



NEPC Review: The Cost-Effectiveness of Wisconsin's Private School Choice Programs (School Choice Wisconsin, August 2023)



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Summary

School Choice Wisconsin recently published *The Cost-Effectiveness of Wisconsin's Private School Choice Programs*, a report comparing the cost and academic performance of voucher recipients in Wisconsin to public school students. The report concludes that Wisconsin's voucher programs are highly "productive," achieving better academic outcomes at lower costs than public schools. But the report suffers from methodological shortcomings that undermine its conclusions. It ignores recent literature examining the effectiveness of voucher programs in other states, overlooks important considerations regarding true school funding costs, and fails to assess the voucher program against an appropriate comparison group of students. More specifically, since students are not randomly assigned to vouchers or admitted through a lottery, it is problematic to compare students and their academic results without controlling for other variables. While the issue at hand—the cost and impact of vouchers—is important, this report does not help answer that question.



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I. Introduction

In the early 1990s, Wisconsin became the first state to introduce a modern school voucher plan, allowing the use of public funds for private school tuition. By 2023, 14 states, Washington D.C., and Puerto Rico introduced similar programs. In a related school choice effort, other states instituted tax reduction programs that allow families to receive tax credits for private school tuition.¹ Calls for more school voucher programs amongst policymakers have only increased following anger over COVID-19 school closings and controversy (much of it manufactured) over curriculum and diversity initiatives. Concurrently, the Supreme Court of the United States, in cases such as *Carson v. Makin*, has signaled a permissive legal environment for vouchers to be used for sectarian school tuition.²

Voucher proponents contend that school choice allows parents to “vote with their feet” by sending their child to a school they believe best suits their values and their child’s educational needs. They further argue that competition among private and public schools creates accountability that theoretically lifts student achievement for all students. Opponents contend, with a great deal of research support, that vouchers drain resources away from public schools,³ exclude students with disabilities,⁴ and remove local taxpayer control over tax dollars.⁵ Moreover, vouchers may permit the use of public funds for schools with discriminatory practices towards students and staff, raising additional civil rights concerns.

As state policymakers consider growing voucher programs, they need sound research. A recent report, *The Cost-Effectiveness of Wisconsin's Private School Choice Programs*, published by School Choice Wisconsin, endeavors to fill this need by examining the academic performance and fiscal efficiency of voucher school recipients in Wisconsin.⁶ Since Wisconsin is the oldest voucher program in the U.S., analyzing the cost-effectiveness of its program

is important as other states consider similar policies.

II. Findings and Conclusions of the Report

The report utilizes a simple cost-benefit analysis to suggest that schools with voucher recipients perform better on the following measures: state Department of Public Instruction Report Cards (DPI), ACT scores, and state standardized test scores. A school's DPI score (ranging from 0-100) is based on multiple years of data collected in different "Priority Areas" such as student achievement, growth, college readiness and target group outcomes. The report compares schools in city-based Milwaukee Parental Choice Program (MPCP), Racine Parental Choice Program (RPCP), and across the state with the Wisconsin Parental Choice Program (WPCP).

It concludes that voucher recipient schools are more cost-effective and "productive" than public schools in Wisconsin. Put another way, private schools accepting voucher students require lower levels of funding than assigned public schools, and their students perform better academically. The report concludes that Milwaukee PCP schools are 89% more productive than Milwaukee Public Schools, while Racine PCP are 92% and Wisconsin PCP (the entire state) are 42% more productive than their public-school counterparts. Additionally, a side-by-side comparison for all the voucher recipients and their comparison public schools for ACT scores and standardized test scores for years 2015-16 thru 2021-22 shows more productivity as defined by the report. Importantly, and something that the report acknowledges, is that Wisconsin substantially increased voucher payments for the 2023-2024 school year and, consequently, it is unclear whether Milwaukee PCP, Racine PCP, and Wisconsin PCP will remain more cost-effective and productive than public schools with a substantial increase in revenue.

