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**DEPARTMENT OF THE TREASURY****DEPUTY ASSISTANT SECRETARY****FOR PUBLIC AFFAIRS****1500 PENNSYLVANIA AVENUE, NW - 3442 MT****WASHINGTON DC 20020****(202) 622-2920 - FAX: (202) 622-2808****Date:** October 22, 1997**To:** Bob Shireman**From:** Susan Lewis Sallet, 622-7784**Pages:** 6 (including the cover)**FAX NO.**

Thank you

*NEED answer ASAP
Before 1:15.*

Varcher



DEPARTMENT OF THE TREASURY
WASHINGTON

ASSISTANT SECRETARY

Close Hold

October 21, 1997

MEMORANDUM FOR SECRETARY ROBERT E. RUBIN
DEPUTY SECRETARY SUMMERS

FROM: DONALD LUBICK *DL*
ACTING ASSISTANT SECRETARY (TAX POLICY)

SUBJECT: Coverdell Parent and Student Savings Account Plus Act

Congressional Republicans are sponsoring a series of education events this week, culminating in a Friday vote on the Coverdell Parent and Student Savings Account Plus Act. Larry Summers is doing an education event on Wednesday with Secretary Riley, and others in the Administration are likely to be called on to talk about this proposal. The following talking points identify Tax Policy's primary concerns with the proposal.

We also need your guidance about whether Treasury should release the attached distribution tables. We see no problem with doing so, though they are likely to generate controversy.

☐ Release the tables ☐ Do not release the tables ☐ Let's discuss

Senator Coverdell's Proposal

Senator Coverdell's bill, S. 1133, would allow taxpayers to make tax-free withdrawals from education individual retirement accounts to pay for elementary and secondary school expenses as well as expenses for post-secondary education. It would increase the maximum annual contribution to such accounts from \$500 to \$2,500 per beneficiary. The withdrawals could be used to pay for tuition, fees, tutoring, special needs services, books, supplies, equipment, transportation and supplementary expenses required for the enrollment or attendance at a public, private religious, or private non-sectarian school, or for home schooling.

Principal Policy Concerns

- This proposal disproportionately benefits affluent families.
 - The attached Treasury distribution tables show that 69.8 percent of the benefits of this proposal accrue to families in the top 20 percent of the income distribution, and 27.3 percent accrue to families in the top 10 percent. It is easy to see why this is the case.
 - First, low- and moderate-income families are unlikely to contribute to education IRAs because they hold few financial assets, and those that do participate are likely

to contribute less than the limit. In 1995, the median amount of financial assets was \$5,400 for families with \$10,000- \$24,999 of income, and \$12,100 for families with \$25,000- \$49,999 of income. Financial asset holdings are even lower for families with young children.

- Second, the benefit of the proposal depends directly on the family's marginal tax rate. A family in the 31 percent marginal tax bracket, for example, that saved \$2,500 per year for six years would realize twice the tax benefit under the bill (\$1046) as a family in the 15 percent bracket saving the same amount (\$514).
 - Third, upper income families are much more likely than others to incur the costs of sending their children to private schools, and hence will receive disproportionate benefits from the ability to pay elementary and secondary school tuition and fees from education IRAs.
- The proposal is fiscally irresponsible.
 - JCT scores Coverdell as losing \$2.6 billion through 2002 and \$8.2 billion through 2007. The pay-for in the Coverdell proposal, "Schmidt Baking," raises \$2.6 billion through 2002 under JCT scoring, but only \$3.4 billion through 2007. Hence, JCT scores the Act as **losing \$4.8 billion** over 10 years.
 - Treasury scores Coverdell as losing \$1.6 billion through 2002 and \$6.8 billion through 2007. More importantly, Treasury scores the Coverdell pay-for as raising only a small fraction of what Coverdell will cost. Treasury believes the Act will lose **\$1.2 billion** through 2002 and **\$6.5 billion** through 2007.
 - Schmidt baking overturns a recent court case that would lead to significant erosion of the future tax base. Standard Administration score-keeping conventions treat this pay-for as restoring the existing baseline receipts forecast, but not providing additional receipts to finance new initiatives.
 - Using revenues that result from overturning the Schmidt Baking decision to pay for Coverdell would guarantee that the tax base erosion caused by that decision will be permanent.
 - We expect education IRAs to do very little to stimulate private saving. With the revenue loss associated with the provision, it may actually reduce national saving.
 - All but very high income taxpayers have the opportunity to save in tax-preferred conventional or Roth IRAs. Hence, the incremental saving incentive provided by education IRAs is very small, since the typical family will not make even their full conventional or Roth IRA contribution.
 - Education IRAs disproportionately reward affluent families who already have large

amounts of existing assets to shuffle or who would have saved otherwise.

- The tax benefit would encourage families to leave the public schools by providing tax subsidies to private schools.
 - By drawing affluent families out of the public schools, the proposal will diminish community interest in devoting resources to improving public schools, and hence signal a retreat from the country's historic commitment to universal free elementary and secondary education regardless of a student's ability to pay.

Coverdell Parent and Student Savings Account Plus Act (1)

(1998 Income Levels)

Family Economic Income Quintile (2)	Number of Families (millions)	Average Tax Change (\$)	Total Tax Change		Tax Change as a Percent of:	
			Amount (3) (\$M)	Percent Distribution (%)	Current Federal Taxes (4) (%)	Family Economic Income (%)
Lowest (5)	21.6	-1	-13	0.4	-0.10	-0.01
Second	22.2	-2	-39	1.3	-0.06	-0.01
Third	22.3	-7	-158	5.1	-0.10	-0.02
Fourth	22.3	-32	-716	23.3	-0.23	-0.04
Highest	22.3	-96	-2147	69.8	-0.24	-0.05
Total (5)	111.3	-28	-3076	100.0	-0.21	-0.04
Top 10%	11.1	-75	-840	27.3	-0.13	-0.03
Top 5%	5.6	-24	-135	4.4	-0.03	-0.01
Top 1%	1.1	-1	-1	0.0	-0.00	-0.00

Department of the Treasury
Office of Tax Analysis

October 21, 1997

- (1) This table distributes the estimated change in tax burdens due to the Parent and Student Savings Account Plus Act introduced by Senator Coverdell, as adopted by the Ways and Means Committee.
- (2) Family Economic Income (FEI) is a broad-based income concept. FEI is constructed by adding to AGI unreported and under-reported income; IRA and Keogh deductions; nontaxable transfer payments such as Social Security and AFDC; employer-provided fringe benefits; inside build-up on pensions, IRAs, Keoghs, and life insurance; tax-exempt interest; and imputed rent on owner-occupied housing. Capital gains are computed on an accrual basis, adjusted for inflation to the extent that reliable data allow. Inflationary losses of lenders are subtracted and gains of borrowers are added. There is also an adjustment for accelerated depreciation of noncorporate businesses. FEI is shown on a family rather than a tax-return basis. The economic incomes of all members of a family unit are added to arrive at the family's economic income used in the distributions.
- (3) The change in Federal taxes is estimated at 1998 income levels but assuming fully phased in (2007) law and behavior. The change is measured as the present value of the tax savings from one year's contributions. The technical correction pertaining to mandatory distributions at age 30 with a ten percent penalty for distributions not used for education expenses is assumed to have been passed.
- (4) The taxes included are individual and corporate income, payroll (Social Security and unemployment), and excises. Estate and gift taxes and customs duties are excluded. The individual income tax is assumed to be borne by payors, the corporate income tax by capital income generally, payroll taxes (employer and employee shares) by labor (wages and self-employment income), excises on purchases by individuals by the purchaser, and excises on purchases by business in proportion to total consumption expenditures. Federal taxes are estimated at 1998 income levels but assuming 2007 law and, therefore, exclude provisions that expire prior to the end of the Budget period and are adjusted for the effects of unindexed parameters.
- (5) Families with negative incomes are excluded from the lowest quintile but included in the total line.

NOTE: Quintiles begin at FEI of: Second \$16,950; Third \$32,563; Fourth \$54,758; Highest \$93,222; Top 10% \$127,373; Top 5% \$170,103; Top 1% \$408,551.

