THE POLITICAL ECONOMY OF D.C. SCHOOL CHOICE: AN INSTITUTIONAL ANALYSIS OF THE WASHINGTON D.C. OPPORTUNITY SCHOLARSHIP PROGRAM

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LIST OF ABBREVIATIONS

AFT – American Federation of Teachers
DCPS – District of Columbia Public Schools
DCYITC – D.C. Children and Youth Investment Trust Corporation
GAO – Government Accountability Office
IOT – Impact on Treated
ITT – Intent to Treat
NCLB – No Child Left Behind Act
NEA – National Education Association
OSP – Washington D.C. Opportunity Scholarship Program
SAT-9 – Stanford Achievement Test-version 9
SINU – Schools designated as in need of improvement
WSF – Washington Scholarship Foundation
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 to implement that theory, Washington, D.C.’s Opportunity Scholarship Program (OSP), to see how the positive predictions of school choice theory play out or do not play out in practice. The economic case for school choice rests on three related factors: knowledge, incentives, and competition. School choice should allow for better school-child matches than geographically-assigned government-run public schools, as parents are able to act on the intimate knowledge they have of their child’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. This would lead to a more competitive educational market, ripe with innovation and, ultimately, improved student performance.
OSP was successful in some of these areas and not in others. Evidence from OSP suggests that at least some students benefited as a result of participating in the program, either by improved standardized test scores in reading and/or by higher graduation rates. There is no evidence that any participants were worse off for having participated in the program. Further, most participants were highly satisfied with their experience in the program on a wide variety of margins including safety and school quality. The program was less successful in sparking widespread competition amongst schools, though some public and private school principals did report making changes in hopes of either retaining or attracting OSP students.

The program features and institutional constraints of OSP were key in shaping these outcomes. The wide range of options available to OSP students allowed for the increased possibility of finding good school-child matches, though this was harder to achieve at the high school level where fewer options were available. Also key to finding good school-child matches was the wide range of information available to parents, including 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 be more involved in the educational process. A key factor in OSP’s inability to affect 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 OSP. If policymakers wish to improve the
performance of school choice programs in the future, it is these program features that they should address.
CHAPTER 1: INTRODUCTION

Economic theory predicts many things about school choice, from increased competition to improved educational outcomes. This body of literature, which is examined in detail 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 – Washington, D.C.’s Opportunity Scholarship Program (OSP) – to see how successful policymakers were at reaping the proposed benefits of school choice theory. The approach outlined in this thesis emphasizes the importance of institutions, examining how the program attributes and “rules of the game” of OSP impacted the program’s results. Specific attention will be placed on institutions dealing with 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
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 a variety of brands to choose from at a variety of stores competing on cost, quality, and other margins. Yet in one of the most important services provided in our country – education – the electorate seems largely content to delegate such issues of choice to the government via the public school system. While some individuals choose to opt out of the public school system by sending their children to private school, the vast majority of Americans still attend their government-assigned local public school (Hess 2010). This creates a virtual monopoly for public schools, as they are sent a fresh crop of customers (students) every year regardless of performance. Private schools, on the other hand, like any other private business, must consistently provide services of a high enough quality to attract customers or risk going out of business. 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. So, 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, even the worst public schools are rarely shut down (Stuit 2010). They therefore face little incentive to innovate.
Individuals of enough means still have some choice under such a system – namely that they take into account the quality of the local public schools when deciding where to live (Elmore and Fuller 1996, Wolf 2005). Such a process 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 where parents can ill 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 school of their choice rather than be limited to their local public school. This can include anything from school vouchers to education tax credits to open enrollment policies to charter schools. For the purposes of this analysis, school choice will refer to voucher programs in which a student is given a voucher to be used for educational purposes at the school of his or her choice. Voucher programs can vary on a variety of fronts. Vouchers can be publicly or privately funded. Voucher programs can be universal (open to all students) or limited to a certain segment of the population (families under a certain poverty level, students with special needs, etc.). Vouchers can also vary in their monetary allotment from full educational funding to partial vouchers that pay, for example, 50 percent of private school tuition. The specific set up 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 the focus in this analysis is on vouchers, many of the arguments will also be applicable to other school choice measures such as charter schools.
A Brief History of School Choice in America

The first effort to implement vouchers in American public schools happened under the Johnson administration. The Office of Economic Opportunity toyed with vouchers as an alternative to school busing. This resulted in a small voucher pilot program in Alum Rock, CA, though the program looked much more like a magnet-school program than a traditional voucher system (Hess 2010). The Office of Economic Opportunity again entertained the idea of implementing school vouchers during the Nixon administration, but the proposed program of vouchers in the large cities of New Hampshire never made it 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 publically-funded Milwaukee program started small, with only 337 students in 1990, but today provides 20,000 students with vouchers (Hess 2010).

Following on the heels of the Milwaukee program, Cleveland, OH and Florida launched publicly-funded voucher programs in 1996 and 1999, respectively. Meanwhile privately-funded voucher programs were starting to pop up in Indianapolis, IN (1991), San Antonio, TX (1992), Washington, D.C. (1993), Dayton, OH (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 a voucher to chose a better school. In 2006, the Florida Supreme Court ruled that the part of the A+ Program that funded private-school vouchers was unconstitutional. While this was perceived as a major setback for school choice, the state responded not by cutting the program, but by modifying its 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 across the country have failed. 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 to attend through increased real estate costs. Unfortunately, as many scholars have shown, far too many public schools in middle to upper income areas (that voters are eager to protect) perform at inadequate levels and might benefit from increased school choice (see Izumi et. al, 2007 for an in-depth study of this dynamic in California schools). Yet, despite this 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 base of both political parties: Democrats get split pressure from minority voters who largely support voucher programs and unions who largely oppose voucher programs, while Republicans get split pressure from free-market advocates who largely support voucher programs and suburban voters who are hesitant to support vouchers for the reasons discussed above (Walberg 2007).

