THE WAY OF THE FUTURE

Education Savings Accounts for Every American Family

Matthew **Ladner**, Ph.D.

OCTOBER **2012**

Friedman Foundation | *For Educational Choice*

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The Friedman Foundation for Educational Choice is a 501(c)(3) nonprofit and nonpartisan organization, solely dedicated to advancing Milton and Rose Friedman's vision of school choice for all children. First established as the Milton and Rose D. Friedman Foundation in 1996, the Foundation promotes school choice as the most effective and equitable way to improve the quality of K–12 education in America. The Friedman Foundation is dedicated to research, education, and outreach on the vital issues and implications related to school choice.

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Introduction

Education savings accounts are the way of the future. Under such accounts—managed by parents with state supervision to ensure accountability—parents can use their children's education funding to choose among public and private schools, online education programs, certified private tutors, community colleges, and even universities. Education savings accounts bring Milton Friedman's original school voucher idea into the 21st century.

Arizona lawmakers were the first to create such a program, called Empowerment Scholarship Accounts (ESAs). Through that program, the state of Arizona deposits 90 percent of the funds for a participating child into an account, which can cover multiple educational services through use-restricted debit cards. Parents can choose to use all of their funds on a single method—like private school tuition—or they can employ a customized strategy using multiple methods (e.g., online programs and community college classes). Critically, parents can save some of the money for future higher education expenses through a 529 college savings program. That feature creates an incentive for parents to judge all K-12 service providers not only on quality but also on cost.

A fully realized system of ESAs would create powerful incentives for innovation in schooling practices seeking better outcomes for lower costs. Also, the broader use of funds may help to immunize choice programs against court challenges in some states. Policymakers must fashion their system of accounts to provide reasonable state oversight, fraud prevention, academic transparency, and equity.

If Milton Friedman were alive today, he likely would agree that education savings accounts represent a critical refinement of his school voucher concept. Existing voucher programs create healthy competition between public and private schools, but ESAs can create a much deeper level of systemic improvement. ESAs would allow parents to build a customized education to match the individual needs of every child, thus transforming education for the better.

What are Education Savings Accounts?

Education savings accounts allow parents to withdraw their children from public district or charter schools and receive a deposit of public funds into government-authorized savings accounts with restricted, but multiple, uses. Those funds can cover private school tuition and fees, online learning programs, private tutoring, community college costs, and other higher education expenses.[1]

The Next Generation of School Choice

Providing parental choice through school vouchers has earned a proven record of accomplishment, including improved academic outcomes, stronger parental satisfaction, and higher high school graduation rates. Now an opportunity exists to build upon that impressive record by designing choice programs that will deepen the level of competition between education providers.

Parental choice supporters should transition their reform efforts to create a system of managed accounts that can be used to pay for multiple educational services, including private school tuition, online education, certified private tutors, community colleges, and higher education tuition. Parent-managed education savings accounts represent the next logical step to promote customized education for children with providers of all types competing both on quality and cost.

Milton Friedman launched what became the modern parental choice movement more than half a century ago. Milton and Rose D. Friedman later summarized their thinking on the subject:

> "We suggested that a way to separate (government) financing and (government) administration (of schools) is to give parents who choose to send their children to private schools a sum equal to the estimated cost of educating a child in a government school, provided that at least this sum was spent on

> education in an approved school.... The interjection of competition would do much to promote a healthy variety of schools."[2]

Friedman said that private school choice, or vouchers, would improve "the quality of the education available to children of all income and social classes." Today, the concept of parental choice has evolved to include not only vouchers but also tax-credit scholarships, magnet schools, charter schools, inter- and intra-district open enrollment, homeschooling, and online learning.

Friedman argued that the biggest winners under a voucher system would be those suffering most with the status quo. Competition and incentives work in every sector of the American economy. K-12 education is not "too important to leave to the market," as some parental choice critics claim. Rather, Friedman argued, it is too important to *divorce* from the market. Indeed, the competitive mechanisms for K-12 education reward success and either improve or eliminate failure.

Heeding the late Dr. Friedman's suggestion, Arizona lawmakers enacted a pilot education savings account program—Empowerment Scholarship Accounts (ESAs)—that created an important refinement to Friedman's original voucher concept. Rather than state-funded vouchers that parents can redeem only at schools, ESAs allow parents to choose among public schools, private schools, private tutors, community colleges, online education programs, and universities. Allowing parents to put unused funds into college savings plans is critical. The pages to follow explain just how important that feature will be in realizing the full potential of an educational choice program.

Relative to a voucher program, a system of parent-managed accounts may have constitutional advantages over school vouchers: The broader possible use of funds may help to immunize choice programs from court challenges under "Blaine Amendments" in some state constitutions.

Such a program also would encourage innovation and customization of K-12 education as parents would have the incentive to carefully balance quality and cost while seeking the best possible education for their child. American students desperately need schools that are more effective. With current and looming financial difficulties, out-of-control health care spending, and pension and entitlement issues, American taxpayers need less expensive schools. People often assume that education quality cannot improve while its costs are lowered, but such an exchange occurs on a regular basis in the private sector. Adopting a decentralized system of education funding in which service providers compete based on both quality and cost will provide powerful incentives for educators to deliver high-quality services at the lowest price possible. With the correct incentives, Americans can and will reinvent a largely moribund system of schooling into a much more vibrant system.

If Milton Friedman were still with us today, he likely would agree that education savings accounts represent an important refinement to his original voucher concept. All taxpayer dollars meant for the education of K-12 students should go directly into an account controlled by a parent or guardian before they decide how it is used best.

Monopoly and Unionization in American K-12 Schooling

Education savings accounts shift the way K-12 education in America is delivered. The way states organize public schools has encouraged skyrocketing costs for decades while millions of students fail to acquire the basic skills needed to succeed in life. In short, the productivity of American education has collapsed over the past four decades. The students who start with the least in life suffer the most under this status quo.

Americans primarily organize their publicly funded K-12 education efforts into local government districts. Boards of elected officials govern those districts, setting policies and hiring a superintendent to serve as the head of the bureaucratic infrastructure overseeing the schools. The district holds a monopoly on public schooling options within its geographic territory, and, likewise, each district school has an attendance

boundary in which it is the monopoly provider of public education. School district elections are often low-turnout affairs conducted with limited information available to voters, all too often outside of the standard election dates and even polling places. Low turnout in such elections is neither shocking nor accidental.

Collective bargaining and the unionization of educators also constitute a major feature of today's public education system. Stanford University's Terry Moe described the rise of the teachers' unions this way:

> "In the folklore of American Education, school boards are shining examples of local democracy. But folklore is folklore. During the early years of the twentieth century, school boards were often under the thumbs of party machines.... During the 1960s and 1970s, the balance of power in American education underwent another dramatic shift, generating a new brand of special interest politics that has been with us ever since—and that poses a serious challenge to democratic governance."

This transformation was brought about by the unionization of teachers.[3]

Moe summarized that power by noting that the teachers' unions have organized large groups at the local, state, and national levels. They have a huge source of guaranteed income, provide millions of dollars in campaign contributions, hire numerous lobbyists, and can field legions of people to engage in political campaign activity. "No other interest group can match such a formidable combination of weapons," Moe asserts. Writing in 2005, Moe noted that two separate studies of interest group strength ranked the education unions number one in 1999, and number two in 2002, behind only general business interests.

Exercising enormous influence in low-turnout, low-visibility school board elections often represents easy sport for the education unions. They also play a very large role in determining public school policy at the state and federal levels. It is not an exaggeration to say that the education policies pursued since the 1960s largely reflect the policy preferences of the teachers' unions.

What have the unions done with their political power? Above all else, they have increased public school spending and hiring. The average American public school student cost taxpayers $4,060 in 1970, but $9,391 in 2006 (adjusted for inflation). If schools today were as efficient as those in 1970 were, lawmakers could reduce total state spending and/or tax burdens by 25 percent.

Despite that stunning fact, the public remains largely unaware of the vast increase in spending, and thus consistently supports more spending, both in polls and at the ballot box. Despite the sizeable rise in per-pupil funding, much of the public continues to believe that lawmakers "underfund" public schools. "The pervasiveness of this assumption that schools are inadequately funded says more about the state of our public thought about education than anything else," Jay Greene wrote. "It is simultaneously the most widely held idea about education in America and the one that is most directly at odds with the available evidence."