Coverdell Parent and Student Savings Account Plus Act (1)

(1998 Income Levels)

Family Economic Income Class (2) (000)	Number of Families (millions)	Average Tax Change (\$)	Total Tax Change		Tax Change as a Percent of:	
			Amount (3) (\$M)	Percent Distribution (%)	Current Federal Taxes (4) (%)	Family Economic Income (%)
0 - 15	18.5	-1	-10	0.3	-0.11	-0.01
15 - 30	21.8	-1	-32	1.0	-0.06	-0.01
30 - 40	12.1	-3	-41	1.3	-0.07	-0.01
40 - 50	9.7	-8	-74	2.4	-0.10	-0.02
50 - 60	7.9	-15	-115	3.7	-0.15	-0.03
60 - 75	9.4	-23	-219	7.1	-0.18	-0.03
75 - 100	11.7	-59	-690	22.4	-0.34	-0.07
100 - 200	15.6	-118	-1842	59.9	-0.43	-0.09
200 & over	3.9	-13	-50	1.6	-0.01	-0.00
Total (5)	111.3	-28	-3076	100.0	-0.21	-0.04

Department of the Treasury
Office of Tax Analysis

October 21, 1997

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- (3) The change in Federal taxes is estimated at 1998 income levels but assuming fully phased in (2007) law and behavior. The change is measured as the present value of the tax savings from one year's contributions. The technical correction pertaining to mandatory distributions at age 30 with a ten percent penalty for distributions not used for education expenses is assumed to have been passed.
- (4) The taxes included are individual and corporate income, payroll (Social Security and unemployment), and excises. Estate and gift taxes and customs duties are excluded. The individual income tax is assumed to be borne by payors, the corporate income tax by capital income generally, payroll taxes (employer and employee shares) by labor (wages and self-employment income), excises on purchases by individuals by the purchaser, and excises on purchases by business in proportion to total consumption expenditures. Federal taxes are estimated at 1998 income levels but assuming 2007 law and, therefore, exclude provisions that expire prior to the end of the Budget period and are adjusted for the effects of unindexed parameters.
- (5) Families with negative incomes are included in the total line but not shown separately.

mckers

BIPARTISAN SUPPORT FOR EXPANDING CHOICE IN PUBLIC EDUCATION AND FIXING FAILING SCHOOLS

October 17, 1997

Now I ask you -- and I ask all our nation's governors; I ask parents, teachers, and citizens all across America -- for a new nonpartisan commitment to education -- because education is a critical national security issue for our future, and politics must stop at the schoolhouse door.

President Clinton, State of the Union Address, February 4, 1997

In his weekly radio address today, the President praised two initiatives in Congress where Democrats and Republicans have come together in support of needed improvements in public education. One bill would expand and strengthen President Clinton's public charter schools program, by accelerating progress towards the President's goal of developing 3,000 new charter schools by the year 2000, and encouraging states and local school districts to provide these innovative public schools with more flexibility together with greater accountability. Another measure would help schools implement school-wide reforms based on effective, proven models. These initiatives show how we can improve our schools, and turn around low-performing schools, without abandoning public education: strengthening schools with proven practices or providing students and their families with more high-quality choices in public education.

CHARTER SCHOOLS HAVE EXPERIENCED TREMENDOUS GROWTH UNDER PRESIDENT CLINTON'S LEADERSHIP. As a result of the President's continuing leadership, there has been a dramatic growth in the number of charter schools. When President Clinton took office, there was one charter school in operation nationwide and only two states with a charter law. This year, over 700 charter schools are expected to be in operation. Similarly, the number of states with charter laws continues to grow -- 29 states, and the District of Columbia have passed legislation authorizing the establishment of charter schools.

This growth has been fueled by the President's proposal of a public charter schools program, which was enacted in 1994 as part of the reauthorization of the Elementary and Secondary Education Act. With the President's leadership, the charter school program has grown from \$6 million in FY 1995 to \$51 million in FY 1997. The President has requested \$100 million from Congress in FY 1998 to provide support for 1,000 charter schools.

A BIPARTISAN BILL TO EXPAND CHOICE WITH PUBLIC ACCOUNTABILITY. Recently House Education Committee Democrats and Republicans reached across party lines to approve suggested amendments to the Public Charter Schools Program in a bill co-sponsored by Rep. Riggs (R.-Calif.) and Rep. Roemer (D-Ind.). This bill would give a priority for awarding new charter schools grants to states which are creating larger numbers of charter schools with increased control over financial decision-making and that are clearly held accountable for results. The bill also incorporates the President's goal of increasing the number of charter schools to 3,000 by the year 2000. Similar legislation is expected to be introduced shortly in the Senate by Sen. Coats (R.-Ind.) and Sen. Lieberman (D.-Conn.). The President endorsed these bipartisan efforts, and Administration staff will continue to work with members of both parties as the legislation moves through Congress.

BIPARTISAN SUPPORT FOR REFORMS THAT WORK: To help strengthen all public schools, especially those with high concentrations of poverty, today the President also announced his support for a bipartisan initiative led by Congressman David Obey (D., Wisconsin) and John Porter (R., Illinois). The initiative would help schools adopt research-based models for school-wide improvements that have demonstrated track-records of success at improving student achievement, through proven strategies such as high standards for all students, intensive help in the basic skills in the early grades, strong parental involvement in school decision-making, challenging curriculum often implemented with the effective use of learning technologies, and effective training for teachers. At funding levels included in the House Education Appropriations bill, the initiative would fund \$50,000+ competitive grants to at least 2,000 schools to adopt research-based models of comprehensive school reform, such as those supported by New American Schools.

THESE INITIATIVES SHOW THE KIND OF INNOVATION THAT RESULTS WHEN WE WORK TOGETHER TO IMPROVE -- NOT ABANDON -- OUR PUBLIC SCHOOLS. Charter schools are examples of genuine public education reform -- they provide a mechanism for change with real public accountability for promised results. Likewise, the reform models to be made available through federal grants would provide a proven mechanism for turning failing schools into successful ones. These initiatives would help increase the options for creating and maintaining high-quality schools within the public school systems that the vast majority of American children attend.

October 9, 1997

**The Honorable William Archer
Chairman
Committee on Ways and Means
U.S. House of Representatives
Washington, D.C. 20515**

Dear Mr. Chairman:

We write to express our strong opposition to The Education Savings Act for Public and Private Schools which the House Committee on Ways and Means is scheduled to consider today. Last summer, when a similar proposal was passed by the Senate, the President stated that he would veto the legislation that contained it. This bill raises the same concerns as the proposal in the Senate bill. We would recommend that the President veto this bill should it reach his desk.

Every American child deserves a high quality elementary and secondary education. We believe that targeting our limited Federal resources to build stronger public schools will help ensure all our children receive the education they need to be productive citizens. Public schools serve approximately 90 percent of students in grades K-12 and currently face record-breaking enrollments. By focusing resources on public schools, we can leverage community investment to help parents, teachers and administrators meet the important educational challenges they face in serving the vast majority of our children: meeting high standards for learning and discipline, fixing school buildings, and providing a safe, drug-free environment for children. In contrast the Education Savings Act for Public and Private Schools diverts needed attention and resources from our public schools.

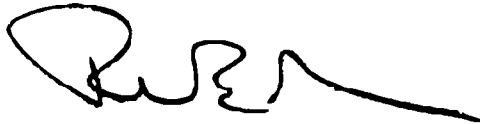
The bill disproportionately benefits the most affluent families and provides little benefit to lower and middle-income families. First, the average family typically saves a modest amount, and, therefore, would get little reward from the compounding of tax-free earnings in an Education IRA. By contrast, wealthy families save more, and, therefore, would have greater accumulations of tax-free earnings in an Education IRA. Second, the benefit of tax-free accumulation under the bill increases with a family's marginal tax rate. Thus, for example, a family in the 31 percent marginal tax bracket that saved \$2,500 per year for six years would realize twice the tax benefit under the bill (\$1046) as a family in the 15 percent bracket saving the same amount (\$514).

We are also concerned the bill would create significant tax compliance problems. The legislation allows tax-free withdrawals from Education IRAs for "supplementary expenses required for [the child's] enrollment or attendance at a public, private or sectarian school," but provides no guidance in identifying what these expenses are. Distinguishing between an appropriately tax-free withdrawal and one that should be subject to tax and penalty would lead to significant additional tax complexity for families.

Finally, we do not believe that increasing the contribution limits for tax-preferred saving opportunities will generate much additional saving and instead, will reward families, particularly those with significant means, for what they would otherwise do.

We understand that you intends to offer an amendment in the nature of a substitute that would use the revenue that would be lost by the Education Savings Act for Public and Private Schools to increase the volume of qualified zone academy bonds. We strongly prefer the your proposal and other alternatives that devote Federal revenue to improving the public schools, rather than legislation having the effect of subsidizing private alternatives, so that a high-quality education is available to every American child regardless of their family income. The qualified zone academy bond program helps public schools with a substantial number of low-income students afford improvements in their infrastructure, their equipment and their teacher training. Therefore, we support your substitute.

Sincerely,



Robert E. Rubin
Secretary of the Treasury



Richard W. Riley
Secretary of Education



UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF THE GENERAL COUNSEL

October 9, 1997

Telefax Transmittal Sheet

TO: Ron Jones, OMB/LRD

FAX NO: 395-3109

FROM: Paul Riddle, Division of Legislative Counsel
Phone: (202) 401-6267 Fax: (202) 401-5391

TIME: 11:39 am

PAGES (including this sheet): 4

FYI, re: H.R. 2373. Attached are a letter the Secretary sent to Senator Coverdell on Tuesday (I'm trying to track down Coverdell's letter to which this is a response) and an article the Secretary authored in the September 15 Washington Times on the Coverdell proposal. I just found out about these items and I have no idea whether Treasury knows about them. They weren't handled through our A-19 process, that's for sure.

I'll send you Coverdell's incoming and the joint Rubin-Riley letter on the House bill as soon as I get them, probably early this afternoon.



UNITED STATES DEPARTMENT OF EDUCATION

THE SECRETARY

October 7, 1997

Honorable Paul D. Coverdell
United States Senate
Washington, DC 20510

Dear Paul:

This is in response to your letter of September 25, 1997, regarding legislation to establish education savings accounts. I understand your strong interest in this legislation and your desire to promote it. I respect your right to disagree, but in my view your K-12 IRA proposal would have the same effect as a voucher. It would shift resources toward supporting the costs of private schools which otherwise would be available to meet the urgent need to improve public schools. The public schools continue to serve 90 percent of young Americans.