*School Choice in Washington, D.C.*

Washington, D.C. is perhaps the best example of American urban education run amuck. Despite years of heavy spending, the nation’s capital consistently ranks near the bottom on measures of educational quality. In fall 2003, Washington, D.C.’s public schools spent $12,959 per pupil in 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, this high amount of spending did not lead to superior results. For example, in that same year 64 percent of fourth graders were rated “below basic” on mathematic achievement levels, compared to only 24 percent nationally (NCES 2004). Neither the high spending nor poor student performance in 2003 were an historical anomaly (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. 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 a scholarship worth up to $7,500 to attend a private school of their choice. Parents could spend the scholarship 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 available (Ibid.) and had a 75 percent approval rating from D.C. residents (Simmons 2011). Even better, OSP offered a bargain to taxpayers, costing $10,000 less per student (at a conservative estimate) by the program’s fifth year (Ewing 2010). Yet, when it came time to renew the program in 2009, Congress chose to ratchet down the program. Buried within a 1,000+ page spending bill was a provision that prohibited new students from entering the program. Students currently enrolled are able to continue in the program until they graduate (or until funds for the program run out, whichever comes first), but the 216 new students added to OSP for the 2009-2010 school year were pulled from the program.
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 rivalship of competitors, who are all endeavouring to justle 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 reputation, and even that was a weak force as schools and teachers were largely fed a steady stream of students independent of their merit and reputation (just as they are in modern times).

In addition to issues pertaining to salary, Smith also foreshadowed the modern discussion of choice by emphasizing the negative effects that a lack of choice in education should be expected to bring about. When teachers are not voluntarily chosen by students, Smith expected that such a set up would “diminish very much in all of them [teachers] the necessity of diligence and of attention to their respective pupils” (Ibid., 763). This is through no fault of the teachers themselves, who 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 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 ([1955] 1962) built on Smith’s work and launched the modern debate over school choice by proposing a system of universal vouchers in his essay “The Role of Government in Education,” which was later published as a chapter in Capitalism and Freedom. Under Friedman’s scheme, the government would require a minimal level of schooling financed by giving parents a voucher to be spent on approved educational services. Parents would be free to spend the voucher plus any additional funding of their own to purchase educational services from an approved institution of their choosing. The government would assure that minimal requirements were met through the approval process, though it is clear that Friedman had a low bar in mind for standards such that schools would have a substantial amount of freedom to innovate and attract customers.

Friedman 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” (Friedman [1955] 1962, 91).

The only widespread alternative to public schools under the current system are parochial schools, since churches are in a position to subsidize schooling to compete with “free” government schools. Vouchers, in 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 (Friedman and Friedman 1980).

Friedman also viewed school choice and merit pay for teachers as intertwined. He 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 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 school qualities, rather than focus narrowly on the qualities themselves. Their simple, yet powerful idea was that schools reflect their institutional environment. In this view bad organizational properties are best understood as symptoms of underlying institutional problems rather than causes. 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 public schools are ultimately driven by politics, 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). Institutions of market control – as witnessed in 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 for 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 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 institutions of education – something that they thought could only be accomplished through school choice. They encouraged reformers to shift their focus from other ideas and “entertain the
notion that choice is a panacea” (emphasis original) (Ibid., 217). Other school choice proponents have been critical of 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 nature that voucher programs tend to take in practice (which is usually far short of the universal systems that Friedman and Chubb and Moe proposed).

Roadmap

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 (OSP) to see how school choice performs in practice, again showing specific concern for the issues of 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 things: knowledge, incentives, and competition. These arguments are explained in detail in this section. 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 governmental experts? Specifically, who is the in 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 F.A. Hayek. Hayek describes how knowledge in a society never exists in concentrated or integrated form but rather 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) it is prices that 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, Gordon Tullock has shown the applicability of Hayek’s concerns to government bureaucracies in non-resource allocating functions, namely that administrative problems in some fields “may be of such complexity that the centralization of information necessary to make decisions effectively in a bureaucracy might not be possible” (Tullock 1965, 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 when it does intervene. 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 be successful within the zones.

These concerns, particularly Tullock’s work on government bureaucracy, are of direct concern to public education, which operates within multiple layers of bureaucracy at the district, state, and federal level. 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 who is in
the best position to discover and act upon such local knowledge? Additionally, which system – one based on parental control versus one based on governmental control – is better positioned to tell us if there are mistakes?

Regardless of who is doing the choosing, there are many things that one would want to take into consideration when picking the ideal educational environment for a child. What personality traits does the child exhibit – i.e. is he or she shy, outgoing, etc.? How does the child learn – i.e. is he or she a visual learner, audio learner, etc.? How does the child respond to authority – i.e. does he or she thrive in a rules-heavy environment or a more free atmosphere? To judge these questions and many others, one might start by looking at performance measures, but you certainly could not end there. Is the child safe at school? How is the child behaving in response to their educational experience? What are his or her peers like? Does he or she have a positive relationship with the teacher and 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” (Henig 1994, 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 child. Both are important, so the question becomes, which knowledge deficit is easiest to overcome? I argue below 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 child 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 child, ask questions about their day at school, observe homework and test scores, etc. 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. It stands that 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 have an indirect impact on student performance. Further, a parent is much more likely than an educational official to know personality traits, learning habits, and other intimate details of a child that would help 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 their child learns best in a certain environment and therefore selects 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.

Parents would not necessarily be facing this battle alone. Another way to look at the question of who has the best knowledge in this context is not to pit parents vs. government experts, but rather parents and teachers vs. government experts. Evidence suggests that parents of voucher students report more contact with their children’s teachers than the parents of non-voucher students in randomized field experiments (Howell and Peterson 2002). When teamed with teachers, parents need not know every nitty gritty detail of the curriculum or other educational factors to make informed decisions about what is best for their child. In that sense, choosing the right school environment is like going to the doctor. A parent does not need to know the details of the disease that their child has. They just need to pick a doctor that they can work with to make their 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. This could be the case for a variety of reasons. Perhaps the parents are negligent. Perhaps they cannot access the information needed to make an informed decision. Or, perhaps their choices are motivated by factors other than the quality of education, for instance a school’s location, religious affiliation, or some superficial aspect such as the appearance of a school. A logical place to start is to look at parents’ behavior historically. E.G. West (1965) provides evidence that parents have behaved more responsibly historically than they tend to get credit for. For instance,
school attendance was near universal before compulsory education laws were passed 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 therefore not in response to parental malfeasance, but instead 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.

It is also possible that such evidence of historical parental responsibility does not translate to a modern urban context. Fortunately, there is some evidence on this point. William G. Howell and Paul E. 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 as part of the program, a majority of parents in D.C. who used a voucher said that the “academic quality” was the primary reason why they decided to use their voucher a particular school. 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 a school 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 Howell and Peterson, with most parents selecting schools for academic quality rather than other reasons.
To the extent that concerns over parental knowledge remain, this is not necessarily a death blow to school choice. The quality of information available to parents on the schools available to them is a critical factor influencing parental choice behavior (Hamilton and Guin 2005). If making such information more easily available 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 school to send their children to (for example, see greatschools.org and schoolmatters.com). 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 be better off. As long as a critical mass of other parents are paying attention and making informed decision, the worst 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 a good choice for their child (Schneider et. al. 2000).

