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Education Outlook

Fulfilling the Promise of School Choice

By Frederick M. Hess

Nearly two decades have passed since the Wisconsin legislature enacted the landmark Milwaukee Parental Choice Program. Advocates had hoped and promised that this experiment in school choice would lead the way in transforming American schools. But it is clear by now that voucher programs and charter school laws have failed to live up to their billing. Frederick M. Hess, editor of the recent volume The Future of Educational Entrepreneurship*, argues that market-based reforms have not delivered because they were never designed to succeed. The challenge for champions of choice is to understand what happened and what comes next.*

Milwaukee's voucher program initially allowed a few hundred students to attend local private schools with public scholarships. When it was launched, advocates voiced expansive claims on behalf of "choice." In 1990, scholars John Chubb and Terry Moe argued in their seminal volume *Politics, Markets, and America's Schools*, "Without being too literal about it, we think reformers would do well to entertain the notion that choice is a panacea. . . . It has the capacity all by itself to bring about the kind of transformation that, for years, reformers have been seeking to engineer in myriad other ways."[1]

The record of markets in advancing prosperity, opportunity, and innovation is compelling. It seemed almost axiomatic that market reforms would deliver similar results in schooling, spurring the emergence of good schools and pushing traditional districts to improve.

Yet things have not worked out as intended. Chester E. Finn Jr., president of the Thomas B. Fordham Institute and a champion of choice-based reform since the 1980s, has voiced "growing sympathy" with choice skeptics and warned against "too much trust in market forces."[2] In the recently published volume *The Future of Educational Entrepreneurship*, I consider some of the broader dynamics at work in the education market.[3]

Even staunch proponents of school choice are conceding disappointment. Earlier this year, *Weekly Standard* contributor Daniel Casse reported, "The two most recent studies show that, since the implementation of the voucher program, reading scores across all Milwaukee schools are falling."[4] Howard Fuller, patron saint of the voucher program, has wryly acknowledged, "I think that any honest assessment would have to say that there hasn't been the deep, wholesale improvement in MPS [Milwaukee Public Schools] that we would have thought."[5] Manhattan Institute scholar Sol Stern, one-time choice enthusiast and author of *Breaking Free: Public School Lessons and the Imperative of School Choice*, brought the concerns to a boiling point earlier this year when he declared, "Fifteen years into the most expansive school choice program tried in any urban school district [there is] . . . no 'Milwaukee miracle,' no transformation of the public schools has taken place."[6]

Today, the Milwaukee voucher program enrolls nearly twenty thousand students in more than one hundred schools, yet this growing marketplace has yielded little innovation or excellence. The *Milwaukee Journal Sentinel* recently described 10 percent

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of voucher schools as having "alarming deficiencies." These include Alex's Academics of Excellence, which was launched by a convicted rapist, and the Mandella School of Science and Math, whose director overreported its voucher enrollment and used the funds to purchase two Mercedes-Benzes.[7] Veteran *Journal Sentinel* writer Alan Borsuk has opined, "[The Milwaukee Parental Choice Program] has preserved the status quo in terms of schooling options in the city more than it has offered a range of new, innovative, or distinctive schools."[8]

Wisconsin headline writers have had a field day, with the *Capital Times* and *Milwaukee Magazine* featuring the likes of "The Failure of School Choice," and "Whoops, We Goofed: School Choice Doesn't Work Like Its Supporters Promised. Gulp. Now What?"[9]

What went wrong? Before answering, let us take a moment to consider the bigger picture when it comes to school choice.

The National Picture

Despite political victories, early promises about school choice have lost much of their luster. While research suggests that some participating students benefit from private school vouchers, these results may largely reflect the ability of students in places like New York City or Washington, D.C., to find empty seats in established parochial schools. There is little evidence that voucher or choice programs have succeeded in fostering the emergence or expansion of high-quality options.