My work in education over the years from the local school level to the state and now national level has led me to the very firm belief that we need to take the direct approach to addressing educational issues. In other words, if there is a failing or unsafe school, fix it directly. If there is a need for after-school programs, bring together parents, principals, and community-based organizations and use the resources of neighborhood school buildings as after-school safe havens for learning. If there is a need to boost reading, strengthen instruction, provide tutors linking them to that instruction and test the students to see if they are progressing so needed changes can be made. If schools need to be renovated or built, let's do that. If schools are failing, let's reconstitute them.

The cost to taxpayers of the Coverdell Amendment in my estimation, will not address directly the key concerns in American education that merit our attention and focus. Instead, it would siphon resources away from public education.

I regret we disagree on this issue.

Yours sincerely,

A handwritten signature in dark ink, appearing to read "Dick Riley".

Richard W. Riley

600 INDEPENDENCE AVE., S.W. WASHINGTON, D.C. 20202-0100

Our mission is to ensure equal access to education and to promote educational excellence throughout the Nation.

The Clinton administration's arguments, even if wrong, do highlight one reality: The debate about A+ accounts is about more than a modest tax proposal. It is about a big idea — ultimately that the power to choose is the winning and right course of action. The Clinton administration is fighting a rear-guard action to defend policies that have provided failure for too long.

RILEY

children to private schools and who already have the money available to set aside in a tax-free IRA/voucher. In contrast, the vast majority of middle-income working families, and certainly poor families, who send their kids to public schools and volunteer their personal time to make them better, would have no need for this tax break. At the same time, their tax dollars would subsidize the tax-free IRA/voucher. The result is clear — a special federal tax benefit paid by all Americans to support the private-schooling costs of citizens who have the money to afford private school.

Even if the benefit of a K-12 IRA/voucher were not directed primarily at the wealthiest among us, the misguided nature of this kind of tax policy ought to sink this proposal. It is regressive to include a tax benefit for savings for elementary and secondary education. The goal of an IRA and similar tax policies is to encourage long-term savings for major events later in life such as retirement, home ownership or a college education.

This confused policy stands in sharp contrast to the very sensible tax incentive recently signed into law to help families save and pay for college. Free public education from kindergarten through 12th grade is a guarantee to all children that is provided for in state constitutions. But for higher education, the young adult student is on his or her own. Thus, tax credits for higher education to help the student are appropriate, while tax credits for K-12 private schools are duplicative and amount to a tax benefit on top of a constitutional guarantee of free public education. Additionally, a college education is becoming increasingly important in our society, and saving for this goal clearly is a long-term investment.

There are other serious practical and administrative problems with vouchers. For instance, while public schools must accept all children who apply — regardless of their socioeconomic status, language proficiency, race, physical disability or gender — private and parochial schools, by their very nature, are largely exempt from these legal requirements. They play under a different set of rules. This is inappropriate in schools that receive public monies, as these "private" schools would under a voucher or IRA/voucher program. These so-called technical issues

reveal the heart and value of our public-school system and our democratic heritage and demonstrate why a diversion of taxpayer dollars for private use would be inappropriate at best and unconstitutional at worst. Furthermore, they invite regulation of nonpublic schools.

Equally problematic for advocates of private and parochial schools is the issue of maintaining the quality of those schools. As the "free money" would become more available, many new schools would spring up. Without the normal accountability that public schools face, these new private schools could develop their own nontraditional, even extremist, agendas. On a less dramatic level, this lack of accountability might rear its head in financial improprieties, as has been the case in some schools in Milwaukee where a voucher program is being tested. The result is not simply misappropriation of tax dollars but the harm that comes with abruptly closing a school in the middle of the year. Again, it is the children who are hurt.

A final key point to consider is that education IRA/vouchers are likely actually to hurt private schools because they ultimately will make them more public, forcing them to lose their private/parochial features. With religious schools accounting for 85 percent of private-school enrollment in the United States, religious groups are likely to feel this impact more than any other segment of the population.

In short, vouchers make private schools less private and parochial schools less parochial. I strongly support quality private and parochial schools as valuable parts of educational variety in our democracy. We should not consider any action that would interfere with a religious school's ability to make its particular beliefs a major part of its curriculum.

There is no credible evidence that vouchers or IRA/vouchers represent a success in education. Anyone who ever has thought about educational improvement understands that it requires more than a magic potion to fix a school. It requires hands-on involvement and long-term community commitment, a focus on building quality schools for all students that puts young people on the right course. We don't need additional efforts that would polarize communities when we should be bringing them together in support of better education.

Every parent has the right to choose to educate his or her child in either a public, private or religious school. But having that right doesn't mean having the guarantee of a federal subsidy. Public schools always have had a special mission in this nation. They have been, and are, the foundation for our democracy and free-enterprise system — a guarantee that everyone has a fair chance to get ahead without having to pay tuition, regardless of skin color, religious faith or other individual characteristics. We need to come together in support of public education that can be second to none.

The by-product of vouchers is the damage to our local public schools by shifting tax dollars to private schools.

WASHINGTON TIMES

No: Such a tax break would divide communities and divert funds needed for public schools.

BY RICHARD W. RILEY



Riley has been secretary of education since 1993 and is a former governor of South Carolina, where he championed several educational reforms.

As responsible policymakers, we are forced to make tough choices and to set priorities for the public's well-being and the future of our nation. It is against this backdrop that we should consider Sen. Paul Coverdell's efforts to attach a K-12 individual retirement account/ voucher plan to the balanced-budget bill. The proposed law offers a prime example of what happens when one is unwilling to make the necessary tough choices to develop actions and policies that benefit all students and works instead to develop plans that help only a small portion of the student population. Such policies are unnecessary, divisive and diversionary.

As secretary of education, I have spoken with students, teachers, parents and community leaders in hundreds of schools throughout this great country. I have seen communities facing great adversity in their schools and I have seen communities that have come together and turned around failing schools. In virtually every community I have visited, folks are working together to develop solutions and support creative ways to improve their schools, to build firm discipline policies, to help their children master the basics and to meet challenging standards.

There is no more important subject than education. Nothing else offers as significant an opportunity to create a better future — and nothing else so limits an individual's future when it is denied. Americans understand the crucial importance of education and that successful public education must draw support from every corner of the community.

The Coverdell proposal would begin the unraveling of this uniquely American fabric — the public school that is open to all. His proposal is another attempt to force private-school vouchers on the 89 percent of Americans who are fighting to improve their public schools. Vouchers are bad public policy for many reasons. First, they divert attention and taxpayer dollars from public schools. Second, they divide communities when we need to bring them together with concerned citizens working as partners for quality schools. Third, if we have failing schools, let's fix them, or close them and shift to charter schools or some other public-school option. Vouchers are politically inspired distractions from the real business of creating quality education. Instead of offering constructive options for improving teaching and learning, they present a "magic solution" that is no solution at all. At their best, they would be available to only a small portion of the population, and they are very harmful to the quality of private and parochial schools and those who attend them because they

make them less private and less parochial. Finally, vouchers, or a related measure, educational savings accounts for K-12 education, have no accountability guarantees. The uneducated easily can fall prey to overzealous entrepreneurs or extremists.

This is not the first voucherlike proposal that Sen. Coverdell has made. But what is common to them, and what is the most destructive and divisive aspect of

voucher proposals, is that their primary by-product is the damage to our local public schools by shifting public tax dollars to private schools of any type. They would erode community control over how hard-earned education tax dollars are spent. They would distract from conscientious efforts to improve public schools — keeping drugs away from our children and schools, raising standards, emphasizing the basics, improving professional development of teachers and getting computers and the newest technologies into every classroom. The last thing we need is to "bleed off" money to benefit a small number of students, rather than working to strengthen the existing system that is attended by more than 89 percent of the children in this country.

President Clinton has made education the No. 1 priority of his administration — not with the use of political gimmicks such as vouchers, but with fundamental changes and improvements. We are working to make our schools safer, to help bring challenging standards of learning to every classroom and to ensure every child can read well and independently by the end of the third grade and can handle basic math, including algebra and some geometry, by the end of the eighth grade.

Equally important, President Clinton has promoted the option of expanded public-school choice — including charter schools, magnet schools, schools within schools and district-wide controlled public-school choice. All of these offer real alternatives to the traditional public-school system while maintaining the kind of accountability that is crucial to ensuring a quality education and which build on community support and cooperation. Charter schools are independent, but, because they remain public, they have strong accountability as set out in their charters, and they do not siphon taxpayer dollars from the public schools.

Although this latest effort to sidetrack and divert attention from these successful initiatives is unfortunate, it is not unexpected. It is just the latest in a long line of attempts to shift the federal role in education from one that helps states and local governments serve all students and improve public education to one in which only a small number of students receive the benefits of tax dollars — in the form of a subsidy for private and religious schools.

The Coverdell IRA/voucher proposal compounds this problem because its primary beneficiary will be a small number of children of mostly well-to-do parents who want to send (or already do send) their (continued on page 27)

September 15, 1997

Insight • 25

PAUL D. COVERDELL
 SENATOR OF GEORGIA
 CONFERENCE SECRETARY
 KYLE McSLARROW
 CHIEF OF STAFF

57651

United States Senate

SENATE REPUBLICAN CONFERENCE

OFFICE OF THE SECRETARY
 WASHINGTON, DC 20510-7002

Mike Smith
 Scott F.
 Susan F.
 Terry P.