Incentives

Another core problem that school choice aims to solve is one of incentives. Who has the incentive to know if a child is in the right educational environment? There are theoretical reasons to believe that parents have an incentive to find out if a child is in the right education 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 school, the vast majority of American children attend the local public school to which they are assigned based on their home address. Public schools therefore have a built in customer base that keeps coming to them year after year irrespective of performance. This lack of choice combined with compulsory education laws creates a steady customer base free of any meaningful recourse if they 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 figure out the best educational environment for every child? Since public schools are practically guaranteed their customer base, their reputation does not matter in a meaningful way. If they get the answer to that question wrong for a child, or even a large group of children, there will be no widespread repercussions. There exist some local, state, and federal accountability standards, but most focus on aggregate performance measures and therefore do not change the incentives schools face pertaining to the needs of individual students.

Parents, on the other hand, have ample incentives to pay attention to their child’s educational environment. As discussed in the previous section, it seems reasonable to assume that parents have more of a vested interest in their child than a state official does and would therefore be expected to show more concern over things such as student outcomes. This is likely true regardless of 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, that is where their child is going. 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 other funds. Friedman viewed this as one of the benefits of school choice, as vouchers “would encourage a gradual move toward greater direct parental financing” (Friedman and Friedman 1980, 162). In education, like everything else, you take greater care in choosing a product that you pay for as compared to a product that you 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. Pulling a child from a failing school with a voucher sends a clear message to the school: your services are not up to par and I think I can do better elsewhere. Voice is not as strong of a 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 nature of the electorate, such a task is an uphill challenge. Friedman ([1955] 1962, 94) echoed this concern saying, “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 that 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 child. 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 margins relevant to their customers in an attempt to attract students.

Under an environment of school choice there is also an increased incentive to meet niche needs in the education market. 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 a variety of other factors would likely pop up under school choice over time. 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” – i.e. that 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 from urban voucher programs suggests that this concern does not play out in practice. Howell and Peterson (2002) found no evidence of skimming for students in grades 2-5 and only slight skimming effects for older students in their study of urban voucher programs.

The Impact of School Choice

For the reasons outlined above, 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.

There are a variety of other education reforms such as merit pay for teachers and curriculum diversity that might only reach their full potential in a competitive school system brought about through school choice. For example, 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 2006-2009. Middle school mathematics teachers voluntarily participated in a controlled experiment to assess the effects of financial rewards for teachers whose students showed significant gains on standardized tests. Even though support from teachers 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 (eligible for bonuses) and students of teachers randomly assigned to the control group (not eligible for bonuses).

One potential explanation for the lack of success of the merit pay experiment in Tennessee (which the researchers did not consider in their report) 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 of a difference. So, 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, I now turn 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. I examine factors such as student performance of OSP participants compared to their public school counterparts (including test scores, graduation rates, and parent/student satisfaction) as well as the broader environment of D.C. public schools to see if OSP had any systematic effects outside of its participants. Did school choice actually put pressure on public schools to improve? Was OSP large enough to make a difference? How did OSP interact with the many other school reform measures going on in Washington, D.C. at the same time?

This chapter will first provide a brief history of 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

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 nearby suburbs. In addition to tuition scholarships, funds would have been available for low-income parents wishing to enroll their child in educational programs outside of regular school hours to supplement their child’s education. The bill was passed by the Senate on November 9, 1997 and the House of Representatives on April 30, 1998, but was vetoed by President Clinton on May 20, 1998. In 2002, Rep. Armey again introduced a bill for a D.C. voucher program in the House of Representatives, the District of Columbia Student Opportunity Scholarship Act of 2002 (H.R. 5033). Sen. Judd Gregg (R-NH) introduced a similar bill (S. 2866) in the Senate, but both bills died in committee. Attempts in early 2003 (H.R. 684, S. 4) would also fail 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 was successful. What would eventually become OSP began as a $10 million voucher program which passed the House of Representatives. When the voucher program met resistance in the Senate, the legislation was modified 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 OSP. This change made the program an easier political sell by calming the “school choice takes money away from public schools” argument from opponents (Walden Ford 2011), but, as we will see later in this chapter, had an important impact on the ability of OSP to affect
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 of Division C of the Act), establishing OSP as the first federally-funded, private school voucher program in the United States.

OSP was designed to provide low-income families in Washington, D.C. with expanded opportunities to attend higher performing schools. Priority was given to students attending public schools designated as in need of improvement (SINI) under the No Child Left Behind Act (NCLB). 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 2004.¹ Participating students were awarded 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 school. If more students applied for the program than could be accommodated, scholarships were awarded by lottery. Any private school in the District was eligible to participate as long as they agreed to requirements regarding nondiscrimination in admissions, fiscal accountability, and cooperation with OSP’s mandated evaluation.

¹ Calculation based on the 2004 Poverty Guidelines from the U.S. Department of Health and Human Services. The 2004 poverty limit for a family of four was $18,850, so 185 percent of the poverty level would be $34,872.50.
In March 2004, the Washington Scholarship Fund (WSF), a 501(c)(3) organization who had previously operated (and would continue to operate throughout OSP’s tenure) a privately-funded voucher program in the District, was selected to administer OSP. With a shortened timeline compared to future years of operations, WSF was able to recruit 58 private schools to participate and 2,692 applicants to OSP in the first year, 1,848 of whom were deemed eligible, 1,366 of whom were awarded a scholarship, 1,040 of whom received placements at a participating private school, and 1,027 of whom ended up matriculating at their private school by the start of the school year (Wolf et. al. 2005). A study of this initial cohort found that applicants coming from D.C. public schools were similar to non-applicants in their baseline test scores and more likely to be enrolled in special education, African American, and participants 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 have applied to OSP, 5,547 of who were deemed eligible. 3,738 students were awarded scholarships and 2,881 of those students used their scholarships within a year of receiving them (Wolf et. al. 2010). OSP’s annual appropriation has been sufficient to fund approximately 1,700 students per year. The amount 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.). See Figure 1 for a history of OSP enrollment. The drop in enrollment for the 2009-10 school year reflects the decision by the Department of Education in the spring of 2009 to close the program to new applicants, as discussed further below.
While the entry income requirement for OSP remained at 185 percent of the poverty line for the duration of the program, a change, led by Sen. Sam Brownback (R-KS) was made 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 continuing eligibility requirement of the program from 200 percent of the poverty line to 300 percent of the poverty line, was designed to keep families from earning out of the program. The principle concern from Congress 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 using their 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 scholarship for either the 2004-05 or 2005-06 school year (Cornman et. al. 2007).