Similar concerns plague the charter movement nationally, even as the number of charter schools has surged above four thousand and charter enrollment has passed the one million mark. The U.S. Department of Education's National Center for Education Statistics has compared the performance of students in district and charter schools, reporting, "After adjusting for student characteristics, charter school mean scores in reading and mathematics were lower, on average, than those for public noncharter schools."[10]

While there is reason to be quite cautious about inferring policy implications from such research—because it cannot determine how much students are actually learning during the school year and because charters spend less than district schools do—the results are hardly compelling. Stig Leschly, executive director of the Newark Charter School Fund, has observed that only about two hundred of the thousands of existing charter schools "really close the achievement gap."[11] Nelson Smith, president of the National Alliance for Public Charter Schools, has argued for stepping up efforts to "cull the bottom-feeders."[12]

Milwaukee illustrates the uneven quality of new providers and reminds us that high-performing schools are (like so many nonprofits) ill-equipped to expand in response to demand. Indeed, it has taken the celebrated KIPP Schools—operated by an organization lauded for its aggressive expansion—fourteen years to grow to sixty-five schools enrolling sixteen thousand students in a nation where ninety-five thousand K–12 district schools enroll fifty million students. Even today, the national KIPP network serves just one-sixth as many students as the Milwaukee public school system. The struggle to find capital and talent, overcome regulatory obstacles, and maintain quality has forced even growth-minded KIPP to move at a pace that would be considered maddeningly slow in almost any other sector (fourteen years, after all, was more than enough time for ventures like Google, Microsoft, and Amazon to grow from boutique firms to omnipresent brands serving millions of customers).

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Milwaukee is not the only city where choice advocates have been disappointed by developments. Among the eight cities where charter schools enroll 20 percent or more of students are Detroit, Michigan; Youngstown, Ohio; and Washington, D.C. In 2007, *Education Week* reported that, despite a substantial charter presence, Detroit had the highest dropout rate among the nation's large school systems.[13] A 2007 analysis found that just 57 percent of Youngstown's charter schools, and just 38 percent of its district schools, met Ohio's growth targets for student improvement in reading and math.[14]

In a study of Washington, D.C., which has one of the nation's highest rates of charter school enrollment, researchers Margaret Sullivan, Dean Campbell, and Brian Kisida found no evidence of improvement in D.C. public schools even as they lost nearly a third of their students to charter school competition. They traced inaction to a district "hampered by political dynamics and burdensome regulations." They explained, "District leaders, preoccupied with leadership problems and administrative headaches, have concentrated their efforts on politics, budgeting, and school choice, leaving individual schools to respond to charter school competition on their own," and principals have not responded "to competition from charter schools in the ways that elites expected because they do not have the appropriate autonomy and resources to do so."[15]

This is something less than was advertised. In fact, a decade ago, when charter and voucher enrollment was only a fraction of today's, some proponents claimed the fruits of competition were already obvious. In 1999, David Osborne, coauthor of *Reinventing Government*, wrote, "Those who invented charter schools . . . wanted to improve all 88,000 public schools in the country [and] . . . empirical studies have demonstrated that, indeed, competition works just as the reformers predicted."[16]

From Choice to Dynamic Markets

In romanticizing school choice, enthusiasts have typically made two key mistakes. First, they have not fully considered what it takes for market-based reform to deliver results at scale. Second, they have mistaken the presence of choice for the reality of competition. Unless these challenges are addressed, political victories will prove pyrrhic—yielding modest results, sowing disillusionment, and fostering the perception that choice was just one more educational fad.

Market advocates in nearly every sector—from trucking to airlines to telecommunications—have long recognized that all efforts at "deregulation" are not created equal. Even far-reaching deregulatory proposals have featured careful attention to how deregulation would unfold and what new provisions or institutions would be needed to make it work. Unfortunately, such attention to market design has been largely absent in K–12 schooling—yielding polarized debates between those who reject markets and those eager to demonstrate the virtues of "choice."

In the school choice debate, many reformers have become so invested in the language of "choice" that they seem to have forgotten that choice is only half of the market equation. Markets are about both supply and demand—and, while "choice" is concerned with emboldening consumer demand, the real action when it comes to prosperity, productivity, and progress is typically on the supply side.

Simply put, market reform is not just about choice; it is also about enabling market mechanisms to channel human energy and ingenuity into solving problems and satisfying needs. Dynamic markets require much more than customers choosing among government-operated programs and a handful of nonprofits. Unfortunately, given an often casual faith in the power of choice, little has been done to eliminate the ways in which state regulations, licensure requirements, and funding systems stifle entrepreneurial ventures.

In most fields, it is taken for granted that vacuums will not be filled naturally or automatically by effective or virtuous actors. Whether dealing with nascent markets in Eastern Europe in the 1990s or the vagaries of banking deregulation, reformers inevitably struggle to nurture the institutions, information, incentives, and practices that foster healthy markets. Indeed, markets are a product of law, norms, talent, networks, and capital, and the absence of these may well yield more corruption or dysfunction than innovation.