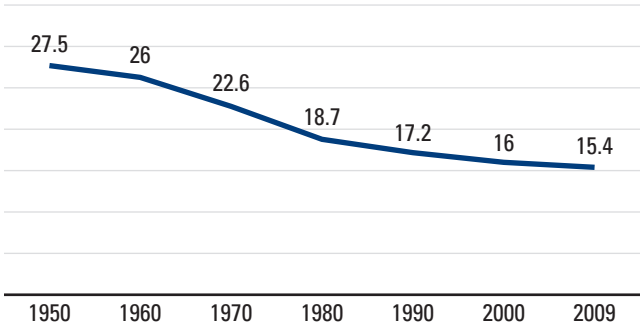
Of course, that increase would be tolerable if the quality of education grew accordingly. Sadly, that has not been the case. American high school seniors score poorly on international exams of academic achievement, and the most reliable longitudinal data (the National Assessment of Educational Progress) show largely flat scores since the early 1970s.

With spending up and achievement flat, America has suffered a collapse in the return on investment in K-12 education. There are actually beneficiaries of public education's inefficiencies, who cleverly have disguised more of the same (increased spending) as a cure for declining productivity. American schools suffer under a system of local government-run monopolies dominated by producers' interests.

The substantial decline in the productivity of spending in the public school system in recent decades represents a catastrophic policy failure. Figure 1 uses data from the National Center for Education Statistics to demonstrate the expansive hiring trend in K-12 education.

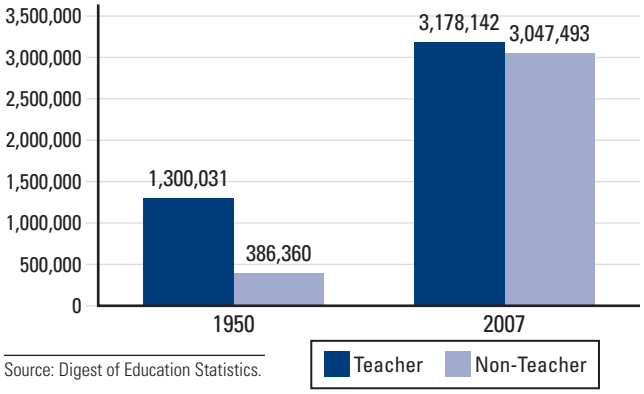
American public schools have increased substantially the size of the teaching workforce relative to the size

FIGURE 1 Pupils Per Teacher in the American Public School System, 1950-2007



Source: Digest of Education Statistics.

FIGURE 2 Teachers and Non-Teachers in the American Public School System, 1950 and 2007



Source: Digest of Education Statistics.

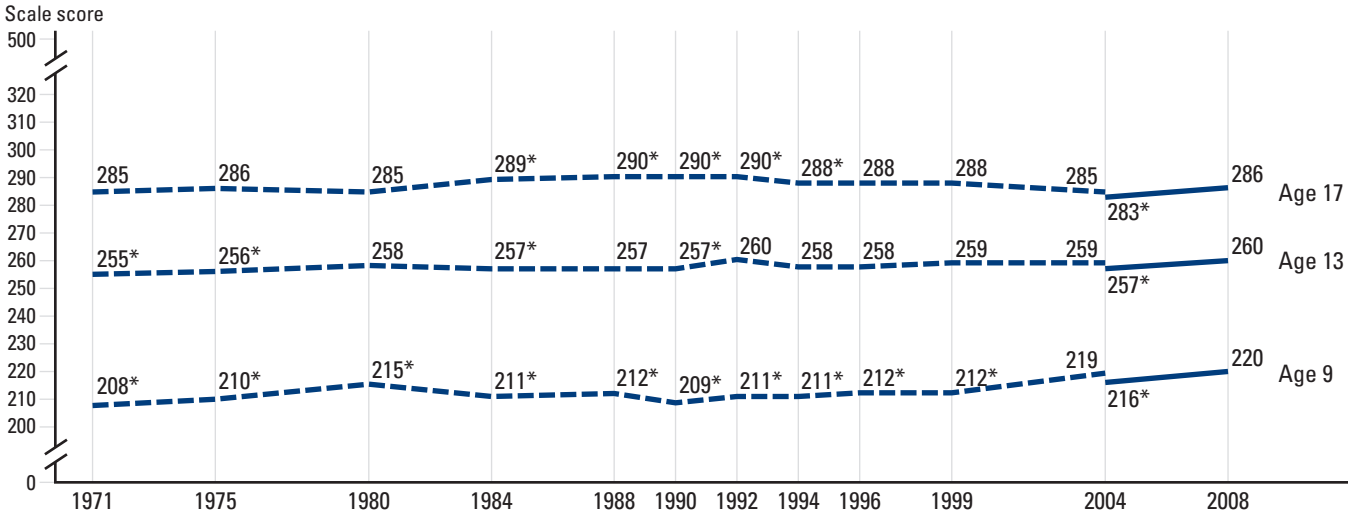
of the student body. Many tend to view a declining teacher-pupil ratio as a good thing in itself, but parents and taxpayers should view it as such only if it actually improves student learning. The same standard should apply to the hiring of non-teachers.

Figure 2 shows that the hiring of non-teachers has far outpaced the hiring of teachers in recent years, making this an even bigger issue in the increasing cost of American K-12 education.

The National Assessment of Educational Progress (NAEP) has collected math and reading achievement data on 9-, 13-, and 17-year-old students since the early 1970s. Known as the NAEP Long-Term Trend data, those tests represent the most highly respected K-12 education achievement data. Other data sources, such as SAT scores and state tests, suffer from a variety of problems in making academic performance comparisons across time or states.[4]

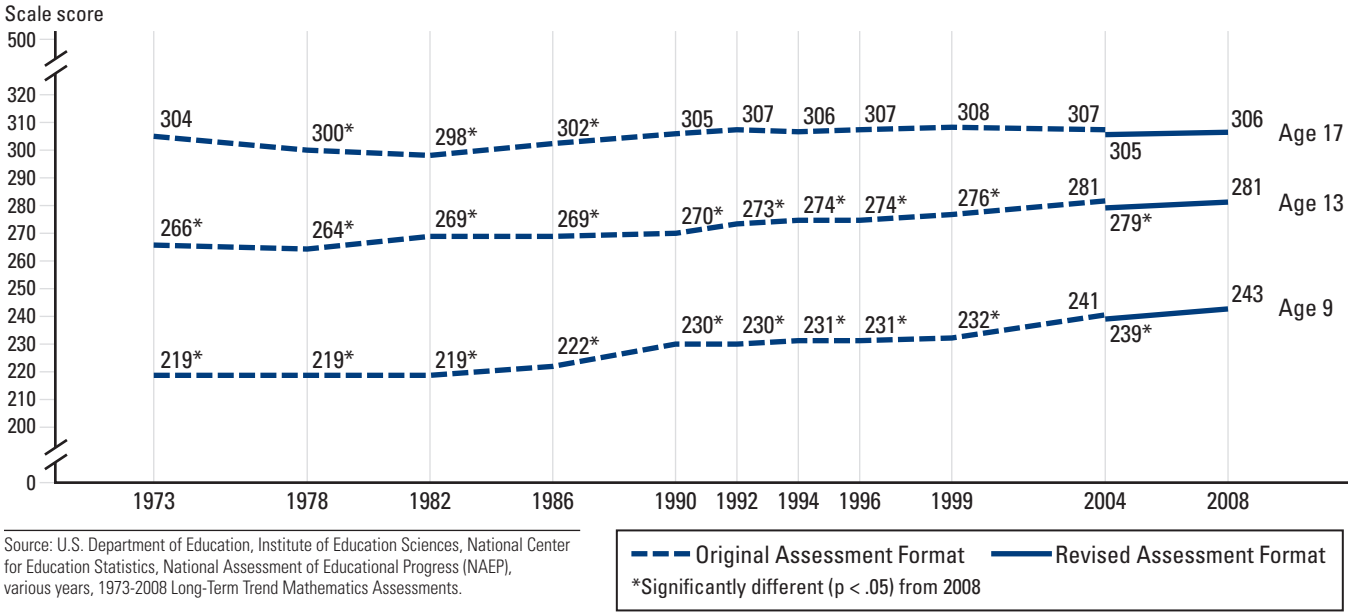
The most important group of students in Figure 3 is the 17-year-olds, as they are the closest to finished products of the K-12 system. Their average reading scale score increased by a single point on the 500-point exam between 1971 and 2008. The slightly larger improvements seen among 9- and 13-year-old students failed to persist to high school.

FIGURE 3 NAEP Long-Term Trend Reading Scores, 1971-2008



Source: U.S. Department of Education, Institute of Education Sciences, National Center for Education Statistics, National Assessment of Educational Progress (NAEP), various years, 1971-2008 Long-Term Trend Reading Assessments.

