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Private Schooling in the U.S.: Expenditures, Supply, and Policy Implications

EXECUTIVE SUMMARY

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This report provides a first-of-its-kind descriptive summary of private school expenditures. It includes comparisons of expenditures among different types and affiliations of private schools, and it also compares those expenditures with public school expenditures for districts in the same state and labor market. Results indicate that (1) the less-regulated private school sector is more varied in many key features (teacher attributes, pay and school expenditures) than the more highly regulated public schooling sector; (2) these private school variations align and are largely explained by affiliation—primarily religious affiliation—alone; and (3) a ranking of school sectors by average spending correlates well with a ranking of those sectors by average standardized test scores.

Public schools spend, in dollars adjusted for both region and inflation, more than Christian Association Schools (CAS) and Catholic schools, but less than Hebrew or independent day schools: nearly $15,000 per pupil for independent schools, over $12,000 for Hebrew schools, $7,743 for Catholic schools, and approximately $5,727 for CAS. For public schools, the comparable average spending figure was $8,402.

These spending variations were associated with not just test scores; they also reflected differences in salaries, pupil-to-teacher ratios and teacher undergraduate preparation. The variations also have clear implications for voucher programs, since current voucher policies are funded at amounts that cover costs at only a select subset of private schools. They essentially push students into Christian Association and Catholic schools, pricing out independent (non-religious) schools and Hebrew schools.

The report is based largely on annual IRS filings as reported in Guidestar—a national database and information service on non-profit organizations. Schools included in the analysis serve nearly 33% of all children attending Christian Association Schools in the 24 states studied, and 75% of children attending independent day schools in those states. Total per-pupil spending was compared with total per-pupil spending for public school districts in the same labor market and same city, with an adjustment for regional variation in wages.

The analyses focused on approximately 1,500 private schools, examining IRS tax returns as well as data from the 2003-04 National Center for Education Statistics'

School and Staffing Survey, which allowed for analyses of private schools' salary structure, teacher attributes, class sizes and tuition rates by affiliation and region. Specific factors include teacher age, teacher undergraduate institution competitiveness, teacher salary, pupil to teacher ratio, tuition rates, location and institutional affiliation.

Recommendations

- While there may be lessons that public schools can learn from private schools, those lessons are most likely learned from exploring specific subsets of the private school sector rather than attempting to aggregate that sector into a single or limited set of alternatives. Past studies have done a disservice in this regard. Regarding spending in particular, policy makers should understand that spending varies widely across private schools, especially by the affiliation of those schools. As this report shows, those spending differences show a positive association with differences in pupil-to-teacher ratios and teacher salaries, and with substantive differences in the measurable qualities of teachers. In most cases, those spending differences are also positively associated with differences in outcomes reported in other studies. Private schools are substantially less regulated than public schools, so it is not surprising that their spending, class sizes and teacher qualifications vary more than public schools.
- Policy makers should also be sure to consider differences between actual private school spending and the tuition they charge, since various other sources of revenue make the former often much greater than the latter. Policy makers should make every attempt to better understand the spending behavior of private schools in relation to the spending behavior of public schools, rather than making inappropriate comparisons between private school tuition and public school spending.
- Policy makers who pursue voucher policies should better understand the spending behavior of private schools, in order to set voucher levels that will encourage greater participation among private providers. Currently, many potential private providers would have to scramble to raise additional contributions to offset voucher shortfalls. Although this recommendation would likely add considerable public cost to voucher programs, private schools can no more escape detrimental effects of underfunded voucher programs than public schools can escape such effects from comparable underfunding.
- On a related note, this report shows that spending levels among private schools vary widely, with this variation associated strongly with the schools' religious affiliation. Accordingly, policymakers should attempt to set voucher levels that will encourage comparable rates of participation among private non-religious schools as private religious schools. In some regions such as the south, private independent day schools are among the largest providers of private education. But bringing these schools into voucher programs without requiring them to seek a substantial additional private subsidy may require voucher levels as high as twice the spending in nearby public schools.

- With regard to the legal requirement that voucher programs be neutral with regard to religion, courts should also consider the relationship between voucher levels and the distribution of per-pupil spending among potential private providers. That is, courts should consider whether voucher levels are set in ways that effectively exclude some or all potential non-religious providers?
- Finally, regarding future data collection, the National Center for Education Statistics should consider the option of linking its biennial collection of student enrollment and basic institutional characteristics (Private School Universe Survey) with data on revenues, expenditures and executive compensation provided through Guidestar or some other source for aggregating IRS filings from private schools. Regular updating of the information presented in this report is required in order to provide relevant ongoing support for policy deliberations involving private schools. A problem with current references to data on private schools is that they are often outdated, referring to ballpark estimates from ten years back. The availability of electronically compiled annual tax returns through vehicles like Guidestar, coupled with the availability of the NCES Private School Survey, makes relatively frequent updating feasible.