

# NO ACCOUNTABILITY:

*Pennsylvania's Track Record Using  
Tax Credits to Pay for Private and  
Religious School Tuition*



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# Executive Summary

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Pennsylvania policymakers are currently considering creating a new program that would, once fully phased in, offer taxpayer-funded vouchers to attend religious or other private schools to all low-income school children. One issue that has emerged during consideration of this proposal concerns the accountability provisions that should accompany a new voucher program.

A logical starting point for designing an accountability system for a new voucher program is the accountability experience of Pennsylvania's existing program that diverts taxpayer dollars to private schools—the Educational Improvement Tax Credit (EITC) program. Launched in 2001-02, this program in 2009-10 provided scholarships to 38,000 students to attend private and religious schools. This is 10,000 more students than in the state's second-largest school district, the city of Pittsburgh.

This briefing paper reviews the experience of the EITC program, including its size and growth over time, the areas of the state it primarily serves, and the accountability mechanisms that oversee schools that receive taxpayer dollars to educate Pennsylvania school children under the EITC. We find that:

- The EITC program serves primarily large urban areas of the state, especially in southeastern and south central Pennsylvania, and in Allegheny County.
- Twenty-two counties do not have a single so-called "Scholarship Organization," the non-profit intermediaries that receive tax credits that divert business taxes from the General Fund to the EITC program.
- Most private and religious schools in Pennsylvania are concentrated in the South East and South Central Pennsylvania, and in Allegheny County. The geographical distribution of EITC scholarship organizations mirrors this geographical distribution, and provides an indication of where taxpayer funds would likely go under a new voucher program as well.

When it comes to educational accountability, the simple finding is that the EITC program has no accountability mechanisms.

- Schools that educate EITC scholarship children are not required to report on children's progress or to provide other information documenting school quality. In fact, legislation now prohibits state agencies from asking for information on student achievement.
- Students on EITC scholarship are not required by the state to take any tests.
- No data been collected on the socio-economic characteristics of EITC scholarship recipients or their families, their communities, or the student population of private schools scholarship recipients attend. Such data would be necessary to analyze systematically the overall achievement of EITC students compared to students in public schools.
- As a result of the complete absence of any data, Pennsylvania knows nothing about the outcomes of a program that has in its 10-year life span received roughly a third of a billion dollars to educate school children at religious and other private schools.

The lack of accountability governing taxpayer dollars diverted to the EITC program stands in stark contrast to the increasing accountability faced by public schools and their students. Pennsylvania's public schools are transparent in their operation and held accountable for student achievement and financial management. The increasing accountability faced by public schools has enabled the documentation of significant progress by Pennsylvania schools over the past decade. Indeed, Pennsylvania is the only state in the nation that has improved achievement in all subjects and grade levels since 2002, according to the Center on Education Policy.

If a large literature existed documenting the superiority of private and religious schools, the lack of any accountability system for a large-scale voucher program might be less of a concern. There is no such evidence, however. As detailed in Attachment A, the research literature on voucher experiments in other states shows that they do not improve educational outcomes. Educational rankings of states and nations provide another sort of evidence. State and international rankings show that widespread use of vouchers is not a distinguishing characteristic of any of the highest performing educational systems.

The inadequate accountability in Pennsylvania's existing program for using public funds to support private school students suggests that Pennsylvania is not ready for a 10-fold or greater new taxpayer-funded voucher program.

# Introduction

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The Pennsylvania legislature is debating Senate Bill 1, which would create vouchers that low-income students could use to attend participating private schools at taxpayer expense (see Box on next page). The bill would also expand the state's existing program, the Educational Improvement Tax Credit, which supports students who are currently attending private and religious school students. In evaluating these proposals, it should be helpful to examine the track record of the Educational Improvement Tax Credit, which has been in existence for 10 years. One important question is whether the program has been effective at improving student achievement compared to public schools? Another is how do voucher organizations and schools account for the use of public funds?

As detailed below, the answer to these questions, and to most questions about the EITC program, is largely that we don't know. That's because the Educational Improvement Tax Credit program has no reporting requirements on student outcomes and little oversight. In fact, despite the Legislature's repeated public statements in favor of greater accountability, this is one case where state legislation actually forbids the executive branch from gathering more achievement information.

Today, the increasing transparency and accountability standards imposed on Pennsylvania public schools allow us to track the progress that those public schools are making. But we know next to nothing about performance in the private schools attended by students with taxpayer-subsidized scholarships. The contrast between the state's accountability measures for public schools supported with taxpayer dollars and private schools supported with taxpayer dollars is staggering. Senate Bill 1, as currently drafted, would add to this accountability gap by substantially expanding the share of publicly-funded students that attend private schools with little or no accountability.

## PA EITC Program Overview

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The Pennsylvania Educational Improvement Tax Credit program was created in 2001 and has been expanded in subsequent years. It provides tax credits for corporations that make charitable contributions to three types of organizations.

1. Educational Improvement Organizations that work with the public schools
2. Pre-Kindergarten Organizations that provide scholarships for children who attend Pre-School and Pre-Kindergarten
3. Scholarship Organizations that provide scholarships to children who attend private and religious K-12 schools

This report focuses on the third use of the EITC, which is the part that would be expanded through SB1. (We do not evaluate the effectiveness of tax credits going to Pre-Kindergarten and Educational Improvement Organizations.)

**Senate Bill 1:  
Expanding School Vouchers for Students to Attend Private and Religious Schools**

Senate Bill 1 would increase the use of taxpayer dollars to pay for students at private and religious schools through two mechanisms.

The primary mechanism would be a new program that, by year three, makes all low-income children in the commonwealth eligible for taxpayer-funded vouchers. The state vouchers would equal 100% of the state's per-pupil subsidy to the school district in which each child lives. Students may also receive a voucher to attend a public school in another school district, but only if the public school chooses to receive them.

Based on reasonable assumptions about the number of eligible public school students who would accept vouchers to attend private schools, the fully phased-in program would cost taxpayers between \$840 million and \$960 million per year.<sup>1</sup> In year one and two of SB 1, eligibility would be restricted to low-income students currently attending the 144 "persistently lowest-achieving" schools (in the bottom 5% on test scores in the most recent assessment for which data are posted on PDE's website). The estimated cost to the state would be \$54 million in year 1 and \$135 million in year 2.

