact of School Choice*

For the reasons outlined, there is ample theoretical grounding to expect that a system of increased school choice would outperform the status quo of public education. But school choice’s impact on the education system is potentially greater than its direct effects on student and school performance. While it is common to discuss school choice in a theoretical vacuum, real-world voucher programs interact with a variety of other education policies.

Other education reforms, such as merit pay for teachers and curriculum diversity, might only reach their full potential in a competitive school system brought about through school

choice. A recent National Center on Performance Incentives study (Springer et al. 2010) examined a three-year experiment with merit pay in the Metropolitan Nashville School System from 2006 to 2009. Middle-school mathematics teachers voluntarily participated in a controlled experiment to assess the effects of financial rewards on teachers whose students showed significant gains on standardized tests. Even though teacher support was higher than in other public-school merit pay programs and there was a general upward trend in area middle-school mathematics performance, the researchers found no difference in performance between students of teachers randomly assigned to the treatment group (those eligible for bonuses) and students of teachers randomly assigned to the control group (those not eligible for bonuses).

One potential explanation (which the researchers did not consider in their report) for the failure of Tennessee's merit pay experiment is that merit pay should not be expected to work to its full potential in an educational environment that lacks choice. In other words, introducing a *feature* of a competitive system will not do much good in the absence of such a *system*. A merit pay system might be designed to incentivize exceptional teacher performance, but incentives within a highly uncompetitive institutional environment might not make much difference. In addition to being desirable in its own right, school choice might prove to be a crucial first step toward allowing other education reforms to work as intended.

With a theoretical case for school choice built, this paper now turns to evidence from Washington, D.C., to see how school choice plays out in practice.

## CHAPTER 3: FINDINGS

This chapter analyzes the Washington, D.C., Opportunity Scholarship Program (OSP) in detail, focusing specifically on how issues of knowledge, incentives, and competition played out in the real world as opposed to the theory outlined in the previous chapter. It examines factors such as OSP participants' performance compared to their public-school counterparts in areas including test scores, graduation rates, and parent/student satisfaction. It also examines the broader environment of D.C. public schools to see if the OSP had any systematic effects. Did school choice actually pressure public schools to improve? Was the OSP large enough to make a difference? How did the OSP interact with the many other school-reform measures in place in Washington, D.C., at the same time?

This chapter will first provide a brief history of the OSP and then discuss the program's effects on participating students and the broader educational landscape in the district before examining how specific program attributes and institutional constraints affected those results.

### *History of the Opportunity Scholarship Program*

The road toward creating the OSP started with the District of Columbia Student Opportunity Act of 1997 (S. 1502, H.R. 1797, S. 847). The bill, introduced by House Majority Leader Rep. Richard Armey (R-TX) et al. and Sen. Dan Coats (R-IN) et al., first proposed a federally funded voucher system for Washington, D.C. The bill would have created a \$7 million annual scholarship program (rising to \$10 million in later years) for low-income parents to send their children to public or private schools in the district or in nearby suburbs. In addition to

tuition scholarships, funds would have been available for low-income parents wishing to enroll their children in supplemental educational programs outside of regular school hours. The Senate passed the bill on November 9, 1997, and the House of Representatives passed it on April 30, 1998, but President Clinton vetoed it on May 20, 1998. In 2002, Rep. Armev again introduced a bill for a D.C. voucher program, the District of Columbia Student Opportunity Scholarship Act of 2002 (H.R. 5033). Sen. Judd Gregg (R-NH) introduced a similar bill (S. 2866), but both bills died in committee. Attempts in early 2003 (H.R. 684, S. 4) also failed to establish a voucher program in D.C. after dying in committee.

In July 2003, Congress once again revisited the idea of a school choice voucher system for Washington, D.C. This time, the effort succeeded. What would eventually become the OSP began as a \$10 million voucher program that passed in the House of Representatives. When the voucher program met resistance in the Senate, sponsors modified the legislation to include a “three-sector initiative” where each key player in D.C. education got more money: traditional D.C. public schools, charter schools, and the OSP. This change made the program an easier political sell by calming opponents’ “school choice takes money away from public schools” argument (Walden Ford 2011), but, as we will see later in this chapter, it also impacted the OSP’s ability to effect change within the larger school system. In January 2004, Congress passed the District of Columbia School Choice Incentive Act of 2003 as part of the Consolidated Appropriations Act of 2004 (Public Law 108-199, Title III, Division C) to establish the OSP as the first federally funded, private-school voucher program in the United States.

The OSP’s goal was to provide low-income families in Washington, D.C., with expanded opportunities to attend higher-performing schools. It prioritized students attending public schools

designated as schools in need of improvement (SINI) under the No Child Left Behind (NCLB) act. To be eligible for a scholarship, students entering grades K–12 had to live in the district and have a family income at or below 185 percent of the federal poverty line, which was \$34,873 for a family of four in 2004.<sup>2</sup> Participating students received annual scholarships of up to \$7,500, which could be used for tuition, school fees, and transportation costs to attend a participating private school in the district. The scholarships were renewable for up to five years (the program’s initial duration as outlined in the act) as long as students remained eligible for the program and in good academic standing at their schools. If more students applied for the program than could be accommodated, a lottery system determined scholarship awards. Any private school in the district was eligible to participate as long as it agreed to requirements regarding nondiscrimination in admissions, fiscal accountability, and cooperation with the OSP’s mandated evaluation.

In March 2004, the Department of Education selected the Washington Scholarship Fund (WSF), a 501(c)(3) organization that had previously operated (and would continue to operate throughout the OSP’s tenure) a privately funded voucher program in the district, to administer the OSP. With a shortened timeline compared to future years of operations, the WSF recruited 58 private schools to participate and 2,692 applicants to the OSP in the first year. Of those applicants, the WSF declared 1,848 students eligible for the program, awarded scholarships to 1,366 students, and placed 1,040 students at a participating private school, 1,027 of whom ended up matriculating at their private schools by the start of the school year (Wolf et al. 2005). A

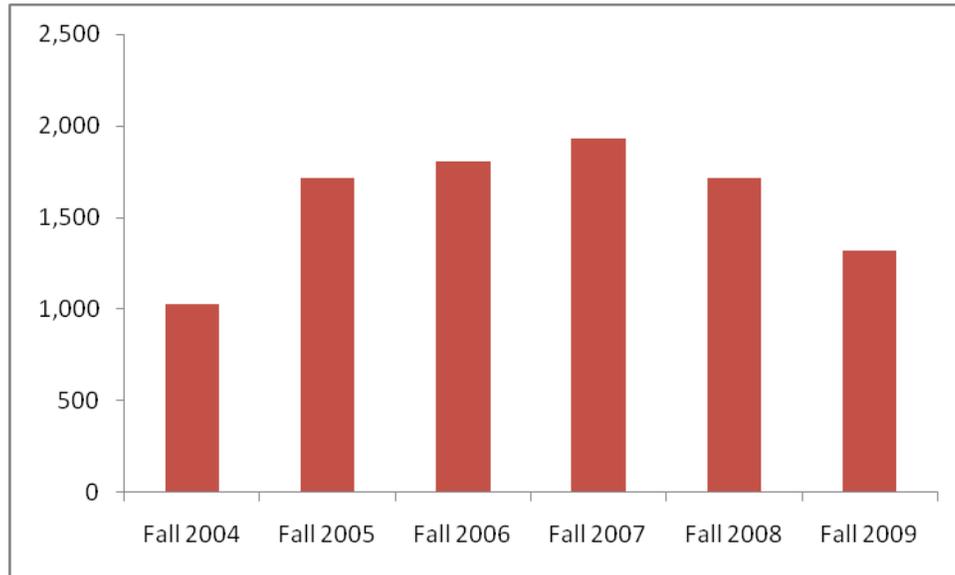
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<sup>2</sup> Calculation based on the 2004 Poverty Guidelines from the U.S. Department of Health and Human Services. The 2004 poverty line for a family of four was \$18,850, so 185 percent of the poverty level would be \$34,872.50. U.S. Department of Health and Human Services. “2004 Poverty Guidelines,” <http://aspe.hhs.gov/poverty/04poverty.shtml>.

study of this initial cohort found that applicants coming from D.C. public schools were similar to nonapplicants in their baseline test scores and were more likely to be enrolled in special education, to be African American, and to participate in the federal lunch program (Wolf et al. 2006). The average family income of all applicants was \$18,742 (Wolf et al. 2005).

As of June 2010, 8,480 students had applied to the OSP, with 5,547 of those students classified as eligible for the program. Of the 3,738 students awarded scholarships, 2,881 used them within a year of receipt (Wolf et al. 2010). The OSP's annual appropriation has been sufficient to fund approximately 1,700 students per year. The number of students sponsored each year ranged from the initial crop of 1,027 for the 2004–05 school year to a peak enrollment of 1,930 students for the 2007–08 school year (ibid.). Figure 1 shows a history of OSP enrollment. The drop in enrollment for the 2009–10 school year reflects the Department of Education's decision in the spring of 2009 to close the program to new applicants (discussed later).

**Figure 1: Scholarship Users, Fall 2004–09**



Source: Recreated from figure ES-1 in Wolf et al. 2010, which is based on the WSF’s enrollment and payment files.

While the entry income requirement for the OSP remained at 185 percent of the poverty line for the program’s duration, Sen. Sam Brownback (R-KS) led a change in December 2006 to modify the continuing eligibility requirements through the Tax Relief and Health Care Act of 2006 (H.R. 6111, sec. 404). This change, which increased the program’s continuing eligibility requirement from 200 percent of the poverty line to 300 percent of the poverty line, was supposed to keep families from earning out of the program. Congress’s principle concern was the possibility that if enough families earned out of the program, the treatment group in the program’s mandated evaluation would be adversely affected (i.e., a student who got a scholarship in year one who later earned out of the program would still be considered a part of the treatment group even though they were no longer receiving a scholarship). As such, the

change in the continuing eligibility requirement only applied to the cohorts of students being followed for the investigation—those who received their first scholarships for either the 2004–05 or 2005–06 school years (Cornman, Stewart, and Wolf 2007).

