



School Vouchers and Charter Schools in Illinois

What is School Choice and Why is It Important?

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By Darren Lubotsky

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It is widely thought that public schools in the United States are not as good as they could or should be, especially schools attended by poor children. Children who attend public elementary or secondary schools generally must attend their neighborhood public school. Is the strong link between neighborhoods and schools part of the problem with the school system? This chapter discusses charter schools and voucher programs, two variants of “school choice” that potentially could improve the performance of public schools and educational options for children more generally.

Charter schools are public schools that are operated by groups other than the local school board and are generally exempt from most public school regulations. This independence allows charter schools to experiment and innovate in school curriculum and management, as well as provide education targeted to particular groups, such as high school drop-outs. Charter schools may provide better educational opportunities than traditional public schools and provide an option for parents who are not satisfied with the quality of their traditional local public school. Charter schools are already fairly common in Chicago, but are rare in the rest of the state. A key policy question is whether there should be more of these schools statewide and, if so, how the process for authorizing such schools should be changed.

School vouchers give financial support to parents who want to send their child to a school other than their local public school—effectively taking tuition dollars from the local public school and diverting it to the school where the child attends.

Voucher programs typically allow parents to use the voucher to pay tuition at private schools. There are only a few voucher programs operating around the country. A recent proposal to begin a limited program in Chicago recently failed by a narrow margin in the Illinois General Assembly.

What are Charter Schools?

Charter schools are elementary or secondary public schools that operate alongside traditional public schools. While traditional public schools are operated by a local school board, charter schools are operated by independent entities, such as non-profit organizations, for-profit organizations, community groups, or educators. A group that would like to open a charter school applies to the local school board or some other authorizing agency for permission—“a charter”—to operate a new public, non-profit, secular school within the local school district. The rules pertaining to charter schools are set at the state level, but most state rules share some basic characteristics in common. Charter schools cannot charge tuition, but instead receive pre-determined funding from the state or local school board based on student enrollment. Charter schools must accept any student from the district who wants to attend. If more students apply than space permits, students are selected by lottery. Charter schools are generally exempt from many state education laws and regulations. For example, charter schools in most states are not bound by collective bargaining agreements. In Illinois, like most states, charter school employees do have the right to unionize. All states require charter schools to participate in student assessments.

In Illinois, local school boards evaluate applications for charter schools and

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provide funding for approved schools. The level of funding is negotiated between the charter school and the school board as part of the charter, but must be between 75 percent and 125 percent of the school district's own per capita student tuition, multiplied by the number of students enrolled in the charter school.

There are two primary ways in which charter schools may improve educational opportunities for children. Most importantly, charter schools may be more effective than traditional public schools because their independence allows them to have a more innovative curriculum or management. Secondly, charter schools may emphasize different aspects of learning than traditional public schools. For example, the Prairie Crossing Charter School in Grayslake emphasizes learning through interaction with the natural environment. The curriculum at the Chicago Mathematics and Science Charter School emphasizes science, mathematics, and technology.