FIGURE 4 NAEP Long-Term Trend Mathematics Scores, 1971-2008



Source: U.S. Department of Education, Institute of Education Sciences, National Center for Education Statistics, National Assessment of Educational Progress (NAEP), various years, 1973-2008 Long-Term Trend Mathematics Assessments.

Figure 4 demonstrates the trend for mathematics achievement during the same period. Among 17-year-olds, math scores increased by just two points on a 500-point scale between 1971 and 2008. Those minimal gains came despite a vast increase in spending per pupil in the American schooling system, resulting from a tremendous increase in the hiring of adults in the public school system, particularly non-teachers.

A vast increase in costs without apparent academic benefits represents bad news about the American public school system—but not the worst.

American Achievement Gaps: A National Disgrace

Americans do not just suffer from high dropout rates and unacceptable racial achievement gaps: *We build them*. Every system, whether intentionally or not, is designed to achieve the results associated with it. The school system in the United States year after year produces extraordinary gaps in achievement based on race and income.

For example, national data show 12th-grade black and Hispanic students scoring middle school levels of achievement. International exams of academic achievement show disadvantaged American students scoring at levels comparable to Third World countries that spend only a fraction of America's average per pupil while facing far larger poverty challenges. The status quo in American education is unacceptable to the American notions of equal opportunity.

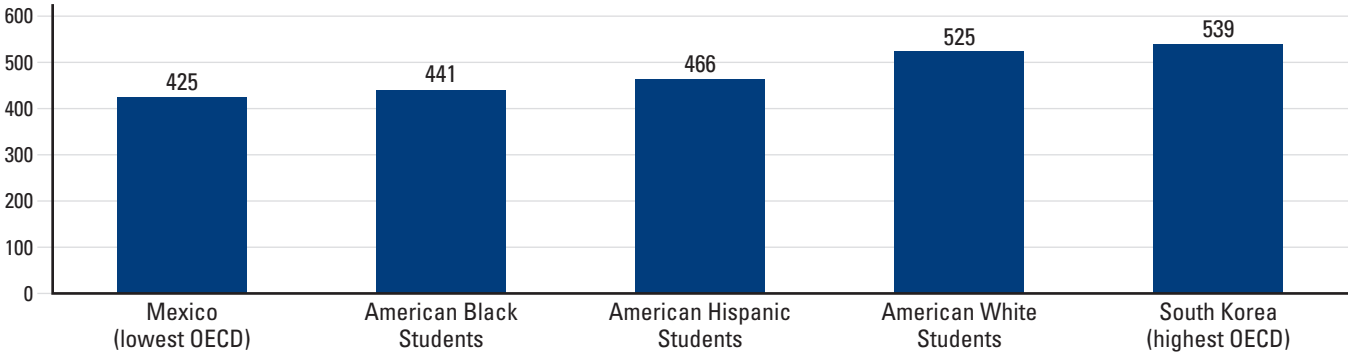
The Organization for Economic Cooperation and Development (OECD) gives exams (the Programme for International Student Assessment (PISA)) to measure student achievement in member nations. The 2009 PISA gave random student samples academic exams in participating nations. Seventy-four nations participated.

The PISA data in Figure 5 focus on 15-year-old students (10th graders in America) as this is often the minimum age of mandatory school attendance around the world. In short, those data are as close to a comparable finished academic product as possible when making international comparisons.

The United States Department of Education performed an additional analysis of the American data to break down America's results by racial/ethnic subgroups.

White American 15-year-old students score at an internationally competitive level. However, one can

FIGURE 5 American Racial/Ethnic Subgroup PISA Performance Relative to the Highest and Lowest Scoring Nations, 2009

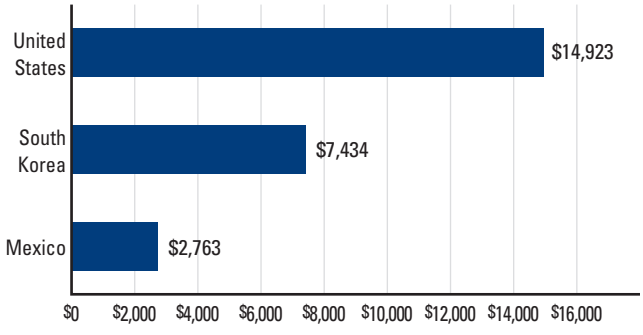


Source: Organisation for Economic Co-operation and Development (OECD), Programme for International Student Assessment (PISA) Results, 2009.

describe the results for black and Hispanic students only as catastrophic.

Mexico's schools may produce the lowest scores in the OECD, but on a point-produced per-dollar basis, they easily outperform American schools serving black and Hispanic students, despite having lower average family incomes. American black and Hispanic students literally score closer to the average score in Mexico than they do to the average score for American white students, much less Koreans.

FIGURE 6 Total Annual Expenditures Per Student by Educational Institutions from Primary through Tertiary Education, by Type of Services in 2008



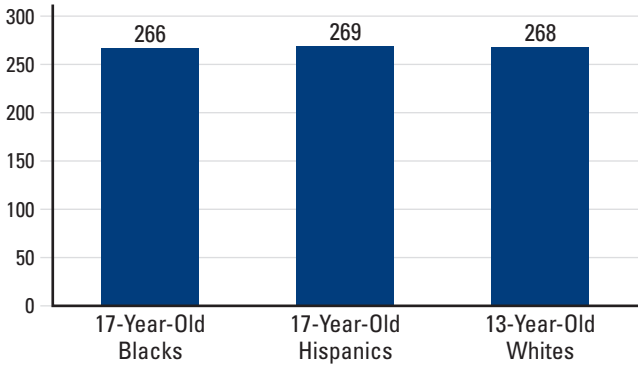
Source: OECD.

Researchers find the same achievement gaps in domestic testing data. Each year, millions of children, disproportionately low-income and minority children, fail to learn basic literacy skills in the developmentally critical grades. Rather than addressing those problems head on, standard practice involves simply promoting students to the next grade. Our collective failure to reform that shameful practice preserves a system of schooling that routinely gives the least to the students who start with the greatest needs.

Figure 7 utilizes data from the NAEP sample comparing the academic achievement of 13-year-old white students to 17-year-old black and Hispanic students. Professor Lawrence Stedman's lament about racial achievement gaps from the late 1990s is still true today. The level of academic achievement among low-income and minority students is a crisis and a source of enormous national shame.

The collective failure of schools and society to educate low-income and minority students has produced what McKinsey & Company describes as a "permanent national recession" in America.[5] Obviously, the economic impact of this failure falls primarily on the poor, but with consequences for everyone.

FIGURE 7 NAEP Reading Scores for 13-Year-Old White Students and 17-Year-Old Blacks and Hispanics



Source: National Assessment of Educational Progress (NAEP), Long Term Trend NAEP Results, 2008.

Education Stagnation Contrasts Sharply with Industrial Progress

Milton Friedman made an enormous effort to promote the understanding of the essential role of free exchange in progress and efficiency. Friedman spoke passionately about freedom as the driving force behind human progress and the alleviation of poverty:

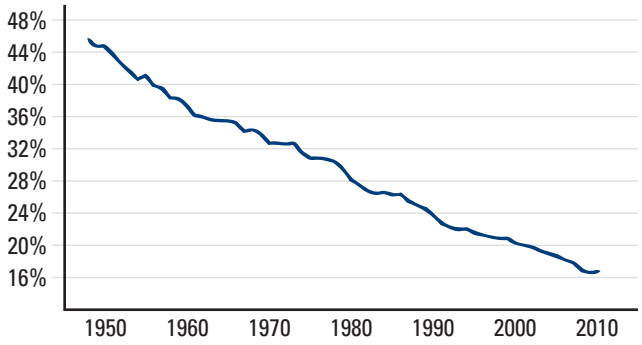
> "The great achievements of civilization have not come from government bureaus. Einstein didn't construct his theory under order from a bureaucrat. Henry Ford didn't revolutionize the automobile industry that way. In the only cases in which the masses have escaped from the kind of grinding poverty you're talking about, the only cases in recorded history, are where they have had capitalism and largely free trade.
>
> "If you want to know where the masses are worse off, worst off, it's exactly in the kinds of societies that depart from that. So that the record of history is absolutely crystal clear, that there is no alternative way so far discovered of improving the lot of the ordinary people that can hold a candle to the productive activities that are unleashed by the free-enterprise system."[6]

To illustrate that point, economist Mark J. Perry took a page out of a 1964 Sears catalog showing the image and price of a television set ($749). The Sears catalog boasted that the set was in color. Readers old enough to recall those sets will remember them as large wooden pieces of furniture holding the TV, which offered about 12 channels. Perry adjusted the cost of $749 in 1964, finding the cost to be the equivalent of $5,300 in 2010 dollars.