In addition to maintaining the integrity of the program evaluation, the legislative change was in line with parents’ preferences, as earning out of the program was parents’ single greatest concern during the first two years of the program (Stewart, Wolf, and Cornman 2005; Cornman, Stewart, and Wolf 2007). While much of parents’ concern about earning out dealt with issues such as job changes or marriage, other issues would pop up as well. A former WSF staffer reported that often, what would push a family over the income limit was a small, one-time or short-term income boost. For example, one family won \$5,000 in the lottery, which put them out of the program (Brown 2011).

In February 2009, Sen. Dick Durbin (D-IL) inserted a provision into an omnibus spending bill that required Congress and the D.C. City Council to approve the OSP before it could be reauthorized (Neibauer 2009). The Senate voted down an amendment by Sen. John Ensign (R-NV) that would have removed Durbin’s provision and the spending bill passed Congress on March 10, 2009, effectively ending the OSP after the 2009–10 school year (Hillgrove 2009). President Obama signed the bill into law the next day.

In April 2009, Education Secretary Arne Duncan issued a letter from the U.S. Department of Education’s Office of Innovation and Improvement rescinding the OSP scholarships to children from 200 families who were recently admitted into the program (*Washington Post* 2009). Several public figures, including a majority of the D.C. City Council and a bipartisan collection of senators, urged Duncan to reconsider his decision (*Wall Street*

*Journal* 2009; Ensign et al. 2009). In May 2009, more than 2,000 people, including parents, students, and politicians, held a rally to support OSP reauthorization. Rally organizers also delivered to Mayor Adrian Fenty the signatures of more than 7,400 D.C. residents who supported the OSP's continuation (WSF 2009). The day after the rally, President Obama released a proposal to appropriate \$12.2 million for the 2010–11 school year so that students currently receiving OSP scholarships can continue their educations at the same schools (Westley and Quaid 2009).

The D.C. Children and Youth Investment Trust Corporation (CYITC) currently operates the OSP. The CYITC took over the WSF's grant to administer the OSP in June 2010. According to Jennifer Brown, a CYITC staff member who previously served as the WSF's chief program and operating officer, the transition was "seamless" since the WSF gave the CYITC the databases and infrastructure that it had designed. Additionally, several staff members switched from the WSF to the CYITC, ensuring some continuity in program administration (Brown 2011).

Obama and Duncan have indicated that all of the children currently receiving OSP scholarships will be able to continue in the program until they graduate. However, there is still tremendous uncertainty about the future of the program and its funding. The CYITC inherited about \$8 million in carryover funds from the WSF and received another \$12 million appropriation shortly thereafter. Following the compromise to shut the program off to new students but continue funding current students through graduation, the government awarded the CYITC a final \$11 million appropriation. According to the CYITC's Jennifer Brown (2011),

What the government basically said was, "This should be enough to get the students through" . . . We thought it was about \$7 million short. You're dealing

with a lot of unknowns . . . if the program actually was going to come up short then my guess would be that there would be a tremendous amount of political pressure to provide whatever is necessary to get these kids through to graduation.

An additional bit of program uncertainty surrounds administrative costs. The amount of federal funding available to administer the program is based on a percentage of the grant (3 percent). According to Brown, “even if the funding for the scholarships lasts, there won’t be money left to administer it. The 3 percent as is was woefully inadequate” (2011). For example, in the first year of OSP operations, the WSF received \$375,000 in congressional appropriations, but the actual cost to run the program was nearly \$1.6 million. The WSF engaged in private fundraising to make up the difference (Brenna 2005).

On January 26, 2011, Speaker of the House Rep. John Boehner (R-OH) et al. and Sen. Joe Lieberman (I-CT) et al. introduced the Scholarships for Opportunity and Results (SOAR) Act of 2011 (H.R. 471, S. 206) that would reauthorize the OSP for another five years and reopen the program to new students. The bill includes small changes to the program, such as adding in a sibling preference where if one child in a family receives a scholarship via lottery, any other children in the lottery from that family will also be awarded scholarships. The legislation would also raise the scholarship amount to \$8,000 for students in grades K–8 and to \$12,000 for students in grades 9–12 and would continue a vigorous program evaluation. As part of the negotiations surrounding the possible government shutdown in April 2011, President Obama agreed to reinstate the program (Gabriel 2011).

## *Student Performance*

In addition to creating the OSP, the District of Columbia School Choice Act of 2003 laid out assessment measures for the OSP. The legislation directed evaluators to focus on student test-score performance in reading and math, educational attainment, school safety, the OSP's success in expanding options for low-income parents, and the OSP's effect on DCPS and private schools in the district. This section discusses program results pertaining to student performance, while the next section covers impacts on DCPS and private schools.

The Department of Education assigned the congressionally mandated OSP evaluation to a research consortium including Westat (a contract research organization), Georgetown University, and Chesapeake Research Associates. In conjunction with the Institute of Education Sciences at the U.S. Department of Education, the consortium, led by principal investigator Patrick Wolf of the University of Arkansas, released a series of annual evaluations of the OSP. In June 2010, they released their final report examining the program's long-term impacts. Because demand for the OSP exceeded capacity, the WSF awarded scholarships via a random lottery process. The lottery system allowed for a randomized experiment whereby Wolf et al. could compare the treatment group of OSP scholarship recipients to the control group who applied to the OSP but who did not receive a scholarship. For each student outcome, Wolf et al. calculated two effects: intent to treat (ITT) and impact on treated (IOT). The ITT analysis measures the impact of being offered a scholarship while the IOT analysis factors in scholarship nonuse to calculate the impact of using a scholarship. In addition to control versus treatment comparisons, Wolf et al. analyzed impacts on several subgroups in their studies, including students who attended a school designated as a school in need of improvement (SINI) before applying to the OSP, students who

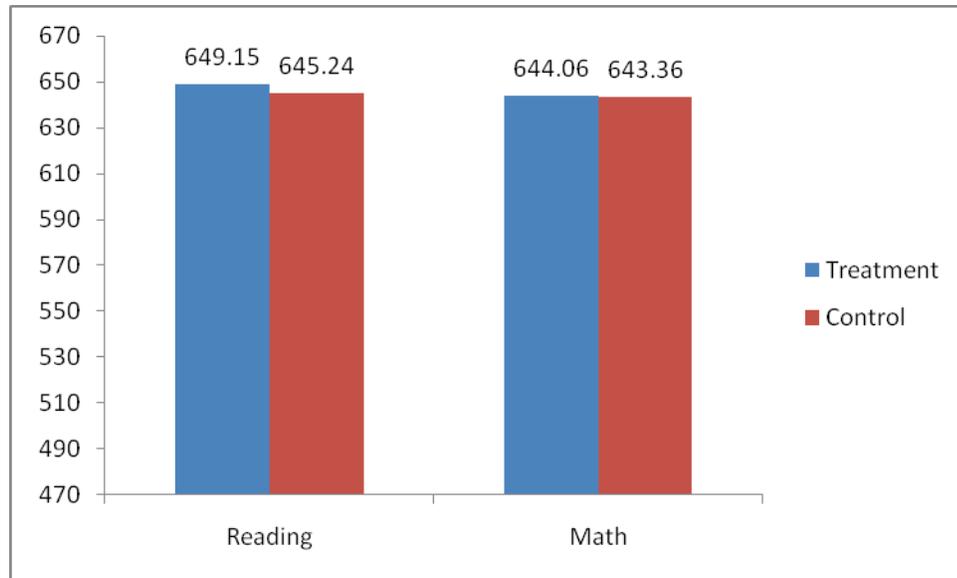
did not attend a SINI before applying to the OSP, students who were lower-performing at the beginning of the program, students who were higher-performing at the beginning of the program, male students, and female students.

The program evaluation reports after years one and two of the OSP found no statistically significant impacts on academic achievement or on student satisfaction rates and reports of school safety (Wolf et al. 2007; Wolf et al. 2008). Parent satisfaction rates and perceptions of school safety were more positive for OSP participants compared to the control group (ibid.). The program evaluation after the OSP's third year had similar findings on both parent and student satisfaction rates and perceptions of safety, but showed for the first time significant positive impacts on educational achievement in reading. Wolf et al. (2010) found that the increase in reading test scores for the overall student sample was equivalent to 3.1 months of additional learning (for the offer of a scholarship) and 3.7 months of additional learning (for the use of a scholarship). The researchers also found positive impacts on reading test scores for 5 of the 10 student subgroups followed as part of the evaluation. There were no statistically significant impacts on math achievement. Wolf (2011a) hypothesized two reasons why his research team saw positive student achievement results in reading but not in math. First, a large percentage of OSP students attended Catholic schools, which placed a heavy focus on reading since they deemed their OSP students to be in need of catch-up in that area. Second, there just might not be many great math teachers.

The final OSP evaluation released in June 2010 offered as close to a "long-term" evaluation of the program as currently possible, as it followed students for at least four years. Wolf et al. (2010) found no conclusive evidence that the OSP affected student achievement. The

research team found no statistically significant impacts on overall student achievement in reading and math (as measured by the Stanford Achievement Test, version 9 [SAT-9]), although sensitivity tests revealed positive reading impacts under alternative estimation methods. Certain subgroups did display positive impacts in reading achievement, including students who did not attend a SINI prior to applying to the OSP (gains equivalent to 4.2 months of additional learning), students who were higher-performing at the beginning of the program (gains equivalent to 4.6 months of additional learning), and female students (gains equivalent to 4 months of additional learning) (ibid.). The researchers found no evidence of math achievement impacts under alternative estimation methods or for any of the subgroups examined. Testifying to the U.S. Senate Committee on Homeland Security and to the Government Affairs Committee in February 2011, Wolf explained that changes to the sample size affected the research team's confidence about the OSP's positive effects on reading. Between year three and the final year of data collected, 211 students graduated out of the testable grade range. This fact, combined with a slightly lower difference in reading achievement scores, produced a statistical significance just short of the 95 percent confidence level (Wolf 2011b). Figure 2 summarizes the long-term findings for reading and math achievement.