The second mechanism would be an increase of \$25 million in the existing Educational Improvement Tax Credit program described in the text.

In addition to cost and accountability (the latter the focus of this brief), the new voucher program in SB1 has been criticized on a variety of other grounds. While we do not address these other grounds in detail here, two are worth mentioning:

- The bill leaves the vast majority of children in public schools, while at the same time taking resources away public schools. As noted in footnote one on this page, 40% of the expense of the program would go to students already in private and religious schools.
- The bill does not require participating non-public schools to enroll all students that wish to attend—whereas public schools do have to accept all students in their geographical area. This limitation is a central reason that the proposed program would not result in real "choice" for the parent or child. Instead, the schools to which students want vouchers make the choice about whether to accept those students.

Under this part of the EITC program a corporation receives a tax credit if it makes a contribution to a charitable organization that provides scholarships for private school students. The organization receiving the credit and giving out scholarships is known as a Scholarship Organization or SO. The tax credit for contributions to SOs is equal to either 75% or 90% of the amount the corporation contributes. In other words, taxpayers are providing between 75% and 90% of the money received

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<sup>1</sup> Estimates provided by the staff of the Pennsylvania Senate Democratic Appropriations Committee. These estimates assume that 15% of eligible low-income public school children would accept vouchers in year three and beyond. The estimates also assume that all eligible low-income children already in private schools would seek vouchers. Of the estimate total cost to taxpayers—\$840 million to \$960 million—\$320 million to \$440 million would be the cost of vouchers for students already in private schools.

by SOs under this program.<sup>2</sup> Currently, the program provides up to \$60 million in tax credits and corporations can receive credits up to \$300,000.<sup>3</sup> The program is administered by the Pennsylvania Department of Community and Economic Development. Under the program, according to the Commonwealth Foundation, taxpayers are currently subsidizing the education of 38,000 private school students.<sup>4</sup> As of July 1, 2011, a family of four that earns up to \$84,000 per year will be eligible for an EITC scholarship. Since the program began, roughly a third of a billion dollars in foregone tax revenue has been spent on scholarships for students to attend private schools (Table 1).

**Table 1. Pennsylvania Educational Improvement Tax Credit**

Year	Tax Credit Available for*		
	Scholarship Organizations	Educational Improvement Organizations	Both Categories
2001-02	\$20,000,000	\$10,000,000	\$30,000,000
2002-03	\$20,000,000	\$10,000,000	\$30,000,000
2003-04	\$26,666,665	\$13,333,335	\$40,000,000
2004-05	\$29,333,333	\$14,666,666	\$44,000,000
2005-06	\$36,000,000	\$18,000,000	\$54,000,000
2006-07	\$37,000,000	\$18,000,000	\$54,000,000
2007-08	\$44,666,667	\$22,333,333	\$67,000,000
2008-09	\$44,666,667	\$22,333,333	\$67,000,000
2009-10**	\$38,000,000	\$22,000,000	\$60,000,000
2010-11**	\$40,000,000	\$20,000,000	\$60,000,000
<b>Total</b>	<b>\$335,333,332</b>	<b>\$170,666,667</b>	<b>\$506,000,000</b>
*Starting in 2004-05, \$5 million was made available for pre-kindergarten organizations. This amount increased to \$8 million in 2006-07. The Legislative Budget and Finance Committee (LBFC) report and the <i>Tax Compendium</i> do not agree on the precise numbers in each year. Where they disagree, we have used the LBFC figures because the <i>Tax Compendium</i> figures appear to be rounded.			
**For 2009-10 and 2010-11, estimates for Scholarship Organizations were provided by the Governor's Policy Office and the amount available for Educational Improvement Organizations calculated as a residual from the total available according to the <i>Tax Compendium</i> .			
Sources. Pennsylvania Department of Revenue, <i>The Tax Compendium December 2010</i> , p. 3, online at <a href="http://www.portal.state.pa.us/portal/server.pt/document/1029217/2010_tax_compendium_pdf">http://www.portal.state.pa.us/portal/server.pt/document/1029217/2010_tax_compendium_pdf</a> ; Legislative Budget and Finance Committee, <i>Preliminary Report on Pennsylvania's Educational Improvement Tax Credit Program</i> , 2009, online at <a href="http://lbfc.legis.state.pa.us/reports/2009/40.PDF">http://lbfc.legis.state.pa.us/reports/2009/40.PDF</a>			

<sup>2</sup> Companies that make a one year contribution receive a 75% credit. If a company makes a long term commitment to providing this contribution it is eligible for the 90% credit.

<sup>3</sup> [http://www.portal.state.pa.us/portal/server.pt/document/1029217/2010\\_tax\\_compendium\\_pdf](http://www.portal.state.pa.us/portal/server.pt/document/1029217/2010_tax_compendium_pdf)

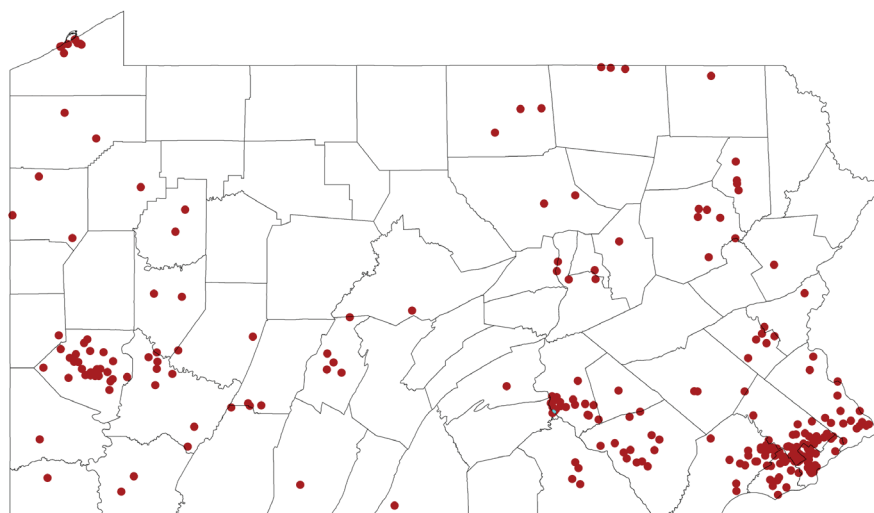
<sup>4</sup> <http://www.commonwealthfoundation.org/research/detail/school-choice-why-what-and-how>