Perry posed the question as to what electronics one could buy today for the inflation-adjusted equivalent cost of a television set in 1964. For starters, you can buy a far superior flat-screen television set that is not only in color but also has a practically unlimited number of channels and a remote control. The consumer could purchase this television at a cost of $700 in 2010.

The remaining $4,600 would cover 16 other electronic products in addition to the vastly superior television, including a washer, dryer, refrigerator, a separate freezer, a microwave oven, an iPhone, a Global Positioning System, a digital camera, and a Blu-ray Disc player. Most of those products were unavailable at any price in 1964, but today they are not only available, they are getting less expensive to buy.[7]

FIGURE 8 Food, Cars, Clothing, and Household Furnishings Share of Personal Consumption Expenditures, 1948-2010



Sources: Bureau of Economic Analysis, Mark J. Perry.

The phenomenon of products and services improving in quality and cost exists outside of electronics. Citing Bureau of Economic Analysis figures, Perry notes that the percentage of personal consumption expenditures going to buy food, cars, clothing, and household furnishings has dropped to about 16 percent in 2010, from about 45 percent in 1950, as shown in Figure 8.[8]

The progress of the economy in producing improved goods and services at lower costs often happens at a steady but imperceptible pace. Betamax shifted to VCR before yielding to DVR. In other instances, such as the disruption of the music industry by file sharing and iTunes, it comes with an unmistakable rush of rapid transformation. Whether steady or sudden, progress in terms of cost and quality represents a defining characteristic of modern life. America's 19th century factory model of schooling run by heavily unionized local government monopolies has failed to keep pace. School voucher and charter school programs have achieved effectiveness and efficiency gains in the provision of education services by producing better outcomes at lower costs. Policymakers can achieve

further gains in effectiveness and efficiency by allowing parents to choose among additional education service providers—online programs, community colleges, and private tutors—and having them compete on quality and cost.

The Prototype: Arizona's Empowerment Scholarship Account Program

Arizona lawmakers established Empowerment Scholarship Accounts (ESA) originally for students with disabilities attending public schools. In 2012, lawmakers expanded eligibility to include students attending public schools and school districts graded D or F, kids having gone through the state foster care system, and the children of activity duty military members. They can participate in the program starting in the fall of 2013.

The Arizona-based Goldwater Institute estimated 11,500 school-age children of active military members and more than 94,000 students in public schools or school districts graded D or F by the state will be ESA-eligible. Currently, 125,000 students with special needs qualify for ESAs. Collectively, this eligibility pool represents more than 20 percent of Arizona's student population.

The law specifies that the parent or guardian of the eligible child must sign an agreement with the state to provide an education that includes reading, grammar, mathematics, social studies, and science. By signing the agreement, the parent agrees not to enroll their child in a district or charter school for the following year, and releases the school district of residence from any obligation to educate the participating child.

In return, the state of Arizona deposits 90 percent of state funding that would have otherwise gone to the child's public school into the ESA. Parents access those funds with a debit card, and the statute specifies the allowable use of the accounts. Parents may use the funds in their children's Empowerment Scholarship Accounts for the following purposes:

- tuition or fees at a private school
- textbooks
- educational therapies or services from a licensed or accredited practitioner
- curriculum
- tuition or fees for a non-public online learning program
- fees for a standardized norm-referenced achievement exam
- fees for an Advanced Placement examination
- fees for a college or university admission exam
- tuition or fees at an eligible post-secondary institution
- contributions to a qualified 529 college tuition program
- management fees from financial institutions selected by the Arizona Department of Education to oversee the accounts

The Arizona Treasurer's office and the Arizona Department of Education oversee the program. The law provides for random audits of accounts, and the Department of Education may remove a family from participation for a serious misuse of funds, subject to appeal. In cases of suspected fraud, the Department of Education is empowered to refer cases to the Arizona Attorney General's office for investigation and possible prosecution.

The law represents a liberal system of state-assisted education to stand beside the state-run system. Arizona lawmakers designed ESAs as an opt-out of the public school system. State taxpayers enjoy a variety of benefits from the agreement with parents, including a direct savings. Possible other benefits to program growth include relieving public school overcrowding and increasing the resources available to school districts per pupil. School districts retain their local funding even when they lose a student to the program.

Arizona's Empowerment Scholarship Accounts remain new, small, and under legal assault. The Goldwater Institute expects 400 students with special needs to participate in the second year of the program, before the expansion of eligibility in 2013. However, it

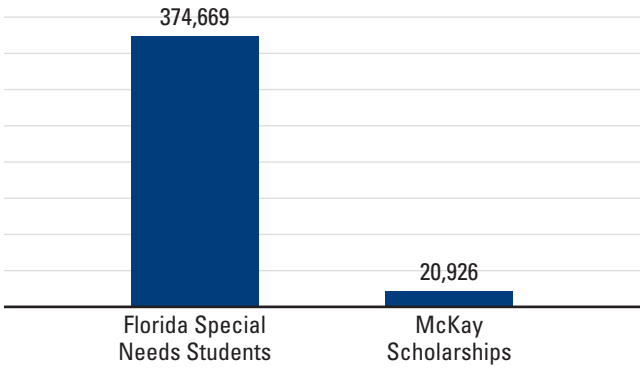
is not critical that hundreds of thousands of students directly participate for the program to be successful, as Florida's McKay Scholarship Program for students with special needs has proved.

Stagnation to Innovation in the State of Florida

Arizona's limited Empowerment Scholarship Accounts should be viewed as a path-breaking pilot program and studied closely. However, parental choice supporters should strive for a system that puts all education subsidies into ESAs controlled by parents or guardians rather than sending it to districts or schools. Experience with broad choice mechanisms indicates that such a system would radically improve public education.

District schools competing for students under a system of education savings accounts would start with substantial advantages, not the least of which would be large facilities provided by taxpayers built in areas with a need for schools. The experience with school vouchers reveals the apocalyptic scenario of students leaving public schools en masse as nothing more than a scare tactic meant to maintain the status quo, as Florida has proved.

FIGURE 9 Florida Students with Special Needs and McKay Scholarship Students, 2009-2010



Source: National Center for Education Statistics (NCES), Common Core of Data (CCD). Florida Department of Education.

Since 2001, all students with special needs attending Florida public schools have had the option of attending a public or private school of their choice. A decade into full parental choice for Florida's students with special needs, just more than 5 percent of eligible students make direct use of the program.

The broader uses afforded under education savings accounts might accelerate the pace a bit. Even so, the tales of harm done to public education have been highly exaggerated. Despite full parental choice for these students, Florida's districts have as many students with special needs enrolled today as they did in 1999 when the McKay program first passed (342,183 students in 1999; 374,669 students in 2010).

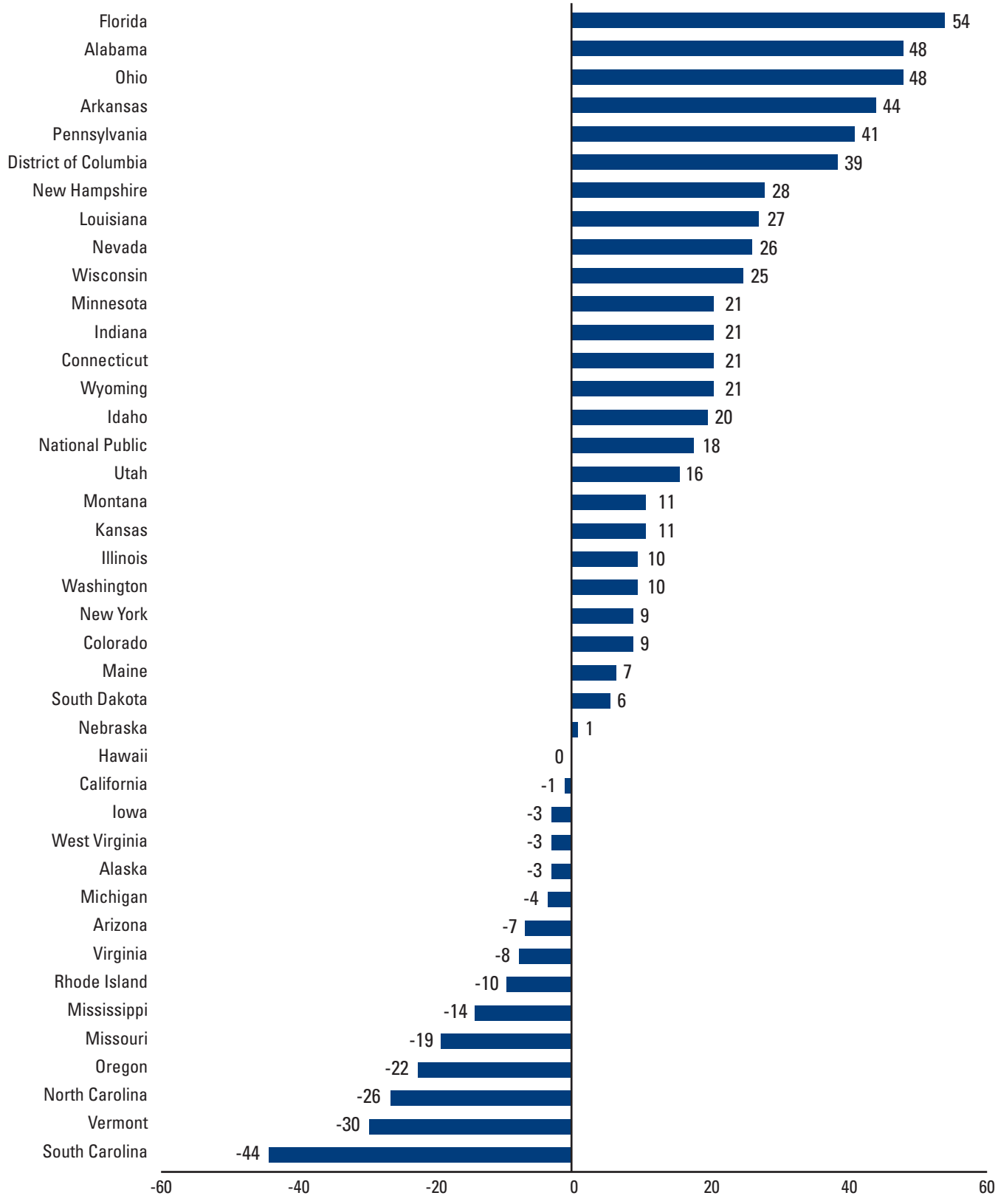
As a result, however, some ask whether a program with a 5 percent participation rate can make a difference in outcomes. The evidence clearly indicates that it has benefits for both for participants and non-participants.