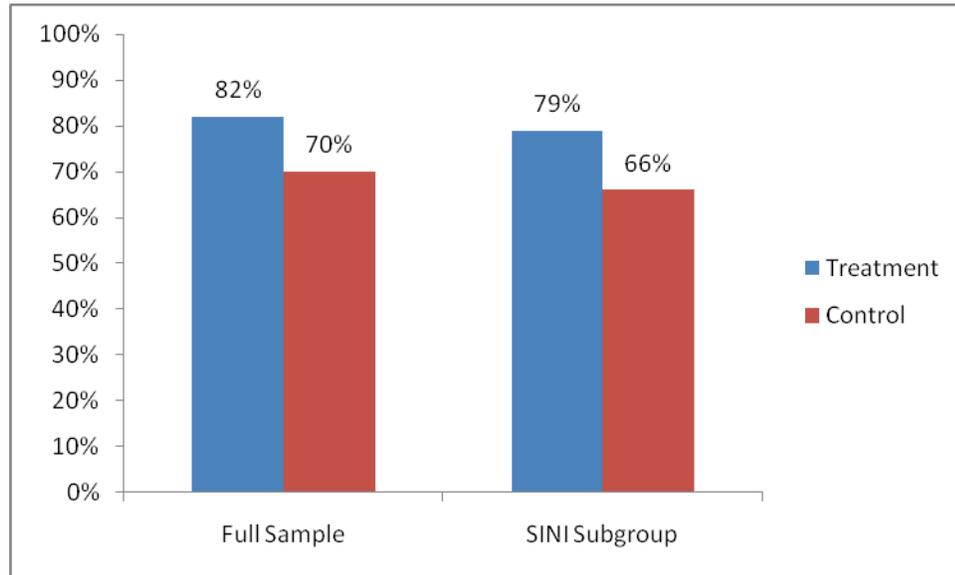
**Figure 2: Standardized Test Achievement after at Least Four Years (SAT-9 Scale Score Points)**



Source: Recreated from figure ES-2 in Wolf et al. 2010, which is based on five years of random assignment for students who entered the OSP in the fall of 2004 and four years of random assignment for students who entered the OSP in the fall of 2005.

One area that did display long-term positive effects on student achievement was graduation rates. A scholarship offer (ITT) raised students' probability of graduating high school by 12 percentage points, while scholarship use (IOT) raised students' probability of graduating high school by 21 percent (Wolf et al. 2010). Similarly, the analysis found positive effects on graduation rates for several subgroups, including students who attended a SINI prior to applying to the OSP, higher-performing students at the beginning of the program, and female students (ibid.). These findings fit with previous research linking enrollment in private schools to higher graduation rates (Evans and Schwab 1995; Neal 1997; Grogger and Neal 2000; Warren 2010). Figure 3 summarizes the OSP's impact on graduation rates.

**Figure 3: High-School Graduation Rates for 2008–09**



Source: Recreated from figure 3-3 in Wolf et al. 2010. SINI Subgroup represents students who attended a school designated as in need of improvement prior to application to the OSP. The full sample treatment group results are statistically significant at the 95 percent confidence level, while the SINI Subgroup treatment group results are statistically significant at the 99 percent confidence level.

Treatment group parents rated their children’s schools as safer and as more orderly than control group parents did (Wolf et al. 2010). When the program started, improved safety was OSP parents’ largest motivator, other than seeking a better education for their children (Stewart, Wolf, and Cornman 2005). OSP parent Patricia William provides an example of her concerns with the safety of the public school that her son attended prior to participating in the OSP: “Parents would just drop off their kids at the gate and no one would be supervising them. Anyone could come into or out of the school. If my son went to the bathroom, no one would even know where he went. It was terrifying for me that no one knew where he was” (William 2011). Safety is not a problem at William’s son’s current school, which “has one door for kids,

one door for parents. They pay attention to who comes in and who comes out” (ibid.). Testifying before the House of Representatives Committee on Oversight and Government Reform Subcommittee on Health Care, District of Columbia, Census and the National Archives in March 2011, OSP parent Latasha Bennett reported a similar lack of supervision, with entrances at her child’s local public school constantly propped open and children on the playground with no adults present during the day (Bennett 2011a). At that same hearing, OSP parent Sheila Jackson (2011) spoke about the public school that her daughter attended prior to participating in the OSP:

We lived next to the school, so I had a full view of what was happening on the outside, not knowing what was happening on the inside . . . I would often see police cars pulling into the parking lot, which would give me great fear because I did not know what was going on with the student body inside. And this happened on a daily basis. The school that she is currently attending . . . when I leave her or she leaves me in the morning and she steps into the school, I don’t worry. I know that her educational needs are going to be met. I know that she’s going to be safe. I know that if anything happens, I will be contacted . . . I didn’t get that in the D.C. public-school system. She would come home on numerous days and say that someone had taken something from her. She was afraid to say anything about the student for fear of being beaten up.

Over time, as parents considered their students to be safe at their new schools, parents shifted their concerns to their children’s academic development (Stewart et al. 2007). As one parent put it, “I think once you pull your children out of public schools and you get comfortable with the private atmosphere, safety becomes no longer an issue because they are safe. So then

you can focus on what is important, and that is the curriculum” (ibid., 7). In other words, safety is always important, but if parents are confident that their children are safe, they can more easily focus on other needs (ibid.). Such feedback from parents is consistent with Maslow’s (1987) concept of a hierarchy of needs, in which fundamental needs such as safety must be met first. That parents shifted their concerns from safety to more specific measures related to academic development is also consistent with the theoretical prediction that parents will have an incentive to be involved and informed consumers under a system of school choice. The “Scope of Choice” section discusses this phenomenon in more detail.

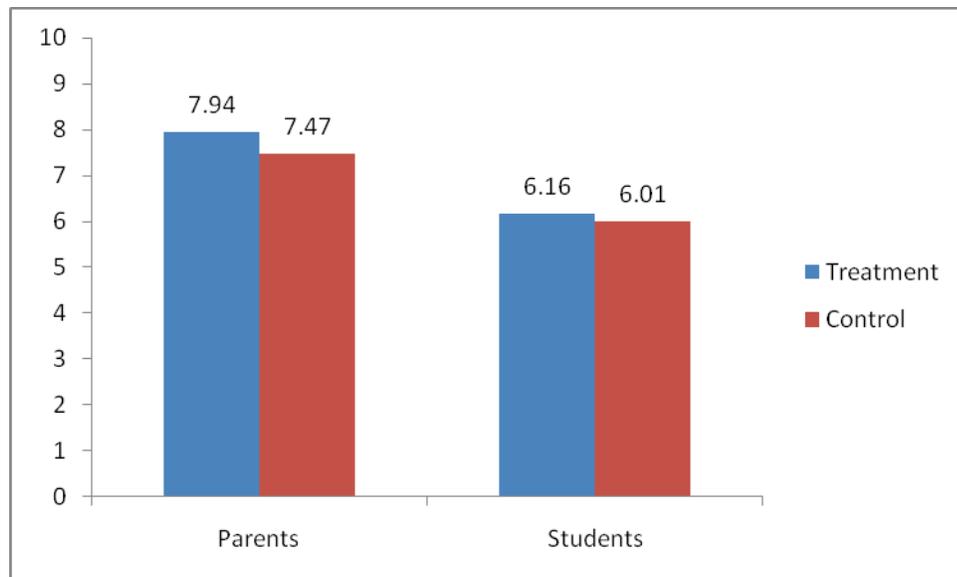
In addition to higher satisfaction regarding school safety, treatment group parents were also more likely (by 8 percentage points) than control group parents to give their children’s school a grade of A or B (Wolf et al. 2010). Focus groups of OSP parents echoed this high satisfaction rate, with most parents citing changes in their children’s attitudes about learning as the main source of their satisfaction (Cornman, Stewart, and Wolf 2007). While these attitude changes might reflect genuine personal growth and a better school–child match than the public-school alternative (and thus represent strides toward overcoming the knowledge problem outlined in the previous chapter), there is also a risk that parents are placing a premium on attributes such as attitude because they are relatively easy to observe compared to whether a child is acquiring content knowledge (Stewart et al. 2007). The high satisfaction levels among participating OSP families are consistent with findings from the vast majority of other school choice programs (Howell and Peterson 2002; Witte 2000; Walberg 2007; GAO 2002).

Students in both the treatment and control groups reported comparable views on safety and overall satisfaction (Wolf et al. 2010). In focus groups, participating students were also less

concerned with safety than their parents, instead focusing more broadly on the OSP being a better opportunity for them when describing what motivated their families to participate (Stewart, Wolf, and Cornman 2005). Figures 4 and 5 summarize parent and student ratings of safety and overall satisfaction.