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

In February 2009 a provision in an omnibus spending bill, inserted by Sen. Dick Durbin (D-IL) required OSP to be approved by the D.C. City Council and Congress 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 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 OSP scholarships to children from 200 families who were recently admitted into the program.
Several public figures including a majority of the D.C. City Council and a bi-partisan collection of senators urged Secretary 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 in support of OSP reauthorization. Rally organizers also delivered a petition of over 7,400 D.C. residents who support the continuation of OSP to Mayor Adrian Fenty (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 education at the same school (Westley and Quaid 2009).

OSP is currently operated by the D.C. Children and Youth Investment Trust Corporation (DCYITC), who took over WSF’s grant to administer OSP in June 2010. According to Jennifer Brown, a DCYITC staff member who previously served as WSF’s chief program and operating officer, the transition was “seamless” since WSF was able to give DCYITC the databases and infrastructure that it had designed. Additionally, several staff members also made the switch from WSF to DCYITC, ensuring some continuity in program administration (Brown 2011).

President Obama and Education Secretary Arne Duncan have indicated that all of the children currently receiving scholarships through OSP 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. DCYITC inherited about $8 million in carryover funds from WSF and received another $12 million appropriation shortly thereafter. When the decision was made to shut the program off to new students but continue funding
current students through graduation the government awarded DCYITC with a final $11 million appropriation. According to DCYITC’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…My assumption is that 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 uncertainty with the program surrounds administrative costs. The amount of federal funding available to administer the program is based on a percentage of the grant (3 percent). So, 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” (Brown 2011). For example, in the first year of OSP operations, $375,000 was available to WSF through the Congressional appropriation, but the actual cost to run the program was nearly $1.6 million. 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 OSP for another five years and re-open the program to new students. The bill also includes small changes to the program, such as adding in a sibling preference where if one child in a family is awarded a scholarship via lottery, any other children from that family in the lottery will
also be awarded a scholarship. 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 continue a vigorous program evaluation. As of March 31, 2011, the bill has passed the House of Representatives and is currently in committee in the Senate.

Student Performance

In addition to creating OSP, the District of Columbia School Choice Act of 2003 also laid out the measures by which OSP should be assessed. The legislation directed evaluators to focus on student test-score performance in reading and math, educational attainment, school safety, the success of OSP in expanding options for low-income parents, and the effect of OSP on DCPS and private schools in the District. Program results pertaining to student performance are discussed in this section while impacts on DCPS and private schools are discussed in the next section.

The Congressionally-mandated program evaluation of OSP was assigned 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 OSP. Their final report was released in June 2010 and examined the long-term impacts of the program. Because demand for OSP exceeded capacity, scholarships were awarded via a random lottery process. This allowed for a randomized experiment where Wolf et. al. could compare the treatment group of OSP scholarship recipients to the control group who applied to OSP but were not awarded 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. also analyzed impacts on several subgroups in their studies including: students who attended a school designated as in need of improvement (SINI) prior to application to OSP, students who did not attend a SINI school prior to application to OSP, lower performing students at the beginning of the program, higher performing students at the beginning of the program, male students, and female students.

The program evaluation reports following year one and year two of 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 on school safety were more positive for OSP participants compared to the control group (Ibid.). The program evaluation after OSP’s third year found similar findings on both parent and student satisfaction rates and perceptions of safety, but showed for the first time significantly 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 were equivalent for 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 being followed as part of the evaluation. There were no statistically significant impacts on math achievement. Speaking at a Heritage Foundation
event (“The Truth about School Choice: Research, Trends and More”) in January 2011(a) Wolf hypothesized two reasons why his research team saw some positive student achievement results in reading but not 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 a lot of 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) concluded that overall, there was no conclusive evidence that 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 OSP (gains equivalent to 4.2 months of additional learning), higher performing students 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 Government Affairs Committee in February 2011, Wolf explained that the drop off in the research teams confidence about OSP’s positive effects on reading was affected by changes to the sample size. 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 which was just short of the 95 percent confidence level (Wolf 2011b). Figure 2 below summarizes the long-term findings on reading and math achievement.

One area that did display long-term positive effects on student achievement was graduation rates. The offer of a scholarship (ITT) raised students’ probability of graduating high school by 12 percentage points, while use of a scholarship (IOT) raised
students’ probability of graduating high school by 21 percent (Wolf et. al. 2010). Positive
effects on graduation rates were also confirmed for several subgroups including students
who attended a SINI school prior to applying to 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
graduation rates is summarized in Figure 3 below.

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

<table>
<thead>
<tr>
<th></th>
<th>Full Sample</th>
<th>SINI Subgroup</th>
</tr>
</thead>
<tbody>
<tr>
<td>Treatment</td>
<td>82%</td>
<td>79%</td>
</tr>
<tr>
<td>Control</td>
<td>70%</td>
<td>66%</td>
</tr>
</tbody>
</table>

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 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 child’s school as safer and more orderly than control group parents did (Wolf et. al. 2010). This represents an important issue for parents, as improved safety was the largest motivator, other than seeking a better education for their child, for OSP parents when the program started (Stewart et. al. 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 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). This is not a problem at William’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 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 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 safety concerns were increasingly satisfied, parents shifted their concern to their child’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 child is safe, they are 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 more fundamental needs such as safety must be met first. The fact that parents shifted their concern from safety to more specific measures related to academics development is also consistent with the theoretical prediction that parents will have an incentive to be involved and informed consumers under a system of choice. This phenomenon is discussed in more detail in the “Scope of Choice” section below.