A survey of McKay Scholarship Program parents conducted by the Manhattan Institute found 92.7 percent of current McKay participants are satisfied or very satisfied with their McKay schools, whereas only 32.7 percent were satisfied similarly with their previous public schools. McKay parents found that their children's class sizes dropped dramatically, from an average of 25.1 students per class in public schools to 12.8 students per class in McKay schools. McKay program parents also reported high levels of academic satisfaction: 90 percent of parents in the program said they were satisfied with their children's academic progress in the private schools; only 17 percent had been satisfied similarly in their previous public schools.

In their public schools, 46.8 percent of disabled students were bothered often and 24.7 percent suffered physical assault, whereas in McKay, only 5.3 percent were bothered often and 6.0 percent suffered assault.

Perhaps most telling of all, more than 90 percent of parents who had withdrawn their children from the program, either because the private school did not work for their kids or the family moved, believe it should continue to be available to those who wish to use it.[9]

FIGURE 10 Combined Math and Reading NAEP Gains for Students with Special Needs, 2003-2011



Source: National Assessment of Educational Progress (NAEP), Main NAEP Results, 2003-2011. Author's calculations.

If McKay has done any harm to the performance of students with special needs remaining in public schools, it is not apparent in the testing data. Figure 10 presents the combined NAEP data gains on fourth- and eighth-grade Mathematics and Reading tests for the entire period of universal state participation. Florida leads all states meeting minimum reporting requirements for students with special needs.[10] Florida's disabled students were scoring more than a grade level higher than their peers in 2003 on each NAEP subject.

A Manhattan Institute study indicates that parental choice contributed to that progress. The authors measured the impact of the program by examining variation in the number of private schools participating in the McKay program in the proximity of district schools. The study found a statistically significant and positive relationship between greater private school participation and the learning gains of public school students requiring special education.[11] Other initiatives doubtlessly contributed to those gains, but the evidence shows that the McKay program did as well.

Students with special needs, in other words, did not need to utilize McKay scholarships to benefit from the program.

Because education savings accounts allow additional schooling options and the possibility of saving for future college expenses, ESAs might reach higher participation levels than McKay. That will provide an even stronger incentive to improve the quality of public education than McKay provided for special needs children in Florida public schools.

American students need all the help they can get as fast as they can get it. Public schools will transform themselves positively in the process. Milton Friedman clearly understood that in the 1950s, long before the collapse in the productivity of American education. Parents need a market for K-12 schools. The market mechanism rewards success and either improves or eliminates failure. That has been sorely lacking in the past, and will be increasingly beneficial in the future. The biggest winners will be those suffering most under the status quo.

New technologies and practices, self-paced instruction, and data-based merit pay for instructors may hold enormous promise. A market system will embrace and replicate working reforms and discard those that do not produce. A top-down political system has failed to perform that task. Where bureaucrats and politicians have failed, a market of parents pursuing the interests of their children will succeed in driving progress.

How Education Savings Accounts will Encourage New School Models

Recent technological innovations have altered long-standing bedrock assumptions underlying our schooling system. Although the vast majority of American schools continue under what still essentially represents a 19th century factory model of schooling, innovators have been testing new schools and education models that, to varying degrees, substitute technology for labor in the education process. No one can predict with confidence just how much difference and variety we will see in American schools 50 years from now. However, we can be certain that when providers compete on both quality and price, a system of schools tailored to meet individual needs more effectively and efficiently will rise. That requires a decentralized system of voluntary exchange between parents and education service providers.

Matt Ridley's "The Rational Optimist: How Prosperity Evolves" follows the premise that voluntary exchange is the driving force behind human improvement and has been since the dawn of prehistory. Ridley indirectly, but forcefully, imparts a sense of just how short a single human life is when compared to vast human history covering thousands of years. Innovators develop new ways of doing things over a course of multiple lifetimes and across centuries. People today thoughtlessly enjoy the benefits of innumerable innovations developed by people long since forgotten.[12]

Change in the system is underway, and likely to accelerate, but it will continue to follow a pace slow to many eyes though rapid when put into historical

perspective. The architects of the American public education system took decades to build the system. Reformers will not revamp it overnight. Just what the American education system will look like 100 years from now is impossible to say with confidence other than it will be different. Forecasting continued growth among school choice mechanisms is a given, with the pace of change only in doubt.

More profound change now seems inevitable as innovators make greater use of technology in the education field. The scarcity of knowledge has been one of the fundamental assumptions of any schooling system for thousands of years. It led us to train specialists to impart that knowledge in classrooms and administrators to run schools. That model stretches back to Socrates, if not earlier.

Knowledge, however, is no longer as scarce. Anyone with internet access can go to a website and watch all the lectures provided by the faculty of the Massachusetts Institute for Technology. One of MIT's graduates, a former hedge fund manager who holds multiple MIT degrees and an MBA from Harvard, has developed a website with thousands of math, science, economics, finance, and history video lessons available *for free*. Salman Khan, the developer of the website, intends to build tens of thousands of lessons and provide the "first free, world-class virtual school" accessible to anyone with internet access at any time.[13]

A number of education innovators have begun to experiment in earnest with "blended learning" school models that mix technology with personalized instruction. A number of district schools have made use of such tools as Khan Academy to "flip the classroom" by assigning the (online) lecture material as homework, reserving class time for solving problems, collaborative projects, and other value-adding activities. A plethora of school models have arisen, mostly in the charter school sector, varying in approach but each seeking to find a productive blend of technology and in-person instruction.[14]

In 2012, a pair of Stanford University professors put a graduate level computer science seminar online and made it possible for anyone on the planet to take the course, free of charge. Students from countries around the world, other than North Korea, took the course. The class involved not just recorded lecturers over the internet, but also reading assignments, message board discussion groups, and tests. The class covered a complex subject—artificial intelligence—at a level demanding substantial mathematics proficiency in probability and linear algebra.

Some 160,000 people enrolled in the course, and more than 23,000 completed the final exam. The top 410 performers took the class online, with the first of the 200 in-person Stanford students ranking 411.[15] "In-person" Stanford students quickly became a misnomer, however, as 85 percent of the paying Stanford students stopped attending class. Stanford students explained that they preferred the material on video because they could pause, rewind, and review material.[16]

"Massive open online courses" have sent shockwaves through higher education, but they also have tremendous implications for K-12 schools. As the fundamental assumptions of the education system morph, so must the policy proposals of reformers. Policymakers must take care not to stifle innovation, and should encourage school leaders to improve the quality of the service provided at a lower cost.

The best, perhaps only, way to seek those goals while providing public funding involves alternative uses for funds. Parents must become discriminating consumers of quality and cost. The goal should be a customized education best meeting the individual needs of a child.