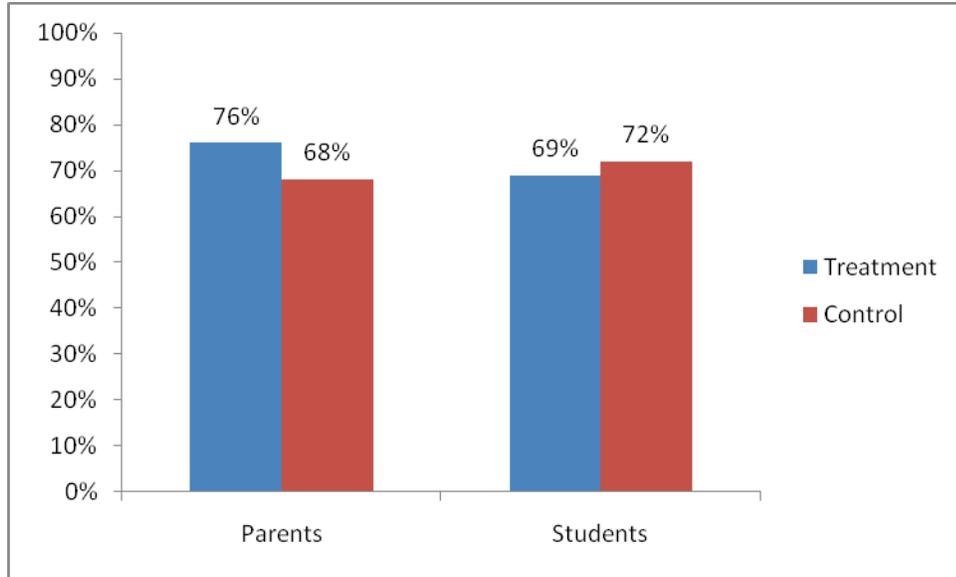
**Figure 4: Parent and Student Reports of Safety and an Orderly School Environment, 2008–**

09



Source: Recreated from figure ES-4 in Wolf et al. 2010. Scores represent group means, with parent perceptions based on a 10-point scale and student reports based on an 8-point scale. Treatment group results for parents are statistically significant at the 99 percent confidence level.

**Figure 5: Percentage of Parents and Students Who Gave Their Schools a Grade of A or B for 2008–09**



Source: Recreated from figure ES-5 in Wolf et al. 2010. Percentages are group means. Treatment group results for parents are statistically significant at the 99 percent confidence level.

While formal measures such as test scores and satisfaction rates are key to providing sound empirical evidence on the OSP’s performance, there are likely several other key impacts that these measures do not capture. For example, the majority of parents in the year-one focus groups reported positive improvements in their children’s confidence levels and attitudes about education (Stewart, Wolf, and Cornman 2005). One parent said, “my daughter, her whole attitude has changed . . . I’ll bring her to work with me, and even my coworkers have commented on how much she has changed . . . the way she walks and talks, and how she interacts with other children. It’s much different than when she was going to public or charter school” (ibid., 30).

One phenomenon that the WSF noticed but could not measure was the social ripple effect associated with the OSP. For example, WSF staff members started to see many OSP parents go back to school themselves (Brown 2011). Similarly, Virginia Walden Ford (2011) reported seeing many OSP parents sign up for literacy programs because “once kids were in schools that were serving them, parents wanted to be able to help their kids.” Walden Ford shares her favorite example of how the OSP impacted parents in addition to children:

[During an OSP application meeting,] one of my team members came over to me and said, “Ms. Virginia, there is a man over there and he’s drunk and I think he’s confused about where he is,” and I said, “I’ll take care of it.” So I went over there and grabbed his arm lightly and asked him to go outside and talk to me because I think he might be in the wrong place. He pulled away from me harshly and said, “I know exactly where I am. I have a child and he needs a scholarship and I came to fill out an application.” So I had one of my team members sit down with him, and he was drunk so this was not easy, and help him fill everything out . . . A year later, we were doing renewals and one of the staff came over and said somebody wanted to see me. So I went over and it was a man and he was dressed nicely, clean cut, and I didn’t have a clue who he was until I saw his face and I realized it was that father. And he hugged me and thanked me for being patient with him that day and said, “If you’ve noticed I’ve cleaned up my act.” And I said, “Yeah, you have!” And he said “I’ve been in a rehab program. I’m in a job placement program. And, I’ve reconnected with my teenage child who I hadn’t seen in 10 years and he’s proud of me.” And it was really incredible. He’s just one story of

thousands . . . his child is now in fifth grade and the school tells us that he is one of the most involved parents. He has never gone back to alcohol. He's working. It just changed his life. He said he didn't want his son to be ashamed of him . . . That's what's happened with these families. They've been empowered to be part of their children's education (ibid.).

In summary, the OSP showed academic gains for at least some of the participating students and rated high on a variety of satisfaction measures. Such evidence suggests that many OSP families had a better school-child match as a result of participating in the program. This improvement could be due to a general higher quality among the participating private schools as compared to the public schools, but it could also indicate that parents are more capable of selecting suitable educational environments for their children (and thus working to overcome the knowledge problem) than geographically based government school assignment is. Next, we turn to the broader effects of the OSP on D.C.'s educational landscape.

### *System-Wide Effects*

The school choice theory outlined in the previous chapter, particularly the section on competition, suggests that a program like the OSP should have an impact beyond the individual students who receive scholarships. Increased choice should spur competition and innovation, eventually leading to better educational outcomes for public and private schools alike. In a 2002 review of school choice research, Clive Belfield and Henry Levin concluded that empirical evidence suggests that school choice likely has a modestly positive effect on the educational outcomes of public schools. So, did the OSP succeed in pressuring DCPS to improve?

After the program's first year, Greene and Winters (2006) concluded that the OSP had no significant impact on DCPS, positive or negative. The final program evaluation concluded that establishing a strong causal link between student-achievement outcomes and the OSP's implementation is not possible since so many other changes were underway in both DCPS and private schools during the OSP's term (Wolf et al. 2010). For example, in 2005–06, the D.C. Comprehensive Assessment System implemented new academic standards and assessments. New DCPS chancellor Michelle Rhee led a variety of reforms starting in 2007. Also, the already large charter-school system expanded during the OSP era to serve more than 28,000 students (about 39 percent of the DCPS population) in 52 schools on 93 campuses (Gray 2011).

The amount of exposure to the OSP varied greatly across DCPS. On the low end, 3 percent of schools had no students apply to the OSP and 15 percent of schools had no students use an OSP scholarship to leave. On the high end, other schools had upwards of 32 percent of their students apply to the OSP, with 21 percent using a scholarship to leave (Wolf et al. 2010). As a result of this range of exposure and threat of exit, the extent to which the OSP pressured schools to adapt (if it did at all) likely varied widely from school to school.

While it is difficult to ascertain the systematic impacts of the OSP on the larger school system, one area worth examining is how school officials responded to the program. In 2009, a strong majority of public-school principals (63 percent), charter-school principals (92 percent), and private-school principals (87 percent) reported being aware of the OSP (Wolf et al. 2010). Many of those principals reported changing their operations in light of the OSP. For example, 28 percent of DCPS principals reported making changes in order to retain students who might be interested in the OSP. Such changes included encouraging greater parental involvement in school

activities, adding tutoring or other special services to help improve academic achievement, and adjusting disciplinary rules. Table 1 summarizes the changes offered by DCPS principals.

**Table 1: Percentage of Public-School Principals Who Reported Making Changes in Response to the OSP, 2008–09**

Reported making any changes to retain students	28%
Encouraged greater parental involvement in school activities	24%
Added parent orientation or meeting to describe school offerings and performance	22%
Made efforts to improve the school’s physical appearance	21%
Promoted the school through flyers, radio ads, newspaper ads, or other methods of advertising	20%
Added tutoring or other special services to improve academic achievement	20%
Increased school safety provisions	17%
Adjusted disciplinary rules	15%
Offered additional courses	14%
Altered class size	8%

Source: Figure 5-1 in Wolf et al. 2010, which is based on Impact Evaluation Public School Surveys, 2008–09.

Responses are unweighted and principals were able to report making multiple changes.

Private-school principals also reported changing their operations to encourage OSP enrollment in their schools. Fifty-two percent of participating private-school principals reported making such changes, including adding parent-orientation meetings, encouraging greater parent involvement in school activities, and adding tutoring or other special services to improve

academic achievement. Table 2 summarizes the changes offered by participating private-school principals.

**Table 2: Percentage of Participating Private-School Principals Who Reported Making Changes in Response to the OSP, 2008–09**

Reported making any changes to attract students	52.3%
Participated in one or more WSF school fairs	38.6%
Promoted the school through flyers, radio ads, newspaper ads, or other methods of advertising	31.2%
Added parent orientation or meeting to describe school offerings and performance	27.3%
Encouraged greater parent involvement in school activities	27.3%
Added tutoring or other special services to improve academic achievement	25.0%
Made efforts to improve the school’s physical appearance	25.0%
Adjusted disciplinary rules	11.4%
Altered class sizes	6.8%
Other	11.4%

Source: Figure 5-5 in Wolf et al. 2010, which is based on Impact Evaluation Principal Surveys, 2008–09. Responses are unweighted and principals were able to report making multiple changes.

These changes, while they represent a small segment of the overall education market in the district, indicate that the OSP altered the incentives facing schools such that at least a portion of schools had an incentive to make institutional improvements to either retain or attract OSP students.

Now that we have a sense of the OSP's effects on participating students and the overall school system, it is useful to examine specific OSP program attributes to see how they helped shape these outcomes. The structure of school choice programs matters, and many of the policy lessons outlined in the following chapter directly reflect the institutional constraints described next.

### *Scope of Choice*

In some choice regimes, parents face limited options (Hamilton and Guin 2005; Fiske and Ladd 2000). Overall, OSP participants had a wide range of choices, including schools in every ward of the city, when deciding where to use their vouchers (Wolf et al. 2005). Of the 90 private schools in the district, 52 participated in the OSP during the 2008–2009 school year (the last year for which program data are available). The peak of private-school participation came in 2005–06, when 68 schools hosted OSP students. Table 3 provides a full breakdown of participating private schools. A total of 73 participated in the OSP at some point. Of those schools, 52 percent participated in all five years of the program, while the remaining 48 percent partially participated (Wolf et al. 2010).