September 25, 1997

The Honorable Richard W. Riley
 Secretary of Education
 United States Department of Education
 400 Maryland Avenue, SW
 Washington, DC 20202

Dear Mr. Secretary:

You have had my respect for many years, but I am disappointed that you continue to mischaracterize my legislation to establish education savings accounts for children in kindergarten through high school. I write to you today to ask that you take the time to learn a bit more about it before you speak publicly.

You repeatedly refer to the educational savings accounts as a "voucher." They are not. I happen to support vouchers in certain instances, but this legislation was designed to reach across a broad spectrum and pull together legislators who don't agree about vouchers for low income children. To give you the obvious example, Senator Torricelli, the lead Democratic sponsor of my bill, has made plain that he opposes vouchers.

As you know, the education savings accounts are set up as an IRA, identical in all respects to the IRA for college education which the Administration supports. I doubt very seriously you would describe that IRA, or any IRA for that matter, as a "voucher." That is for a very good reason. The key difference is that not one penny of federal money is involved in the savings account. Vouchers, by contrast, involve the expenditure of federal money.

Now, of course, you should know all this. There is a certain irony in the Secretary of Education not being able to distinguish between the IRA/savings accounts and vouchers; it is the equivalent of a child in kindergarten insisting that a triangle is really a square.

Sincerely,

Paul D. Coverdell
 United States Senator

REPT. OF EDUCATION
 OCT 20 1997
 FBI SEP 30 1997

vouchers



INSTITUTE FOR JUSTICE

MEMORANDUM

TO: SCHOOL CHOICE ALLIES
FROM: CLINT BOLICK
RE: RECENT DEVELOPMENTS
DATE: SEPTEMBER 22, 1997

We report on several recent developments in the school choice battle.

Peterson study. The favorable recent study on the Cleveland school choice program by Harvard professor Paul Peterson and his colleagues is welcome news. We worked closely with Prof. Peterson to get the word out, and were delighted with the *New York Times* headline and the article under Prof. Peterson's byline in the *Wall Street Journal*.

Heritage Paper on Legal Issues. Last week, the Heritage Foundation released a backgrounder I prepared entitled "School Choice, the Law, and the Constitution: A Primer for Parents and Reformers." Copies are available from Heritage or the Institute for Justice.

District of Columbia. We have provided legal counsel to Rep. Dick Armey and Sen. Dan Coats on the proposed District of Columbia scholarship program. The final bill is a good one, providing for income-based scholarships that can be used in private schools or suburban public schools. The bill features direct payment of scholarships to parents. Dick Komer and I met with representatives of the Catholic Conference, who urged that the bill contain the full panoply of federal civil rights regulations, including Title IX (gender) and disability provisions. We argued strongly against those regulations. We are pleased to report that the final bill contains only a general antidiscrimination requirement, and expressly provides that schools are not "recipients of federal funds."

The program, which will be attached to the District of Columbia appropriation, should come up for votes over the next few weeks. A similar bill received majority support in both chambers in the last Congress, but did not win enough Senate support to overcome a filibuster. Thanks to strong backing from Democrats Sen. Joseph Lieberman and Rep. Floyd Flake, and to community support developed by several school choice organizations, we have a better chance this time.

Litigation. We have filed our opening brief in the Vermont Supreme Court, and await the other side's response. Our motion to recuse two of the five justices--on grounds that they were involved in developing the state's position before they were appointed--was granted. We expect two retired justices will be appointed in their places, giving us the same Court that

SCHOOL CHOICE UPDATE
September 22, 1997
Page 2

decided the favorable 1993 *Campbell* decision. In Wisconsin and Ohio, we await official word that the courts will hear the cases, followed by a briefing schedule. Groups interested in joining an *amicus* brief should contact Jeanne Allen at the Center for Education Reform, which once again is coordinating *amicus* support (thanks, Jeanne!). In Maine, we are about to file a motion for summary judgment. The ACLU has moved to intervene, which we are opposing. In Arizona, we await an imminent legal challenge to the scholarship tax credit statute from the Arizona Education Association. We will represent several low-income families along with a prominent taxpayer, namely Jeffry Flake of the Goldwater Institute. It promises to be a very busy future!

The Center for Education Reform

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Contact: Diane Cullo

EMBARGOED FOR RELEASE UNTIL
September 23, 1997

AMERICANS EMBRACE EDUCATION REFORM AS PREVALENT SCHOOL CHOICE, CHARTER SCHOOLS & A QUALITY EDUCATION WANTED AS OPTIONS

Washington, DC — Jeanne Allen, President of the Center for Education Reform [CER], today released data from the 1997 National Survey of Americans' Attitudes Toward Education and School Reform which confirm for the second year in a row that over 80% of Americans want more options and a better education for their children.

"This survey illustrates that a solid majority of Americans embrace education reform as a cross-cutting, mainstream issue," said Allen, "and with that type of overwhelming plurality, reform shouldn't be marginalized by the media when these issues are being debated in the real world every day."

"The results are consistent with what we found last year," continued Allen, "and illustrate a continuing concern among Americans from all walks of life that children are not getting the education they need and that parents are not getting the options they want."

The CER-commissioned poll was conducted by International Communications Research, Inc. [ICR] of Media, Pennsylvania. The telephone survey of 1003 adults, conducted between August 20-24, 1997, represents a scientific sampling of a cross section of Americans and is 95 percent accurate to within ± 3 percent. The ten-question survey focused on issues of education quality, school choice, teacher compensation, charter schools and the federal role in education.

"What distinguishes this poll from many of the other education-related polls is the nature of our questions," said Allen, "we avoid the biased phrasing that is so common — in addition to providing the context in which issues are being debated in the real world."

In an effort to be as open as possible, the CER poll questioned respondents on the school choice issue three different ways: as an option for parents; a legislative policy issue tied to failing schools; and, as a means for allowing poor parents to use their tax dollars to send their children to the school of their choice. Responses included 82% of adults support offering parents a choice in where their children attend school; 66% favor a legislative choice policy and 72% support allowing poor parents to use tax dollars to send their children to the school of their choice.

Of equal importance, there is little-to-no difference in terms of race in how respondents view school choice, as better than eight-in-10 blacks and whites support school choice.

In other key findings from this year's survey: 92% of respondents said they felt the quality of their public school could be improved a great deal; 65% of respondents said they believed the federal government should play only a minor role, or no role at all, in setting education policy; and 78% said that they did not think that all of America's children, particularly those in the inner cities, were receiving the education they deserve.

Bob Shureman

UNITED STATES
DEPARTMENT OF EDUCATION



NEWS

Remarks by U.S. Secretary of Education Richard W. Riley

*Verbal
- written*

What Really Matters in American Education
National Press Club, Washington, D.C.
September 23, 1997

Good morning. I am pleased to be back in Washington after completing the first leg of my annual 'America Goes Back to School' campaign. In the last few weeks, I have visited with parents and teachers and students in about a dozen states from Alaska to Florida including Wyoming, Colorado, and Ohio.

I find these trips very worthwhile. I always come back to Washington with a much better sense of what really matters and what is really going on in the classroom. I want to make some comments about my impressions and then speak to several of the issues in the background paper that we are releasing today entitled, 'What Really Matters'.

One of the strongest impressions I have is that we have some very crowded schools. Right now we have 52.2 million young people in our schools, a new national record. I was in Florida on Thursday and Friday, and I can tell you that the school construction issue is alive and kicking. I believe the Congress needs to revisit this issue within a balanced budget framework.

A second impression is that a new American consensus has now developed about how to improve education. It has taken us over a decade since Ted Bell issued his report, "A Nation at Risk" to develop this consensus but every where I go I see the core elements of this consensus being put in place.

There is a growing emphasis, for example, on early childhood and the importance of pre-k and kindergarten for all children. I attended the President's Conference on Brain Research last year and I can tell you that the research is really galvanizing people.

A second element is a commitment to high standards linked to challenging assessments. The American people recognize that progress is only going to happen if we make sure that every child has mastered the basics once and for all. That's the third element; a clear focus on the fundamentals. This is a very conservative idea so it always surprises me that some on the right attack the President's proposal for voluntary national tests in the basics of reading and math. As W. Edwards Deming, a leading management expert said, "You can't improve something you can't measure."

The President is on a national crusade to lift up American education starting with these two basics. This is why 79 % of all Americans support these voluntary national tests according to the latest Wall Street Journal poll, and why the American people have made education the number one issue that should concern the federal government.

I believe that the two voluntary national tests in reading and math coupled with our strong investment in education can shake-up the status-quo and help drive American education forward.

As I travel around the country I see four other elements to this new education consensus falling into place. These include a stronger focus on more parental involvement; teacher quality; a greater investment in technology; and growing recognition -- even among young people -- that taking the tough core courses pays off.

Another element to this consensus is the willingness of school leaders to get on with job when it comes to turning around failing schools. We know how to fix failing schools, and we have a new and tougher breed of superintendents who are willing to hold people accountable; Paul Vallas in Chicago, Rudy Crew in New York City, Bill Rojas in San Francisco, David Hornbeck in Philadelphia -- just to name a few -- are all 'no nonsense' leaders who are committed to turning around failing schools, ending social promotion and raising standards.

