

Testimony prepared by Professor Luis A. Huerta for the hearing on  
“Expanding Educational Opportunity Through School Choice”

United States House of Representatives  
Committee on Education and the Workforce

February 3, 2016

**Vouchers and Tuition Tax Credits:**  
**An Analysis of Claims, Assumptions and Evidence**

*Luis A. Huerta\**  
*Associate Professor of Education and Public Policy*  
*Teachers College – Columbia University*  
*[huerta@tc.columbia.edu](mailto:huerta@tc.columbia.edu)*

\*The views expressed in this testimony are those of the author and should not be attributed to or seen as representing the position of Teachers College – Columbia University or any other organization with which he is affiliated.

**I.) CLAIM: Private schools are more cost effective and efficient at educating all students, compared to public schools.**

**ASSUMPTION:** This claim equates private school tuition with the cost of educating students, and assumes that private schools can educate all students (including special education and limited English proficient) more cost effectively than public schools.

*This claim fails to acknowledge that cost differentials, including services provided and types of students that are served, are important in fully accounting for the real cost of voucher and tuition tax credit programs.*

**EVIDENCE:** Private schools are not more cost effective and efficient at educating all students, compared to public schools. Voucher and tuition tax credit program advocates have stated that private school choice will lower total education spending because private schools typically spend less per pupil than comparable public schools do.<sup>1</sup> However, a closer examination of private school operations suggests that using per-pupil expenditures to estimate the potential cost of voucher programs is inappropriate.

Any measure of immediate fiscal and educational impacts of voucher or tuition tax credit programs must account for significant cost differentials compared to a comprehensive public school system in order to account for the real cost of voucher and tuition tax credit programs.<sup>2</sup> Measuring the cost effectiveness of private schools must weigh the quality and amount of services provided to all students, including: the number and types of students served (e.g. special education, limited English proficient, vocational education); church subsidies and endowments; low-cost facilities and low-wage teachers; and administrative and financial burdens of operating the choice programs.<sup>3</sup>

In addition, measuring efficiency must also weigh the challenges of taking voucher and tuition tax credit programs to scale. Increased demand for private schooling will require participating private schools to address the needs of diverse student bodies and provide services equivalent to the public school system if they are to remain competitive.

Lastly, measuring efficiency is also dependent on whether the wider goals of a public and democratic education system are upheld by all schools, including citizenship training and workforce preparation.

---

<sup>1</sup> Coleman, J., & Hoffer, T. (1987). *Public and private high schools: The impact of communities*. New York: Basic Books; Hoxby, C. (1998). What do America's "traditional" forms of school choice teach us about school choice reform? *Federal Reserve Bank of New York Economic Policy Review*, 4(1), 47-59.

<sup>2</sup> Levin, H.M. & C. Driver. (1997). Costs of an Educational Voucher System. *Education Economics*. 5, 303-311.

<sup>3</sup> McEwan, P. (2000). The potential impact of large scale voucher programs. *Review of Education Research*. 70(2): 103-149.

## **2.) CLAIM: Voucher and tuition tax credit programs will enhance school choice by making private school tuition more affordable and increasing access for all students.**

**ASSUMPTION:** This claim assumes that voucher and tuition tax credit programs offer an adequate economic incentive to offset the price of private school tuition for all families. Also, there is no guarantee that private schools might respond, instead, by boosting tuition levels, rather than admitting additional students.

*This claim fails to acknowledge that the expansion of private school choice is more dependent on the criteria schools use in choosing students, and less dependent on giving parents the ability to choose schools.*

**EVIDENCE:** Tuition tax credit scholarship amounts may be insufficient for a free private education. In addition to diverting public money to private schools, a tuition tax credit may not provide scholarship amounts sufficient to cover full tuition at private schools. Tuition subsidies or tax credit scholarships awarded to students through scholarship tuition organizations (STO) average \$3,252.<sup>4</sup> However, private schools who choose to participate and accept a public scholarship are not required to accept the amount in exchange for full tuition, unlike voucher programs that require private schools to accept publically funded vouchers in exchange for full tuition. Private school tuition rates are not regulated by states nor do states collect accurate information on private school tuition rates. Without an accurate account of actual tuition costs, parents are not informed of additional costs they must bear, thus scholarship amounts may result in only a partial payment for what is guaranteed by most state constitutions as a free public education.