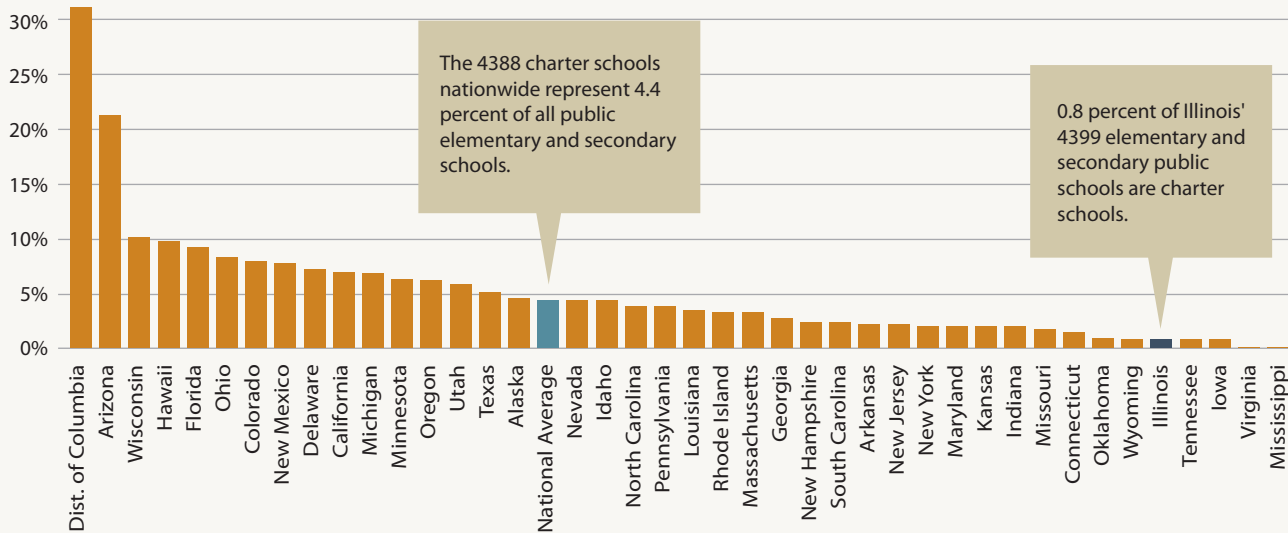
Charter schools generate spillovers to traditional public schools (and to private schools) because innovative practices spread from one school to another. In addition, competition for students between local charter schools and public schools could exert competitive pressures on both entities to improve their performance.

Who Attends Charter Schools?

Charter schools were first authorized in Illinois in 1996. There are 39 charter schools operating in Illinois; 30 of these are in Chicago. Nine of the charter schools in Chicago have multiple campuses and there are 71 separate charter school campuses throughout the city. As of the 2007-2008 school year, there were 4,399 elementary and secondary schools in the state. The 39 charter schools represent a very small 0.8 percent share of the total.

Compared to other states, charter schools are relatively rare in Illinois. Figure 1

Figure 1
Elementary and Secondary Charter Schools as a Percent of Total Public Schools by State, 2007–2008



Note: The ten states that do not have any charter schools are not listed. These states are Alabama, Kentucky, Maine, Montana, Nebraska, North Dakota, South Dakota, Vermont, Washington, and West Virginia.

Source: *Digest of Education Statistics*, 2009, Table 97, "Public elementary and secondary schools, by type and state or jurisdiction: 1990–91, 2000–01, and 2007–08," National Center for Education Statistics

Table 1

Characteristics of Elementary and Secondary Student in Illinois, by Charter School Status, 2008-2009

	Percent Charter Schools			Percent Traditional public schools		
	All of Illinois	In Chicago	Outside of Chicago	All of Illinois	In Chicago	Outside of Chicago
Boys	50.8	50.8	50.8	48.6	49.5	48.4
Girls	49.2	49.2	49.2	51.4	50.5	51.6
African-American	62.1	63.5	37.9	19.3	45.2	13.1
Hispanic	30.6	32.0	7.0	21.2	41.5	16.3
White (non-Hispanic)	5.7	3.2	49.0	55.1	9.4	66.0
Asian and other races	1.6	1.3	6.1	4.4	3.9	4.5
Total students	30,789	28,973	1,816	2,088,918	393,121	1,695,797
Fraction of charter school students/Fraction of traditional public school students	100	94.1	5.9	100	18.8	81.2

Source: National Center for Education Statistics, Common Core of Data, "Public Elementary/Secondary School Universe Survey," 2009-09 v.1b

compares the fraction of charter schools in each state to the total number of schools. Nationally, there are 4,388 charter schools, which is 4.4 percent of the total elementary and secondary schools in the country. Charter schools are most prevalent in the District of Columbia (31.6 percent of all schools) and Arizona (21.4 percent). They also make up a large share of schools in some of the largest states, such as Florida, Ohio, California, Wisconsin, Michigan, and Texas. Ten states do not have any charter schools.¹

Key demographic characteristics of children in charter schools and traditional public schools in Illinois are displayed in Table 1. These data refer to elementary and secondary school students during the 2008-2009 school year. Charter school enrollment in the state is low compared to the national average: 30,789 students attended a charter school, which represents 1.4 percent of the 2.1 million public school students in the state. By comparison, about 2.2 percent of public school students nationwide are enrolled in a charter school. Within the Chicago Public School system, 6.9 percent of children attend a charter school. These 28,973 children represent 94.1 percent of all charter school children in the state.