They are not willing to put up with mediocrity or failure and neither am I. If a school is failing, don't let it drift. You have to be willing to close it down or reconstitute it. If a principal is slow to get the message, superintendents and school boards need to be willing to replace them.

If teachers are burnt out, counsel them to leave the profession in a fair but speedy process or make sure they get the extra help they need from master teachers -- what educators call peer review. We know how to fix failing schools, and as this report indicates, there are school districts that are making things happen.

The new American consensus on how to improve education is a pragmatic, mainstream consensus, and we are starting to see steady and positive results. Math and science scores have been rising for a decade. SAT scores are up, particularly in math, and ACT scores have gone up in four of the last five years. And one-third of this year's college freshmen class took Advanced Placement courses.

Public education is beginning to improve. We are not where we want to be, but we are headed in the right direction. This is why we need to stay focused on what really matters and not get side-tracked by divisive issues like vouchers. Let's remember that almost 90% of all of our young people go to public schools and the great majority of our public schools are successful.

I can tell you this -- if you gave the American people a choice today between using federal dollars to renovate and build new public schools or using public tax dollars to pay for private school vouchers there would be no question how the American people would vote.

It could cost roughly \$15 billion just to pay the tuition of the 5 million children already enrolled in private schools in this nation. The last thing we should be doing at a time when so many of our schools are bursting at their seams is to be draining public tax dollars from public education to subsidize private education.

The President in his Saturday radio address indicated his determination to veto any legislation that includes the Gorton Amendment on block granting or the Goodling Amendment that would block the voluntary national tests. I will also urge the President to veto any legislation that includes the DC voucher proposal now moving through Congress or the Coverdell IRA proposal -- which is a voucher by another name.

I am not satisfied with the status-quo when it comes to public education, but I will not stand by and see public education run down every chance that some people get. The American people believe in public education and that's where they want to make the improvements.

This is why the President has made education his top priority and why he released \$40 million in charter schools grants last Saturday. Charter schools are creative schools that are making things happen but they are still public schools that are accountable.

Vouchers are wrong for many reasons and we need to be clear about what is at stake. Vouchers undermine a 200 year American commitment to the common school -- a commitment that has helped America keep faith with our democratic ideals and become a beacon of light for people all over the world.

Let's remember that public education has always been and continues to be the open door to American success and good citizenship -- the American way to achievement and freedom. Vouchers would begin the unraveling of this uniquely American fabric -- the common public school that is open to all and gives everyone a fair chance to succeed.

Every state in this nation provides for a free, public education and a great majority of them have written this idea into their state constitution. The ideal that every child in this country has a constitutional right to a free, public education is not to be dismissed lightly. I do not think that voucher proponents have thought long and hard about the very negative consequences of 'balkanizing' public education.

The background paper we are releasing today notes that vouchers would reduce public accountability and make private schools less private and less independent -- and make parochial schools less parochial.

There is little certainty that religious schools that now make up 79% of all private schools would be willing to give up their religious mission in order to overcome constitutional barriers. The paper also notes that private schools simply do not have the capacity to absorb additional students, much less those children with special disabilities.

I worry, too, that those who support vouchers have become almost myopic in their insistence that public education is failing across-the-board. Tell that to the parents in Montgomery County, or in Louisville, Kentucky or in Charlotte, North Carolina or in countless school districts across the country where parents and community leaders support public education.

Two years ago, *Money* magazine did a survey of the top 100 school districts in the country. The survey found out that the two defining factors that led to the creation of what *Money* magazine called "super schools" were community and family involvement, not income or family status. Vouchers, on the other hand, divide communities.

The background paper also provides research evidence -- and this is very important -- that the most important choice students can make is not the type of school they go to -- public or private -- but the academic courses they take.

This is the first choice that parents should be making -- making sure their children take the tough academic courses like algebra, geometry, chemistry and other core courses. This is why I am always perplexed that voucher advocates almost never talk about how to improve reading, how to improve teaching, how to raise academic standards or how to fix crumbling schools.

Their solution for every issue that confronts American education is vouchers. It is a very simplistic world view -- a silver bullet solution -- and it is just dead wrong. If a school is failing the solution isn't to give scholarships to 50 children and leave 500 behind, but to fix the whole school.

The current \$7 million DC voucher initiative in Congress, which offers vouchers for 2,000 low income D.C. public school students, is a case in point. It targets 2,000 children and leaves another 75,000 behind. Is this fair?

If Congress has an additional \$7 million to spend on education in the District, let me tell you how it could be spent. You can spend it to support additional reading programs. We have already recruited 450 work-study college students from six local colleges to be reading tutors. Or you can spend it and help a lot more young people get ahead. Let me tell you how.

Under my proposal \$3.5 million would be used to match up 58 schools with proven education reformers like Robert Slavin's 'Success for All' program at John Hopkins University -- the New American Schools effort -- or the Laboratory for Success at Temple University.

These are programs with a solid track record that are specifically designed to turn around failing inner schools. This effort would impact 29,000 District children -- not 2,000 children -- but 29,000 children. Each of these programs is based on solid research that will help local schools redesign themselves with a program of high academic standards, professional teacher development, and real parent involvement.

We need to respect home rule here in the District and let every parent in D.C. know that all of their children deserve the best education possible. Our challenge is not to help 2,000 students move out, but to help all 78,000 students in the District move-up academically.

My proposal would also set aside \$3.5 million to support 70 new after-school programs in the public schools to help 7,000 children. The FBI tells us that the after-school hours -- from 3 pm to 6 pm -- are the most dangerous for children. Let's give these young people safe-havens where they can be safe and get the extra tutoring help they need.

Does public education need to be improved? Of course it does and there is a consensus about how it can be done. Public tax dollars ought to be spent to improve reading and math, to improve the skills of America's teachers, to get computers into the classroom, to renovate and build new schools -- to make sure that high school diplomas really mean something.

I believe that if we focus in on what we agree on and what really matters rather than on what divides us -- we can make the next ten years the 'golden era' of American education. The American people have made the improvement of public education a national priority. We know how to fix our schools. Now is the time to roll-up our sleeves and get it done.

What Really Matters in American Education

White Paper prepared for
U.S. Secretary of Education Richard W. Riley
for speech at the National Press Club, Washington, D.C.

September 23, 1997

U.S. Department of Education

PUBLIC SCHOOLS, DEMOCRACY, AND FREE ENTERPRISE

Quality public schools are the foundation of a democracy and a free enterprise economic system. The public school concept is fundamentally American: most of the fifty U.S. states have a provision in their state constitution for free, public education. These statutes reflect a commitment to the idea that all children, regardless of their academic readiness, race, socioeconomic status, language proficiency, or special education needs, have equal access to a quality K-12 education, and a chance to develop to their maximum potential. State constitutions describe this most essential purpose as:

"A general diffusion of knowledge being essential to the preservation of the liberties and rights of the people, it shall be the duty of the Legislature of the State to establish and make suitable provision for the support and maintenance of an efficient system of public free schools." (Texas)

"The General Assembly shall provide for a system of free public elementary and secondary schools for all children of school age throughout the Commonwealth, and shall seek to ensure that an educational program of high quality is established and continually maintained." (Virginia)

"It is the goal of the people to establish a system of education which will develop the full educational potential of each person...The legislature shall provide a basic system of free quality public elementary and secondary schools." (Montana)

Therein lies the power of the American system of education — it is truly *public*. The "common school" — the concept upon which our public school system was built — teaches children important lessons about both the commonality and diversity of American culture. These lessons are conveyed not only through what is taught in the classroom, but by the very experience of attending school with a diverse mix of students. The common school has made quality public education and hard work the open door to American success and good citizenship and the American way to achievement and freedom.

VOUCHERS THREATEN THE FUNDAMENTAL MISSION OF PUBLIC EDUCATION

Using public tax dollars for private school vouchers fundamentally undermines 200 years of public education in America. As Neil Postman has suggested in his book The End of Education, "...public education does not serve the public. It creates the public. And in creating the right kind of public, the schools contribute toward strengthening the spiritual basis of the American Creed. That is how Jefferson understood it, how Horace Mann understood it, how John Dewey understood it." Private school vouchers strike at this ideal because they would:

- **Divert attention from the need to improve the public schools.** Providing private school vouchers for a few children will not help to improve the quality of education for most of America's children. Expanded choice in public schools through magnet schools and charter schools, coupled with a focus on the basics, increased parent involvement, improved teaching, and high standards for achievement and discipline, can do far more to improve the education of all children than private school vouchers for a few. The purpose of any school improvement idea should be to invite effective innovation in more schools, particularly those schools that are lagging behind.
- **Add to the public cost of education.** A voucher system would substantially increase the public cost of education by providing public funds to pay private school tuition for children who are already enrolled in private schools. If a voucher program open to all students were implemented today, it would cost American taxpayers over \$15 billion to pay the tuitions of the 5 million students already enrolled in private schools.¹ This enormous cost would drain resources from public schools at the same time that billions of dollars are needed just to accommodate the 1.9 million additional students projected to be enrolled in public schools in 2007² [NCES, The Condition of Education, 1997].
- **Reduce accountability.** Vouchers could create a situation at the elementary/secondary school level analogous to that at the postsecondary level; in the last four years, 700 for-profit schools in our nation's higher education system were removed from the federal loan program by the U.S. Department of Education because of their misuse of federal tax dollars. Private schools operate outside of the scope of public authority, and therefore have no public accountability for providing a quality education to all students.
- **Force private and parochial schools to become less private and less parochial.** If a systemwide voucher program were adopted, the influx of public dollars into these unregulated schools would result in increased pressure for greater public scrutiny and accountability for these public expenditures. Quality private and parochial schools are valuable parts of the educational variety in our democracy, and these pressures would ultimately interfere with their unique missions and curricula.
- **Possibly violate State and U.S. Constitutions.** Using public tax dollars to pay tuition at religious schools could violate the constitutional separation of church and state. Indeed, publicly funded voucher programs in Milwaukee and Cleveland have been legally challenged for their inclusion of religious schools in their programs, as judges in both Wisconsin and Ohio have ruled that the participation of religious schools violates federal and state constitutional provisions barring government aid to religious institutions. Voucher program advocates in both states have consistently appealed these decisions to higher courts, but no court has yet to overturn this basic ruling.