In addition to higher satisfaction regarding school safety, treatment group parents were also more likely (8 percentage points) than control group parents to give their
child’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 et. al. 2007). While these changes in attitudes might reflect genuine personal growth and a better school-child match than the public school alternative (and thus represent strides to 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 it is 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 is 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 OSP being a better opportunity for them when describing what motivated their family to participate (Stewart et. al. 2005). Parent and student ratings of safety and overall satisfaction are summarized in Figures 4 and 5 below.
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.
While formal measures such as test scores and satisfaction rates are key to providing sound empirical evidence on 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 child’s confidence levels and attitude about education (Stewart et. al. 2005). One parent described the change as: “I have to say that my daughter, her whole attitude has changed…I’ll bring her to work with me and even my co-workers 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 of the phenomena that WSF noticed but could not figure out a way to measure were the social ripple effects associated with OSP. For example, WSF staff members started to see a lot of the 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 what we found was that 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 OSP had an impact on 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 my 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 ten
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, OSP showed academic gains for a 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 could be due to a general higher quality amongst the participating private schools as compared to the public schools, but could also indicate that parents are more capable of selecting a suitable educational environment for their child (and thus working to overcome the knowledge problem) than geographically-based government assignment is. Next we turn to the broader effects of OSP on the educational landscape in D.C.

*System-wide Effects*

The school choice theory outlined in the previous chapter, particularly the section on competition, suggests that a program like 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 OSP succeed in putting pressure on DCPS to improve?

After one year, Greene and Winters (2006) concluded that 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 implementation of OSP is not possible since so many other changes were underway in both DCPS and private schools during OSP’s duration (Wolf et. al. 2010). For example, in 2005-06 new academic standards and assessments were implemented through the D.C. Comprehensive Assessment System. 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, with charter schools now serving more than 28,000 students (about 39 percent of the public school population in D.C.) in 52 schools on 93 campuses (Gray 2011).

The amount of exposure to OSP varied greatly across DCPS. On the low end, three percent of schools had no students apply to 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 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 OSP put pressure on 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 OSP on the larger school system, one area worth examining is how school officials responded to the
program. In 2009, a strong majority public school principals (63 percent), charter school
principals (92 percent), and private school principals (87 percent) reported being aware of
OSP (Wolf et. al. 2010). Many of those principals reported making changes to their
operations in light of OSP. For example, 28 percent of DCPS principals reported making
changes in order to retain students who might be interested in 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. A summary of the changes offered by DCPS principals is outlined below in Table
1.

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

Source: Figure 5-1 in Wolf et. al. 2010, which is based on Impact Evaluation
Public School Surveys, 2009-09. Responses are unweighted and respondents were
able to select multiple responses.

<table>
<thead>
<tr>
<th>Change Description</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reported making any changes to retain students</td>
<td>28%</td>
</tr>
<tr>
<td>Encouraged greater parental involvement in school activities</td>
<td>24%</td>
</tr>
<tr>
<td>Added parent orientation or meeting to describe school offerings and performance</td>
<td>22%</td>
</tr>
<tr>
<td>Made efforts to improve the physical appearance of building</td>
<td>21%</td>
</tr>
<tr>
<td>Promoted school through the use of flyers, radio ads, newspaper ads, or other methods of advertising</td>
<td>20%</td>
</tr>
<tr>
<td>Added tutoring of other special services to help improve academic achievement</td>
<td>20%</td>
</tr>
<tr>
<td>Increased school safety provisions</td>
<td>17%</td>
</tr>
<tr>
<td>Adjusted disciplinary rules</td>
<td>15%</td>
</tr>
<tr>
<td>Offered additional courses</td>
<td>14%</td>
</tr>
<tr>
<td>Altered class size</td>
<td>8%</td>
</tr>
</tbody>
</table>
Private school principals also reported making changes to 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 help improve academic achievement. A summary of the changes offered by participating private school principals is outlined below in Table 2.

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

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

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

Now that we have a sense of the effects that OSP had on participating students and the school system, it is useful to examine specific program attributes of OSP to see how they helped shape these outcomes. The structure of school choice programs matter and many of the policy lessons outlined in the next chapter are a direct reflection of the institutional constraints described below.

**Scope of Choice**

Parental choice is constrained by the options available. Unfortunately, in some choice regimes those options can be limited (Hamilton and Guin 2005, Fiske and Ladd 2000). It is therefore prudent to examine the scope of options available to OSP families.

Overall, OSP participants had a wide range of choices, including schools in every ward of the city, when deciding where to use their voucher (Wolf et. al. 2005). Of the 90 private schools in the District, 52 participated in OSP during the 2008-2009 school year (the last year that program data is available). The peak of private school participation came in 2005-06 when 68 schools hosted OSP students. A full breakdown of participating private schools can be found below in Table 3. A total of 73 private schools participated in 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

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

<table>
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</tr>
</thead>
<tbody>
<tr>
<td>Total Number of</td>
<td>57</td>
<td>68</td>
<td>66</td>
<td>60</td>
<td>52</td>
</tr>
<tr>
<td>Participating Schools</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Continuing Participants</td>
<td>N/A</td>
<td>57</td>
<td>64</td>
<td>59</td>
<td>50</td>
</tr>
<tr>
<td>Additions</td>
<td>57</td>
<td>11</td>
<td>2</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Departures</td>
<td>N/A</td>
<td>0</td>
<td>4</td>
<td>7</td>
<td>10</td>
</tr>
</tbody>
</table>

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 available for elementary school students, with fewer options available for older students, particularly those students in high school. Focus groups from the second year of the program indicate that a strong majority of parents of high school and middle school students were concerned about the lack of available slots at the high school level for OSP students (Cornman et. al. 2007). This concern was shared by WSF staff:

“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, Arch Bishop 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 younger grades as they matriculate. This concern became reality early in 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 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 timeframe 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 the increased demand from families.
Participating schools varied on a variety of margins 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 cap of $7,500. The average school size was 286 and average student/teacher ratio was 9:4 (Wolf et. al. 2010).

The schools that OSP students attended also displayed institutional differences compared to options available within 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 a school for their child? According to the focus groups run in the first year of OSP, only a few parents reported that they had explored other educational options prior to participating in OSP (Stewart et. al. 2005). The majority of OSP parents thus had ample work to do in terms of educating themselves on the options available to their child. It was precisely this freedom to actively choose among a range of school options that attracted them to OSP in the first place (Ibid.).

Evidence suggests that parents were largely able to make their decisions on an informed basis, and thus make strides to overcome the knowledge deficit discussed in the previous chapter. Based on focus groups in the second year of the program, Cornman et al (2007, 9) conclude 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 child, should give parents a chance at selecting a good school-child match. So, where did OSP parents find this information about participating private schools?