Charter schools in Illinois disproportionately enroll African-American students. For example, African-American children make up 63.5 percent of charter school enrollment in Chicago, compared to only 45.2 percent of traditional Chicago public schools. Outside of Chicago, African-American students make up 37.9 percent of charter school enrollment but only 13.1 percent of enrollment in traditional public schools. Finally, boys make up 50.8 percent of charter school enrollment, but only 48.6 percent of enrollment in traditional public schools.

What Does the Evidence Say About the Effectiveness of Charter Schools?

Unfortunately, available evidence does not provide clear or simple answers to the question of whether charter schools improve children's achievement. Some studies conclude that children's achievement is best served in charter schools; others find no causal effect of charter schools. The range of estimates is, in part, caused by the inherent difficulty in evaluating the performance of charter schools. First, charter schools themselves vary quite a bit in their mission and methods. This diversity is one of the attractions to many of having charter school options. But it also means

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¹ These states are Alabama, Kentucky, Maine, Montana, Nebraska, North Dakota, South Dakota, Vermont, Washington, and West Virginia.



that evaluating the performance of one school, or of all schools in a district or state, may not tell us much about the performance of other charter schools that employ different methods. Second, most charter schools enroll poor students or those who perform poorly in school. These students would likely perform below state or local average performance whether they went to a charter school or a traditional school. The highest quality evaluations seek to answer the counterfactual question: what would have been the test scores of charter school children if they had attended a traditional public school? One method to answer this question is to rely on the fact that if student demand for a school is larger than the number of available slots in the school, admission is based on a lottery. A comparison of the test scores of lottery winners (who enroll in the charter school) with the test scores of the lottery losers (who remain in their traditional, local public school) may provide a useful estimate of the causal effect of attending the charter school. Abdulkadiroglu et al. (2009) study lotteries in the Boston charter school system and conclude that charter schools raise achievement in both middle school and high school (they did not study charter elementary schools).² Hoxby and Murarka (2009) study lotteries within the New York City charter school system and also find positive effects among charter school students.³

Another credible method to answer the question is to obtain data on children and their test scores over several years and examine the *gain* in test scores among children in charter schools from one year to the next, compared to the *gain* in scores among children in traditional public schools. For example, Hanushek et al. (2007) study the charter school sector in Texas and find no difference in the effect of charter and traditional schools on growth rates of students' reading and math test scores.⁴ Bifulco and Ladd (2006) find that students in North Carolina charter schools

do worse than their peers in traditional public schools.⁵ It is clear that the direction for future research should be to determine the source of these differences across (and the many other) studies. Is it methodological? Or, more likely, is it because some charter schools are, indeed, more effective than their traditional public school peers, while others are worse?

There is clear evidence of diversity in the effectiveness of charter schools even within individual studies. Some charter schools seem to noticeably improve children's reading and math achievement test scores, while other schools seem to have no effect or even negative effects on children's test scores. This heterogeneity is perhaps the most important issue to understand better. Hanushek et al. (2007) study the large charter school system in Texas and conclude:

As is the case with regular public schools, charter schools display considerable heterogeneity in terms of performance that is independent of their length of operation. In many respects, it is this heterogeneity that should be the focus of policy attention rather than the small difference in means of the two distributions. Finding ways to retain and expand the proportion of high performing schools and to eliminate or transform the bottom performers—whether charter schools or regular public schools—would yield an upward shift in average student performance and is likely to have a larger pay-off than policies that follow from considerations of just mean differences in the two distributions.

This diversity in the performance of charter schools is evident in studies that show no difference in average performance between charter and traditional schools (such as the Hanushek study of Texas charter schools) and in studies that conclude, on average, charter schools raise students' performance (such as Hoxby and Murarka's 2009 study of New York City charter schools).