¹ Based on average private school tuition of \$3,116 in 1993-94.

² Estimated total additional costs in 2007 (in constant 1995-96 dollars).

Expanding the options available to students and families is a worthy goal, as long as this is not done in a way that undermines a quality education for all children. But private school vouchers are too small, too costly, and too divisive to have any potential for improving the public school system.

IMPACT OF VOUCHERS ON SCHOOLING

A voucher program which served a substantial number of public school students would suffer from serious implementation problems related to private schools' capacity and mission, and would violate basic principles of equity and a quality education for all students. Specifically:

- **Private schools have little capacity to absorb a substantial number of additional students.** According to a California study, less than 1 percent of public school students in that state could expect to find spaces in existing private schools. (Corwin and Dianda, "What Can We Really Expect from Large-Scale Voucher Programs," Phi Delta Kappan, 1993) The study found that most private schools that were interested in participating in a voucher program were already operating at 85 percent or more of their capacity. Although some private schools might be created or expanded, a voucher system would do little or nothing to address the needs for educating the 89 percent of students in public schools (46.5 million students).
- **Most private schools are religious in nature, and few are likely to give up their religious mission in order to overcome constitutional barriers to receiving public funds.** Religious schools account for 79 percent of all private schools and 85 percent of private school students. A recent survey found that most associations of religious schools believe their schools would not participate in a voucher program if they were required to permit exemptions from religious instruction for students transferring from public schools (Muraskin et al., Barriers, Benefits, and Costs of Using Private Schools to Alleviate Overcrowding in Public Schools: Preliminary Report, 1997). In addition, government officials should not be expected to choose which private and religious schools merit taxpayer support. For a religiously diverse country like the U.S., this is a road to onerous problems.
- **Private schools could select the best and the brightest students.** As Representative Bill Goodling (Pennsylvania), then ranking minority member of the Education and Labor Committee, said in 1991, "If you have 500 students in a school and 250 of them are the 'thousand points of light' and decide to go to a school of choice, that leaves 250 fallen angels behind." (Congressional Quarterly, 1991, p. 379) Research shows that private school vouchers do skim more advantaged students — those whose parents have more education, higher expectations for their children, and higher incomes. This finding holds even for programs where vouchers are restricted to low-income families. For example:
 - In San Antonio, mothers of low-income voucher students were three times more likely to have had some college education than mothers of comparable public school students (55 percent vs. 19 percent). (Martinez, V., et al. (1995). "The Consequences of School Choice: Who Leaves and Who Stays in the Inner City," Social Science Quarterly, September.)

- In England, researchers found that parents who expressed preferences for schools outside their immediate neighborhood tended to be more highly educated and have more prestigious occupations than those who expressed a preference for their neighborhood school. Moreover, in the most competitive areas, “schools are more likely to choose students than students are to choose schools.” (Stearns, School Reform: Lessons from England, 1996)

When a school is failing, providing an escape hatch for a few students will do nothing to improve the quality of education for the majority of students who remain in that school. Indeed, vouchers could hasten the deterioration of the public school system by creating a two-tier educational system in which the motivated, pro-active families and students — those who have the potential to make the school system better — would attend private schools and the less involved families and students would attend the public schools. Instead of giving a few students a way out, we need to give all students a way up by improving the quality of all schools.

IMPACT OF CHOICE AND SCHOOL TYPE ON STUDENT ACHIEVEMENT

In addition to the negative effects of a voucher program on schooling, there are also basic, unanswered questions about the benefits of vouchers and the comparative advantage of private schools for student learning. A growing research base enables us to examine the impact of choice and school type on student achievement. Although they come from different perspectives and may arrive at different conclusions, these studies do share some common themes:

- Evaluations of existing voucher programs provide no conclusive evidence of the benefit of these programs for student achievement, while public school choice programs show promise for raising academic proficiency; and
- Differences in student achievement can often be explained by coursetaking and high standards.

Descriptions of studies that support these themes follow.

Impact of Private and Public School Choice Programs on Student Achievement

Research on the impact of existing private school voucher programs has not demonstrated substantial achievement benefits for these programs. In fact, most differences between performance in public and private schools can be explained by the family background of the students (i.e., family income, parents' educational attainment). (Coleman, Hoffer, and Kilgore, High School Achievement: Public, Catholic and Private Schools Compared, 1982) Even when studies control for these factors, they probably still overstate achievement differences because they usually cannot control for “self-selection bias” — the fact that parents and students who choose to attend schools other than their neighborhood school may have higher motivation and place a higher priority on education than similar families who do not exercise choice.

Three separate evaluations of the longest-running publicly-funded voucher program (in Milwaukee) found vastly different results. The first evaluation found voucher students'

achievement *did not* improve significantly from their previous achievement in public schools (Witte et al., Fourth-Year Report: Milwaukee Parental Choice Program, 1994), but a second evaluation of the same data *did* find evidence that the Milwaukee voucher program had a substantial positive impact on the achievement of students who remained in the program for 3-4 years (Greene, Peterson, and Du, "The Effectiveness of School Choice in Milwaukee: A Secondary Analysis of Data from the Program's Evaluation," 1996). This second analysis, however, has serious methodological flaws, including the attrition of 85-95 percent of voucher students in the two years in which significant results were found, and a failure to account for student family background and prior achievement. Yet a third analysis (Rouse, "Private School Vouchers and Student Achievement: An Evaluation of the Milwaukee Parental Choice Program," 1997) repeated Greene, et al.'s analysis, and found that voucher recipients *did* significantly outperform non-enrolled voucher program applicants and a random sample of Milwaukee public school students in math, but *did not* in reading. These conflicting results provide more of a lesson in the art of statistics than in the effectiveness of voucher programs. The one clear implication of these studies is that the impact of voucher programs on student achievement remains unproven.

In Cleveland, the voucher program has only been in existence since the Fall of 1996, and no systematic research on the impact of the program on student achievement is yet available. The Ohio Department of Education is currently sponsoring an Indiana University evaluation of third-graders in the Cleveland voucher program, and a first-year report is expected in late September of this year. However, a recent, well-publicized Harvard press release on the achievement gains of Cleveland voucher students has been touted as evidence of the benefits of voucher programs. (Harvard University, "Gains in Test Scores in the Cleveland Voucher Program Found," 1997) This analysis, conducted by Paul Peterson and funded by the Olin Foundation, claims that students enrolled in two schools in the Cleveland program have realized "moderately large" gains in reading and "even more substantial" gains in math. However, even this analysis concedes that these academic results are mixed, with language scores declining by 5 percentage points overall, and declining by 19 percent among first graders. More importantly, this analysis is in no way a representation of the effectiveness of the Cleveland voucher program, as it is based on only 15 percent of participating students who are enrolled in uniquely operated, resource-intensive schools, and it suffers from severe methodological problems.³

Lastly, a Hudson Institute study (Weinschrott and Kilgore, "Educational Choice Charitable Trust: An Experiment in School Choice," 1996) of the privately-funded voucher program in Indianapolis found that the voucher students performed "as well as [public school] students in the earlier grades and seem to be doing better in the middle-school grades." However, this appears to be an overly generous characterization of their data, which showed that the voucher students' average test scores were below those of public school students in grade 2, about the same in grades 3 and 6, and higher only in grade 8.

³ Among the problems with the Peterson analysis are: (1) it does not compare the gains of these voucher students to their counterparts in the Cleveland public schools; (2) it does not control for the family background or prior achievement of the voucher students; (3) it is based on the results of an old, invalid form of the California Achievement Test; (4) it lumps together results for students in grades K through 3, suggesting that differences among grades are being masked; and (5) the researchers tested the voucher students within the same school year (fall and spring), an approach that has been widely rejected by test experts as producing artificially positive achievement gains.

