



# Revisiting the Role of Vouchers and Charter Schools in the Educational Market Place

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## **Introduction**

Vouchers and charter schools are among the most recognized buzzwords in today's education marketplace. Advocates assert that the quality of education will improve if consumers (i.e., parents) have greater access to schooling alternatives. Along with this assertion is the implied belief that costs of education will decrease and the quality of education will rise because all schools, traditional and alternative, private and public, will compete for pupils. Schools that cannot effectively compete will wither and eventually close.

This belief is not new. A long line of scholars dating back to Adam Smith (1776) has described education's relationship to the classical economy. What seems to be missing from the contemporary dialogue is the reason why we have vouchers and charter schools today. We are familiar with the terminology. We might be aware of the implications of these entrepreneurial activities. However, we may have forgotten the promises that were made by advocates. For example, charter schools, freed from many of the state regulations required of traditional public schools, were to serve as laboratories of innovation that once transferred to public schools would lead to improvements for all students. Vouchers were implemented to provide greater access to a high quality education, particularly for children from low income families. Do children from low income families have access to enhanced educational opportunities through vouchers today? Have vouchers and charter schools led to schooling experiences superior to those provided by traditional public schools?

Ohio has been at the forefront of controversies related to entrepreneurial schooling activities. The state is replete with alternative schooling opportunities, and it is a place where education entrepreneurs have been welcomed for many years. Not only has the Ohio education marketplace experienced vouchers and charter schools, but also homeschooling, internet (virtual) schooling, and intradistrict/interdistrict school district transfers. Given the promises made by school choice advocates, Ohio should have the best education system in the country. Although this article does not measure Ohio against other states, it does include national analyses to

provide a broader context to the development and growth of vouchers and charter schools in Ohio and the nation.

### **Vouchers and Charter Schools in Ohio**

Vouchers have a long history in the United States. For example, the states of Maine and Vermont have used publicly funded vouchers for over 150 years to provide tuition for secondary students whose districts do not have a high school (Sutton and King 2011). These vouchers can be used only at other public schools or nonsectarian private (nonprofit) schools. More broadly, in the United States, vouchers have been publicly and privately funded;<sup>1</sup> used in public and private schools; and used at nonsectarian and religiously affiliated schools, with the latter representing the most controversial application. Publicly funded vouchers in Ohio evolved from a state program, the Cleveland Scholarship and Tutoring Grant Program,<sup>2</sup> that was authorized by the state in 1995 and implemented during the 1996-1997 school year. This was the first program in the nation to allow vouchers to be used at religiously affiliated schools (McCarthy 2000; Witte 2000). Eligibility was limited to low income families in the Cleveland City School District. Admission to the program, if oversubscribed, was contingent upon a lottery. The maximum voucher amount, made available through state funding, was \$2,250 (Ohio Department of Education 1998), and enrollment was capped at 4,000 students (Cleveland Office of Scholarship and Tutoring 1999). Although initially priority was given to families with incomes below the federal poverty index, eligibility was later expanded to families with incomes up to 200% of the federal poverty index, and subsequently families with even higher incomes were deemed eligible (Metcalf 1999).

Initially, many of the education voucher program communications announced that the Cleveland vouchers would be in the amount of \$2,500 with a maximum state contribution of 90%. Requiring that voucher recipients contribute at least 10% proved controversial. While the contribution helped the state pay for the program, it also threatened to disadvantage poor families. For a family living in poverty, \$250 represented a significant amount money. The financial burden was even greater if the family had more than one child receiving a voucher.

State payment for the Cleveland voucher program was also controversial. Early communications announced that the state would assume the full cost of the voucher program. However, this was inaccurate. For example, costs were incurred by the Cleveland City School District when its officials had to explain publicly what the education voucher program was and why students should remain in the district. The district also incurred costs related to recordkeeping and accounting for students who entered, exited, and re-entered the school district. Vouchers also diverted state aid from the district to voucher schools (U.S. General Accounting Office 2001), many of which were religiously affiliated.

Hence, the Cleveland Scholarship and Tutoring Grant Program was the center of vehement controversy. Supporters applauded the program while detractors claimed that it was unconstitutional. Meanwhile, the number of voucher students

continued to grow. By 2009, the enrollment cap was raised, and there were 5,388 students and 39 schools participating in the program (Ohio Department of Education 2009). The voucher amount increased to \$3,450 (Ohio Department of Education 2010a), and the Cleveland City School District continued to lose a portion of its state aid to the voucher program.