² Abdulkadiroglu, Atila, Josh Angrist, Sarah Cohodes, Susan Dynarski, Jon Fullerton, Thomas Kane, and Parag Pathak (2009) "Informing the Debate: Comparing Boston's Charter, Pilot and Traditional Schools," Boston Foundation research report.

³ Hoxby, Caroline M. and Sonali Murarka (2009), "Charter Schools in New York City: Who Enrolls and How They Affect Their Students' Achievement," NBER Working Paper 14852 (April).

⁴ Hanushek, Erik A., John F. Kain, Steven G. Rivkin, and Gregory F. Branch (2007), "Charter School Quality and Parental Decision Making with School Choice," *Journal of Public Economics*, Volume 91, pp. 823-848.

⁵ Bifulco, Robert and Helen F. Ladd (2006), "The Impacts of Charter Schools on Student Achievement: Evidence from North Carolina," *Education Finance and Policy*, Volume 1, Number 1 (March), pp. 50-90.

A clear implication for policy is that more resources should be devoted to evaluating the factors that lead to a charter school's success. This is important for state and city boards of education so they can better identify and support successful charter schools. But it is also important for traditional public schools. One of the virtues of charter schools is that they can be mini-laboratories for education practices. When we learn about successful charter school practices, we also learn something about how to make traditional public schools better as well.

Policy Issue: How Can the Number of Charter Schools be Expanded?

It is clear from Table 1 that charter schools are relatively rare outside of Chicago. A natural question is how can the number of charter schools in the state be increased? The Illinois charter school law was amended in 2009 to increase the maximum number of charter schools allowed to operate from 60 to 120. This increase allowed for 70 charters in Chicago, five additional charters in Chicago for schools that re-enroll high school dropouts, and 45 charters outside of Chicago. Because there are only 39 charter schools operating now, this law allows for ample room for new schools to open. A key issue in managing expansion is ensuring that new schools are of high quality and are financially viable.

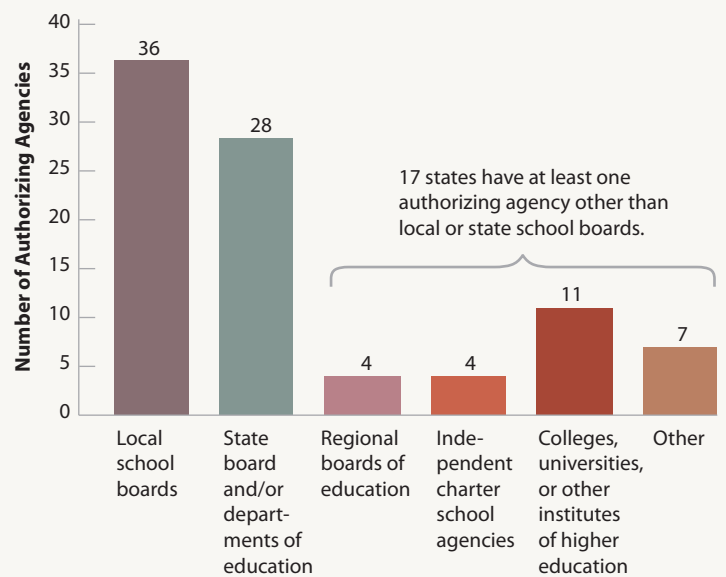
Currently, an applicant who wants to open a new charter school in Illinois submits an application to the local school board. The application includes a description of the educational program, how students will be assessed, a governance plan, and evidence that the financial terms of the charter are sound for both the district and the proposed school. The local school board either grants or denies the charter application, a decision that can be overruled by the Illinois State Board of Education (ISBE). According to data compiled by the Independent Charter School Authorizer

Task Force (a task force convened by the Illinois State Board of Education), 148 applications for a new school charter have been denied since 1996 (96 of these were in Chicago and 52 were outside of Chicago). Forty-two of these denials were appealed to the ISBE, but the board reversed only two.⁶

One key policy question is whether local school boards are equipped to judge these charter applications and whether they should be the only entity in the state (besides the State Board of Education) allowed to judge applications. Seventeen states allow entities other than local school boards or state boards of education to authorize a charter school. Figure 2 displays the range of authorizing agencies in the 40 states and District of Columbia that have charter schools. Generally, the "alternative authorizers" are independent charter school agencies or colleges and

⁶ See Illinois State Board of Education, Independent Charter School Authorizer Task Force, Final Report; March 23, 2010.