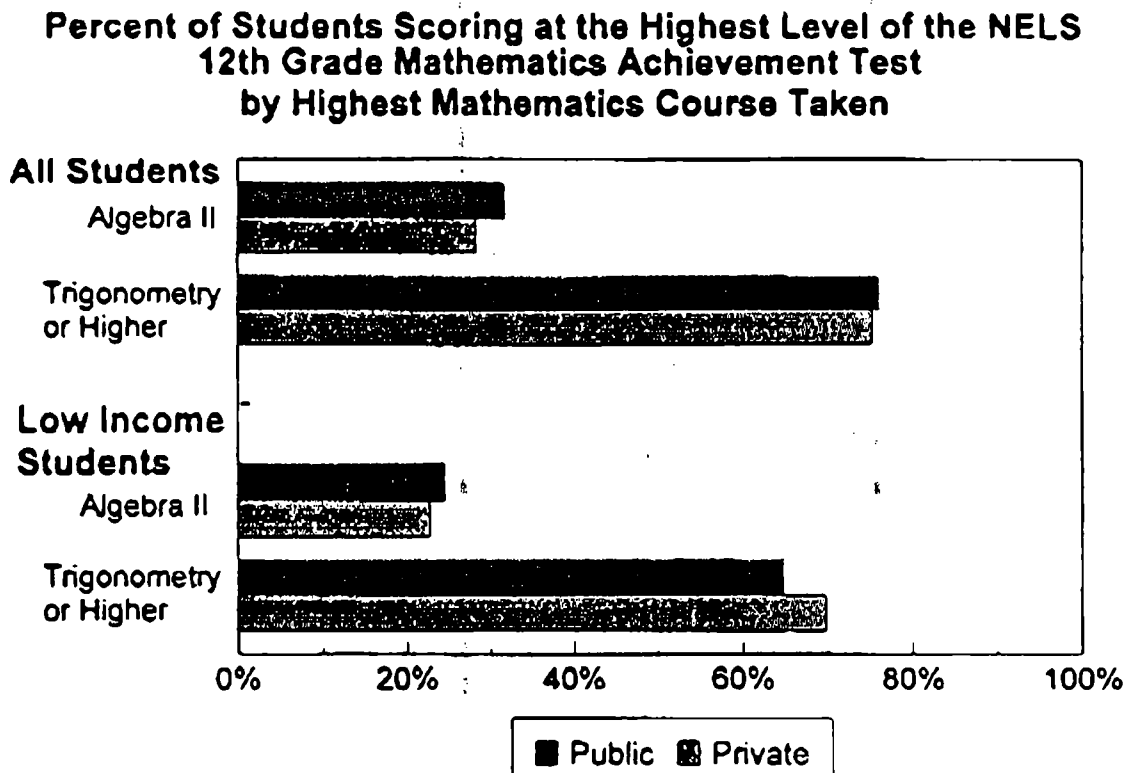
An analysis of 1991 International Assessment of Educational Progress data in 16 industrialized nations provides international evidence showing that private schools do not have significantly higher student achievement than public schools after controlling for student background. (Bishop, "Nerd Harassment, Incentives, School Priorities and Learning," 1996) This study found that, after controlling for family background, independent schools did not have higher math and science achievement (for 13-year-olds) than public schools and religiously-controlled schools had significantly lower achievement levels. In Canada, where there is no constitutional prohibition against public subsidies of religious schools and 20 percent of the schools are religiously controlled, students at religious schools scored 3.9 to 4.5 points lower on science and math tests than public school students.

Some research indicates that public schools of choice show as large a benefit (if not larger) than private schools in producing better student achievement. For example, a recent analysis of data from the National Educational Longitudinal Survey (Gamoran, "Student Achievement in Public Magnet, Public Comprehensive, and Private City High Schools," Educational Evaluation and Policy Analysis, 1996) found that magnet schools were more effective than comprehensive public high schools at raising the proficiency of students in science, reading, and social studies, while secular private schools did not offer any advantage, after controlling for pre-existing differences among students.

Impact of Coursetaking and Standards on Student Achievement

The choice of courses taken has been shown to have a direct connection to student achievement. As Figure 1 depicts, an analysis of National Educational Longitudinal Survey (NELS) data suggests that the mathematics courses students take in high school are more important for achievement than the type of high school attended. While recognizing that a great deal of diversity exists among public and private schools, it is useful to note that when coursetaking patterns are accounted for, the mathematics achievement of students in both categories of school is very similar. Public and private school students who had taken the same mathematics courses were almost equally likely to score at the highest achievement level on the NELS twelfth-grade mathematics achievement test. This was also true for low-income public and private school students. Additionally, among both public and private school students of all incomes, students who had taken more rigorous mathematics courses were much more likely to score at the highest achievement level.

Figure 1.



Source: Analysis of National Educational Longitudinal Survey data

A growing body of evidence demonstrates that public school reform efforts like challenging standards and rigorous coursetaking can improve achievement for the majority of students who are in the public schools. States and local communities that have set more challenging standards are seeing substantial gains in student achievement. For example:

- Kentucky's comprehensive school reforms continue to result in substantial improvement in school performance. More than 92 percent of Kentucky's schools posted achievement gains in 1995-96. Fifty percent of schools in the state met or exceeded their performance goals. These schools are distributed across all grade levels, throughout every geographic region in the state, and in poor as well as wealthy communities. Elementary schools performed well above expectations, as they exceeded their statewide performance goal by 27 percent. (Kentucky Department of Education Press Release, October 1996)

- In New York City, tougher graduation requirements are spurring thousands more high school students to take and pass college-preparatory mathematics and science courses. The number of Hispanic and black students who passed the science test more than doubled from the previous year (New York Times, 5/9/95). Entering freshmen at the City University of New York are the best prepared academically in two decades (New York Times, 12/10/95). Grade schools in the city continue a four-year rise in test scores (New York Times, 6/21/96).

FUNDAMENTAL IMPROVEMENTS ARE NEEDED IN PUBLIC SCHOOLS

The evidence provided above illuminates that our nation has made progress, but we still have a long way to go. This is particularly true in high-poverty school systems across the country. We recognize the legitimate problems in our nation's schools — especially in urban areas where voucher programs are often proposed. We are committed to focusing on turning around troubled schools and undertaking comprehensive educational reform that creates and sustains safe and high-performing schools. There are no silver bullets to improving schools and improving student learning, and that is why President Clinton emphasizes the need to focus on many vehicles for educational improvement in his "Call to Action for American Education in the 21st Century."

Promoting student performance starts with a focus on the basics, safety, discipline, and parent involvement. Sustained improvement must be based on what works, and supported by parents, educators and the larger community. Research suggests that student achievement can best be improved by supporting a comprehensive set of district and school level reforms. (See, for example, Newmann and Weblage, "Successful School Restructuring: A Report to the Public and Educators by the Center on Organization and Restructuring of Schools," 1995; Lein, Johnson, and Ragland, Successful Texas Schoolwide Programs: Research Study Results, 1996) These reforms include:

- **Safe, disciplined, and drug-free schools.** A prerequisite to comprehensive, enduring school reform which promotes student performance is ensuring that our children have a safe, strong, and drug-free learning environment. Providing such an environment requires a focus on strong discipline in the schools and zero tolerance for drugs.
- **A clear focus on improving learning and mastering the basics.** Effective schools are organized around a clear focus on educational excellence and equity for all students and have an academic orientation that challenges all students to master basic and advanced skills in reading, math, and other core subjects. The goal of learning is captured in the curriculum and the very atmosphere of the school. Time, resources, and energies center on enabling all students to achieve higher levels of performance.
- **Parent involvement and public commitment to improving schools.** Thirty years of research show that greater family involvement in children's learning is a critical link to achieving a high quality education and a safe, disciplined learning environment for every student. (U.S. Department of Education, Strong Families Strong Schools, 1994) Districts and schools must reach out to parents and community members to develop a shared commitment to excellence and equity for all students and to work in partnership toward that goal.

- **High academic standards and rigorous coursetaking.** Probably the most effective educational choice that parents and students can make is to choose to take more challenging academic courses. Taking tougher courses is one factor that produces substantial gains in student achievement. Making challenging curriculum and engaging instruction available to all students must be schools' central mission.
- **Sustained and intensive professional development for teachers.** In order for students' performance to improve, teachers must be able to teach to higher standards. They must know the content of the curriculum and the best strategies for engaging students in learning more challenging content. Professional development can be supported formally through intensive training and also more informally through teachers working together on common classroom concerns and learning from each other.
- **Buildings and technology suited for learning.** Children cannot learn to high standards in schools that are literally falling down. Environments where children learn best are schools that are safe and modern, more spacious and technologically equipped, and that can be used not only during the school day but after school and during the summer, as well.
- **Reinforcement through after-school and summer programs.** Research shows that students in quality after-school programs (lower student to staff ratios, age-appropriate activities, academic and enrichment activities) demonstrate higher academic achievement and have better attitudes towards school than children left alone or under the care of siblings. (Posner and Vandell, 1994) Moreover, according to the Federal Bureau of Investigation, youth are most at risk of getting in trouble or being victims between 3 p.m. and 6 p.m., after the regular school day.
- **Greater school autonomy and accountability.** Greater school autonomy when coupled with performance accountability also can contribute to conditions that make optimal learning possible. Unreasonable regulations can produce a compliance mentality in which no one takes ownership or is personally responsible. If teachers are to act as professionals and not as automatons, they need to be given responsibility for making professional decisions regarding classroom practice and school policy. Holding our students to high standards requires that adults take responsibility for improving student performance.
- **Expansion of public school choice options.** Public charter schools, magnet schools and open enrollment policies offer real alternatives to students and parents while maintaining the kind of accountability that is crucial to ensuring a quality education.

In some cases, drastic actions are needed to improve chronically troubled schools. For example, in San Francisco, failing schools have been "reconstituted." The district has shut down these schools and reopened them with new administrators, teachers, and programs.