Just as school improvement does not miraculously happen without attention to instruction, curriculum, and school leadership, so a rule-laden, risk-averse sector dominated by entrenched bureaucracies, industrial-style collective bargaining agreements, and hoary colleges of education will not casually become a fount of dynamic problem-solving.

In Milwaukee or Washington, D.C., we see none of the social infrastructure that denotes vibrant market environs like Silicon Valley or Route 128 in Boston. There is no aggressive R&D, no pool of savvy investors screening potential new entrants and nurturing the most promising, and no outsized professional or monetary rewards for those who develop more effective operations.

Instead, new school providers negotiate hostile regulatory and political terrain while struggling with a paucity of experienced mentors, few high-quality vendors in essential services, and a thin talent pool. In Milwaukee, it was a struggle just to scrape together enough money to start a couple of one-man storefront operations to provide choice schools with legal advice, operational support, and political coordination. It is as if we anticipated tens of thousands of high-quality mom-and-pop operations springing up and growing without much attention to human resources, infrastructure, or incentives.

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From Choice to Competition

Similarly, the discussion about educational "competition" has long been overly simplistic. In the private sector, competition is the product of investors seeking to maximize returns; executives attentive to the bottom line acting to hire, reward workers, allocate resources, and target new opportunities in an attempt to satisfy shareholders; and employees striving for job security, compensation, and professional rewards.

In systems choked by politics, bureaucracy, and a dearth of entrepreneurial talent, there is little incentive or opportunity to compete. That is the world of K–12 education today, and it helps explain why today's choice programs do not stimulate meaningful competition. Perhaps the lack of response should not be surprising, as MPS has been largely unscathed by "competition." The district's enrollment has remained stable; it was ninety-two thousand in 1990 and ninety-one thousand last year. Over the same period, MPS boosted per-pupil spending by more than 90 percent (from $6,200 to more than $12,100) and increased the teacher workforce by more than 20 percent.[17]

The D.C. voucher program limits enrollment to about 3 percent of the district student population and does not penalize the district if students depart for private schools. Indeed, it provides the district an additional $13 million a year just for being a good sport. This is choice without consequences—competition as a soft political slogan rather than hard economic reality.

Imagine a private sector manager knowing that losing customers would have little or no impact on his salary, performance evaluation, or job security—and that an increase in profits would not lead to additional compensation or recognition. In such an environment, only a few would strive to compete.

But this is exactly how it works in K–12 education. Take the principal of a Milwaukee elementary school who loses dozens of students to choice. What happens? A couple of retiring teachers are not replaced and a couple of classrooms are freed up. That is about it. The principal earns the same salary and enjoys the same professional prospects. Assume the same school added two dozen students. The result? Not much, except the cafeteria gets more crowded and the principal has to find more classroom space. The "successful" principal receives nothing, since districts do not reward or compensate for boosting enrollment.

School Choice 2.0: Rewarding Entrepreneurs

We should have no difficulty conceding Milwaukee's disappointing record while remaining coolly confident that sensible K–12 market reforms have the potential to boost productivity, spur purposive innovation, provide more nuanced accountability, and make the sector a magnet for talent. Failures to date should not be read as indictments of market reform but of the notion that "parental choice" programs represent a coherent approach to improving our schools. Reaching that goal will require approaching educational deregulation with an agenda much broader than simply increasing parental choice. What might such an agenda entail?

For starters, fostering a supply of quality providers requires a marketplace that attracts and encourages educators eager to serve effectively as many students as possible. That is not the world in which today's schools of choice operate. Right now, educators who operate highly effective charter or private schools are often reluctant to expand because—unlike private sector counterparts who enjoy professional and monetary benefits for growth—most of their rewards are intrinsic. They enjoy running local schools and show limited desire to maximize enrollment or embark on ambitious growth plans. The necessary fundraising, logistical burdens, and increased administrative duties discourage expansion, while the financial and professional rewards are minimal.

If entrepreneurs are to serve more children, the most effective must be induced (whether by compensation, professional stature, or something else) to hire professional managerial staff or otherwise trade the freedom and fun of their small enterprise for the headaches of expansion. One response to this dilemma is thinking hard about how to invite more for-profit operators, while considering what their entry would mean for public accountability and financial safeguards. It is also worth pondering the models of nonprofit KIPP and the for-profit National Heritage

Academies, which have constructed professional management teams that handle finances, systematize operations, and help buffer the educators from the headaches of expansion.