Tuition elasticity is dependent on which private schools participate, the subsidy amount, and the types of students that private schools admit.

Evidence describing the effects of tax subsidies and vouchers on the elasticity of tuition prices is limited.<sup>5</sup> Current programs that offer direct tax credit or deduction benefits to parents in

---

<sup>4</sup> Tax credit programs (including tax credit scholarships and individual tax credit/deduction programs) have been proposed in over 45 states and 29 programs are now operating in 19 states (Alabama, Arizona, Florida, Georgia, Illinois, Indiana, Iowa, Kansas, Louisiana, Minnesota, Montana, New Hampshire, Nevada, North Carolina, Oklahoma, Pennsylvania, Rhode Island, South Carolina and Virginia).<sup>4</sup> Most of the existing programs became operational in the late 1990s and have expanded significantly over the last ten years. See Workman, E. (2012). *Vouchers, Scholarship Tax Credits, and Individual Tax Credits and Deductions*, Education Commission of the States. Retrieved on September 4, 2013 from <http://www.ecs.org/html/Document.asp?chouseid=10528>; National Conference of State Legislatures, 2014. *School Vouchers*, Retrieved on August 2, 2014 from:

<http://www.ncsl.org/research/education/school-choice-vouchers.aspx>; Friedman Foundation, *School Choice in America*, Retrieved on January 26, 2016 from: <http://www.edchoice.org/school-choice/school-choice-in-america/>

<sup>5</sup> See Huerta, L. A. & d'Entremont, C. (2007). Education tuition tax credits in a post-Zelman era: Legal, political and policy alternative to vouchers? *Educational Policy*, January/March 21(1), 73-109.; d'Entremont, C. & Huerta, L. A. (2007). Irreconcilable differences? Education vouchers and the suburban response; Jacobs, M. J. (1980). Tuition tax credits for elementary and secondary education: Some new evidence on who would benefit. *Journal of Education Finance*, 5:233-245. Jain, P. (2002). *The approval barrier to suburban charter schools*. Washington, DC: Thomas B. Fordham Institute.; Augenblick, J. & McGuire, K. (1982). *Tuition tax credits: Their impact on the states*. Denver, CO: Education Commission of the States; Longanecker, D. A. (1983.) The public costs of tuition tax credits. in *Public dollars for private schools: The case of tuition tax credits* (pp. 115-129), edited by Thomas James and Henry M. Levin. Philadelphia, PA: Temple University Press; Gemello, J. M. & J. W. Osman. (1982). *Analysis of the choice for public and private education*. Washington DC: Institute for Research on Educational

exchange for private school expenses, may not offer tuition tax credits large enough to stimulate responses from private schools (e.g. Minnesota, Illinois, Iowa and six other states). However, tuition tax credit programs that include a scholarship tuition organization mechanism that award tax credit scholarships/vouchers directly to students (e.g. Arizona, Pennsylvania, Florida and thirteen other states), provide a larger public subsidy to families, which may impact a supply-side response that influences tuition prices. Because states do not regulate tuition prices, families that use the benefit to enter private schools today, may not have sufficient residual income to pay a tuition increase in the future. Lastly, student-level indicators that identify the characteristics of voucher or tuition tax credits beneficiaries that private schools choose to admit, are insufficient (e.g. are private schools accepting the same rate of special education, English language learners and other students with special needs?). These are all important factors that may impact tuition elasticity, but for which we have insufficient data, as a result of limited or non-existent data collections effort by states.