III. The Report's Rationale For Its Findings and Conclusions

The report concludes that the voucher-receiving schools are more cost-effective based on a "cost-effective index" (CIE) developed by the authors. This CIE assumes that cost-effectiveness can be determined by a simple comparison of the costs and student outcomes (largely based on standardized tests) of the voucher schools with the costs and outcomes of students' assigned public schools. The report does not elaborate much on the rationale for the CIE beyond the notion that higher academic achievement and lower costs translate to being more "efficient" and "productive."

IV. The Report's Use of Research Literature

The report omits relevant literature regarding the academic effectiveness and fiscal impact (and inefficiency) of vouchers. In fact, the report cites just one “study” that appears to be an earlier version of this analysis produced by this think tank, School Choice Wisconsin. By overlooking extant literature, the report is completely detached from a substantial body of research that addresses the very issue of voucher impact. Indeed, an extensive body of literature—many using rigorous methods—examining vouchers in Wisconsin and other states paints a different picture of voucher impact and costs. For example, Erickson et al. exploited the randomized lottery system used for vouchers in Louisiana and found negative academic effects on all subjects and no difference in college attendance.⁷ When states do not use a lottery system, researchers have been able to use alternative methods such as longitudinal growth data and matching samples by student characteristics.⁸

Moreover, comprehensive reviews of literature, or meta-analyses, such as those conducted by the economist Martin Carnoy and by Shakeel and colleagues, are overlooked.^{9,10} Importantly, the former finds voucher recipients perform lower than similar non-voucher recipients, while the latter finds some positive and mixed results. These studies tend to rely on more sophisticated experimental and matched analyses. That this report missed these studies is noteworthy: Excluding them leaves readers with an incomplete understanding of vouchers, their costs, and effectiveness.

V. Review of Research Methods

The report suffers from significant methodological failings. In fact, it fails to employ any recognized rigorous methodology needed to reach such sweeping and generalized conclusions. The methodological approach used here could appeal to policymakers seeking a simple comparison, but the conclusions are misleading. The analysis uses a small number of intuitive variables (test scores and per-pupil spending), to reach a productivity assessment. It calculates cost-effectiveness by dividing the DPI score by per-pupil revenue.¹¹ It then calculates the relative productivity of voucher schools and public schools by dividing the voucher school cost-effectiveness score by the public-school cost-effectiveness score and subtracting it by one to get a percentage difference.¹² But the conclusions require dependence on very questionable assumptions. For instance, it assumes that the expected operating cost of a small private school and a large district such as Milwaukee should be roughly the same, something that intuition and research suggest is not the case. Second, it assumes that the comparison populations are similar since the report only compares income-eligible students when examining the DPI. Without randomization these are dubious assumptions.

Further troubling is the measure used to determine a school's effectiveness. Indeed, the report uses the three outcome variables to create a productivity metric by dividing the DPI by total revenue. Conflating cost-effectiveness as “productivity” and measuring school quality exclusively through academic test scores is a crude way to assess school quality, something widely acknowledged in the research community.¹³

VI. Review of the Validity of the Findings and the Conclusions

Ultimately, the validity of the findings and conclusions is called into serious question because of the report's lack of foundation in any literature and especially because of its significant methodological shortcomings. Importantly, it fails to utilize an experimental approach in comparing voucher recipients and non-recipients. Put another way, it is unclear whether the higher productivity score—assuming that the productivity score is a fair measure of school quality—can be attributed to the voucher schools and not other variables. To be fair, this limitation may result because of the way vouchers are awarded in Milwaukee and Racine, with no enrollment limits. Therefore, the analysis cannot exploit lottery winners and losers for a natural comparison.¹⁴

However, other strategies based on growth and matched comparisons should have been employed. For instance, because the statewide program caps voucher enrollment at 7% of all district enrollment, there was an opportunity for a comparable control and treatment group. Regardless, the lack of randomization and reliance on questionable assumptions questions any findings that voucher-supported schools produce better outcomes at a lower cost.