A robust marketplace requires the opportunity for providers to compete on a level playing field characterized by rewards for quality and efficiency. While reform proponents hope that parental choice will steer students toward schools based on academic quality, that is easier said than done—especially given an absence of adequate measures that can reveal just how good schools really are and how much value they deliver. For one thing, K–12 schooling has historically lacked the kinds of Zagat or Consumer Reports ratings that are routinely available for toasters, restaurants, and vacation destinations. Most voucher programs and charter laws have done little to provide or encourage the provision of meaningful and useful data on actual school performance. This means schools have little opportunity or cause to compete on such grounds. What is needed is the kind of sensible attention to accounting that has yielded comprehensive outcome-based metrics for private firms. Such measures would equip families to make informed choices and reward school quality. Nonprofits have struggled to provide bootstrap parent guides; substantial dollars should be set aside to fund professional provision of reliable, third-party guides.

There is also a vital role for self-policing in order to quell bad actors and reassure families and politicians about the viability of choice. The charter movement has recently made significant progress on this count, with the National Association of Charter School Authorizers and the National Alliance for Public Charter Schools turning up the heat on their members and strengthening the mechanisms for shuttering low-quality schools.

Supply-side expansion requires bolder action to dismantle obstacles that stifle new providers. Some of these—like caps on the number of charter schools or enrollment in voucher programs—are obvious (if politically thorny), but others are less so. For instance, regulations and building codes make it difficult to obtain school facilities and slow the expansion even of respected providers. A commission reported in 2002 that building a school in New York City is three times more expensive than the national average due to bureaucratic red tape.[18] Meanwhile, about half of the states require charter schools to ensure that all teachers are fully certified—hampering the ability to recruit nontraditional educators. Battling these constraints demands political will and organizational muscle.

One tack worth emulating is that of EdVoice, a California outfit that seeks to influence state legislation addressing budgeting, school choice, teacher quality, and accountability. Funded by wealthy reformers such as business developer Eli Broad and Netflix founder Reed Hastings, the nonprofit has become a force for reform in Sacramento—employing both a traditional, nonpolitical 501(c)3 arm and a 501(c)4 branch that is free to engage in politics and lobbying.

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There is also a need both for financial capital and the networks, expertise, and quality control that accompany professional investment. More than 80 percent of K–12 spending goes directly into salary and benefits, and nearly all the rest is consumed by materials and facilities—leaving hardly anything for strategic planning, R&D, or reinvention. Meanwhile, K–12 schooling lacks a venture capital ecosystem to quietly but ruthlessly screen claimants for quality while steering capital, mentoring, and support to the most promising ventures. Hand-to-mouth spending and the lack of capital networks have made it difficult for entrepreneurs to attract seed funding or develop solid business plans.

In charter schooling, this problem has been recognized, and promising efforts to combat it include nonprofits such as New Schools for New Orleans, the San Francisco–based NewSchools Venture Fund, and the Colorado-based Charter School Growth Fund. As Vanessa Kirsch, founder of the venture philanthropy fund New Profit, Inc., has noted, the organizations in which New Profit invests often find the strategic and technical assistance as important as the funds. These ventures are seeking to provide that key support, which is often taken for granted in vibrant private sector markets.

And there is a crying need for the talent, networks, and logistical supports that can lessen the burden on new ventures and equip them to succeed. Rather than leave nascent ventures scrambling to find back-office support, legal expertise, and strategic guidance on a one-off basis, reformers should cultivate the kinds of scaffolding that have grown organically in more traditional markets. Equally critical is addressing the talent crunch, as the expansion of successful programs is limited by a dearth of promising candidates. This is a problem that has been recognized and that reformers are starting to address.

Organizations such as Teach For America, the New Teacher Project, and New Leaders for New Schools are helping to attract talent and nurture entrepreneurs (though together they represent no more than a few percent of the new educators hired each year), while New Schools for New Orleans has become a recruiting agent and conduit helping to steer talent to local schools. The San Diego–based High Tech High School Graduate School of Education (a program operated on premises by the High Tech High charter school) and the Mind Trust in Indianapolis (a highly selective incubator for entrepreneurial K–12 ventures) are breaking new ground in pioneering the infrastructure for a new sector, while the totality of these endeavors is forging the networks that characterize any dynamic sector.

The lessons are increasingly clear. If school choice is to enjoy a brighter future than wave upon wave of supposed school reforms of the past, it is time for reformers to fight not just for choice but for good choices.

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