*Supply side response depends more on criteria schools use in choosing students, and less on giving parents the ability to choose schools.* Another relevant issue is whether private schools have the capacity to respond to increased demand if tuition tax credits or vouchers are scaled-up (the supply-side response) and whether a pent-up demand for private school options exists from parents (the demand-side response). These supply and demand issues raise the question of how large a benefit is needed to elicit a response from both private schools and the parents who may want to enroll their children. The United States Conference of Catholic Bishops has been active in lobbying for tuition subsidies, and it is also realistic in acknowledging that a much larger benefit is needed to entice families to exit public schools. At the state level, the Minnesota Catholic Conference explains that Catholic schools could only begin to increase the supply of available seats through capital expansion if subsidy amounts were in the range of \$12,000 to \$14,000 (equivalent to approx. \$14,200 - \$16,500 in 2014 dollars).<sup>67</sup> Private schools also recognize that quality and fidelity to their mission is heavily influenced by school size and make-up of the student body, thus private schools may not want to scale-up even if an adequate subsidy amount were provided by the state.<sup>8</sup>

This speaks to an important supply-side behavior that school choice advocates often choose to overlook: expansion of private school choice is more dependent on the criteria schools use in choosing students, and less dependent on giving parents the ability to choose schools.

---

Finance and Governance. ; Catterall, J. S., & Levin, H. M. (1982). *Public and private schools: Evidence on tuition tax credits*. Stanford, CA: Stanford University, Institute for Educational Research on Educational Finance and Governance.

<sup>6</sup> Noll, personal communication May 18, 2006

<sup>7</sup> Adjusted for inflation using the U.S. Department of Labor, Bureau of Labor Statistics CPI inflation calculator, see [http://www.bls.gov/data/inflation\\_calculator.htm](http://www.bls.gov/data/inflation_calculator.htm)

<sup>8</sup> Noll, personal communication May 18, 2006

**3.) CLAIM: Publicly funded private school choice will yield a market-based accountability system based on parents' preferences that does not require public accountability of private schools.**

**ASSUMPTION:** This claim assumes private schools will advance a uniform education system that advances equity, social cohesion and democratic citizenship, where all students are presented with similar opportunities to learn standardized skills and content as well as gain access to varying perspectives.

*This claim fails to acknowledge that voucher and tuition tax credit subsidies for private school tuition may encourage families to segregate themselves into school communities with competing value systems.*

**EVIDENCE:** The majority of voucher and tuition tax credit programs across states expressly prohibit or limit the ability of the government to administer basic oversight and accountability measures on private schools.<sup>9</sup> No oversight of private schools pales in comparison to the accountability systems that govern public schools and guarantee they are held to account—including administration and accountability systems, teacher accreditation and teacher quality standards, testing and accountability, and curriculum standards—which private schools are exempt from.

By prohibiting the state from engaging in due diligence and oversight of private schools, voucher and tuition tax credit programs threaten public authority and the ability of states to insure a uniform education system that advances equity, social cohesion and democratic citizenship.<sup>10</sup> Thus, voucher and tuition tax credit programs contest the common school model and shift attention away from established public goals such as citizenship training and workforce preparation.<sup>11</sup> These tenets are echoed in *Brown v. Board of Education*, where the Court stated that education is important “to our democratic society. It is required in the performance of our most basic public responsibilities .... It is the very foundation of good citizenship.”<sup>12</sup>

---

<sup>9</sup> In 2015, a total of 26 voucher programs were operating in 14 states (Arkansas, Colorado, Florida, Georgia, Indiana, Louisiana, Maine, Mississippi, North Carolina, Ohio, Oklahoma, Utah, Vermont, and Wisconsin) and the District of Columbia. All the existing voucher programs are targeted to a specific student population, including low-income students, student enrolled in low performing schools, students with disabilities and students residing in districts with no public schools. Ten states and fourteen programs requires private schools that accept voucher students to administer statewide or other assessments (five programs require nationally norm referenced tests). See Workman, E. (2012). *Vouchers, Scholarship Tax Credits, and Individual Tax Credits and Deductions*, Education Commission of the States. Retrieved on September 4, 2013 from <http://www.ecs.org/html/Document.asp?chouseid=10528>; National Conference of State Legislatures, 2014. *School Vouchers*, Retrieved on August 2, 2014 from: <http://www.ncsl.org/research/education/school-choice-vouchers.aspx>; Friedman Foundation, *School Choice in America*, Retrieved on January 26, 2016 from: <http://www.edchoice.org/school-choice/school-choice-in-america/>

<sup>10</sup> Levin, H. M. (2002). A comprehensive framework for evaluating educational vouchers. *Educational Evaluation and Policy Analysis*, 24, 159-174.