Charter school and voucher mechanisms have provided a much stronger value to taxpayers in the form of better results for less money. The Milwaukee Parental Choice Program (MPCP), for instance, produces stronger learning gains and substantially higher graduation rates for about half the money provided to the Milwaukee school district. As policy innovations go, MPCP constitutes a radical success.

We should not expect, nor have we found it to be the case, that we would find a continuous cycle of radical

cost improvements in charter or voucher schools. Such schools tie their cost structures to the amount of assistance provided, and in some instances have begun to lobby or even sue for more taxpayer money.

Parents should be the primary customers for education providers. When parents have full control over the education funds of their children, we will provide truly powerful incentives for education service providers to create maximum value. With alternative uses of funds for students, education service providers will compete fiercely to create efficient and effective learning communities.

Although it is impossible to predict the variety of education offerings that would unfold from a fully realized ESA system, we can be certain that matters would improve substantially. Providers will have powerful incentives to compete on the basis of both quality and cost.

Lawmakers have designed existing voucher and tax-credit scholarship laws to help enable voluntary transfers of students to a largely pre-existing stock of private schools. As wonderful as those programs have proved to be, we can expect only a gradual expansion of private school space to accompany the stronger programs.

A fully realized ESA program will be all of this and more. Private schools will need to compete against other education delivery methods. Parents hoping to save for future college expenses will judge providers by both quality and cost. Providers therefore will have a powerful incentive to improve. Providing alternative uses for funds—such as college savings—will be vital to ensuring such success.

Financial Accountability and Academic Transparency in an ESA System

Lawmakers must build safeguards into an ESA system to ensure that parents use funds appropriately. Fortunately, Health Savings Accounts (HSAs), Food Stamps, and other such programs already have worked through similar problems to minimize fraud. Private financial firms typically oversee HSAs by approving transactions. Those firms earn a fee by approving appropriate uses of the accounts. They disallow individuals from using their HSA funds to purchase, say, poker chips in a casino. In addition, states have hired private financial firms to oversee state college savings accounts for fees amounting to 1 percent of funds under management or less.

The United States Department of Agriculture introduced the use of restricted-use debit cards for the Food Stamps program, which helped to reduce the rate of fraud to 1 percent from 3.8 percent of funds.[17] Prevention of fraud in any publicly funded program requires constant vigilance. Lawmakers can task private firms overseeing accounts to perform random audits and apply penalties, ranging from exclusion from the program to criminal prosecution, to both parents and vendors.

With regard to academic transparency, lawmakers must balance carefully the public's legitimate interest in the educational progress of the students and the independence of parents and educators. The idea behind an ESA program should be to give parents and students the maximum amount of freedom to customize an education to meet their own needs and goals. If centralized management and regulation over education were a path to high quality, the problems displayed in Figures 1, 2, 3, 4, 5, 6, and 7 would not exist.

The job of a private school, private tutor, or community college accepting funds from an ESA is decidedly not to teach the state K-12 academic standards. Rather, people should understand ESAs as an *opt-out* of the public school system, not as an extension of it into other delivery methods. The hope of an ESA system would be to allow a broad diversity of approaches. We should view dictating a single set of curriculum as a self-defeating anathema to such a project.

The public does have an interest in the academic progress of students in such a system nonetheless.

Requiring students to take a national norm-referenced exam would serve the needs of transparency in a fashion that does not dictate curriculum to providers or students.

Blaine Amendments and Education Savings Accounts

Education savings accounts have constitutionally meaningful differences with school vouchers. In some states, they may prove more durable to court challenge under state Blaine Amendments than a school voucher program. If it proves to be so, it will help to minimize the damage done during a dark and bigoted period of American history.

Blaine Amendments are found, in a variety of different forms, in 37 state constitutions and have their roots in religious intolerance and bigotry. Anti-Catholic groups forced Blaine Amendments upon a number of state constitutions during admission into the union. A wave of anti-Catholic hysteria gripped the nation during the late 19th century as large numbers of Irish, Italian, and Eastern Europeans immigrated to the United States. Nativists imagined the United States to be under assault from a "Catholic menace." Public schools included pervasive religious instruction in the 19th century, but a sadly large number of people wished to make that instruction "non-sectarian," which effectively meant "non-Catholic." Under that point of view, public funding for Protestant-dominated schools was fine, but any public funding to assist a family sending their child to a Catholic school was verboten.

Blaine Amendments preserved a Protestant monopoly on public education funds and thwarted the efforts of Catholics to equalize funding for students attending their schools. Having failed in an attempt to amend the United States Constitution, anti-Catholic forces concentrated their efforts on amending state constitutions to prohibit public assistance to Catholic school students. Anti-Catholic forces whose ranks included such unsavory groups as the Know-Nothings and the Ku Klux Klan pushed such amendments. Nativists reached the height of this illiberal folly by mandating public school attendance, making private school attendance illegal. Fortunately, the United States Supreme Court struck the law down.[18]

In a 2000 case, the U.S. Supreme Court noted the "shameful pedigree" of Blaine Amendments.[19] Florida, for example, adopted its version of Blaine in 1885 at a constitutional convention, which also banned interracial marriage and required segregated schools. In 1999, the Arizona Supreme Court ruled that it "would be hard pressed to divorce the amendment's language from the insidious discriminatory intent that prompted it."[20]

In 2007, the Institute for Justice published "School Choice and State Constitutions: A Guide to Designing School Choice Programs," which provided a summary of key findings from the 2002 Zelman v. Simmons-Harris decision by the United States Supreme Court. The high court found that voucher programs can operate under the United States Constitution so long as they do so with the following elements:

> "Religious neutrality—providing aid to a broad group of recipients identified without reference to religion, and offering a wide array of options, again without regard to religion.
>
> "True private choice—parents, not the government, choose the school, and the government itself does nothing to influence the choice of religious or non-religious options one way or the other."

A program with religious neutrality and true private choice passes muster with the United States Constitution because the court ruled that such programs aid families seeking a better education for their children rather than the schools they happen to choose.

The U.S. Supreme Court's reasoning is sound, and state supreme courts can and should follow it when deliberating over the suitability of school choice programs under state constitutions. State constitutional language varies, however, sometimes substantially, from the federal constitution. Moreover, the state supreme courts have no obligation to follow the precedent or logic of the United States Supreme Court

regarding their interpretation of state constitutions. In fact, the Arizona Supreme Court's decision to view the primary beneficiary issue differently under the Arizona Constitution led to the creation of Arizona's Empowerment Scholarship Accounts.

Arizona lawmakers passed a voucher program for students with special needs in 2006. Arizona's Constitution contains a Blaine Amendment that reads, "No tax shall be laid or appropriation of public money made in aid of any church, or private or sectarian school, or any public service corporation." The teachers' unions and others sued the voucher program, claiming it violated that provision of the Arizona Constitution. Arguments in the case boiled down to whether school vouchers represented aid to students or aid to schools.

During the oral arguments at the Arizona Supreme Court, justices quizzed attorneys on both sides regarding whether a theoretical program that provided cash assistance to parents of children with special needs would violate the Arizona Blaine Amendment. Arizona Supreme Court Justice Andrew D. Hurwitz questioned attorney Donald M. Peters, representing the teachers' unions, about what sort of program violates Arizona's Blaine Amendment, which the Court referred to as the "Aid Clause." The exchange is revealing:

> **Justice Hurwitz:** Do you agree that the state could pick this population of worthy parents and say to them "here's a grant for each of you for $2,500 to be used in pursuit of your children's education, spend it as you wish?"
>
> **Peters:** Yes.
>
> **Justice Hurwitz:** And if they spend it on a private or parochial school, or on public schools by transferring districts, that would be okay?
>
> **Peters:** Yes. I think the dividing line is how much the state constrains the choice.

Later during the arguments, the discussion returned to the theoretical program of providing cash assistance to parents, making matters even clearer:

> **Peters:** Under the Aid Clause, that funding is for the most part only going to be used to pay one of two prohibited recipients. So the choice is constrained to the point that the odds are overwhelming that it's going to go to a prohibited recipient.
>
> **Justice Hurwitz:** So then why wouldn't that make illegal the program I just described, where we said to each parent "here's money to use for your child's education?" Those who are going to public school would have no expenditure in any case.
>
> **Peters:** My assumption is that you can hire a tutor with it, you can do all kinds of things with that money other than paying a private or religious school.[21]

The Arizona Supreme Court ruled against the special needs voucher program 5-0. In so doing, however, they noted in the ruling:

> "The voucher programs appear to be a well-intentioned effort to assist two distinct student populations with special needs. But we are bound by our constitution. *There may well be ways of providing aid to these student populations without violating the constitution*. But, absent a constitutional amendment, because the Aid Clause does not permit appropriations of public money to private and sectarian schools, the voucher programs violate Article 9, Section 10 of the Arizona Constitution (emphasis added)."