Figure 2
Prevalence of Charter School Authorizing Agencies, 2010



Data covers 39 states and the District of Columbia that have enacted charter school laws. See note to Figure 1 for the list of states without a charter school law.
Source: Education Commission of the States, "Who can approve charter schools?," October 2010



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universities within the state. The independent charter school agencies are groups specifically designed to evaluate and, in most cases, to help support charter schools. Institutions of higher education that authorize charter schools generally operate them as well, though this does not have to be the case.

The virtue of an alternative charter school authorizer is that applications can be evaluated by a group that has the required expertise and time, based on a consistent set of criteria. The current evaluation process arguably works well within the city of Chicago, where the Chicago Board of Education has a regularized process for evaluating applications, monitoring existing charter schools, and providing start-up funds and other resources for new schools. This resource-intensive process is difficult to replicate in smaller districts. An independent authorizer would allow other areas in the state access to a process that is somewhat similar to what occurs in Chicago currently.

The principle of local control is the motivation behind empowering local school boards to evaluate and authorize charter schools. School boards are appointed or elected to guide public education, including allocating tax revenue directed toward education, in a local area. Charter schools inherently divert resources away from traditional schools. Ceding control of local education to other entities that are in the state, but outside of the local school district, has two potential costs. The first is that the decisions about local resource allocation may not reflect the preferences of local residents. The second is that other entities may not have the knowledge and experience to make as informed a decision as a local school board.

What are School Vouchers?

Voucher advocates note that the government's commitment to provide education

does not necessarily require the government to operate schools. A school voucher program would give parents a voucher roughly equal to the per-pupil cost of public school that they could use toward tuition at any other public or private school (the program could be set up so that vouchers could not be used toward tuition at religious-based schools). Voucher programs and proposals come in two basic forms: a universal program in a city or state, in which all students and schools participate; or limited program that is only available to parents with incomes below some specified amount or whose children attend particular low-quality schools. In the fall of 2009, Illinois State Sen. James Meeks (D-Chicago) introduced a bill to create such a limited program that would give a voucher to students who attend the worst-performing 10 percent of elementary schools in Chicago. The bill passed the Illinois Senate and was narrowly defeated in the House. Because the issue is likely to be re-introduced at some point, it is worth understanding what effect vouchers could have on the education market.

The Chicago Public Schools' Open Enrollment program shares many features of vouchers: students in the CPS may go to their neighborhood school or apply to a spot at another public school that has open slots, a magnet school, charter school, or other type of school in the district. If more students apply than the school can accommodate, admission is decided by lottery. Some of the schools, such as Selective Enrollment high schools, admit based on past test scores and an entrance exam. The primary difference between a voucher program and the Chicago Open Enrollment program is that the voucher could be used at private schools or at schools outside of Chicago.

Education opportunities could be improved with vouchers through two basic mechanisms. The first is that they allow students to move from low-quality

schools to higher quality ones. While parents who are not satisfied with their local public school could send their child to any number of private schools, private school tuition renders this unfeasible for many poor parents. Middle- and upper-income parents may be more easily able to move to different neighborhoods with more effective public schools. This is more difficult for poor families because of the strong association between housing prices and the perceived quality of public schools. Second, by subjecting schools to competitive pressure to retain students, schools may face strong incentives to improve. For example, schools may improve by paying higher salaries to attract and retain the best teachers (breaking down the traditional system in which a teacher's pay is strictly tied to their education and experience, but not to any measure of their own performance) or by firing ineffective teachers.