<sup>11</sup> See Huerta, L. A. & d’Entremont, C. (2007). Education tuition tax credits in a post-Zelman era: Legal, political and policy alternative to vouchers? *Educational Policy*, January/March 21(1), 73-109.; d’Entremont, C. & Huerta, L. A. (2007). Irreconcilable differences? Education vouchers and the suburban response. *Educational Policy*, January/March 21(1), 40-72.

<sup>12</sup> 347- 20 -U.S. 483, 493, 74 S.Ct. 686, 691, 98 L.Ed. 873, 880 (1954) cited in *Bush v. Holmes*, 919 So.2d

#### **4.) CLAIM: Private schools are more effective than public schools in addressing students' academic needs and improving students' educational outcomes.**

**ASSUMPTION:** This claim assumes that private schools are more effective in serving the educational needs of all students, including special education, English language learners and other students with high needs.

*This claim fails to acknowledge that evidence of voucher program effectiveness remains uncertain, highly contested, and unconvincing to policymakers, despite private schools serving students with less diverse needs.*

**EVIDENCE:** Voucher programs do not guarantee improved educational outcomes.

Evidence of voucher program effectiveness remains uncertain with inconsistent effects on student academic growth, thus results should be interpreted with caution. For example, different researchers have come to different conclusions about the effectiveness of the Milwaukee Parental Choice Program (MPCP) program (the first voucher program enacted in 1989) using different methodologies. Witte (2000) reported no gains for voucher recipients in either math or reading. Also, the majority of studies of the MPCP analyze data collected prior to 1995, when sectarian schools were prohibited from participation.<sup>13</sup> Studies of other publicly funded voucher programs find limited or no positive effects for voucher users. Belfield (2006) compared Cleveland Scholarship and Tutoring Program (CSTP) participants to three control groups—public school students, rejected voucher applicants, and nonusers (which includes former recipients)—and found no differences in academic achievement.<sup>14</sup> Attempts to clarify the effect of vouchers on student achievement through the study of *privately* funded programs have also resulted in mixed findings. Findings from studies of the New York privately funded voucher program have been debated on methodological grounds and remain unresolved.<sup>15</sup>

More recent findings from an evaluation of the DC Opportunity Scholarship Program (OSP) found “no conclusive evidence that the OSP affected student achievement” after five years in operation.<sup>16</sup>

---

<sup>13</sup> Witte, J. (2000). *The market approach to education*. Princeton, NJ: Princeton University Press. See also Greene, J., Peterson, P., & Du, J. (1999). Effectiveness of school choice: The Milwaukee experiment. *Education and Urban Society*, 31, 190-213; Rouse, C. E. (1998). Private school vouchers and student achievement: An evaluation of the Milwaukee Parental Choice Program. *Quarterly Journal of Economics*, 113, 553-603.

<sup>14</sup> Belfield, C. R. (2006). *The evidence on education vouchers: An application to the Cleveland scholarship and tutoring program*. New York: National Center for the Study of Privatization in Education, Teachers College—Columbia University. Retrieved June 26, 2014, from [http://www.ncspe.org/publications\\_files](http://www.ncspe.org/publications_files); See also, Metcalf, K. K., West, S. D., Legan, N. A., Paul, K. M., & Boone, W. J. (2003). *Evaluation of the Cleveland Scholarship and Tutoring Program: Summary Report 1998-2002*. Bloomington, IN: Indiana University.

<sup>15</sup> Myers, D., Peterson, P., Meyer, D., Chou, J., & Howell, W. G. (2000). *School choice in New York City after two years: An evaluation of the school choice scholarship program*. Washington, DC: Mathematica Policy Research; Wolf, P., W. Howell, & P. Peterson. (2000). *School Choice in Washington D.C.: An Evaluation After Year One*. Cambridge, MA: Program on Education Policy and Governance, Harvard University; Kreuger, A. & Z. Pei. (2004). Another look at the New York school voucher experiment. *American Behavioral Scientist*, 47(5): 658-698; Fuller, B., Huerta, L. A., & Ruenzel, D. (2000). *A costly gamble or serious reform? California's school voucher initiative—Proposition 38*. Berkeley: Policy Analysis for California Education, University of California.