The legal battle over vouchers in Ohio was intense, and eventually it progressed to the U.S. Supreme Court where it was affirmed in *Zelman v. Simmons-Harris* (2002). The *Zelman* decision opened the door for the expansion of vouchers statewide in Ohio through the Educational Choice Scholarship Pilot Program (EdChoice), which targeted students in low performing schools regardless of family income. In 2006-2007, the state authorized 14,000 vouchers in the amount \$4,250 for students in grades K-8 and \$5,000 for those in grades 9-12 (Ohio Department of Education 2006a). During the first year of operation, 81 public schools were affected. By 2009-2010, 11,722 students used these vouchers (Ohio Department of Education 2009). For school year 2010-2011, the cap for the number of vouchers to be issued and their amounts remained the same (Ohio Department of Education 2010b). However, for Fiscal Year 2013, up to 60,000 EdChoice vouchers could be authorized by the state (Ohio Department of Education 2011).

In 1997, another form of school choice, charter, or "community" schools as they are called in Ohio, was authorized by the state. Charter schools in Ohio are defined as public, nonsectarian units that operate independently from traditional public school districts (Ohio Department of Education 2006b). During the first year of operation, 1998-1999, 15 charter schools enrolled 2,245 children (Jewell 2006). About a dozen years later, the program had expanded to 323 schools with an enrollment of 94,269 (Ohio Alliance for Public Charter Schools 2011). In Ohio, charter school funding consists of a cash transfer from the traditional public school district in which the charter school is located. The transfer includes state basic aid and other upward adjustments that the traditional public school district would otherwise be entitled to.

Ohio charter schools can be divided into two types. One is "brick-and-mortar;" that is, the school is located in a physical facility which students attend. The second type of charter school is "virtual," in that it offers online learning. As such, it can enroll students from anywhere in the state. Over the years, both types of charter schools have exhibited staggering enrollment growth. Between 2002 and 2010, brick-and-mortar charter school enrollment rose from 20,017 to 68,079, a 30% annualized average growth rate. During the same time period, virtual charter school enrollment rose from 3,610 to 26,190, a 78% annualized average growth rate. (See Table.) The ratio of virtual charter school enrollment to total charter school enrollment increased from 15% to 28% during this time period. One explanation given for this trend is the transfer of large numbers of previously home-schooled students to virtual charter schools.<sup>3</sup> Given the historic lack of state or local support for home schooling in Ohio, virtual charter schools may be an attractive option for parents of home-schooled children.

Table | **Growth of Ohio Charter School Enrollments: 2002-2010**

Year	Brick-and-Mortar Charter School Enrollment	Virtual Charter School Enrollment	Total Enrollment	Ratio of Virtual Charter School Enrollment to Total Charter School Enrollment (%)
2002	20,017	3,610	23,627	15
2003	26,535	7,614	34,149	22
2004	36,315	10,802	47,117	23
2005	47,957	14,645	62,602	23
2006	55,348	16,845	72,193	23
2007	58,520	18,574	77,094	24
2008	62,001	20,867	82,868	25
2009	64,620	24,137	88,757	27
2010	68,079	26,190	94,269	28

Source: Ohio Alliance for Public Charter Schools, 2011.

Although controversy surrounded the establishment and implementation of vouchers in Ohio, there seemed to be less public opposition to charter schools even though both made the same promises. Perhaps the lower level of opposition to charter schools revolved around religion; as public schools, charter schools were not permitted to be religiously affiliated while voucher schools could.

**A National Context for Vouchers and Charter Schools**

Ohio’s voucher program was not the first in the country; rather, the Cleveland voucher program was among a small group of early contemporaries in Wisconsin and Florida. Whereas Cleveland vouchers were the first to be used at religious schools, Milwaukee vouchers were the first to be implemented as part of the contemporary wave of voucher programs. The original Milwaukee Parental Choice Program was authorized by the state of Wisconsin to begin in 1990 (Witte 1998). These vouchers were supported by state funds and limited to students from the Milwaukee Public Schools system. The maximum voucher amount, \$2,446, was the same amount as the state aid per pupil received by the Milwaukee Public Schools (Witte 1991). For each voucher student, the state sent this amount directly to the school approved for participation in the voucher program (Witte and Thorn 1996).

Initially, Milwaukee voucher recipients were limited to low income families, and a lottery was to be used if the number of applicants exceeded the cap. In the first year of operation, 341 vouchers were issued although 1,500 had been authorized (Witte 1998). Debates about the Milwaukee Parental Choice Program were contentious. Litigation threatened to stop the program before it began. A lower court upheld the voucher program, and then an appellate court reversed the lower court decision. In 1992, the Wisconsin Supreme Court upheld the Milwaukee Parental Choice Program in *Davis v. Grover*.