**Table 3: Number of Participating OSP Private Schools, 2004–05 through 2008–09**

	2004– 05	2005– 06	2006– 07	2007– 08	2008– 09
Total Number of Participating Schools	57	68	66	60	52
Continuing Participants	N/A	57	64	59	50
Additions	57	11	2	1	2
Departures	N/A	0	4	7	10

Source: Figure 2-1 in Wolf et al. 2010, which is based on the WSF’s School Directory.

While the overall range of choice was quite broad, the scope of choice varied tremendously depending on a student’s grade level. There were an abundance of school options for elementary-school students, with fewer options for older students, particularly those in high school. Focus groups from the program’s second year indicate that a strong majority of parents of high-school and middle-school students were concerned about the lack of slots at the high-school level for OSP students (Cornman, Stewart, and Wolf 2007). WSF staff shared this concern:

When the program launched, we realized very quickly that there was a serious shortage of private high schools in D.C. There were 30 private high schools in total. One third to one half of them are independent schools with tuition well over the scholarship cap, with most over \$20,000 in tuition. In addition, our students were behind the standards that those high schools would expect. Then there was a second tier of schools that wasn’t quite as expensive, but still well above the cap.

By the time we got down to it, Archbishop Carroll was really the only school that could take a large portion of our students. A lot of the high schools are right over the border in Maryland and Virginia. We tried to have that geographic restriction of the legislation adjusted, but we weren't successful (Brown 2011).

There are two main concerns with the dearth of options at the high-school level. First, from a programmatic standpoint, unless more high-school slots become available, there might not be room for all of the OSP students who are currently in lower grades. This concern became reality early in the OSP's history as 47 students had to give up their scholarships going into year two because the participating OSP high schools did not have space for them (Brenna 2005). Second, with so few viable high-school options within the program, parents of older students might not have the incentive effects (outlined in the previous chapter) to become informed consumers. WSF staff had many conversations early in the OSP's tenure with organizations interested in starting schools to accommodate OSP students, most of which would have created opportunities at the high-school level and potentially eased these concerns. However, these organizations all decided that the initial five-year time frame for the program was not significant enough to warrant the infrastructure investment required to launch a new school (Brown 2011). With a longer time horizon for the program, it is possible that more educational entrepreneurs would be incentivized to open new schools in D.C. (as Milton Friedman predicted in 1955) or that existing schools might look to expand to accommodate families' increased demand.

Participating schools varied on a number of characteristics, from size to tuition to religious affiliation. Of schools participating in the 2008–09 school year, tuition ranged from \$4,500 to \$29,607, with a weighted mean of \$7,252 (Wolf et al. 2010). Constant participants had

an average school size of 251 students and hosted an average of 23 OSP students each year, while partial participants had an average school size of 238 students and hosted an average of 16 OSP students each year (ibid.). Among all participating schools in 2008–09, 54 percent were faith-based (a majority of which were associated with the Catholic Archdiocese of Washington) and 50 percent charged tuition above the OSP scholarship cap of \$7,500. The average school size was 286 and the average student/teacher ratio was 9 to 4 (ibid.).

The schools that OSP students attended also displayed institutional differences from DCPS. The final program evaluation by Wolf et al. (2010) examined school conditions and noted many similarities and differences between the control and treatment groups. Many aspects were similar regardless of whether a student received a scholarship, including roughly equal access to computer labs, libraries, gyms, individual tutors, music programs, and after-school programs. However, the investigators did find important differences. OSP students were less likely to attend a school that offered special programs for students at either end of the educational spectrum—including programs for academically challenged students and advanced learners. OSP students were also less likely to attend a school with a cafeteria, nurse’s office, counselors, and art programs.

With so many schools to choose from, what information was available to help OSP parents select schools for their children? According to the focus groups run in the OSP’s first year, only a few parents reported that they had explored other educational options prior to participating in the OSP (Stewart, Wolf, and Cornman 2005). Most OSP parents thus had ample work to do to educate themselves on their children’s options. It was precisely this freedom to

actively choose among a range of school options that attracted them to the OSP in the first place (ibid.).

Evidence suggests that parents largely made their decisions on an informed basis, and thus made strides to overcome the knowledge deficit discussed in the previous chapter. Based on focus groups in the program's second year, Cornman, Stewart, and Wolf (2007, 9) concluded that after 1.5 years in the program, most families "report opinions and behavior that are generally consistent with being active and knowledgeable school choice consumers." Parents sought information on class size, teacher qualifications, academic performance, safety levels, and a host of other characteristics when evaluating schools (ibid.). These factors, combined with intimate knowledge about their children, should give parents a chance at a good school-child match. Where did OSP parents find this information about participating private schools?

As the time approached for families to select their schools in the OSP's first year, the WSF realized that there was no one source for good information on the district's private schools. The WSF sent staff members out to visit the schools and to collect information in order to compile a school directory that was given to every family selected through the lottery to receive a scholarship (Brown 2011). The directory provided general information on each participating school, including admissions criteria, contact information, grade levels, services offered, and religious affiliation (if any). Since location turned out to be such an important factor for families, many of whom relied on public transportation, the WSF started to publish maps of each school's location in the directory to better assist parents (ibid.). The directory also included basic information on teachers, students, and the application process. In addition to the directory, the

WSF created and distributed a “How to Apply to a Private School” brochure to guide OSP families through the steps necessary to secure a slot at a participating school (Brenna 2005).

Focus groups indicated that most OSP parents found the information packets very useful in choosing a school (Stewart, Wolf, and Cornman 2005). While OSP parents obtained information on schools from a variety of sources (Cornman, Stewart, and Wolf 2007), general sources of information such as the WSF directory are valuable because they are available to all parents, regardless of personal resources (Henig 1994). The Government Accountability Office (GAO) later criticized the WSF’s operations, citing errors in the school directory as an example of a significant mistake that could have affected parents’ decisions (GAO 2007). Brown (2011) admitted that the directory had errors since the schools self-reported all of the information and the WSF had no way to verify the details, but she considered most of the errors to be “pretty minor.”

The WSF required that families visit the schools they wanted to attend, but had little means to verify if they did or not (ibid.). Almost half of the parents in the first-year focus groups reported visiting one or two schools. Additionally, about 25 percent reported visiting three to five schools, while 25 percent reported visiting six or more schools (Stewart, Wolf, and Cornman 2005). Focus groups from the program’s second year indicated that the majority of new families to the program reported visiting three schools (Cornman, Stewart, and Wolf 2007). In addition to on-site school visits, parents and students had the opportunity to interact with school staff at school fairs organized by the WSF. Focus groups from the program’s third year indicated that in retrospect, most families found their conversations with school personnel to be the most reliable and helpful source of information available to them (Stewart et al. 2007). Most parents valued

these school visits and other conversations with school staff over the WSF school directory and other general information that they utilized in their searches. However, the majority of elementary-school parents still valued the general information available, as it helped them narrow down which schools to investigate further and visit. Stewart et al. conclude,

Summary descriptive information such as directories and brochures may be especially important to new school choosers with modest incomes who have less access to school information through their existing networks of family and friends. Once they gain some experience with school choice, however, parents appear to be committed to gathering school information firsthand, through personal experience, communications with school personnel, and informal parent networks (ibid., 15).

Moving into the second year of the program, the WSF developed a case management program, similar in structure to social services programs, to assist with placing students at schools. Parents would fill out a form describing what they were looking for in a school, then meet with a case manager to attempt to find a school that matched their preferences and had space available (Brown 2011; Brenna 2005). While the WSF assisted parents in accessing the information necessary to make an informed decision, the organization stopped short of directing parents on which school to select. According to Brown, “The one thing we couldn’t do was say, ‘We think you should send your kid to this school.’ I sent my kids to two different private schools and each of them would be miserable at the other one’s school because they are different. It really is about individual children. What’s right for one child might not be for someone else” (Brown 2011). Another WSF staffer echoed this message: “I think that our role is

more to educate [parents] about what to ask and who to ask than to actually give them the information, because we can't play a subjective role . . . Often [parents] ask us 'well, what do you think, what's the good schools' . . . What we'll say is that it depends on what your family needs, which is the right school for you" (Cornman, Stewart, and Wolf 2007, 18). Such an organizational attitude is consistent with the notion of local knowledge as discussed in the previous chapter, with parents best positioned to know key characteristics about their children that would affect which school is the best match.

In addition to formal assistance from the WSF, more informal sources of information played an important role in the OSP. Focus groups indicate that one of the most powerful forces guiding OSP families' choice of schools is word of mouth (Cornman, Stewart, and Wolf 2007). For example, OSP parent Patricia William selected the school for her son Francoir based on feedback from a relative: "I had a relative that had two of their kids at Sacred Heart so I knew about the school. I liked the small classes and the healthy environment" (William 2011). To facilitate such communication among parents, as well as to provide a forum to garner feedback and resolve programmatic issues, the WSF established a parent empowerment group in the spring of 2005 that met monthly (Stewart, Wolf, and Cornman 2005; Brenna 2005).

Even with all this information, not every family was satisfied with their children's new schools, suggesting that parents did not fully overcome the knowledge problem to select a good school-child match. Focus groups from the OSP's second year indicate that imperfect matches between parental expectations and school environments "most often revolved around the level of individual attention children received; the academic orientation of the school; and communication issues between teachers, administrators, and the parents" (Cornman, Stewart, and

Wolf 2007, 25). Of the parents that expressed interest in transferring their children to a different OSP school after the first year, most indicated that they would invest more time and energy into visiting the schools so as to make a more careful decision the second time around (Stewart, Wolf, and Cornman 2005). Focus groups from the program's second year point to increased consumer savvy among families seeking a transfer, with nearly all of the families in the process of transferring their children to a different OSP school visiting at least three schools, more carefully reviewing written information such as the WSF school directory, and consulting with other parents (Cornman, Stewart, and Wolf 2007). This willingness to investigate options and change schools suggests that OSP parents are not passive customers, and are instead continuing to evaluate their children's schools over the course of the program (ibid.).