As the time approached for families to select their school in the first year of OSP, WSF realized that there was no one source for good information on private schools in the District. So, WSF sent staff members out to visit the schools and collect information which was compiled into 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, 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, 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 indicate that most OSP parents found the information packets very useful in finding a school (Stewart et. al 2005). While OSP parents obtained information on schools from a variety of sources (Cornman et. al. 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) was later critical of WSF’s operations, citing errors in the school directory as an example as a significant mistake that could have affected parents’ decisions (GAO 2007). Brown (2011) admitted that the directory had errors since all of the information was self-reported by the schools and WSF had no way to verify details, but considered most of the errors to be “pretty minor.”

WSF required that families visit the school they wanted to attend, but had little means to verify if they did or not (Brown 2011). 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 et. al. 2005). Focus groups from the second year of the program indicate that the majority of new families to the program reported visiting three schools (Cornman et. al. 2007). In addition to on-site school visits, parents and students had the opportunity to interact with school staff at school fairs organized by WSF. Focus groups from the program’s third year indicate 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 which they utilized in their search. 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 that:

“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 first-hand, through personal experience, communications with school personnel, and informal parent networks” (2007, 15).

Moving into the second year of the program WSF developed a case management program similar in structure to social services to assist with placing students at schools. Parents would fill out a form with their preferences in terms of 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 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). This message was echoed by the comments of another WSF staffer: “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 et. al. 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 child which would affect which school is the best match.

In addition to formal assistance from WSF, more informal sources of information played an important role in OSP. Focus groups indicate that one of the most powerful forces guiding OSP families’ choice of schools is word of mouth (Cornman et. al. 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 amongst parents, as well as provide a forum to
garner feedback and resolve programmatic issues, WSF established a parent empowerment group in the spring of 2005 which met monthly (Stewart et. al. 2005, Brenna 2005).

Even with all this information available, not every family was satisfied with their new school, suggesting that they did not fully overcome the knowledge program to select a good school-child match. Focus groups from the second year of OSP 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 et. al. 2007, 25). Of the parents that expressed interest in transferring their child 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 et. al. 2005). Focus groups from the second year of the program point to increased consumer savvy amongst families seeking a transfer, with nearly all of the families in the process of transferring their child 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 et. al. 2007). This willingness to investigate options and change schools suggests that OSP parents are not passive customers, and are instead continuing to evaluate their school over the course of the program (Ibid.).

So 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 schools, including safety, religious affiliation, academic curriculum, smaller classes, and location (Stewart et. al. 2005). In the second year of the program, parents repeated those concerns, with a stronger emphasis on academic quality (Cornman et. al. 2007). D.C. Parents for School Choice’s Virginia Walden Ford, who contracted with WSF to organize many of 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 echoes 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 what options were available to OSP participants and how they went about navigating that choice process. There are also some important lessons to be learned from the behavior of scholarship decliners. A study of OSP applicants and participants for the 2004-05 school year found that scholarship non-users consistently reported that their child’s previous school contained more extensive facilities and programs (such as special education programs, programs for non-English speakers, and tutoring services) than scholarship users (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
child, in this case their local public school. Similarly, the single largest distinction between scholarship users and decliners in year one of 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 available within DCPS through a placement program at private or suburban public schools (Ibid.). To the extent that scholarship non-users participated in the private placement program, they were likely exercising the same consumer due diligence as OSP parents 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 scholarship than students entering early elementary school grades. The decisions of those families could possibly relate to the differences in programs offered at the schools, as in the case of special needs students, but also likely is a reflection of 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 OSP, the top three reasons given by parents for never using an OSP scholarship that was awarded to them were: 1) lack of space at preferred private school (30.7 percent), 2) lack of special needs services (21.6 percent), and 3) child got into a charter school (16.3 percent) (Wolf et. al. 2010). The top three reasons given by parents of OSP students who left the program were: 1) child got into a charter school (21.8 percent), 2) lack of space at preferred private school (18.5 percent), and 3) moved out of D.C. (15.2 percent) (Ibid.). The high number of parents who were concerned about
special needs services and preferred to enroll their child in a charter school is consistent with the notion of parents as informed consumers who are looking for a better school-child match. The concern over lack of space reinforces that fact that scope of choice is an important feature in helping to ensure that good school-child matches are possible. Lack of spaces available at participating schools constrains the options available to parents, making it harder to overcome the knowledge problem and find a good school-child match. In the case of OSP this impacted families with middle and high school students most heavily.

*Feedback*

As discussed in detail 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 for monitoring and collecting feedback about their child. It is therefore worthwhile to examine how OSP helped or hinders parents’ ability to collect and act on such feedback.

Reports from both schools and 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, for example, the use of letters and reports to notify parents of student grades and behaviors and school newsletters. OSP parent Patricia William offers an example of improved communication at her son’s OSP school, which she describes 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 child’s education as a result of participating in the program (Stewart et. al. 2005, Cornman et. al. 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 increased involvement in education of the parents she worked with in the program:

“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.”

OSP parent Patricia William credits her family’s participation in OSP with not only putting her son in a better environment, but for making her a better parent: “[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 child’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 of participating in the program. Parents in the second-year focus groups reported being very enthusiastic about the improvements they saw in their child’s communication skills since enrolling in OSP (Cornman et. al. 2007).

Size of Program

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

Between 2004 and 2009, 5.7 percent of all public school students in D.C. applied for 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. Large or small as those numbers might sound on their own, the number of students leaving public schools to participate in 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 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 school had lost any students to OSP. Most of these principals were incorrect. For example, in 2006, 63 percent of principals who reported having no students leave their school to participate in OSP did have students leave for OSP (on average, 4 students). Only a handful of principals (less than 4 percent) thought that they had lost more than 10 students to OSP (Ibid.).

Individual schools varied widely in terms of how impacted they were by OSP. Some public schools saw none of their students apply to 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 exposure of public schools to OSP. They found that over one quarter of public schools did not lose any students to OSP and 56 percent of public schools had less than 2 percent of their students transfer using an OSP scholarship. Only two percent of public schools lost more than 4 percent of their students to 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 OSP. With the program size being so small as to make it difficult for public schools to accurately perceive how many students they losing to OSP, it is unlikely that OSP was able to spur the competitive environment predicted by the school choice theory outlined in the previous chapter.