# Where Do EITC Scholarship Recipients Live?

What parts of the state are served most by EITC scholarships? One indicator of this is the location of the Scholarship Organizations referred to above. Map 1 displays the location of these organizations. Table 2 lists the number of Scholarship Organizations by County. Out of a total of 247 organizations, 196 are in 12 urban counties—the five Pennsylvania counties of metropolitan Philadelphia, Allegheny County, and six other counties that include a third-class city. Twenty-two counties have no SOs, 19 have one, and six have two—thus over two-thirds of Pennsylvania counties have zero to two SOs.

**Map 1.**  
**Pennsylvania Organizations That Distribute EITC Scholarships**  
**to Students who Attend Private and Religious Schools, 2010-11**

Each dot represents one scholarship organization

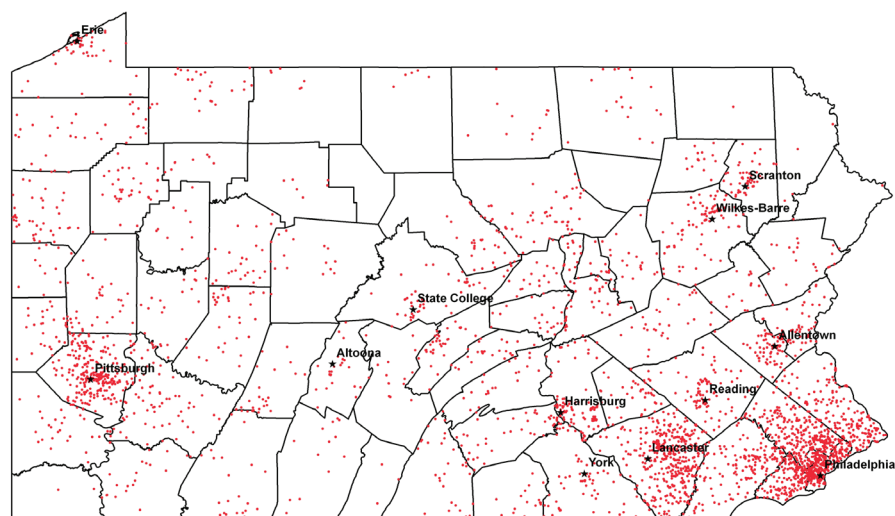


Source. The map shows EITC program scholarship organizations listed at:  
<http://www.newpa.com/find-and-apply-for-funding/funding-and-program-finder/educational-improvement-tax-credit-program-eitc>  
(List downloaded on 2/16/11)

Maps 2 and 3 make clear that the distribution of Scholarship Organizations roughly mirrors the distribution of religious and other private schools in Pennsylvania.

**Map 2.**  
**Pennsylvania Private Schools**

Each dot represents one private school



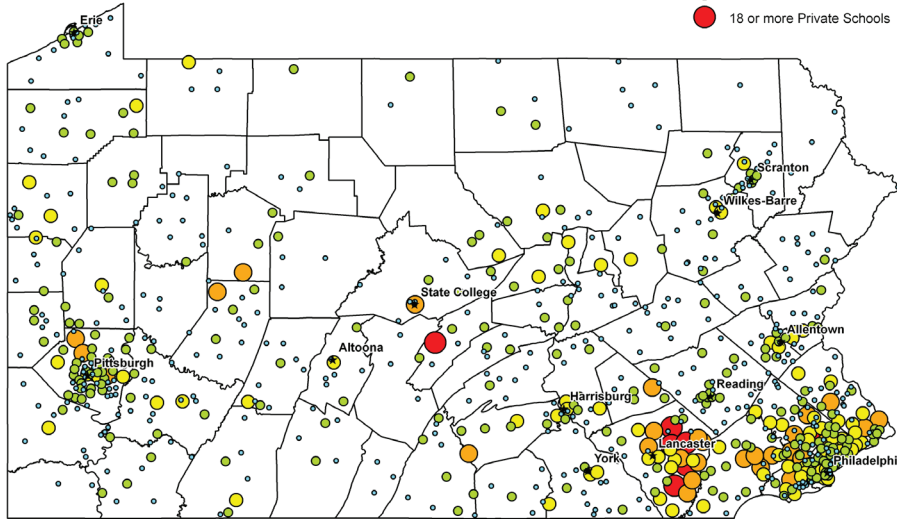
Source. Pennsylvania Department of Education, Enrollment at Private Nonpublic Schools 2009-10, online at:  
[http://www.portal.state.pa.us/portal/server.pt/community/enrollment/7407/private\\_and\\_non-public\\_schools\\_enrollment\\_reports/620543](http://www.portal.state.pa.us/portal/server.pt/community/enrollment/7407/private_and_non-public_schools_enrollment_reports/620543)



**Map 3.**  
**Pennsylvania Private Schools by Zip Code**

Each dot represents one zip code  
 Dot size represents the number of private schools within the zip code

- 2 or less Private Schools
- 3 to 6 Private Schools
- 7 to 11 Private Schools
- 12 to 17 Private Schools
- 18 or more Private Schools



Source: Pennsylvania Department of Education, Enrollment at Private Nonpublic Schools 2009-10, online at:  
[http://www.portal.state.pa.us/portal/server.pt/community/enrollment/7407/private\\_and\\_non\\_public\\_schools\\_enrollment\\_reports/620543](http://www.portal.state.pa.us/portal/server.pt/community/enrollment/7407/private_and_non_public_schools_enrollment_reports/620543)