<sup>16</sup> Wolf, P., Gutmann, B., Puma, M., Kisida, B., Rizzo, L., Eissa, N., and Carr, M. *Evaluation of the DC Opportunity Scholarship Program: Final Report Executive Summary* (NCEE 2010-4019). Washington, DC:

Lastly, Lubienski & Lubienski (2006) analyzed student performance on the 2003 National Assessment of Educational Progress (NAEP) and found that fourth grade public school students outperformed fourth grade private school students once student background characteristics were taken into account.<sup>17</sup>

The lack of conclusive research evidence on existing voucher programs suggests that a non-uniform, parallel system of education is ineffective in providing students with a high quality education.

---

National Center for Education Evaluation and Regional Assistance, Institute of Education Sciences, U.S. Department of Education, p. v.

<sup>17</sup>Lubienski, S. T., & Lubienski, C. (2006). School Sector and Academic Achievement: A Multi-Level Analysis of NAEP Mathematics Data. *American Educational Research Journal*, 43 (4), 651-698.

**5.) CLAIM: Voucher and tuition tax credit programs increase competition between public and private schools, leading to increased quality and efficiency among all schools.**

**ASSUMPTION:** This claim assumes that private schools will effectively lure students from public schools at such a rate that all schools will compete for student clients. It also assumes that more liberalized tax benefits could increase the demand for private schooling.

*This claim fails to acknowledge that private schools cannot be compelled by government to respond to an increased demand for private schooling or to accept all students who chose to transfer to a private school with a voucher or tuition tax credit subsidy. How and whether private schools increase their capacity in response to voucher or tuition tax credit programs and how their response effects the behavior of public schools, is an empirical question that has yielded very limited evidence of true competitive effects.*

**EVIDENCE:** Voucher and tuition tax credit programs do not increase competition that yields quality and efficiency among all schools. Comprehensive reviews of the literature on school choice by Belfield and Levin (2005) and McEwan (2004) suggest that competition has a small positive and non-substantive effect on public education outcomes.<sup>18</sup> Belfield and Levin (2005) conclude that, “a one standard deviation increase in competition would probably increase test scores by approximately .1 standard deviations or about four percentiles.”<sup>19</sup>

Measurements of voucher effectiveness may occur at either the school or student level. A substantial number of school-level analyses have focused on Florida’s now defunct Opportunity Scholarship Program (OSP), concluding that vouchers targeted to students in low-performing schools create incentives for public schools to improve or risk losing per-pupil funding.<sup>20</sup> While some research finds that the lowest ranked schools improved after the implementation of the Florida OSP, they note that it is difficult to isolate the effects and attribute them solely to the threat of the voucher. It is possible that the stigma of being labeled a failing school, the increased funding for interventions, or other elements including the combination of these policies, led to the improved test scores.<sup>21</sup> The most recent evidence from the evaluation of the Florida Tax Credit Scholarship Program (FTCSP) provides similar inconclusive results on the competitive effects of scholarships/vouchers on traditional public schools.<sup>22</sup>

---

<sup>18</sup> Belfield, C. R., & Levin, H. M. (2005). Vouchers and public policy: When ideology trumps evidence. *American Journal of Education*, 111(4): 548-567; McEwan (2004). The Potential Impact of Vouchers. *Peabody Journal of Education*, 79(3): 57-80.

<sup>19</sup> Belfield, C. R., & Levin, H. M. (2005). Vouchers and public policy: When ideology trumps evidence. *American Journal of Education*, 111(4): 548-567, p. 139

<sup>20</sup> See Greene, J., & Winters, M. (2003). *When schools compete: The effects of vouchers on Florida public school achievement*. New York: Manhattan Institute. Retrieved June 21, 2006, from [http://www.manhattan-institute.org/html/ewp\\_02.htm](http://www.manhattan-institute.org/html/ewp_02.htm); Rouse, C. E. and Barrow, L. (2009). School Vouchers and Student Achievement: Recent Evidence and Remaining Questions. *Annual Review of Economics* 1, 17-42

DOI:10.1146/annurev.economis.050708.143354; West, M., & Peterson, P. (2005). *The efficacy of choice threats within school accountability systems: Results from legislatively induced experiments*. Paper presented at the annual conference of the Royal Economic Society, Nottingham University, UK.