The principal argument raised against vouchers is that they simply divert resources from public schools to private schools, without doing anything to improve the latter. This leaves students who remain in public schools worse off. Critics also worry that choice will disproportionately induce higher-ability students to attend private schools, or attend the highest quality public schools, isolating the worst-performing students in the lowest-quality public schools. Competition among schools may not induce schools to improve; schools could also compete by simply attempting to attract the highest-achieving students. Finally, for many, giv-

ing students publicly-funded vouchers for tuition at religious-based private schools crosses the line demarking religious and government activities.

Lessons from Illinois and Other States' Experiences

The limited available evidence about the effects of existing voucher programs is, perhaps not surprisingly, mixed and controversial. Unfortunately, there are few such programs and thus cases to study are somewhat rare. Voucher programs currently operate in Colorado; Washington, D.C.; Florida; Cleveland, Ohio; and Milwaukee, Wisconsin. There are also large-scale, privately-funded voucher programs in New York City and San Antonio, Texas. Some studies of existing programs find moderate, positive effects on children's achievement test scores. For example, Figlio and Hart (2010) analyze Florida's program and find children's test scores improved at schools that experienced increased competition for students as a result of the voucher program.⁷ Wolf et al (2010) study the program in Washington, D.C., and find no effect on the test scores of children who received a voucher, but a positive effect on the probability of graduating high school.⁸ A number of studies find little or no effect of voucher programs: see, for example, Krueger and Zhu's (2004) study of the New York City program and Witte et al's (2010) study of Milwaukee Schools.⁹ Importantly, the differences across studies are not simply because the programs



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⁷ Figlio, David N. and Cassandra M.D. Hart (2010), "Competitive Effects of Means-Tested Vouchers," NBER Working Paper 16056 (June).

⁸ Wolf, Patrick, Babette Gutmann, Michael Puma, Brian Kisida, Lou Rizzo, and Nada Eissa (2009), "Evaluation of the DC Opportunity Scholarship Program: Impacts After Three Years," National Center for Education Evaluation and Regional Assistance, Institute of Education Sciences, U.S. Department of Education, NCEE 2009-4050 (March).

⁹ Krueger, Alan B. and Pei Zhu (2004), "Another Look at the New York City School Voucher Experiment," *American Behavioral Scientist*, Volume 47, Number 5 (January), pp. 658-698; and Witte, John F., Joshua M. Cowen, David J. Fleming, Patrick J. Wolf, Meghan R. Condon, and Juanita Lucas-McLean (2010), "The MPCP Longitudinal Educational Growth Study: Third Year Report," School Choice Demonstration Project, Milwaukee Evaluation, Report #15 (April).



Schools that received a grade of "F" were given a variety of resources to improve the school, but students who attended these schools were given vouchers to pay for tuition at other schools.

worked in some cities and not in others; there is sharp disagreement among analysts about each of the existing programs. Further complicating matters, the measured effects within existing studies are somewhat inconsistent from grade to grade, year to year, subject to subject, or between different subsets of students.¹⁰ Clearly, there is more to do before a consensus is reached on whether vouchers live up to their intended effects and, more importantly, what features of a voucher program are important for determining success.

In a series of papers, Cullen, Jacob, and Levitt (2005, 2006) present evidence from high school students in Chicago's Open Enrollment program that indicates school choice has little or no effect on academic outcomes.¹¹ They study winners and losers in open enrollment lotteries at over-subscribed schools and find that winners are, indeed, more likely to enroll in higher-quality high schools (as measured by the prior achievement of other students at the school). But the winners do not score any higher on standardized tests (and, in fact, they end up with lower class ranks than the lottery losers). One clear question this study raises, therefore, is whether students moved to schools where they did not have sufficient academic background to succeed. This evidence also confirms worries that school choice leads to increased sort-

ing: it is the highest-scoring students that apply to leave their local high schools. Chakrabarti (2009) finds similar evidence from Milwaukee that higher-ability students, and students with more-involved parents, were more likely to apply for a voucher to leave their assigned public school.¹² This sorting is important because it means that lower-achieving students remain further segregated in the worst schools. Under a voucher system (as in Milwaukee), these schools would also see their revenue decrease.¹³