**Table 2.**  
**Number of Educational Improvement Tax Credit Scholarship Organizations, by County**

<b>County</b>	<b>Number of Scholarship Organizations</b>	<b>County</b>	<b>Number of Scholarship Organizations</b>	<b>County</b>	<b>Number of Scholarship Organizations</b>
Allegheny	30	Mercer	3	Columbia	1
Montgomery	28	Northumberland	3	Cumberland	1
Philadelphia	28	Westmoreland	3	Greene	1
Chester	21	Berks	2	Indiana	1
Dauphin	18	Cambria	2	Jefferson	1
Delaware	18	Crawford	2	Lebanon	1
Lancaster	14	Franklin	2	Lycoming	1
Bucks	13	Northampton	2	Monroe	1
Erie	10	Tioga	2	Perry	1
Lehigh	6	Armstrong	1	Somerset	1
Luzerne	5	Beaver	1	Susquehanna	1
York	5	Bedford	1	Venango	1
Blair	4	Bradford	1	Washington	1
Lackawanna	4	Centre	1	<b>Total Number Statewide*: 247</b>	
Fayette	3	Clarion	1		

\*Includes one organization in Indiana and one in Virginia

Source. See Map 1

# Performance of EITC Students

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If we treated the EITC program as if it were a school district it would already be the second largest in the state, with enrollment surpassing Pittsburgh's 27,945.<sup>5</sup> It is a large program, educating many children. But the academic accountability applied to the program is completely different than that of public schools.

For Pittsburgh and other public schools, students are required to take the Pennsylvania System of School Assessment in reading and math. And we know that Pittsburgh students have improved in 10 of 14 categories as compared to the prior year.<sup>6</sup> We don't know how students using an EITC are faring because there is no requirement for schools to administer or report on the results of assessments.

The lack of accountability and transparency might be acceptable if there was a large body of research indicating that private-school students supported with public funds performed well on state tests. In fact, there is only one rigorous study that has examined performance of a voucher program with the same funding mechanism as the EITC, Florida's Corporate Tax Credit Scholarship Program. The research found that voucher students performed slightly less well than their public school counterparts, concluding that "participants' test score gains are in the same general ballpark, if on average modestly lower, as are those of comparison students in the public sector."<sup>7</sup>

This result is consistent with a broader set of results for voucher programs of different kinds. Much of the research is now quite old, in part because advocates for voucher programs since the mid-1990s have tended to oppose collecting achievement data. (In this respect, the lack of achievement data on Pennsylvania's EITC program is part of a broader trend.) The research available through the late 1990s was carefully reviewed by Keystone Research Center in two reports released a decade or more ago.<sup>8</sup> Moreover, the modest amount of research done since then has not changed the basic finding (see Appendix A). Evaluations of taxpayer-funded voucher programs in Milwaukee, Cleveland and Washington DC, and of privately funded programs in New York, Dayton, and Washington DC have found that voucher recipients do not perform better on standardized tests. In one of the most recent academic reviews, Princeton Professor Cecilia Rouse finds little evidence that vouchers will substantially improve student achievement.

If voucher students are not getting improved student achievement, it's unclear what Pennsylvania taxpayers *are* getting for their money and what justifies a large new voucher program

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<sup>5</sup> Pittsburgh data for 2008-09 from US Department of Education's Common Core of Data: [www.NCES.ED.GOV/CCD](http://www.NCES.ED.GOV/CCD)

<sup>6</sup> <http://www.pps.k12.pa.us/143110829171011580/blank/browse.asp?a=383&BMDRN=2000&BCOB=0&c=63740>

<sup>7</sup> David Figlio. "Evaluation of Florida's Corporate Tax Credit Scholarship Program First Follow-Up Report—Participation, Compliance and Test Scores in 2007-08," 2009. See [http://www.floridaschoolchoice.org/information/ctc/files/figlio\\_report\\_2009.pdf](http://www.floridaschoolchoice.org/information/ctc/files/figlio_report_2009.pdf)

<sup>8</sup> Alex Molnar, *Smaller Classes and Educational Vouchers: A Research Update* (Harrisburg: Keystone Research Center, June 1999). Alex Molnar, *Smaller Classes, Not Vouchers* (Harrisburg: Keystone Research Center, 1998). Both online at [www.keystoneresearch.org](http://www.keystoneresearch.org).

## Performance of EITC Schools

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There is no requirement that schools participating in the EITC program have to take and report state assessments. This is particularly troubling because it means there is no way to compare the quality of the private schools that taxpayers are subsidizing to the quality of the public schools.

In fact, state law even prohibits state government from asking for any achievement data. After the state Department of Community and Economic Development starting asking scholarship organizations for information about their programs, legislation was enacted stating that scholarship organizations only had to report information on the number and amount of scholarships and that “the Department may not require any other information to be provided by scholarship organizations... except as expressly authorized in this article.” (This quote is from Act 46 of 2005 (the omnibus school code bill signed in July 2005), p. 61; online at <http://www.legis.state.pa.us/cfdocs/billinfo/billinfo.cfm?year=2005&sind=0&body=H&type=B&bn=0628,>)

Opponents of proposals to require accountability for private schools receiving public dollars, including student testing, point to the role of parents in ensuring that their children are properly educated. However, if parents wanted to make choices based on academic quality—to avoid a poor school—there is no data available to them about the quality of the schools they are choosing. It seems disingenuous for advocates of this program to say that parental accountability will drive it, and then not work to make the best information at least available to parents.<sup>9</sup>

## Fiscal Management of Public Subsidies

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Under the EITC, corporations make contributions to Scholarship Organizations. The SO then distributes the voucher to private schools. The state does not systematically collect information on how money is spent by either the private schools or the SOs themselves. Roughly a third of a billion dollars in public subsidies for private schools since the program’s inception, and there is no central reckoning of administrative or program expenditure by either SOs or private schools.

In fact, the only financial reporting required of SO’s results from their status as non-profit organizations. Non-profits organizations above a very small size are supposed to file a publicly available federal tax return (known as a 990 form), and some SO’s should also be registered with the state of Pennsylvania’s Bureau of Charitable Organizations, an arm of the Department of State.<sup>10</sup> The one oversight hearing held on EITC accountability, by the Budget and Finance Committee in 2009, noted that this general non-profit transparency afforded some financial accountability.<sup>11</sup>

KRC’s search for filings by the 249 SOs with the Bureau of Charitable Organizations, and for 990 forms, however, found that this information is wholly inadequate to provide any kind of meaningful transparency. In particular:

- Many SOs do not have to comply with the Bureau of Charitable Organizations requirements.