NATIONAL AND LOCAL INDICATORS SUGGEST REFORMS ARE BEGINNING TO WORK

Trends in Improvement Nationwide

U.S. education is improving on many measures of student learning, especially in critical areas on which schools, communities, states, and this nation have focused sustained effort. A wide variety of national indicators are showing substantial gains, both short-term and long-term:

- **Students are taking more rigorous subjects and courses.** The proportion of high school graduates taking the core courses recommended in *A Nation At Risk* (4 years of English, 3 years of social studies, 3 years of science, 3 years of math) increased to 52 percent by 1994, up from 14 percent in 1982 and 40 percent in 1990. Similarly, the percentage of graduates taking biology, chemistry, and physics has doubled, rising from 11 percent in 1982 to 19 percent in 1990 and 21 percent in 1994. (NCES, High School Transcript Study, various years)

Similarly, participation in advanced placement (AP) courses has also increased, and the number of AP exams that scored at 3 or above has tripled since 1982. The number of AP examinations that received a passing score rose from 131,871 in 1982 to 523,321 in 1996. (College Board, AP Program: National Summary, various years)

- **The National Assessment of Educational Progress (NAEP) has shown long-term gains in student achievement in mathematics and science,** areas that have been the focus of national attention. Average performance in mathematics and science has improved since the late 1970s and early 1980s for all three age groups tested and in every quartile. The improvement in math achievement was equivalent to at least one grade level. NAEP scores in reading and writing showed small, inconsistent changes and were stable overall. The achievement gap between white and minority students narrowed substantially over the period, although improvement has stalled since the late 1980's. (NCES, NAEP 1996 Trends In Academic Progress, 1997)
- **College admissions tests have shown increases in average scores even as the numbers and diversity of test-takers are increasing.** On the ACT, the national composite score increased to 21.0 in 1997 (from 20.6 in 1992) — the fourth year in the last five that the national average has increased. (ACT, Composite Averages by State, 1997) ACT president Richard L. Ferguson attributed the increase in scores to more students, especially females and minorities, taking higher-level courses in English, math, social studies, and science. (ACT, "Trend of Increases in ACT College Entrance Scores Continues," 1997) On the SAT, combined verbal and math scores increased 19 points from 1982 to 1997 (and increased by 15 points from 1992 to 1997) and the average mathematics score is at its highest level in 26 years.⁴ (College Board, College Bound Seniors National Report, 1997)

⁴ This figure is not affected by the College Board's recent "re-centering" of SAT scores because previous scores have been adjusted for equivalence with 1997 scores.

- **Dropout rates show similar improvements, particularly for minority students.** From 1982 to 1995, the dropout rate for persons 16-24 years old fell from 13.9 percent to 12.0 percent and has been relatively flat throughout the 1990's.⁵ For blacks, the dropout rate fell from 18.4 percent in 1982 to 12.1 percent in 1995 — a 34 percent decrease. For whites, the rate fell from 11.4 to 8.6 percent over the same period — a 25 percent decrease. (NCES, Diect of Education Statistics, 1996)

Exemplary Efforts at Comprehensive School Reforms in Urban Districts

Across the nation, states and communities are implementing comprehensive reforms focused on enabling students to meet challenging standards, and student achievement is improving as a result. These districts reach out to teachers, principals, parents, and community members in developing a shared commitment to excellence and equity for all students and cultivating these partnerships. Their mission statements reflect in plain language the real-world concerns of parents, employers, and other citizens. Beyond that, they dedicate themselves to making that mission a reality through careful planning, efficient and equitable management of resources, and the development and recognition of instructional leaders throughout the school system. Examples of this process can be found in San Antonio, Memphis, Milwaukee, Cincinnati, New York City's Community District 2, and Chicago:

- **San Antonio Independent School District** underwent a major organizational restructuring aimed at placing maximum emphasis on instructional needs, giving more direct support to schools in matters of instruction and curriculum, streamlining decisionmaking, and strengthening intradistrict communication and collaboration. The district implemented site-based decision-making (as mandated by the state) during the 1994-95 school year by incorporating it with its broader strategic plan. Each school has an Instructional Leadership Team (ILT) composed of school staff, parents, and community residents, who receive annual training provided by the district. A ten-year grant from the Rockefeller Foundation supports professional development and technology for teachers, as well as promoting community involvement through monthly public town hall meetings and a community newsletter. In 1996, the district entered into a partnership with the New American Schools Design Corporation (NASDC), and half of the district's schools have committed to a whole school design through NASDC. Student achievement on the Texas Assessment of Academic Skills (TAAS) has shown significant gains; from 1995 to 1996, the percentage of students passing the TAAS rising from 33 percent to 41 percent for 4th-graders and from 31 percent to 36 percent for 10th graders. Math skills showed even greater improvement, with the percentage of students passing the math portion of the TAAS rising from 42 percent to 55 percent for 4th-graders and from 35 percent to 42 percent for 10th graders.
- **Memphis** adopted in 1993 a comprehensive school reform plan designed to raise student achievement that includes setting higher standards for all students, implementing site-

⁵ The dropout rate is defined as the percent of 16-24 year-olds who have not completed high school and were not enrolled in school that year.

based decisionmaking and models of school reform to support students in meeting the standards, and creating a new belief system within the school system. The district developed content standards in seven core curricular areas that reflected the Lifelong Learning Standards adopted by the community and disseminated guides to show what instruction and curriculum that reflects these standards should look like in classrooms. All Memphis schools now have site-based decisionmaking councils composed of equal numbers of teachers and parents to set school policy and allocate school budgets. In addition, since 1995, about half of all schools have adopted a "break-the-mold" reform model, including several of the models developed by the New American Schools Development Corporation. In 1996, the district opened its new Teaching and Learning Academy, which coordinates professional development opportunities for all teachers in the district. The Academy offers workshops in all major areas of school reform including leadership, core content, performance assessment, and uses of technology.

- **Milwaukee's** experience in raising students' math performance to challenging standards provides a remarkable example of systemwide improvement. The impetus came out of community embarrassment over its math assessment and a requirement that students pass the assessment to graduate. While Equity 2000 provided a focus for the effort, support came from higher standards, professional development of teachers, special assistance for students who failed the test, parental involvement, and feedback on results. There has been a substantial increase in enrollment in algebra and more advanced math courses; ninth-graders' enrollment in Algebra I rose from 33 percent of all students in 1990 to 100 percent today, while the number of tenth-grade students taking geometry or more advanced math increased from 24 to 57 percent. The percent of students passing algebra has remained essentially unchanged, at about 56 percent, despite the expansion of algebra enrollment from a select group to all students.
- **Cincinnati** has injected accountability for both administrators and students into the educational system. School district administrators' pay raises are now linked to job performance. The policy change replaced automatic cost-of-living adjustments and salary rates with new criteria, including: performance on staff development, management, and community involvement; students' scores on standardized tests and on the state's graduation test; and graduation, promotion, passing, and dropout rates. At the student level, promotion is now based on specific standards that define what students must know and be able to do. The standards are designed to prepare students to pass a ninth-grade proficiency test. Cincinnati also reorganized its school system in 1991, cutting the central office staff — mostly mid-level managers — by 70 percent, in order to direct a greater share of its resources to the school and classroom levels.
- **New York City's Community District 2** is a model for local districts seeking to improve instruction in fundamental ways. Serving an extremely diverse population from the Upper East Side to Chinatown, the district implements a corresponding diversity in its approaches to teaching and learning. This particular district illustrates the powerful, participatory role that a local district can play in instructional improvement. Every decision made by the district takes instructional improvement into account. It is a group

effort and a long-term commitment based on high expectations, clear objectives, and shared expertise. The concrete strategies revolve around the idea that professional development is not a series of programs per se but rather an ongoing opportunity to build and bridge skills. Strategies include: a Professional Development Laboratory in which visiting teachers observe and practice with a resident teacher for three weeks while their classrooms are taught by a teacher who has also gone through the Laboratory; extensive use of visits across classrooms and schools by teachers and principals; and a core of consultants hired by the districts and available to the schools for one-on-one and small group assistance. With these strategies in hand, the district has a direct impact on improving its schools: on the 1996 assessment, District 2 ranked second in the city in math scores.

- Chicago is ensuring that promotion to the next grade reflects students' learning the content to enable them to succeed. In August 1996, the Chicago School Reform Board adopted a rigorous student promotion policy that requires underachieving students in grades three, six, eight, and nine to complete a summer school program before being promoted to the next grade. The policy sets performance standards based on test scores for third-, sixth-, eighth-, and ninth-graders. Students who score more than one year below their grade level (one-and-a-half years for sixth-graders) on the standardized tests, or who fail reading or math, must successfully complete a six- or seven-week Summer Bridge program. All ninth-graders who miss more than 20 days of school or fail to earn the required 4.5 core credits are also required to attend the summer-school programs. Students who fail the summer programs are held back. Results show that over 80 percent of Chicago students were able to meet the promotion criteria; many would not have done so without the intensive summer instruction provided through the Bridge program.

These large, urban districts face some of the most complex educational issues in the nation, yet their students are beginning to benefit from sustained school improvement efforts. We are committed to continue working for high standards of discipline and achievement and a means to assess student performance in meeting them, safe schools, technology in the classroom, quality teachers, and increased access to college. When we focus sustained effort and careful investments on critical education issues at school, neighborhood, community, and national levels, students progress and so does our nation.

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