For any choice system to have meaningful effect, parents need access to reliable information about school quality. Evidence from Florida indicates that providing this information, along with sanctions for low-performing schools, provides an incentive for schools to improve. Florida's "A+ Plan for Education" began in 1999 and included a few reforms. Most importantly, achievement tests became mandatory for public schools (including charter schools) and schools were graded from "A" to "F" based on measures of student achievement. Schools that received a grade of "F" were given a variety of resources to improve the school, but students who attended these schools were given vouchers to pay for tuition at other schools. Rouse et al. (2007) provide evidence that this threat of a voucher

¹⁰ See, for example, Neal (2002) and Ladd (2002). Neal, Derek (2002), "How Vouchers Could Change the Market for Education," *Journal of Economic Perspectives*, Volume 16, Number 4 (Fall), pp. 25-44; and Ladd, Helen (2002), "School Vouchers: A Critical View," *Journal of Economic Perspectives*, Volume 16, Number 4 (Fall), pp. 3-24.

¹¹ Cullen, Julie Berry, Brian A. Jacob, and Steven Levitt (2005), "The impact of school choice on student outcomes: an analysis of the Chicago Public Schools," *Journal of Public Economics*, Volume 89, pp. 729-760; and Cullen, Julie Berry, Brian A. Jacob, and Steven Levitt (2006), "The effect of school choice on participants: Evidence from randomized lotteries," *Econometrica*, Volume 74, Number 5 (September), pp. 1191-1230.

¹² Chakrabarti, Rajashri (2009), "Do Vouchers Lead to Sorting under Random Private-School Selection? Evidence from the Milwaukee Voucher Program," Federal Reserve Bank of New York, Staff Report number 379 (July).

¹³ Hsieh and Urquiola (2006) study the nationwide voucher program in Chile and also find that the primary effect of school choice was to disproportionately induce wealthier, high-performing students to switch to private schools. See Hsieh, Chang-Tai and Miguel Urquiola (2006), "The effects of generalized school choice on achievement and stratification: Evidence from Chile's voucher program," *Journal of Public Economics*, Volume 90, pp. 1477-1503.

induced the lowest-performing schools to improve in a variety of ways (such as increasing instruction time, providing resources to improve teachers' preparation, retaining low-performing students in grade).¹⁴ The program also led to small improvements in children's test scores at these lowest-performing schools.

Whether a voucher program for poor students in Illinois would succeed depends upon whether it gives students access to higher quality schools than they otherwise would have, whether these students have sufficient background to take advantage of better opportunities, and whether parents have access to reliable information about relative school quality. Evidence from Chicago's Open Enrollment project and the mixed results from voucher programs in other states should serve as a caution that vouchers probably will not have the large, positive effects that many advocates hope to see.

Conclusion

Spending on public schools has increased steadily over the last 50 years, class sizes have tended to become smaller, teachers have become more educated, yet there is little evidence that public schools have become more effective. The policy debate has therefore shifted to alternative ways to improve educational opportunities. Policy discussions center on whether the focus should be on strengthening public schools or on easing parents' ability to move their children out of the public school system. Charter schools and voucher programs are the two most popular proposals for increasing families' choice in schools, though they accomplish this in very different ways. Charter schools are part of the public school system, but operate largely independent of the local school district. Voucher programs give parents tuition credit that they can use to pay for tuition at a private school.



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While the evidence of the effectiveness of existing programs is somewhat mixed, it is clear that well-designed programs can be successful. This is especially true for charter schools. To the extent there is public support to expand charter schools, the lesson for the public and policymakers is to make it easier to learn what programs work and why, and to ensure that the process for evaluating and supporting charter schools is done by people with expertise. Vouchers could play a role in expanding school choices for children currently at the worst-performing schools, but it would be wise to better understand the outcomes in Chicago's Open Enrollment program first.

¹⁴ Rouse, Cecilia Elena, Jane Hannaway, Dan Goldhaber, and David Figlio (2007), "Feeling the Florida Heat? How Low-Performing Schools Respond to Voucher and Accountability Pressure," NBER Working Paper 13681 (December).