Additionally, a lack of randomization may produce selection bias. Selection bias occurs when a sample does not accurately reflect the population intended to be analyzed. Here, the selection bias creates a sample that may skew towards wealthier families who typically have students that score higher on tests as a function of their access to other resources outside of school. According to the report, “income eligibility provisions limit participation to families with income at or below 300% of the Federal Poverty Limit (MPCP and RPCP) and families below 220% of the Federal Poverty Limit (WPCP).”¹⁵ Therefore, a family of four making less than \$90,000 would be eligible for MPCP and RPCP. However, the analysis does not provide any information about the average income of voucher recipients compared to non-voucher recipients.

This leaves important questions unanswered. Are the income levels of non-voucher recipients far lower than those of voucher recipients? We don't know. It is possible that recipient families make more than non-recipients and it is even possible that they make far less, on average, since the comparison group is “students from all income levels.” Moreover, families must only meet the eligibility requirements in their first year of voucher receipt.¹⁶ Therefore, the subgroup sample could capture wealthier families since it not exclusively examining first-year recipients.

Other selection biases exist that may make this study an apple-to-oranges comparison. For example, it is unclear if voucher school recipients serve similar populations in terms of English learners and students with disabilities. The report acknowledges a special needs scholarship, but also states that it is not included in its analysis, leaving it unclear if special needs students attending public schools (with higher needs and costs) are included in the analysis. Finally, while participating private schools must accept students in the voucher system, these schools may have mechanisms for pushing out students with academic and/or behavior challenges. Research on vouchers in Indiana found that more challenging and more costly students were often pushed out of voucher recipient schools.¹⁷

The cost estimates for public and private schools appear to be inaccurate, further calling into question the report's conclusions. Moreover, it is unclear from the study whether non-voucher recipient students pay the same tuition. If tuition at the private school is higher, that translates to higher per-pupil funding than reported. Additional tuition dollars from non-voucher students would also benefit these students. Moreover, according to the law, voucher recipient private schools can charge voucher recipients fees for various items such as uniforms, extracurricular activities, instruments, meals, classes not required for graduation, transportation, before- and aftercare, and room and board.¹⁸ While the legislation adds that voucher recipients cannot be expelled for nonpayment of these services, this legislation suggests potential added revenue streams and there may be stigma for not paying out of pocket.

Finally, cost calculations of voucher programs potentially ignore other expenses and hidden burden to state taxpayers.¹⁹ The report's claims of cost-effectiveness may be misleading since there are certainly additional costs associated with administering the program. Part of the public-school expenditures involve recordkeeping and monitoring done by the State of Wisconsin. Shand and Levin²⁰ calculate that these extra expenses relegated to the state can add to taxpayer burdens. While the report itself touts "cost-effectiveness" rather than tax savings, it infers less of a tax burden for Wisconsin citizens. Moreover, the website for School Choice Wisconsin proudly claims, "Compared to the public-school student, the choice student saves taxpayers money."²¹ But without a detailed and more comprehensive analysis, conclusions of taxpayer savings lack support.

VII. Usefulness of the Report for Guidance of Policy and Practice

This report poses an important question about whether vouchers in Wisconsin are associated with positive outcomes and at what price tag. However, the simplistic analysis squanders an opportunity for honest debate by relying on biased comparisons and limited financial accounting. Although the program is not designed to capture lottery winners and losers, there are methods that can be employed to match voucher students with similar public-school students for a more accurate comparison or at the very least control for parental and student factors. In addition to the significant methodological flaws, the report's lack of grounding in any of the existing research on vouchers only undermines its value. Wisconsin families and policymakers deserve a more accurate and less biased assessment of this program as it enters its fourth decade in existence.

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$$\text{CEI} = \frac{\text{DPI's Report Card Score}}{\text{Per-Pupil Revenue}/(1,000)}$$

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