<sup>21</sup> Rouse, C. E., Hannaway, J., Goldhaber, D. & Figlio, D. (2013). Feeling the Florida Heat? How Low-Performing Schools Respond to Voucher and Accountability Pressure. *American Economic Journal: Economic Policy*, 5(2): 251-81.

<sup>22</sup> Figlio, D. N. and Hart, C. M.D. (2011) Does Competition Improve Public Schools? *Education Next* 11 (1), 74-80. Retrieved from <http://educationnext.org/does-competition-improve-public-schools/>



**CLAIM: Tuition tax credits provide publicly funded benefits for private school tuition without affecting education or other public service budgets.**

**ASSUMPTION:** This claim assumes that tuition tax credits are not public revenues and are cost neutral to both education and other public service budgets.

*This claim fails to acknowledge that while education budgets may not be directly affected by a tax credit, all state programs may have to compete for limited state resources which are drawn from state treasuries.*

**EVIDENCE:** Tuition tax credits are public funds diverted to private schools. The diversion of private resources in the form of individual and corporate donations that flow to scholarship funding organizations (STO) is premised on a tax liability that is owed to the state. The credits that are returned to the taxpayer represent foregone tax revenue owed to a state, thereby decreasing available revenue and adversely impacting state budgets. This essentially allows a corporate or individual taxpayer to designate some of their taxes owed to tuition for private schools as opposed to other state needs. The diversion of funds legally owed to the state by means of a tax credit renders them public funds.

Recent examples of ruling from courts in Arizona, Illinois and Alabama are divergent on whether the private money of tax credit beneficiaries that flows to private schools (or scholarship tuition organizations) constitutes “public money.”<sup>23</sup>

---

<sup>23</sup> See *Dr. Daniel Boyd et al v. Julie P. Magee et al*, 2014, Circuit Court of Montgomery County, Alabama Case No. 03-CV-2013-901470.00. p. 10; *Griffith v. Bower*, 2001. No money ever enters the state's control as a result of this tax credit. Rather, the Act allows Illinois parents to keep more of their own money to spend on the education of their children as they see fit and thereby seeks to assist those parents in meeting the rising costs of educating their children (*Griffith v. Bower*, 747 N.E. 2d 423. IL App. Ct. 2001).

## **Luis A. Huerta**

Associate Professor of Education and Public Policy  
Department of Education Policy and Social Analysis  
Teachers College - Columbia University  
525 West 120th Street, Box 11  
New York, NY 10027  
ph: 212-678-4199 fax: 212-678-3589  
email: lhuerta@tc.columbia.edu

### **Background and Qualifications**

I have worked in education as a teacher/practitioner, researcher, policy analyst and professor since 1990. During this time, I have gained insight on how school organizations work and how policy demands effect the daily operation of schools and the actors within schools, including students, teachers, administrators and parents. My research and scholarship focus on school choice reforms and school finance policy. My research on school choice reforms examines policies that advance both decentralized and market models of schooling—including charter schools, homeschooling, tuition tax credits, vouchers and virtual/cyber schools. My research also examines school finance policy and research with a specific focus on how legal and legislative battles over finance equity in schools and the research that has analyzed the effects of resources on student achievement, have consistently overlooked how resources are used within schools.

My research on school choice and school finance have been published widely in scholarly journals and books, including: *Educational Policy*, *Journal of Education Finance*, *Teachers College Record*, *Peabody Journal of Education*, *Journal of Education Policy* and *Phi Delta Kappan*. I recently serve as co-editor of the journal, *Educational Evaluation and Policy Analysis*. (See CV for full list of publications)

Lastly, my research and commentary have been featured widely in the national print media, including *The New York Times*, *The Wall Street Journal*, *The Los Angeles Times*, *The Washington Post*, *The Boston Globe*, *The San Francisco Chronicle*, *The London Times* and *Education Week*.