The Arizona Supreme Court ruled that because the special needs voucher program had a single possible use, paying for private school tuition, that it violated the Blaine Amendment prohibition on aid to private or religious schools. The reader should take care to note two things: First, the court ought to have ruled that vouchers benefit students rather than schools. Second, that they chose not to do so, and, in that instance, they have the only votes that count in Arizona.

Arizona lawmakers therefore constructed a new parental choice program in 2011 whereby parents

of children with special needs had multiple uses for funds outside of private school attendance. In 2012, Arizona lawmakers expanded the eligibility pool of the program to include children attending public schools and districts graded D or F, children having been through the foster care system, and active duty military dependents. Those students will become eligible to participate in the program starting in the fall of 2013.

Notably, the same group of people who were willing to use Blaine Amendments to kill a scholarship program for children requiring special education predictably filed suit in an attempt to stop the Empowerment Scholarship Accounts. In the first round, in the Superior Court of Arizona Maricopa County, the defenders of the program won a complete victory. The ruling refers to the Blaine Amendment as the "Aid clause" and denotes the program by the bill that created it, Senate Bill 1533. The ruling notes:

> "The Court does not find that disbursement of scholarships under S.B.1533 violates the "Aid clause." Unlike the voucher program in Cain, under the S.B.1533 program, an account is created for the student where the parent can choose to fund various educational services and programs from more than one entity. The exercise of parental choice among education options makes the program constitutional. The monies are earmarked for a student's ducational needs as a parent may deem fit—not endorsed directly to a private institution in an all or nothing fashion. The student does not have to be enrolled in a private or religious school to make use of the monies."

The reader should note that the ESA program in Arizona is a jurisprudential work in progress. Choice opponents will continue to attempt to challenge the Arizona program in court. Choice advocates should judge as best they can whether an ESA program could be beneficial during a court challenge in their own state.

Blaine Amendments have different wordings from state to state, but a common theme involves a prohibition of aid to religious schools broadly similar to that found in the Arizona Constitution. For instance, a Blaine Amendment in the Alabama Constitution (Article XIV, § 263) reads:

> "No money raised for the support of the public schools shall be appropriated to or used for the support of any sectarian or denominational school."

The Delaware Constitution contains the following Blaine provision (Article X, § 3):

> "No portion of any fund now existing, or which may hereafter be appropriated, or raised by tax, for educational purposes, shall be appropriated to, or used by, or in aid of any sectarian, church or denominational school…."

The Blaine Amendment in the Illinois Constitution (Article X, § 3) reads:

> "Neither the General Assembly nor any county, city, town, township, school district, or other public corporation, shall ever make any appropriation or pay from any public fund whatever, anything in aid of any church or sectarian purpose, or to help support or sustain any school, academy, seminary, college, university, or other literary or scientific institution, controlled by any church or sectarian denomination whatever; nor shall any grant or donation of land, money, or other personal property ever be made by the State, or any such public corporation, to any church, or for any sectarian purpose."

Blaine Amendments come in various models and it is impossible to estimate how various courts might judge an ESA program vis-à-vis a voucher program. For now, this much is clear: It is unlikely that ESAs would ever be less constitutionally robust than vouchers. In certain instances, ESAs may prove more robust. Choice advocates will have to judge this issue on a specific case-by-case basis. Designing programs so that the aid has multiple uses and is clearly under the complete control of parents can only help or be neutral in a constitutional challenge.

Converting Special Needs Voucher Programs into ESAs

A number of states have existing voucher programs that lawmakers could convert into ESAs in order to broaden the possible uses of funds and allow parents the possibility of saving funds for college. Such a conversion would prove beneficial to all students, but would especially benefit students with special needs. Florida, Georgia, Louisiana, Ohio, Oklahoma, and Utah all have school voucher programs for children with disabilities. Students with special needs should receive the opportunity to utilize a variety of treatments and therapies under an ESA program.

Although private schools have long proved a wonderful schooling option for students with special needs, they should not be the only option. Project Forum at the National Association of State Directors of Special Education (NASDSE) published a study detailing reasons that technology-based learning could be especially helpful to children with disabilities. The advantages include:

- individualized program and pacing
- extensive opportunities for parental involvement
- extension of existing assistive technology for children with disabilities
- frequent and immediate feedback
- variety of presentation formats and personalized instruction
- more control over the learning environment (e.g., flexibility of time and space)[22]

A successful example of such a program comes from Rethink Autism, a company that has developed an online platform to deliver assessment tools, web-based teaching tutorials, hundreds of video images of teaching interactions, and teaching objectives. For a modest monthly fee, Rethink Autism allows parents to develop and use applied behavior analysis (ABA) for their children.[23]

Rethink Autism is an example of disruptive technology competing against non-consumption. Ideally, parents would have access to trained professionals to provide ABA. Access to such professionals, however, is expensive and geographically limited because those individuals are relatively few in number and generally clustered in large cities. Using programs like Rethink Autism may or may not be as good as face-to-face access to such professionals, but parents are deciding in growing numbers that it is much better than doing nothing. Clayton Christensen's research demonstrates that the "better than nothing" technologies often become "better than the original technology" over time.

ESAs can facilitate the access and even development of those types of innovations for students with special needs. Basic market incentives, whereby service providers seek to provide better products at lower costs, can serve the interests of our least advantaged students.[24]

Such expanded options should not be limited to disabled students. Choice advocates should study the Arizona experience carefully and then consider taking steps to expand the uses of pre-existing voucher and tax-credit scholarship programs. That conversion would require thoughtful legislation to alter the governance of the programs in question, whether a voucher program administered by a state agency or a tax-credit scholarship program administered by a nonprofit corporation. No small amount of care would need to go into the mechanisms to ensure a desirable degree of academic and financial transparency.

As a practical matter, however, the benefits of expanding the use of funds could be well worth the effort.

ESAs should be Universal and Reflect Equity Concerns

Means testing is an issue that has vexed the parental choice movement for decades. Milton Friedman supported universal vouchers, whereas a number of other prominent choice advocates have and continue to prefer vouchers for the poor. Education savings accounts create an opportunity to create a system universal in scope while radically improving equity.

An analogy to a policy area outside of education should make it clear why choice programs should be available to all. In 1935, the Social Security Act created two programs aimed at alleviating poverty. Social Security followed a social insurance model (everyone pays; everyone is eligible for benefits). The second, Aid to Families with Dependent Children (AFDC), assisted widows with orphaned children and employed a means test (only the poor could access it).

Whereas Social Security retains incredibly strong public support to this day, lawmakers abolished AFDC 16 years ago after shielding it from decades of public hostility.

The problems with either program are/were rather considerable. A discussion of them easily could consume a study of this length or more. Let us, however, deftly avoid the subject by simply noting that the current public school system in America follows much more closely to the social insurance model of Social Security than the welfare model of AFDC.

Middle- and high-income taxpayers pay school taxes and have children who require an education. Such parents would find it outrageous if someone asked them to pay taxes to support a system of schools, but with their children excluded from attending the schools. Some parents voluntarily choose to do this when they pay private school tuition, but even they probably would feel justifiable outrage concerning exclusion.

Moreover, middle- and high-income taxpayers not only pay school taxes, they usually pay a good deal *more* in school taxes than low-income taxpayers. Most Americans would find the notion of means-testing public schools absurd on its face. Anyone filing a bill to means test public schools, or to make middle- to high-income children ineligible to participate in charter schools, virtual learning, or anything of the sort, would quickly find themselves the object of ridicule.

The same principle applies to a choice program. Everyone pays for such aid to the program. Social Security could benefit from a number of reforms, but talk of switching it from a social insurance structure to a welfare model is quite rare. Most of the reform conversation around Social Security revolves around giving citizens more control over the funds, and that is exactly the direction that education savings accounts can take parents.

Improving Equity in a Choice-Based System

How should we address equity issues? First, we need to understand that the current system of public schooling contains systematic bias in favor high-income children. States have made efforts to equalize funding among districts; however, district averages often conceal school-level inequities. Far more critically, the bias in the system goes far deeper than money.

Career opportunities for many college-educated women have (thankfully) proliferated in recent decades while the attractiveness of teaching as a profession has stagnated. Low-starting pay, step increases, and summer vacations is not a package likely to attract many of the best and the brightest students into a profession these days.

Treating the limited supply of highly capable teachers poorly by doing nothing or next to nothing to recognize their accomplishments compounds the problem. Predictably, many of those people leave the profession, enter administration, or migrate to the leafy suburbs. Inner-city children get the very short end of the stick.