What were parents looking for amidst all of this information on schools? According to focus groups, the first crop of OSP parents cited a variety of reasons for selecting particular schools, including safety, religious affiliation, academic curriculum, smaller classes, and location (Stewart, Wolf, and Cornman 2005). In the program's second year, parents repeated those concerns, but with a stronger emphasis on academic quality (Cornman, Stewart, and Wolf 2007). D.C. Parents for School Choice's Virginia Walden Ford, who contracted with the WSF to organize many of the parent meetings, reports that most of the parents she worked with "knew exactly what they were looking for for their kids . . . these were families who had had no options, who had seen the worst schools in D.C. . . . these were adults that had not been served by the same schools that their children were currently attending. So they knew exactly what they wanted because they never got it" (Walden Ford 2011). OSP parent Latasha Bennett echoed that sentiment, saying, "I knew what I wanted—a school with high curriculum, a high academic

school . . . I wanted a school where I knew the certification of the teachers and academic performance. I looked at things like parent satisfaction rates. But academics was the most important factor” (Bennett 2011b).

This section has focused on OSP participants’ options and how participants navigated that choice process. The behavior of scholarship decliners also offers some important lessons. A study of OSP applicants and participants covering the 2004–05 school year found that scholarship nonusers consistently reported that their children’s previous schools contained more extensive facilities and programs (such as special education programs, programs for non-English speakers, and tutoring services) than scholarship users reported (Wolf et al. 2006). It is entirely possible that many scholarship decliners, like scholarship users, were displaying informed consumer behavior by selecting the school with the perceived best environment for their children—in this case, their local public schools. Similarly, the single largest distinction between scholarship users and decliners in year one of the OSP was that students with a learning or physical disability were much less likely to use a scholarship (ibid.). Perhaps this was a consequence of the relative lack of programs for special-needs students in participating private schools. Students with special-education needs also had options within DCPS through a placement program at a private or suburban public school (ibid.). To the extent that scholarship nonusers participated in the private placement program, they were likely exercising the same consumer due diligence that OSP parents used to find a good school–child match. Wolf et al. (2006) also found that students entering junior high or high school were much less likely to use their scholarships than students entering early elementary-school grades. Those families’ decisions could possibly relate to the differences in the programs offered at the schools, as in the

case of special-needs students, but also likely reflects the dearth of school options available to older students, as outlined earlier in this section.

Parent surveys from the final OSP evaluation provide some guidance on this issue. Over the course of the OSP, the top three reasons parents gave for never using an OSP scholarship awarded to them were (1) lack of space at their preferred private schools (30.7 percent), (2) lack of special-needs services (21.6 percent), and (3) their children's acceptance into charter schools (16.3 percent) (Wolf et al. 2010). The top three reasons that parents of OSP students who left the program gave were (1) their children's acceptance into charter schools (21.8 percent), (2) lack of space at their preferred private schools (18.5 percent), and (3) having moved out of D.C. (15.2 percent) (ibid.). The high number of parents who preferred to enroll their children in charter schools with special-needs services affirms that parents are informed consumers who seek better school-child matches. The concern over lack of space reinforces the fact that scope of choice is important to ensuring that good school-child matches are possible. A lack of space at participating schools constrains parents' options, making it harder to overcome the knowledge problem and find a good school-child match. In the OSP's case, the lack of space impacted families with middle- and high-school students most heavily.

### *Feedback*

As discussed in detail in the previous chapter, one of the biggest theoretical advantages that parents have over a state-run system in overcoming the knowledge problem is their increased ability to monitor and collect feedback about their children. It is therefore worthwhile

to examine how the OSP helped or hindered parents' ability to collect and to act on such feedback.

Reports both from schools and from parents indicate that OSP participants had more opportunities to collect feedback than they did at their previous schools. According to surveys of public- and private-school principals, students offered a scholarship attended schools with more frequent parent-school communications than the control group (Wolf et al. 2010). Examples of communication reported by the schools include letters and reports to notify parents of student grades and behaviors and school newsletters. OSP parent Patricia William offered an example of improved communication at her son's OSP school, which she described as "completely different" than her previous experience in DCPS: "They have a website that I can check to see how my son is doing. I can email teachers and check on homework and behavior. If the parents don't have computers, they'll send home notes and communicate in other ways" (William 2011).

OSP parents also consistently report being more involved in their children's educations as a result of participating in the program (Stewart, Wolf, and Cornman 2005; Cornman, Stewart, and Wolf 2007; Stewart et al. 2007). Stewart et al. (2007, 1) summarize this phenomenon nicely: "It is clear that the OSP has done more than simply provide families with access to private schools. For most families participating in this study, it has forced them to move from a relatively passive role in their children's K-12 academic experiences to a more active role." Virginia Walden Ford (2011) also witnessed parents' increased involvement in education:

Programs where parents are allowed to make choices for their children's education get parents involved and engaged. Because for many of them it's the first time they've ever had any sort of decision or input into their child's

education. The government schools are assigned, you aren't particularly welcome, and then all of a sudden you're in a program where somebody asks you for your input . . . I remember one parent told me, "Ms. Virginia, my child's teacher told me we're a team in educating this child." . . . She took it very seriously.

William credits her family's participation in the OSP with not only putting her son in a better environment, but also with making her a better parent: "[The OSP] taught me how I need to be working with the school to make this group—the parent, the student, and the school—to work together. It takes involvement with the parents at the school to be a success" (William 2011). Such increased involvement can have many positive effects. It offers parents more opportunities to collect feedback both on the educational environment and their children's performance. In other words, increased involvement gives a parent the opportunity to learn more about the things necessary to make informed educational decisions.

OSP parents may have also been more likely to collect feedback from their children as a result the program. Parents in the second-year focus groups reported being very enthusiastic about the improvements they saw in their children's communication skills since enrolling in the OSP (Cornman, Stewart, and Wolf 2007).

### *Program Size*

Due to its means-tested program requirements and funding limits, the OSP was significantly smaller than the universal voucher program championed by Milton Friedman and others. As discussed earlier in this chapter, the OSP did not seem to have obvious system-wide effects on DCPS. Was the OSP large enough to effect systematic change in D.C.?

Between 2004 and 2009, 5.7 percent of all public-school students in D.C. applied for the OSP, with 3.2 percent using an OSP scholarship (Wolf et al. 2010). Traditional public schools were more heavily impacted than public charter schools in both OSP application rates (16.4 percent versus 1.8 percent) and use of scholarships to transfer out (9.2 percent versus 1 percent). As large or small as those numbers might sound on their own, the number of students leaving public schools to participate in the OSP represented less than one-fifth of the average annual mobility of students in D.C. (ibid.). It was likely very hard, then, for principals and other school officials to accurately distinguish the extent to which they were losing students to the OSP. Indeed, Wolf et al. found that many of the principals they surveyed failed to accurately estimate how many OSP students they had lost. A strong majority (between two-thirds and three-quarters, depending on the year) of public-school principals surveyed did not think that their schools had lost any students to the OSP. Most of these principals were incorrect. For example, in 2006, 63 percent of principals who reported having no students leave their schools to participate in the OSP did have students leave for the OSP (on average, 4 students). Only a handful of principals (less than 4 percent) thought that they had lost more than 10 students to the OSP (ibid.).

Individual schools varied widely in how much the OSP impacted them. Some public schools saw none of their students apply to the OSP (3 percent) or use an OSP scholarship to leave (15 percent) (ibid.). The highest rate of OSP application was 31.6 percent, while the highest rate of students using an OSP scholarship to leave a public school was 21.4 percent (ibid.). In their 2005 study, Wolf et al. examined the range of public schools' exposure to the OSP. They found that over one quarter of public schools did not lose any students to the OSP and 56 percent of public schools had less than 2 percent of their students transfer using an OSP

scholarship. Only 2 percent of public schools lost more than 4 percent of their students to the OSP. In contrast, Wolf et al. (2005) found that OSP students represented a large percentage of the student population at many participating OSP private schools, with scholarship recipients representing nearly 20 percent of the student body at more than one quarter of OSP schools. Given these numbers, it is reasonable to conclude that participating private schools had more of an incentive to innovate and improve in order to attract OSP students than public schools had an incentive to innovate and improve in order to prevent losing students to the OSP. With the program size being so small as to make it difficult for public schools to accurately perceive how many students they were losing to the OSP, it is unlikely that the OSP spurred the competitive environment predicted by the school choice theory outlined in the previous chapter.

The OSP's small size should also be examined from a political perspective. It is possible that the OSP was easy to kill off in part because of its small size. In contrast, a publicly funded voucher program with more students, such as Milwaukee's 20,000-plus-participant voucher program, might provide more program stability as politicians are hesitant to end a program affecting so many of their constituents.

### *Funding Structure*

Several issues involving the OSP's funding structure likely played key roles in shaping the program's outcomes, both positively and negatively. On the positive side, the OSP allowed "topping up," or paying for services above the scholarship cap level. Parents were allowed to pay out of pocket or obtain other scholarships for their children to attend private schools whose tuition exceeded the OSP's \$7,500 maximum scholarship level. Several good things could

theoretically come out of such a setup. On a practical level, allowing topping up brings more schools into play, and often good schools at that. Topping up gives parents more choices, thus increasing possibilities for good school–child matches. Perhaps more important, allowing topping up creates an important incentive effect by turning parents into paying customers. As far back as Adam Smith, economists have recognized the importance of involving parents in education and have posited that parents and students will be more discerning consumers if they are financially invested in the product, rather than being offered it for free. In short, consumers would be expected to take greater care in selecting, evaluating, and participating in a school if they had to pay for it. Friedman would build on this Smithian point in his famous 1955 article advocating a universal voucher system. In the OSP’s case, much of the topping-up money came as private scholarships and/or financial aid from the participating private schools. While it was not a requirement to participate, the WSF encouraged schools to assist OSP parents with costs above the \$7,500 scholarship limit. Most did (Brown 2011). School-provided financial assistance likely does not create as intense of an incentive effect for parents. Several schools even pledged to continue full financial aid to students until they graduated in the event that the OSP did not continue after the initial five years (Brenna 2005). Other schools substantially increased student financial aid in light of the OSP. For example, in one year Rock Creek International School raised its annual financial aid budget from \$680,000 to just over \$1 million in order to help fund OSP students (ibid.). However, many schools and scholarship providers made parents pay something out of pocket in order to get them invested in the educational process, even if it was as little as \$10 a month (Brown 2011).