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

Funding Structure

Several issues involving OSP’s funding structure likely played key roles in shaping the program’s outcomes, both positively and negatively. On the positive side, OSP allowed for “topping up,” aka paying for services above the scholarship cap level. Parents were allowed to pay out of pocket or obtain other scholarships to attend a private school with tuition above OSP’s $7,500 level. Several good things could theoretically come out of such a set up. On a practical level, allowing for topping up brings more schools into play, and often good schools at that. This allows for a wider scope of choice for parents, thus increasing possibilities for good school-child matches. Perhaps more important, allowing for 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 having parents involved in education and 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, you would be expected to take greater care in selecting, evaluating, and participating in a school if you. Friedman would build on this Smithian point in his famous 1955 piece advocating for a universal voucher system. In the case of OSP, much of the money for topping up came in the form of private scholarships and/or financial aid from the participating private schools. While it was not a requirement to participate, WSF encouraged schools to assist OSP parents with costs above the $7,500 limit. Most did (Brown 2011). This 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 graduate if OSP was not renewed after the initial five years (Brenna 2005). Other schools substantially increased the amount of financial aid available to students in light of 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 of the schools and scholarship providers had a policy of making parents pay something out of pocket in order to get them invested in the educational process, even if it was something as small 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 the needs of its students, then those students would take themselves (threat of exit) and their funding elsewhere. In the case of OSP, there was a flow of students, but not of dollars.

As discussed above, a key part of the OSP legislation was a three-sector initiative where more money would be made available for vouchers, charter schools, and traditional public schools. By design Congress ensured that the money for OSP would not be diverted from funds that would otherwise be going to public schools. This three-sector initiative provided approximately $50 million in annual funding to the three groups of schools. For example, in FY 2009, Congress appropriated $54 million under this initiative: $14 million for OSP, $20 for DCPS, and $20 for charter schools (Murray and Stacey 2009). In FY 2010, Congress appropriated $75.4 million across the three groups: $13.2 million for OSP, $42.2 million for DCPS, and $20 million for charter schools (Ibid.). Surely, this funding approach made OSP an easier political sell. If everyone is getting more money, there is not much to gain by opposing 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 OSP, they have little incentive to improve in order to retain that child. To the contrary, they now have more money to educate fewer students. While there are many issues at play with OSP, it is reasonable to believe that this funding structure was the most critical reason in 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 OSP.
Every year WSF’s Jennifer Brown would send the mayor’s office a list of OSP students who had used their scholarship so that the mayor’s office could provide DCPS with the right amount of money. It is Brown’s understanding that DCPS “largely did not let the money trickle down to individual schools” who had lost students to OSP and that this financial arrangement ended when Mayor 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 to entice public schools to respond positively in a regime of choice. This clearly was not present in D.C. However, there is another treat, an ideological one, which has the potential to provoke a response in a regime of choice. If a voucher program such as OSP can show that private schooling is better (whether it be 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 trying to stop the voucher program through the political process. While OSP did not seem to invoke much in the way of innovation, it certainly had its fair share of political opponents bent on stopping the program’s reauthorization, as discussed in the next section.

*The Politicization of Education*

The political climate surrounding OSP was charged from the beginning. Critics focused on three main messages: that vouchers take money away from public schools, that vouchers re-segregates schools, and that Congress is forcing OSP on a city that does not want it (Walden Ford 2011). In the case of OSP, all three charges would turn out to
be false. As witnessed above, the three-sector initiative ensured that public schools did not lose funding as a part of OSP. Despite this fact, the charge that OSP was costing public schools money was hard for program supporters to shake. For example, as recently as March 2011, Members of Congress were still raising concerns about this issue. During a recent hearing on potentially reauthorizing OSP through the SOAR Act, Rep. Danny Davis (D-IL) said, “As a staunch supporter of public education I am not in favor of escalating private school vouchers at this time because what they mean to me is that fewer taxpayer dollars for traditional schools will be reduced or diminished” (Davis 2011). As for the other charges against OSP, Greene and Winters (2006) found that the racial demographics of participating OSP private schools more accurately reflect those of the D.C. area than DCPS. Since OSP most OSP students are African-American, Greene and Winters suggested that the program will likely result in students leaving more segregated schools for less segregated schools. And polls consistently showed public support amongst 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), weighed in heavily on OSP, especially when it came time to discuss reauthorization. On March 5, 2009, before the OSP evaluation was publicly released, NEA president Dennis Van Roekel sent a letter to Democratic Members of Congress 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 OSP a failure before the release of the official program evaluation is mirrored by the fact that Congress started to shut down the program before the final evaluation was done (as outlined in the program timeline at the beginning of this chapter). Both political actions seem to go against Congress’ intent in structuring OSP. The program was designed 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 OSP, see if it works, and make a decision on the future of the program based on that evaluation. To attempt to shut down the program before the evaluation is complete 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 has described the culture of DCPS as “driven more by politics and adult concerns than by the needs of children” in testimony to the House of Representatives (Rhee 2008).

*Program Administration*

Just like parents were able to improve as school choosers over the course of OSP, WSF faced similar incentives and opportunities to improve at their role as program
administrator. For example, while some parents expressed frustration with OSP finance policies and procedures in focus groups during the first year of the program (Stewart et. al. 2005), by the second year the majority of parents praised how those policies and procedures as well as the communications surrounding them were being handled by WSF and the schools (Cornman et. al. 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, WSF was able to quickly respond to parental concerns. WSF’s Jennifer Brown 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” (Brown 2011). This ability to quickly change procedures combined with the high levels of feedback from parents put WSF at a distinct advantage to meet families’ needs compared to the traditional public school administration, where multiple layers of bureaucracy often have to sign off on any such change, provided that they can correctly identify family’s needs in the first place.