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<sup>9</sup> We understand that some are making the argument that such data isn’t necessary, because parents will be able to judge the schools themselves. The idea that this process would not be improved by actual data on performance is ridiculous.

<sup>10</sup> [http://www.dos.state.pa.us/portal/server.pt/community/bureau\\_of\\_charitable\\_organizations/12444](http://www.dos.state.pa.us/portal/server.pt/community/bureau_of_charitable_organizations/12444).

<sup>11</sup> Legislative Budget and Finance Committee, *Preliminary Report on Pennsylvania’s Educational Improvement Tax Credit Program*, 2009, online at <http://lbfc.legis.state.pa.us/reports/2009/40.PDF>.

- The 990 data from individual schools listed as SO's lacked the detail necessary to evaluate even how much money they were receiving in EITC tax credits.
- Of the SO's that do file these documents, we found evidence of insufficient reporting.

The Bureau of Charitable Organizations maintains information on the 11,000 charities in Pennsylvania. It requires them to report on contributions, program, administrative and fundraising costs. For example, the Armstrong County Community Foundation, an SO, reported administrative spending of 7.5% of its expenditures in 2009. However, SOs affiliated with individual schools are exempt from registration requirements for the Bureau of Charitable Organizations. Of the 249 SOs listed by the Department of Revenue, KRC identified 117 that appear to be actual private schools.<sup>12</sup> Many remaining SOs may also service individual schools, relieving them of the obligation to report to the state, although they may be required to have a 990. Overall, we found only 32 SOs had filed Bureau of Charitable Organizations information. The 990 form does not allow a way to examine program finances. For many SOs that are tied to individual private schools, EITC funds are subsumed into larger categories of reporting. For example, the Drexel Neumann Academy appears on the list of Scholarship Organizations. The Academy also files a 990 indicating that it received \$829,000 in grants, \$257,000 in other program service revenue, and \$329,000 in tuition income. It is unclear if EITC funding is subsumed in "tuition" or some other category. We don't know how much EITC was received or how many children were funded by it. This isn't the fault of the school, which appears to have filled out the paperwork exactly as required. It is the fault of the system.

There were also cases where reports were filed but appeared to contain insufficient or troubling information. For example, the EITC requires that no more than 20 percent of spending be for administrative purposes. For the 32 organizations for which we found information, 12 report administrative spending over 20%. Some of this may be readily explained by bookkeeping errors. For example, Young Scholars Foundation reported \$9 in total income, and that 2,644 percent of that money was spent on administration. It is possible that, in some instances, the SO is functioning as a program of a larger organization and is subsumed in that larger reporting. In such cases high overall high administrative costs could be obscuring an SO program that is operating in compliance with the law. For example, this may explain the Shenango Valley Foundation's administrative costs of 27 percent. Or it may not. Either way, the net result is that there is no real reporting to the public of how its tax dollars are supporting private schools.

This lack of fiscal transparency is particularly concerning given that similar programs to the EITC in other states have had examples of misuses of public subsidies and financial improprieties. A journalistic investigation of Arizona's SO's, for example, found that officials "have used state income tax dollars to give themselves luxury cars, expensive real estate, jobs for relatives and friends, and extra cash hidden in the nonprofits' balance sheets."<sup>13</sup> Historical documentation of financial abuse with Medicaid payments to nursing homes—which are essentially vouchers for long-term care—provides additional reason to be wary (see Box on next two pages).

<sup>12</sup>Review of list found here <http://www.newpa.com/find-and-apply-for-funding/funding-and-program-finder/educational-improvement-tax-credit-program-eitc>

<sup>13</sup>[http://www.eastvalleytribune.com/special\\_reports/rigged\\_privilege/article\\_998414be-3db7-5501-ad5a-6c8a30d61440.html](http://www.eastvalleytribune.com/special_reports/rigged_privilege/article_998414be-3db7-5501-ad5a-6c8a30d61440.html)

### **Box. Lessons for Education from Taxpayer-Funded Vouchers for Nursing Home Care**

Proponents of taxpayer-funded school vouchers have a strong belief in “competition” and consumer choice as forces that will ensure quality outcomes. This faith is so strong that most Pennsylvania voucher proponents have so far taken the position that a new Pennsylvania voucher program won’t need additional educational or financial accountability provisions.

In evaluating the potential of school vouchers, and the need for educational and financial accountability, it may be helpful to consider another case in which U.S. taxpayers already pay for means-tested services using a taxpayer-funded voucher system—long-term care. The U.S. system of Medicaid vouchers for nursing home care launched in 1965 and currently pays for care delivered to 1.67 million recipients nationally.

Since nursing home care is a somewhat less complex service than education, consumer choice should work more powerfully to improve quality and ensure accountability than it would in K-12 schooling. In fact, our 46-year old experiment with vouchers for nursing home care drives home two key points: that competition and choice do not eliminate the need for financial and performance accountability; and, second, that competition is not the primary driver of performance improvement.<sup>1</sup>

Within the first 15 years after the establishment of the Medicaid voucher program for nursing home care, books with titles such as *Tender Loving Greed* and *Unloving Care* appeared nationally. These books documented widespread cases of financial and elder abuse. One reason that the market does not work to ensure quality in long-term care is that it is quite difficult for consumers to tell which providers are high in quality and which are not. It is also true—as with schooling—that the person receiving care may not be the person who chooses the provider and also may be unable to communicate effectively if quality is unsatisfactory. As the nursing home industry has evolved there has been a long battle to improve the quality of data available on providers—for example, through a nursing home report card which KRC recommended nearly 15 years ago. The industry has largely resisted efforts to mandate improvements in quality data available to consumers, as many proponents of school vouchers are now.