Having the federal government ineffectually throw Title I dollars at low-income districts is an inadequate response. NAEP shows that black and Hispanic students who reach 12th grade are there with an average level of academic achievement comparable to the average eighth-grade white student. If we were able to factor in dropouts, the numbers would look even worse. We desperately need more powerful policy interventions.

Fortunately, means testing is neither the only nor the best way to move to a more equitable funding system. Lawmakers can and should vary aid according to individual circumstances and special needs. Utah lawmakers pioneered that approach by passing a sliding-scale voucher with larger scholarships for lower-income children, youth with special needs, and

children in large families, while still making higher-income families eligible albeit with smaller scholarships.

Under an ESA system, lawmakers could make their own decisions regarding how much to weight student circumstances, using the public school's system of funding weights as a baseline. Factors such as being an English Language Learner or other disadvantages have varying additional funding sources attached to them in state funding formulas. Lawmakers should revisit those weights and revise them in an education savings account system. They may very well decide to factor attributes like poverty more heavily than current formulas by giving lower-income students meaningfully higher levels of subsidy.

In addition to revised weights, parents would have the opportunity to make better use of funds. Much of the current public school spending goes for activities and employees outside the classroom. Lawmakers could fashion an ESA system in a far more equitable way when compared to the status quo.

Conclusion: Securing the Blessings of Liberty for Our Posterity

The Economist recently reviewed 20 years of evidence regarding charter schools and concluded:

> "In rich countries, this generation of adults is not doing well by its children. They will have to pay off huge public-sector debts. They will be expected to foot colossal bills for their parents' pension and health costs. They will compete for jobs with people from emerging countries, many of whom have better education systems despite their lower incomes. The least this generation can do for its children is to try its best to improve its state schools. Giving them more independence can do that at no extra cost. Let there be more of it."[25]

Indeed, we can and should give school independence, but we should also give parents the freedom to seek the best possible education for their children. Moreover, parents and children should be able to make their own decisions about the best uses for their education dollars.

Nobel Prize-winning economist Milton Friedman proposed a system of school vouchers more than 50 years ago as a method for improving education outcomes and efficiency. Technological advances allow today's school choice advocates to design programs that replace state-funded vouchers redeemable at a school of a parent's choice with actual accounts parents can manage down to the last penny.

Through ESAs, parents can choose between a much wider gamut of instructional approaches, including private schools, private tutors, online educational programs, or higher education. This key design feature creates an incentive for parents to judge education service providers both on quality and cost—a unique and crucial trait in publicly financed K-12 education.

An ESA approach will create powerful incentives for education service providers to provide the largest possible bang for the education buck. The last decade has seen the advent of some very promising new school models with novel approaches to improving outcomes while lowering costs. Reversing decades of declining productivity in our education spending requires a robust policy response.

We have no idea what the typical American school will look like 100 years from now. We can predict with confidence, however, that the typical school will be far more productive if shaped by the desires of empowered parents. The financial difficulties that lie ahead hinted at by *The Economist* will mean that the United States requires a system of public schooling restructured to deliver more and cost less.

Giving control over the education of children to parents through education savings accounts will help achieve that goal. We must restructure and revitalize the American education system. We would be wise to let parents take the lead by seeking a customized education that best fits the needs of their children. In terms of improving our education system, the sky would be the limit.

Notes

1. Definition for education savings accounts was obtained from the Friedman Foundation for Educational Choice's website: www.edchoice.org.

2. Milton Friedman and Rose Friedman. "Founders' Letter." Available at the Friedman Foundation for Educational Choice's website: www.edchoice.org.

3. Terry Moe, "Teachers Unions and School Board Elections," in William Howell, ed., "Besieged: School Boards and the Future of Education Politics" (Washington, D.C.: Brookings Institution, 2005), 254 -255.

4. Scholastic Achievement Tests (SAT), for instance, rely upon a self-selected group of students, and average scores can vary along with the percentage of students taking the test. State achievement tests change over time and are difficult to compare from one state to the other.

5. McKinsey & Company, "The Economic Impact of the Achievement Gap in America's Schools," 2009. Available online: www.mckinsey.com.

6. Phil Donahue interview with Milton Friedman, 1979. Available online: www.youtube.com/watch?v=RWsx1X8PV_A.

7. Mark J. Perry, "The Magic and Miracle of the Marketplace: Christmas 1964 vs. 2011 - There's No Comparison," 2011. Available online: mjperry.blogspot.com/2011/12/magic-and-miracle-of-marketplace.html.

8. Mark J. Perry, "The Miracle of the U.S. Manufacturing Sector," 2011. Available online: mjperry.blogspot.com/2011/12/miracle-of-us-manufacturing-sector.html.

9. Jay P. Greene and Greg Forster, "Vouchers for Special Education Students: An Evaluation of Florida's McKay Scholarship Program," Manhattan Institute for Policy Research, Civic Report No. 38, 2003.

10. In 2011, the NAEP created standards for the inclusion of students in the NAEP sample for both its Math and Reading exams. NAEP's first standard holds that at least 95 percent of students randomly selected for NAEP testing should be included in the sample. The second NAEP standard holds that at least 85 percent of students with disabilities selected for testing should be included in the sample, and at least 85 percent of students in English Language Learners should be included. After promulgating those standards, NAEP included an appendix in both the Math and Reading reports identifying states that failed to meet the new inclusion standards. Delaware, Georgia, Kentucky, Massachusetts, Maryland, Oklahoma, New Jersey, New Mexico, North Dakota, Tennessee, and Texas all failed to meet NAEP inclusion standards on one or more exam, sometimes by wide margins. For example, Maryland only included 30 percent of students with disabilities selected for the 2011 NAEP fourth-grade Reading test and 31 percent of the eighth-grade Reading test. In order to ensure comparability, only states meeting the reporting standards are included for comparison.

11. Jay P. Greene and Marcus A. Winters, "The Effect of Special Education Vouchers on Public School Achievement: Evidence From Florida's McKay Scholarship Program," Manhattan Institute Civic Report Number 52, 2008.

12. Matthew Ridley, "The Rational Optimist: How Prosperity Evolves," (New York: Harper, 2010).

13. David Kaplan, "Bill Gates' Favorite Teacher," 2010. Available online: money.cnn.com/2010/08/23/technology/sal_khan_academy.fortune/index.htm.

14. For a description of various blended learning models, see Heather Staker, "The Rise of K-12 Blended Learning: Profiles of Emerging Models," 2011. Innosight Institute report available online: http://www.innosightinstitute.org/innosight/wp-content/uploads/2011/05/The-Rise-of-K-12-Blended-Learning.pdf.

15. William J. Bennett, "Is Sebastian Thrun's Udacity the future of higher education?" 2012. Available online: www.cnn.com/2012/07/05/opinion/bennett-udacity-education/index.html.

16. See Sebastian Thrun interview with Charlie Rose: www.youtube.com/watch?v=FzpCcJ8sXik.

17. General Accounting Office (GAO),"The Food Stamp Program: Payment Errors and Trafficking Have Declined despite Increased Program Participation," General Accounting Office, 2007. Available online: www.gao.gov/new.items/d07422t.pdf.

18. For an extensive discussion of the anti-Catholic origins of Blaine Amendments, see the U.S. Commission on Civil Rights, "The Blaine Amendments & Anti-Catholicism," 2007. Available online: www.usccr.gov/pubs/BlaineReport.pdf.

19. See Mitchell v. Helms, 530 U.S. 793, 828 (2000).

20. See the Arizona Supreme Court 1999 decision Kotterman vs. Killian, 36. Available online: www.supreme.state.az.us/opin/pdf1999/cv970412.pdf.

21. Archived video of the oral argument is available online: supremestateaz.granicus.com/MediaPlayer.php?view_id=2&clip_id=46 (accessed July 10, 2012).

22. Eve Müller, "Virtual K-12 Public School Programs and Students with Disabilities: Issues and Recommendations," Project Forum at National Association of State Directors of Special Education, July 2010. Available online: projectforum.org/docs/VirtualK-12PublicSchoolProgramsandSwD-IssuesandRecommendations.pdf (accessed October 17, 2011).

23. For more information on Rethink Autism, see: www.rethinkautism.com.

24. Matthew Ladner and Nick Dranias, "Education Savings Accounts: Giving Parents Control of Their Children's Education," 2011. Goldwater Institute report available online: www.goldwaterinstitute.org/article/5643.

25. "A 20-year lesson: Evidence from America and Britain shows that independence for schools works," Article in *The Economist*, July 7, 2012. Available online: www.economist.com/node/21558255.

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The author welcomes any and all questions related to methods and findings.

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