Another example of WSF’s ability to respond to families’ needs came in the second year of the program. In the first year of the program, several high school participants requested more tutoring and other academic support services. 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 et. al. 2007). WSF’s close relationship with participating schools also led to opportunities to customize programming to better suit the needs of its students. For example:
“[The Arch Dioceses] 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 Commonweal 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 Arch Bishop 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 issue in making it difficult to ascertain OSP’s impact on the overall education field in D.C. is the fact that OSP was not the only reform game in town. In fact, 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 boasts 52 schools on 93 campuses serving more than 28,000 students (representing about 39 percent of to 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 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 OSP’s tenure. Rhee took over the D.C. Public School System in June 2007, promising sweeping reforms to shut down failing schools and getting 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 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 was able to make some 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 which 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 for 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). Of concern from OSP’s standpoint is the fact that these reforms and improvements had an impact on 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 OSP presented in this chapter suggest that at least some students benefited academically as a result of participating, either by improved test scores in reading and/or by higher graduation rates. There is no evidence that any participants were worse off for having participated in the program (a fact consistent with a 2001 review of empirical school choice literature by Jay Greene). Further, most participants were highly satisfied with their experience in the program on a wide variety of margins including safety and school quality. The program features and institutional constraints of OSP were key in shaping these outcomes. The wide range of options available to OSP students allowed for the increased possibility of finding good school-child matches, though this was harder to achieve at the high school level where fewer options were available. Also key to finding good school-child matches was the information available to parents. A wide array of information, from formal guides to personal connections, was available to parents as they sought to overcome the knowledge program and choose an appropriate school for their child. 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 amongst schools, though some public and private school principals did report making changes in hopes of either retaining or attracting OSP students. A key factor in OSP’s failure to affect 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 OSP. Instead, the public school system was rewarded with money through the three-sector initiative. Other reform efforts going on concurrently in D.C. also make it difficult to pinpoint any systematic effects from OSP.
CHAPTER 4: POLICY RECOMMENDATIONS

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

On the positive side, OSP was able to reap benefits for program participants. At least some of the students involved made improvements in reading, as measured by standardized test scores, and high school graduation rates for program participants were significantly higher for students awarded a voucher compared to students who were not awarded 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 levels of satisfaction on issues such as safety and school quality, indicating that families were able to find a better school-child match under a system of choice. OSP was less successful in affecting widespread systematic improvements in
D.C. schools. Speaking at a March 2011 Congressional hearing about OSP, Rep. Christopher Murphy (D-CT) was critical of 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. The analysis outlined in the previous chapters suggests that OSP’s inability to affect widespread change in D.C. schools (although the program was successful 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 as it is a reflection of the institutional constraints that 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 way in which OSP was structured had significant effects on its ability to deliver positive results. The program was able to deliver positive effects on at least some of the students involved. But 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?

OSP boasted several good programmatic aspects that other locales interested in implementing voucher programs could learn from. These include:

*Allow for topping up.* OSP parents were allowed to pay out of pocket or obtain other scholarships to attend a private school with tuition above OSP’s $7,500 level. This has several potential benefits including bringing more private schools into play (and thus providing a wider scope of choice for parents, thereby increasing the possibility of
finding a good school-child match). More importantly, allowing for topping up creates an important incentive effect, by turning parents into paying customers. Parents and students would be expected to 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._ Parental choice is constrained by the options available. Fortunately, in the case of OSP, participants had a wide range of choices, including schools in every ward of the city, when deciding where to use their voucher. A strong majority of the District’s private schools participated in 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 environment, academics, program offerings, and other margins. What is best for one student might not be best for another, so more school offerings should help increase the likelihood of finding a good school-child match.

_Facilitate information collection._ Key to facilitating good school-child matches is the ability of participants 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, WSF facilitated more informal information exchange by organizing monthly parent meetings and working one-on-one with parents through a case management system. WSF also required parents to visit their preferred private school (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 school.

As the battle of OSP reauthorization continues, 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 to entice public schools to respond positively in a regime of choice. This clearly was not present in D.C., as Congress opted for a three-sector initiative to fund OSP, where more money would be made available for vouchers, charter schools, and traditional public schools. This funding approach made 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 as public and private schools alike would be incentivized to improve in order to attract or retain OSP students. Schools need to lose money if they lose students if a threat of exit is going to incentivize improved performance in any meaningful way.

*Allow for program growth over time.* OSP’s small size made it unlikely to affect systematic change in the larger D.C. school system. The small number of participants also probably made it easier for Congress to kill off the program. Instead of limiting the number of participants at 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 program have done. This would continue to allow program administrators to deal
with a small number of participants at the beginning, but would then allow them to scale up operations as they get their footing and program results start to flow in.

Limit enrollment to certain (early) grade levels. In the case of OSP, there was a dearth of opportunities available for students at the high school level. This lead to much frustration as parents and students struggled, and in many cases failed, to secure a placement at a participating private high school. This was partly due to a lack of participating schools and slots available, but also partially due to students at the high school level being significantly far behind the academic standards expected at such schools. One way to potentially ease this concern would be to limit program enrollment to early grade levels, at least initially. This would have several potential advantages. Private schools would be able to get access to young students before they get behind academically in the public school system. It would also aide the program evaluation by providing a larger number of students in each grade cohort who could be tracked over time. It would also allow for the possibility of following each cohort for a longer period of time, assuming the program timeframe was expanded, to provide a better picture of long-term results.

Set realistic program expectations. Due to the close political battle to pass OSP, the benefits of the program were likely oversold. With OSP’s small size and funding structure, it was never likely to have widespread systematic effects in terms on putting pressure on DCPS to improve. That doesn’t mean that a program like OSP would not be worthwhile in the future. Clearly it benefitted many participants and there is no evidence that any participants were worse off as a result of participating. OSP was also able to get
these results for a fraction of the cost of what it takes to educate a child in DCPS. So, even in the case of no positive achievement results, something like OSP could be attractive on a cost-benefit level. But if the expectation is that a program structured like OSP will revolutionize an entire system, people are bound to be disappointed by the results.

*Limit the influence of special interest groups.* As the battle over OSP showed, education policy is quickly politicized. The political opposition from teachers’ unions was strong and Congress moved to shut down the program before the final evaluation was published. A potential way for Congress to ease this concern 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*

OSP showed some positive results under less than ideal conditions. If school choice can have modest success in such a limited environment, there is reason to believe that it would be even more successful as programs move to further embrace market forces, for example by allowing for a flow of dollars in addition to a flow of students between schools and allowing more than just a small segment of the population 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 OSP. The “long-term” evaluation of the program covered only five years of data on student performance. The true long-term impact of the program 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 experience.

If one thing is certain in the lessons learned from 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. OSP’s small size and funding structure hindered the ability of the program to affect systematic change in D.C. Policymakers looking to improve OSP through the reauthorization process currently being considered in Congress would be wise to examine these program attributes if they wish to improve the program’s performance. Even if no program changes are made to OSP, the program may still be considered worthwhile, as participating students were able to show key academic gains, such as significantly higher high school graduation rates, in only a short amount of time.

If no program changes are made, however, policymakers should set reasonable expectations for potential program results. A scholarship program with the institutional constraints of OSP might be able to provide a better education for the students involved, but it is unlikely to affect widespread systematic change as currently designed.
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