In the end two forces quite different than competition have been most critical to reducing financial and elder abuse in long-term care and also to improving the quality of care. The first is more stringent regulation. The Nursing Home Reform Act of 1987, signed by President Reagan, and enacted after a 1985 Institute of Medicine report documented neglect of seniors in many facilities. The Act introduced a system of nursing home inspections and sanctions for violations. The second force for positive change in nursing home care has been the emergence of “The Pioneer Network,” a group of committed administrators and professionals determined to spread loving life-affirming care-giving. Pennsylvania’s “Culture Change Coalition” (which KRC helped found in 2000) is part of the national professional movement for quality care. (Culture

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<sup>1</sup> These basic points are documented in Keystone Research Center’s 1997 report by Susan C. Eaton. See *Pennsylvania’s Nursing Homes: Promoting Quality Care and Quality Jobs* (Harrisburg: KRC, 1997), on line at <http://keystoneresearch.org/publications/research/pennsylvanias-nursing-homes-promoting-quality-care-and-quality-jobs>. Eaton’s research for KRC was the basis of a chapter of a major report to the U.S. Congress in 2001. See Susan C. Eaton, “What a Difference Management Makes!”, Chapter 5 in *Appropriateness of Minimum Nurse Staffing Ratios in Nursing Homes, Phase II Final Report* (Washington, DC: U.S. Department of Health and Human Services Report to Congress, December 2001).



Change is a term of art in long-term care for the switch from delivering custodial to life-enhancing care.)

The experiences of the nursing home industry indicate that if Pennsylvania scales up a large new school voucher program without adequate financial and educational accountability then we can predict—with a confidence rare in the social sciences—that within a decade we will have major documented examples of financial abuse and educational malpractice. Why not do right by children and taxpayers from the get go and establish much better accountability before we establish a large-scale voucher program?

Second, the analogy with the nursing home industry suggests that managerial and teacher professional commitment to quality service (or education) will be the most importance forces for improving school outcomes in K-12 education. Reinforcing that commitment and spreading effective practices are the best way to ensure a quality education for all Pennsylvania school children. One way to do that might be redeploying EITC tax credits from an unaccountable voucher program to a Pennsylvania “Race to the Top” initiative. Such an initiative could, for example, offers grants to school districts with compelling proposals for how to improve teacher mentoring and effectiveness in the classroom.

## Accountability and Results in Pennsylvania Public Schools

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The record of accountability and transparency for private schools and school tuition organizations stands in stark contrast to the record of accountability of Pennsylvania’s public schools. Each year, the public schools give state assessments, and they are held accountable for those results. The internal processes of the school system are subject to open records laws. There are requirements for regular financial reporting on revenues and expenditures.

Pennsylvania was recognized by the non-partisan Center on Education Policy as the only state in the nation making significant progress boosting achievement in all subjects and grade levels since 2002 (<http://www.cep-dc.org/>). The Center found that Pennsylvania’s public schools system was able to:

- Reduce the percentage of students performing at the lowest achievement level
- Increase the percent of students at the highest achievement level
- Increase the number of students who are on grade level or better.

Recently, the state’s own Department of Education found that Pennsylvania students have made gains in achievement in eight straight years. There are 290,000 more students on grade level in 2010 than there were in 2002. The percent of students who are scoring in the poorest level – “below basic” has been halved in 8 years. **Three quarters of Pennsylvania students are now on grade level based on 2009-10 PSSA results.**<sup>14</sup>

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<sup>14</sup> [http://www.portal.state.pa.us/portal/http://www.portal.state.pa.us:80/portal/server.pt/gateway/PTARGS\\_0\\_123531\\_917649\\_0\\_0\\_18/Student\\_Achievement\\_FF\\_2010.pdf](http://www.portal.state.pa.us/portal/http://www.portal.state.pa.us:80/portal/server.pt/gateway/PTARGS_0_123531_917649_0_0_18/Student_Achievement_FF_2010.pdf)

## Conclusion

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With the Pennsylvania legislature considering a new voucher program that could cost close to a billion dollars annually, both financial and educational accountability for funds of this scale are critical concerns. The natural starting point for ensuring accountability for these funds is the existing state program that distributes tax credits to students attending private and religious schools—the scholarship component of the Educational Improvement Tax Credit program.

Unfortunately, as this report documents, the existing accountability of the EITC program is wholly inadequate. Leaving aside the question of whether a large voucher program is good educational policy, we should not scale up vouchers without having a detailed plan for ensuring financial and educational accountability. On the financial front, we are setting Pennsylvania and our taxpayers up for significant misuse of state funds. On the education front, we are setting our students up for attending some schools that fail to deliver educational quality. Both of these outcomes are unacceptable.





# Appendix A

## The Impact of School Vouchers on Student Achievement: A Research Update

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In 1998 and 1999, Keystone Research Center released two reports surveying research on the track record of school vouchers with respect to student achievement.<sup>1</sup> (In this Appendix, all footnotes appear at the end.) The research available at that time on the impact of voucher programs came primarily from Milwaukee and Cleveland. This research found no strong evidence that vouchers improve student achievement.

Since the late 1990s, there has been surprisingly little additional research on the educational impact of vouchers. One reason for this is that advocates for vouchers have sometimes opposed the collection of data and commissioning of independent evaluations. The rest of this Appendix briefly summarizes the findings of research on the achievement impact of vouchers and of private schools more broadly.

### Milwaukee Voucher Program

- As noted in KRC's 1998 report, the first "five legislatively mandated evaluations of the Milwaukee program found no achievement gains for voucher students."
- As noted in KRC's 1999 report, 1995 legislation terminated the official evaluation of the Milwaukee voucher program. The program now enrolls 20,000 students and cost \$130 million in 2009.<sup>2</sup>
- As noted in KRC's 1998 report p. 15-21, Harvard University's Paul Peterson, a voucher advocate, and his team re-analyzed the state's Milwaukee voucher evaluation and found that by the third and fourth year of attending a private school, voucher users outperformed the public school control group in reading and math. The researchers' own tables showed a statistically significant result only in math and only in the fourth year. Moreover, their data showed that voucher students were a more advantaged group than the comparison students in public schools.<sup>3</sup>
- A second re-analysis of the state's Milwaukee voucher evaluation by Princeton University's Cecilia Rouse found no effect from vouchers in reading and a small effect in math for voucher students who had remained in the program over the four-year period.<sup>4</sup>
- A follow-up study by Rouse found that low-income students attending Milwaukee public schools served by a state class-size reduction and enrichment program significantly outperformed voucher students in reading and scored as well in math.<sup>5</sup>
- In 2007, a fresh evaluation of the Milwaukee voucher program began. The evaluation team includes: Patrick Wolf, Endowed Chair in School Choice at the University of Arkansas; Jay Greene, a former co-author of voucher advocate Paul Peterson's; and John Witte, the head of the earlier evaluation of the Milwaukee voucher program. After four years, the new Milwaukee evaluation program has found no achievement advantage for voucher students.