While the ability to top up scholarships created positive opportunities for OSP participants, a more fundamental funding issue was working against the systematic impact of the program at a larger level. Key to the concept of incentivizing *all* schools to innovate and improve under a regime of choice, as discussed in the last chapter, is the idea that if a school is failing to meet its students' needs, then those students would take themselves and their funding elsewhere (threat of exit). In the OSP's case, there was a flow of students, but not of dollars.

As discussed earlier, a key part of the OSP legislation was a three-sector initiative to increase funding for vouchers, charter schools, and traditional public schools. By design, Congress ensured that the money for the OSP would not be diverted from funds that would otherwise go to public schools. This three-sector initiative provided approximately \$50 million in annual funding to the three groups of schools in most years. For example, in FY 2009, Congress appropriated \$54 million under this initiative: \$14 million for the OSP, \$20 million for DCPS, and \$20 million for charter schools (Murray and Stacey 2009). In FY 2010, Congress appropriated \$75.4 million across the three groups: \$13.2 million for the OSP, \$42.2 million for DCPS, and \$20 million for charter schools (*ibid.*). Surely, this funding approach made the OSP an easier political sell. If everyone gets more money, there is little to gain by opposing the OSP. Instead, everybody wins. Such an approach, unfortunately, kills the competitive effects outlined in the previous chapter. If public schools do not lose money when they lose a student to the OSP, they have little incentive to improve in order to retain that child. To the contrary, they have more money with which to educate fewer students. While there are many issues at play with the OSP, it is reasonable to believe that this funding structure was the most critical reason for the OSP's inability to effect widespread change in the D.C. school system.

In addition to the three-sector initiative, the mayor's office made a separate financial agreement with DCPS to provide funding for public schools as they lost students to the OSP. Every year, the WSF's Jennifer Brown would send the mayor's office a list of OSP students who had used their scholarships so that the mayor's office could provide DCPS with the right amount of money. Brown says that DCPS "largely did not let the money trickle down to individual schools" who had lost students to the OSP and that this financial arrangement ended when Mayor Adrian Fenty took office in 2007 (Brown 2011). This additional financial arrangement would be expected to further weaken the public-school system's incentive to innovate and compete for students.

The threat of losing money is an important incentive for public schools to respond positively in a regime of choice. This threat clearly was not present in D.C. However, an ideological threat has the potential to provoke a response in a regime of choice. If a voucher program such as the OSP can show that private schooling is better (whether through test scores, graduation rates, satisfaction, or some other factor that the public deems important), public schools might be compelled to respond, either by improving their own schools or by trying to stop the voucher program through the political process. While the OSP did not seem to inspire innovation, it certainly had political opponents bent on stopping the program's reauthorization.

### *The Politicization of Education*

A charged political climate surrounded the OSP from the beginning. Critics focused on three main messages: vouchers take money away from public schools, vouchers re-segregate schools, and Congress was forcing the OSP on a city that did not want it (Walden Ford 2011). In

the OSP's case, all three charges would turn out to be false. As described earlier, the three-sector initiative ensured that public schools did not lose funding because of the OSP. Still, the charge that the OSP was costing public schools money was hard for program supporters to shake. As recently as March 2011, members of Congress were still raising concerns about this issue. During a recent hearing on potentially reauthorizing the OSP through the SOAR Act, Rep. Danny Davis (D-IL) said that as a staunch supporter of public education, he could not support escalating private-school vouchers because that would make fewer taxpayer dollars available for public schools (Davis 2011). As for the other charges against the OSP, Greene and Winters (2006) found that the racial demographics of OSP private schools more accurately reflect those of the D.C. area than DCPS. Since most OSP students are African American, Greene and Winters suggested that the program would likely result in students leaving more segregated schools for less segregated schools. Regarding the third charge, polls consistently showed public support among D.C. residents for the program (Simmons 2011; DeGrow 2009).

Even though DCPS teachers are unionized under the American Federation of Teachers (AFT), the other prominent teachers' union in America, the National Education Association (NEA), which opposes school choice, weighed in heavily on the OSP, especially when it was time to discuss reauthorization. On March 5, 2009, before the OSP evaluation's public release, NEA president Dennis Van Roekel sent a letter to congressional Democrats proclaiming that the "D.C. voucher pilot program, which is set to expire this year, has been a failure. Over its five-year span, the pilot program has yielded no evidence of positive impact on student achievement" (Van Roekel 2009). The letter pressured Democrats to oppose OSP reauthorization: "We expect that Members of Congress who support public education, and whom we have supported, will

stand firm against any proposal to extend the pilot program. Actions associated with these issues WILL be included in the NEA Legislative Report Card for the 111th Congress” (emphasis original) (ibid.).

The NEA’s decision to publicly declare the OSP a failure before the release of the official program evaluation mirrored Congress’s decision to shut down the program before the final evaluation was completed. Both political actions seem to go against Congress’ intent in structuring the OSP. Congress designed the OSP as a five-year experiment with a built-in, thorough program evaluation to determine if that experiment was successful or not. Such an approach would allow the government to try the OSP, to see if it worked, and to make a decision on the program’s future based on that evaluation. To attempt to shut down the program before the evaluation was completed suggests a political agenda to stop school choice rather than a willingness to see if school choice can be successful. Unfortunately, this politics-over-what-works approach is not an anomaly in D.C. education. For example, former D.C. Schools Chancellor Michelle Rhee, in testimony to the House of Representatives, has described DCPS culture as “driven more by politics and adult concerns than by the needs of children” (Rhee 2008).

### *Program Administration*

Just as parents improved as school choosers over the course of the OSP, the WSF faced similar incentives and opportunities to improve in its role as program administrator. For example, while some parents expressed frustration with OSP finance policies and procedures in focus groups during the program’s first year (Stewart, Wolf, and Cornman 2005), by the second

year most parents praised how the WSF and the schools were handling those policies and procedures as well as the communications surrounding them (Cornman, Stewart, and Wolf 2007). Parents in the second year of focus groups also indicated that the WSF's case management during the school selection process had dramatically improved since year one (ibid.).

With so much exposure to parents, the WSF could quickly respond to parental concerns. The WSF's Jennifer Brown (2011) offers an example: "In the first year we got a lot of feedback on the system we had in place to buy uniforms. It wasn't working for parents and we were able to overhaul it almost immediately." The ability to quickly change procedures combined with the high levels of parental feedback put the WSF at a distinct advantage to meet families' needs as compared to the traditional public-school administration, where multiple layers of bureaucracy often have to sign off on any change, provided that they can correctly identify a needed change in the first place.

Another example of the WSF's ability to respond to families' needs came in the program's second year. In the first year, several high-school participants requested more tutoring and other academic support services. The WSF responded by partnering with Capital Partners for Education, who provided support services to all high-school aged OSP students in the program's second year (Cornman, Stewart, and Wolf 2007). The WSF's close relationship with participating schools also led to opportunities to customize programming to better suit students' needs:

[The archdioceses] had test scores of where the [OSP] kids were coming in and how they were growing. The gap [between OSP students and the general student

population] was large enough that we put a lot of energy into leveraging our capacities to help students. For example, The Commonwealth Foundation had an in-school tutoring program where they would connect schools, students, and tutors. They were having trouble verifying the students who were signing up because they didn't have that capacity. So we brokered a deal where the foundation gave \$300,000 per year to schools where we had OSP students. By connecting with us, it cut their verification in half because we had already screened the income of the families. We also raised \$1 million for a high school capacity in math fund, which we ended up spending at Archbishop Carroll so they could hire an academic support specialist. She would work with the students as they came into the program to see where they were behind and needed help (Brown 2011).

#### *Other Reform Measures in D.C. Schools*

The key difficulty in ascertaining the OSP's impact on D.C.'s overall education field is that the OSP was not the only reform game in town. In fact, the OSP was not even the only school choice program in D.C. The district has been home to public charter schools since 1996. While D.C.'s charter-school sector started off small, with only a few hundred students, it now represents a significant piece of the D.C. educational landscape. By the 2010–11 school year, the D.C. charter system boasted 52 schools on 93 campuses serving more than 28,000 students (representing about 39 percent of the total D.C. public-school population) (Gray 2011). The charter-school population thus represented a much higher percentage of the overall education market in D.C. than did the OSP, and therefore had a greater opportunity to incentivize

traditional public schools in the district to improve rather than lose their students to charter alternatives.