In Florida, the state authorized and funded a statewide voucher program titled the Opportunity Scholarship Program, which was implemented in 1999. Eligibility was limited to low income students from “failing schools.” This voucher, funded at \$4,200, could be used at private, nonsectarian and religious schools as well as public schools. However, unlike the Cleveland and Milwaukee voucher programs, the Florida Opportunity Scholarship Program was ruled unconstitutional in a 2006 Florida State Supreme Court decision, *Bush v. Holmes*.

**Discussion and Conclusions**

Theories about the market have been used by both advocates of and opponents to school choice to frame debates about vouchers and charter schools. Choice in the marketplace is appealing to libertarians who want the freedom to choose with little or no government oversight. At the same time, choice in the education marketplace appeals to some advocates of social justice, particularly when school choice is targeted to low income students. Thus, impassioned calls for liberty and equality find common ground in the education marketplace.

The marketplace for vouchers was constrained, at least in the beginning. In Cleveland and Milwaukee, for example, vouchers were limited in terms of jurisdictional geography to a single school district. Enrollments were capped and eligibility limited to low income families. Voucher amounts per student were typically lower than the average per-pupil expenditure in the school district. Over time, both voucher programs have grown when their respective states increased or removed enrollment caps and broadened eligibility criteria. On the other hand, Florida’s voucher program did not survive judicial scrutiny and no longer exists. On balance, the free and open market for vouchers envisioned by Friedman (1955,

1962) and persistently endorsed by Friedman and Friedman (1990) has not been achieved.

Charter schools represent a far less regulated school choice option than vouchers. At the same time, charter schools are more limited in their scope than vouchers because as public schools they must remain secular. However, charter schools are exempted from many of the regulations governing traditional public schools and districts. Charter schools in Ohio and across the nation are much more widespread than vouchers. The marketplace has seemed to work much better for charter schools than vouchers. Still, the marketplace expectations underlying the concept of charter schools has not materialized as advocates envisioned.

Among other promises, the advent of market competition through vouchers and charter schools was to improve the public education system for all students. School quality was to increase while school costs were to decrease. Charter schools and vouchers were going to support alternative schools that outperformed traditional public schools. Alternative schools were also going to lead the way to improving traditional public schools. Data and analysis attesting to these education marketplace virtues did not emerge. Positive performance assessments of these new, alternative schools that were supported by vouchers and charter schools were mixed, at best. Evidence that vouchers and charter schools supported alternative schools that improved traditional public schools was virtually nonexistent. Given the widespread implementation of vouchers and charter schools in particular, if quality improvements were going to occur, convincing evidence of improved school quality should have presented itself long ago.

On the surface, school costs seemed to decrease. Children were receiving schooling based on fixed voucher amounts. Children also received schooling based on charter school transfer payments. Both the fixed voucher amounts and charter school transfer payments appeared to be less per pupil than what was spent in traditional public school districts, but the perceived cost structure lacked sustainability. Charter schools often augmented their public dollars with donations, fundraising, volunteerism, partnership resources, or infrastructure supports. Vouchers were used at religiously affiliated schools that were subsidized by their respective religious institutions. These practices made for cost assessments that were just as confused as the performance assessments that were associated with vouchers and charter schools.

A sustainable cost structure was not developed for widespread implementation of vouchers and charter schools. The quasi-private education system that developed could not absorb or accommodate all children with their different educational needs. Moreover, the benefactors who contributed to the financial success of these new alternative programs could not possibly provide funding for all children. The traditional public school was still necessary in order to ensure that every child had access to schooling. Unfortunately, the traditional public school was financially and operationally diminished by vouchers and charter schools. Transfer payments reduced budgets. Entering and exiting children

stressed programs and capacities. Hidden costs were imminent. For example, school officials needed to dedicate time and energy to developing community awareness of competition. School officials furthermore needed memos, pamphlets, flyers, and other forms of advertising in order to compete in the education marketplace.

For all of the hype that was dedicated to vouchers, charter schools, and the education marketplace, greater improvements to the education system should have been forthcoming. The panacea of educational improvement via choice and competition simply was not delivered. Meanwhile, traditional public schools were damaged. This cycle of free market oriented reform occurred for more than 20 years—but to no avail. Based on this record of performance, policymakers should refocus social commitment, funding, and innovative strategies on the improvement of traditional public schools rather than vouchers and charter schools.



### Endnotes

- <sup>1</sup> Privately funded vouchers are often referred to as “scholarships.”
- <sup>2</sup> Although originally named the Cleveland Scholarship and Tutoring Grant Program, many refer to it as the Cleveland Scholarship and Tutoring Program (CSTP).
- <sup>3</sup> Home-schooling, referred to as home education in Ohio, consists of parental instruction or other qualified instruction under the parents’ direction: “The parent or guardian selects the curriculum and educational materials and takes responsibility for educating the child. There is no state financial assistance for families who choose this option” (Ohio Department of Education, 2012, 1).

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