- The summary of the new Milwaukee evaluation team's fourth year reports concludes (p. 8): "...to this point we have observed no significant effects of the MPCP on the rates of student gains in reading and math achievement."<sup>6</sup>
- The Milwaukee evaluators did find that voucher students had a five- to seven-percentage point higher rate of college enrollment. One possible explanation for this is "peer effects." If existing students at voucher schools are more socio-economically advantaged than students at public schools that voucher recipients left (having higher income, parents with more education, higher rates of graduation and college attendance etc.), this can contribute to gains for voucher students.

### **Cleveland Voucher Program** (started in 1996)

- In 2007, the Cleveland voucher program enrolled over 6,000 students at a cost of \$18 million.<sup>7</sup> Most of the cost of the program has been funded by reducing funds to Cleveland public schools. In 2004, the cost to the district was \$11,901,887.<sup>8</sup> Ohio contracted with a team of researchers led by Kim Metcalf of Indiana University to evaluate the Cleveland voucher program. The first evaluation by this team, reported on in KRC's 1999 report (pp. 16-19), found no significant differences between third-grade voucher students and public school students.
- The most recent results on the Cleveland voucher program were released in October 2004.<sup>9</sup> In it, the Metcalf team found no achievement differences in five out of six subjects—and no difference in overall achievement—between voucher students who had attended private schools from kindergarten through grade 5 and the two public school comparison groups (one applied for vouchers but did not receive them, the second did not apply for vouchers).<sup>10</sup> This evaluation, moreover, did not control for family income differences between public and private school students; if private school students are more affluent, controlling for this would improve the relative performance of public schools.
- At the *beginning* of first grade, students who had entered the Cleveland voucher program as kindergartners had significantly higher achievement than the public school comparison groups. By the end of the first grade, the public school groups had closed the gap with students in private school.<sup>11</sup>
- Overall, students in the public school comparison groups made greater *gains* from first through fifth grade than the voucher students, even though the voucher students were less likely to be low income.<sup>12</sup>
- A 2006 evaluation by Clive Belfield found that there was no academic advantage for voucher users and no advantage for private school students. There was a small advantage in math for Cleveland public schools.<sup>13</sup>

### **Florida Voucher Program** (started in 1999; ruled unconstitutional by the state Supreme Court in 2006)

- Any student enrolled in a public school that was deemed "failing" for two of the prior four years was eligible for a private school voucher. The Florida Legislature never provided for an evaluation of the program.

- In 2001, a study by Jay Greene of the conservative Manhattan Institute found that the mere threat of losing students to vouchers caused public schools rated as failing in 1999 to improve.<sup>14</sup> To test Greene's claim, Doug Harris of the Economic Policy Institute analyzed achievement in Florida's schools before and after the threat of vouchers was introduced. There were no clear differences in the improvement of low-achieving (or other) schools pre- and post-vouchers, contradicting Greene's claim.<sup>15</sup>

### **District of Columbia Voucher Program** (enacted by Congress in 2004)

- This five-year, \$14 million voucher demonstration project was intended to target low-income students in schools most needing improvement. Congress provided for an evaluation of the program, beginning in its initial year (2004-05). The U.S. Department of Education awarded the evaluation contract to Westat, an independent firm, and Patrick Wolf, then at Georgetown and now Endowed Chair in School Choice at the University of Arkansas.
- Only 74 of 1,359 voucher lottery winners came from public schools that fit the "priority" category defined by Congress. How many of these 74 students were among the 1,013 students who actually gained admission to a private school is unknown.<sup>16</sup>
- Wolf's final analysis, after four years, found no difference in achievement between voucher and public school students overall, or for students from schools "in need of improvement."<sup>17</sup>

### **Ohio EdChoice Vouchers**

- Ohio's EdChoice program provides vouchers for up to 14,000 students in "chronically underperforming" public schools to attend a private school.<sup>18</sup>
- An early study by the Friedman (as in free-market economist "Milton") Foundation found "substantial beneficial effects on academic outcomes in public schools from EdChoice vouchers, and no harmful effects."<sup>19</sup> An independent review of the Friedman Foundation study found that the Friedman report failed to demonstrate any measurable effect in the majority of situations analyzed.<sup>20</sup>

### **Vouchers for Students with Disabilities**

- Florida's John M. McKay Scholarships for Students with Disabilities Program, started in 2001, is the largest state voucher programs for students with disabilities. It does not require student testing or public reporting of achievement data by private schools. Nor has the state provided for an evaluation. By 2009, about 21,000 students with disabilities received McKay vouchers at a cost of nearly \$139 million.
- An analysis by Education Sector notes that students do not have to take the annual state tests administered to public school students, and McKay schools are not required to report any information on student outcomes. The report concluded "Under the current structure of the program, taxpayers have almost no knowledge of how their money is being spent, and neither taxpayers nor parents have access to solid information about the performance of different McKay schools."<sup>21</sup> Sound familiar to observers of Pennsylvania's EITC program?