The reform-heavy, three-year tenure of D.C. School Chancellor Michelle Rhee also overlapped with the OSP's tenure. Rhee took over the D.C. public-school system in June 2007, promising sweeping reforms to shut down failing schools and get better teachers into D.C. classrooms (with a corollary promise to fire bad teachers). Rhee's efforts met heavy political opposition (much more so than the OSP), so many of her ideas never came to fruition and others will likely be rolled back now that she is no longer chancellor. However, Rhee made changes in the district, such as shutting down 25 failing schools, firing 30 percent of central office school officials, and instituting a new evaluation system for teachers that places a greater emphasis on student outcomes (Mangu-Ward 2010). Rhee's reform efforts attracted substantial private donations as well as a \$75 million federal investment through the Department of Education's Race to the Top initiative (Goldstein 2010). Results indicate that D.C. schools saw modest gains under Rhee's tenure, with fourth-grade students making larger gains in math than students in any other large American city and eighth-grade students making similar gains, though the absolute proficiency levels still leave much to be desired (Mangu-Ward 2010). The OSP is concerned that these reforms and improvements affected control group students, who largely attended traditional public schools after not being awarded an OSP scholarship (though some went on to attend charter or private schools). The extent to which these students attended schools that saw noticeable changes via Rhee's reforms could help explain why parent satisfaction in the control group rose over time (though it never got as high as satisfaction among OSP parents).

## *Conclusion*

The findings on the OSP presented in this chapter suggest that at least some students benefited academically as a result of participating in the program, either from improved test scores in reading and/or from higher graduation rates. There is no evidence that any participants were worse off for having participated in the program (a fact consistent with Jay Greene's 2001 review of empirical school choice literature). Further, most participants were highly satisfied with their experiences in the program on a wide variety of characteristics, including safety and school quality. The OSP's program features and institutional constraints were essential in shaping these outcomes. The wide range of options available to OSP students increased the possibility of finding good school-child matches, though it was harder to achieve a match at the high-school level, where fewer options were available. Also key to finding good school-child matches was the information available to parents. Parents could access a wide array of information, from formal guides to personal connections, as they sought to overcome the knowledge program and choose appropriate schools for their children. The evidence reviewed in this chapter suggests that parents acted as informed consumers, examining substantive school qualities over superficial attributes when choosing a school. They also improved as educational consumers over time, as school choice provided the incentive for them to be more involved in the educational process. The program was less successful in sparking widespread competition among schools, though some public- and private-school principals did report making changes in the hope of either retaining or attracting OSP students. A key factor in the OSP's failure to effect system-wide change in D.C. schools is likely the program's funding structure, which did not provide a financial punishment for public schools that lost students to the OSP. Instead, the

three-sector initiative rewarded public schools with more money. Other, concurrent reform efforts in D.C. also make it difficult to pinpoint any systematic effects from the OSP.

## CHAPTER 4: POLICY RECOMMENDATIONS

The school choice theory outlined in chapter two predicted many positive effects from a voucher program. Specifically, improvements in knowledge, incentives, and competition should be expected to increase performance for the students involved as they gain better school–child matches through choice, as well as increase performance for the overall education system in the area as schools have incentives to innovate and compete with one another to either attract or retain students and funding. As chapter three showed, the attempt to implement such a program in Washington, D.C., through the Opportunity Scholarship Program (OSP) was successful in certain areas and not in others.

On the positive side, the OSP reaped benefits for program participants. At least some students improved in reading, as measured by standardized test scores, and high-school graduation rates for program participants were significantly higher for students awarded a voucher than for students who did not receive a voucher through the lottery process. There is no evidence that any participants were worse off for having participated in the program. Students and parents also expressed high satisfaction on issues such as safety and school quality, indicating that families found better school–child matches under a system of choice. The OSP was less successful in effecting widespread systematic improvements in D.C. schools. Speaking at a March 2011 congressional hearing about the OSP, Rep. Christopher Murphy (D-CT) criticized the OSP, and voucher programs generally, on this point: “The idea obviously behind a voucher program is that it pressures the public-school system not just to try, but to actually get better in the end. . . . [but] the theory sometimes doesn’t always match up to the reality.” This

thesis takes a different approach than Rep. Murphy does. The analysis outlined in the previous chapters suggests that the OSP's inability to effect widespread change in D.C. schools (although the program succeeded in getting at least some public- and private-school principals to make changes to their schools in an attempt to attract or retain students) is less a refutation of school choice theory than it is a reflection of the institutional constraints that the OSP faced, especially its small size and lack of financial incentives for public schools to improve because of the program's funding structure. In other words, the OSP's structure had significant effects on its ability to deliver positive results. The program delivered positive effects for at least some students. But the OSP was likely never going to have a systematic effect on DCPS given how the program was set up. So, what have we learned from this school choice experiment?

The OSP boasted several good programmatic aspects that other locales interested in implementing voucher programs could learn from. Future programs should benefit from including the following characteristics:

*Allow topping up.* The WSF allowed parents to pay out of pocket or to obtain other scholarships for their children to attend private schools with tuition exceeding the OSP's \$7,500 maximum scholarship level. Topping up has several potential benefits, including bringing more private schools into play (and thus providing a wider scope of choice for parents and increasing the possibility of finding a good school-child match). More importantly, topping up creates an important incentive effect by turning parents into paying customers. Parents and students should act as more discerning consumers if they are financially invested in the product, rather than being offered it for free.

*Give parents a wide scope of choices.* The available options constrain parental choice. Fortunately, in the OSP's case, participants had a wide range of choices, including schools in every ward of the city, when deciding where to use their vouchers. A strong majority of the district's private schools participated in the OSP at some point, though spaces were more limited for middle- and high-school students than for elementary-school students. Participating private schools differ in their environments, academics, program offerings, and other characteristics. What is best for one student might not be best for another, so having more school offerings should increase parents' likelihood of finding good school-child matches.

*Facilitate information collection.* Key to facilitating good school-child matches is participants' ability to collect relevant information on participating schools. As program administrator, the Washington Scholarship Fund (WSF) did a good job in facilitating such information collection among parents. In addition to providing formal guides, such as a school directory and a brochure about how to select a school, the WSF facilitated more informal information exchange by organizing monthly parent meetings and working one-on-one with parents through a case management system. The WSF also required parents to visit their preferred private schools (even though they did not verify if they did), which turned out to be very important, as parents retrospectively described those school visits as the most useful and accurate means of collecting information on the schools.

As the OSP moves forward, it is also worthwhile to examine which program attributes might be improved. These lessons should also be useful for other locales considering implementing a voucher program:

*Allow funding to follow students.* The threat of losing money is an important incentive for public schools to respond positively in a regime of choice. This incentive clearly was not present in D.C., as Congress opted to fund the OSP with a three-sector initiative that made more money available for vouchers, charter schools, and traditional public schools. This funding approach made the OSP an easier political sell by easing concerns that vouchers would rob public schools of funding. But it also killed the potential for increased competition and innovation. Schools need to lose money when they lose students if a threat of exit is going to incentivize improved performance in any meaningful way.

*Allow for program growth over time.* The OSP's small size made it unlikely to effect systematic change in the larger D.C. school system. The small number of participants also probably made it easier for Congress to kill the program. Instead of limiting the number of participants to a constantly small level over the trial period, it might be more fruitful to allow the number of participants to expand over time, as other publicly funded voucher programs have done. Gradual expansion would allow program administrators to deal with a small number of participants at the beginning, then allow them to scale up operations as they get their footing and as program results start to flow in.

*Limit enrollment to certain (early) grade levels.* For the OSP, the dearth of opportunities for students at the high-school level frustrated parents and students who struggled, and in many cases failed, to secure a placement at a participating private high school. Not only were there few participating schools and slots, but public high-school students were often far behind the academic standards expected at private high schools. One way to solve these problems might be to limit program enrollment to early grade levels, at least initially. Private schools could then

access young students before they got behind academically in the public-school system, and program evaluators would have a larger number of students in each grade cohort who could be tracked over time. It would also be possible to follow each cohort for a longer period of time (assuming an expanded program time frame) and to get a better picture of the program's long-term results.

*Set realistic program expectations.* Due to the close political battle to pass the OSP, proponents likely oversold the program's benefits. With the OSP's small size and funding structure, it was never likely to have widespread systematic effects in terms of pressuring DCPS to improve. The lack of systematic effects does not mean that a program like the OSP would not be worthwhile in the future. It clearly benefited many participants, and there is no evidence that any participants were worse off as a result of participating. Also, the OSP obtained its results for a fraction of the cost to educate a child in DCPS. So, even in the case of no positive achievement results, something like the OSP could be attractive on a cost-benefit level. But if people expect a program structured like the OSP to revolutionize an entire system, they are bound to be disappointed.

*Limit the influence of special interest groups.* As the battle over the OSP showed, education policy quickly becomes politicized. Teachers' unions strongly opposed the OSP, and Congress shut down the program before the final evaluation's publication. A potential way to limit interest-group influence would be to formally tie OSP reauthorization to the program evaluation, such that if the evaluation team found positive gains above a certain level, the program would be automatically continued.

## *Conclusion*

The OSP created positive results under less-than-ideal conditions. If school choice can have modest success in such a limited environment, it could be even more successful as programs move to further embrace market forces, for example by allowing a flow of dollars in addition to a flow of students between schools and by allowing more than just a small segment of the population to participate. At the very least, the results of implementing school choice in D.C. should point to the importance of continued experimentation with programs such as the OSP. The “long-term” program evaluation covered only five years of student-performance data. The program’s true long-term impact is thus still open for investigation, especially considering that the program offered more opportunities for students in early grades who might continue to improve academically throughout their private-school experiences.

If one thing is certain in the lessons learned from the OSP, it is that how school choice programs are structured matters. Politicians cannot simply label anything as “school choice” and expect to reap the benefits of knowledge, incentives, and competition discussed in chapter two. The OSP’s small size and funding structure hindered the program’s ability to effect systematic change in D.C. Policymakers looking to improve the OSP would be wise to examine these program attributes if they wish to improve the program’s performance. Even if Congress makes no program changes to the OSP, it may still be considered worthwhile as participating students showed key academic gains, such as significantly higher high-school graduation rates, in only a short time. If Congress does not change the program, however, policymakers should set reasonable expectations for potential program results. A scholarship program with the

institutional constraints of the OSP might provide a better education for the students involved, but it is unlikely to effect widespread systematic change as currently designed.

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