- A report released by the conservative Manhattan Institute concluded that outcomes for students in public school special education programs improved one to three percentiles with increased exposure to voucher opportunities.<sup>22</sup> An independent review criticized the Institute’s failure to analyze the academic progress of the voucher students themselves. The review also questioned how small numbers of students leaving public schools (an average of four per school) would encourage substantial changes in public schools.<sup>23</sup>
- Ohio’s autism voucher program also does not allow analysis of student outcomes. However, research by Policy Matters Ohio indicates that schools used selective admissions requirements and that students using vouchers came disproportionately from upper-income areas.<sup>24</sup>

### **Tax Credit Voucher Programs**

- As is the case in Pennsylvania, more students nationally currently receive vouchers under tax credit programs than under voucher programs paid for directly by state funds. While these programs are funded by diverting tax dollars, they are privately administered and there is very little research on their effectiveness—across the board, not just in Pennsylvania.
- The text of this KRC report notes that the most rigorous study of student achievement in such a program, David Figlio, of Northwestern University, found little difference between Florida voucher student performance and similar public school student performance, with that difference favoring public schools. He concludes “participants’ test score gains are in the same general ballpark, if on average modestly lower, as are those of comparison students in the public sector.”<sup>25</sup>
- The body of this report also notes the 2009 journalistic investigation of Arizona’s tax credit program, the oldest in the nation. This investigation found several improprieties, including that almost two-thirds of all voucher organizations kept more funds for overhead than allowed under state law. Most Arizona voucher organizations do not use poverty as a criterion for distributing funds.<sup>26</sup>

### **Voucher Programs in Other Countries**

- International studies also highlight that voucher programs provide limited, if any, benefits for needy students and can increase social and economic segregation among schools. Vouchers in Chile, for example, have had a negative effect on student achievement, while broadening the achievement gap between low-income and middle- and upper-income students.<sup>27</sup>

### **Privately Financed Voucher Programs**

- KRC’s 1999 report also reviewed the experience of private voucher programs. Among the studies of non-publicly funded voucher programs, a 2002 U.S. Government Accountability Office (GAO)<sup>28</sup> identified only three that were “rigorous enough to meet our criteria for inclusion.” These studies of programs in Washington, D.C.; Dayton, Ohio; and New York City all included Paul Peterson on the research team.<sup>29</sup>

- Both in their reports and in the press, the Peterson research teams claimed to find large achievement gains for African-American voucher students, but not for whites or Hispanics. The GAO review concurred that vouchers were ineffective for whites and Hispanics in all three cities; it also found that in Washington, D.C., and Dayton, there was no difference in the achievement of African-American voucher users and that of the public school comparison group either.<sup>30</sup>
- The GAO concluded that only the results of the New York City study were valid, showing achievement gains for low-income African-American students who used vouchers while in grades 1-4. In January 2003, however, Alan Krueger and Pei Zhu of Princeton published an analysis invalidating the New York study as well. Krueger and Zhu found, among other problems, that the Peterson team had excluded scores for about 40% of the students in the sample and had used a novel classification of student race. When the data were corrected, the Peterson team's "miracle" results for African-American voucher students in New York disappeared. "The safest conclusion," concluded Krueger and Zhu, "is probably that the provision of vouchers did not lower the scores of African-American students."<sup>31</sup>

### **Achievement Outcomes for Private vs. Public Schools**

Some voucher proponents believe that private schools are inherently better than public schools, in part because the marketplace competition ensures that. What does research tell us about the accuracy of this belief?

- Although the average student scores for private schools are higher than those for public schools, when the comparison is adjusted to account for student characteristics such as race and ethnicity, disability status, and identification as an English language learner, public school students perform as well as, and even better than private school students.
- Researchers at the University of Illinois analyzed the test scores of more than 340,000 4th and 8th grade students in 13,000 traditional public schools, charter schools, and private schools, on the 2003 National Assessment of Educational Progress (NAEP), commonly called "the nation's report card." They found that "demographic differences between students in public and private schools more than account for the relatively high raw scores of private schools... After controlling for these differences, the presumably advantageous 'private school effect' disappears, and even reverses in most cases."<sup>32</sup>
- An analysis of the same data done for the National Center for Education Statistics (NCES) found that, after adjusting for selected student characteristics, there was virtually no difference in the scores of public and private school students in grade-four reading and grade-eight mathematics. The adjusted school average was higher for public school students in grade-four mathematics and lower in grade-eight reading.<sup>33</sup>
- Analysis of two national data sets (the Education Longitudinal Study and the National Educational Longitudinal Study) found little difference between public and private high school student performance.<sup>34</sup>

- Harold Wenglinsky of Columbia University analyzed a sample of low-income students from inner city high schools using data from the National Educational Longitudinal Study of 1988-2000 and found:
  - Students attending independent private high schools, most types of parochial high schools, and public high schools of choice performed no better on achievement tests in math, reading, science, and history than their counterparts in traditional public high schools.
  - Students who had attended any type of private high school ended up no more likely to attend college than their counterparts at traditional public high schools.
- Private Catholic schools run by holy orders (such as Jesuit schools) do have some positive academic effects. There are very few such schools, however; most Catholic schools are run by their diocese, not by an order.<sup>35</sup>
- Here in Pennsylvania, 34 private schools had their students take the PSSA tests in 2009-10. These schools did not score as well, on average, as the traditional public schools. Among traditional public schools 77% of students taking the PSSAs scored at the advanced or proficient levels in Math, while 71.5% scored advanced or proficient in Reading. Among the private schools, 59% of students scored advanced or proficient in Math, while 60.4% did so in Reading. Since this was not a representative sample and has not been compared with public schools using statistical controls (e.g., for family and school socio-economic differences), the comparison does not prove anything about public vs. private schools. It does bolster the case that we can't simply assume that private are better than public schools. It also bolsters the case for building accountability and rigorous evaluation into the EITC scholarship program and any future voucher program.

### **Competitive Effects of School Vouchers**

Voucher proponents have theorized that voucher systems will create competitive pressure on public schools thus inducing them to improve the achievement of the students who remain. Like other voucher research, the studies of such competitive effects have been equivocal.<sup>36</sup>

- A review of 17 studies by Greg Forster of the Friedman Foundation maintains that voucher programs force public schools to compete and thereby improve their performance. Christopher Lubienski of the University of Illinois analyzed Forster's report and found that it "selectively reads the evidence in some of [the 17] studies, the majority of which were produced by voucher advocacy organizations."<sup>37</sup> Lubienski included a detailed description of Forster's misrepresentation of the results of a study of the Milwaukee voucher program.<sup>38</sup>
- One recent study of Florida's voucher program by David Figlio and Cassandra Hart of Northwestern University found very small (between one and two-hundredths of a standard deviation) increases in student test scores related to their various measures of private school competition. They also report results that these competitive effects increased for the first 5 years of the program, but then declined in the final year for which they had data.<sup>39</sup>



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