

# VOUCHERS **IN** INDIANA

WHAT THE TRUMP ADMINISTRATION COULD LEARN  
FROM ONE STATE'S EXPERIENCE

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### **About FutureEd**

FutureEd is an independent, solution-oriented think tank at Georgetown University's McCourt School of Public Policy, committed to bringing fresh energy to the causes of excellence, equity, and efficiency in K-12 and higher education.

## Vouchers in Indiana:

### What the Trump Administration Could Learn From One State's Experience

**Five years ago, Indiana launched** a private school voucher program that aimed to provide an alternative to faltering public schools while saving the state money by essentially outsourcing the education of some students. Political leaders and school choice advocates expected achievement would improve as students attended better schools, private schools would expand to meet growing demand, and the state would spend less because the cost of each tuition voucher would be lower than the full cost of a public education.

The Indiana Choice Scholarship Program has powerful political allies. Vice President Mike Pence championed and greatly expanded the program as Indiana's governor, with support from organizations funded by the new U.S. Secretary of Education, Betsy DeVos. Now, with President Trump pledging support for private school choice, whether vouchers or tax credits, the new administration could hold up the Indiana program as a national model.

"Every child [will] be able to attend the public, private, charter, magnet or religious school that is right for them," Trump has declared, vowing to spend \$20 billion in federal dollars on choice programs, a sum that equals nearly a third of the current federal education budget. DeVos echoed that sentiment in her January confirmation hearing. Sensing an opportunity, Congressional Republicans and state lawmakers have in recent weeks submitted a flurry of voucher bills. Budget planners are

considering a federal tax credit for private school tuition.

But a *FutureEd* analysis of the Indiana voucher program suggests that few of the program's hoped-for benefits have yet materialized.

Many former public school students have seen their test scores drop, not improve, after transferring to private schools with Indiana's tuition assistance.

Instead of increasing private school options, a substantial number of voucher schools are simply filling existing seats with students subsidized by the state. Fewer than one percent of voucher students now come from failing public schools, and more than half never attended public school at all. And the state says it is running a \$53 million deficit as it pays private schools, most of them with religious affiliation, to educate students. Rather than

a model for voucher expansion, the Indiana program should be seen as a cautionary tale for policymakers seeking to strengthen the effectiveness, efficiency, and equity of the nation's educational system.

## Who Uses Vouchers?

Since 1990, when Milwaukee launched the first public voucher program, the idea has spread to several cities and at least 14 states. Last year, about 400,000 of the nation's 55 million students received direct or indirect taxpayer support to attend private and parochial schools through vouchers and related programs, such as tax-credit scholarships and educational savings accounts.<sup>1</sup>

Indiana's program, though not the largest, is in many ways one of the nation's most expansive, offering state funding for private school tuition to some moderate-income students and to those who never attended public school.

The rapid growth of the Indiana voucher program—from 3,911 students in the initial 2011-12 school year to 32,686 in 2015-16—suggests a substantial demand for school choice and options beyond the neighborhood school. Voucher students now represent 2.9 percent of Indiana's students, compared to the 3.6 percent in the state's charter schools.

In 2011, then-Gov. Mitch Daniels pushed through the voucher legislation to provide options for low-income students who had spent at least one full year in a public school. Others could qualify for vouchers if they were already receiving scholarships from a handful of private organizations approved by the state. These students were eligible for grants paying up to 90 percent of their private school tuition.<sup>1</sup>

"If they tried the public school and believe they are not serving their child well, they will not be forced to continue in those schools just because they don't have a high enough income," Daniels said at the time.<sup>2</sup>

Daniels' thinking reflected the early rationale for vouchers. When Nobel Prize-winning economist Milton Friedman introduced the concept in 1955, he stressed the benefits of a more competitive educational system and the ability of vouchers to increase families' educational options—"an opportunity currently limited to those of us in the upper-income classes who can afford to pay twice for our children's education—once in taxes, once in tuition."<sup>3</sup>

But when Mike Pence took office in 2013, he pushed for an expansion that ushered more and different types of students into the program. First, the income requirements were broadened. The initial program was open to students whose family income was no greater than 100 percent of free-and-reduced meal eligibility, or about \$45,000 for a family of four in Indiana. Pence and the legislature expanded eligibility to students at the 150 or 200 percent income level, meaning that children from families making as much as \$90,000 could qualify. These moderate-income students receive grants totaling no more than half their tuition.<sup>4</sup>

Pence's changes also eliminated the requirement that a student attend public school for at least a year. Instead, students could receive a voucher if an older sibling had one, if they were set to attend a failing school or if they were a special education student. The new legislation also removed a cap on how many vouchers the state could award.

## School Vouchers Explainer

Type of voucher program	What is it?	Which states use it?	How many kids served nationwide?
Education Savings Accounts (ESAs)	States set aside money based on per-pupil funding formulas into individual accounts for participating students. Families can withdraw the money for approved education expenses, including private school tuition, tutoring, online courses, or transportation.	Arizona (2011) Florida (2014) Mississippi (2015) Nevada (2015)* ** Tennessee (2015)  *Nevada's program is available to all 450,000+ public school students. **Nevada's universal program is being challenged in court.	10,000
School Vouchers	States offer "coupons" that families can use to subsidize the costs of private school tuition, including religiously affiliated private schools. Funding comes directly from state education budgets.	Vermont (1869) Maine (1873) Wisconsin (1990) Ohio (1995) Florida (1999) Washington, D.C. (2003) Utah (2005) Georgia (2007) Louisiana (2010) Indiana (2011) Oklahoma (2011) Mississippi (2012) North Carolina (2013) Arkansas (2015) Maryland (2016)	140,000+
Tax-Credit Scholarships	Similar to vouchers, tax-credit scholarships help families cover the costs of private school tuition. States use tax-credits to encourage businesses or individuals to donate money to a scholarship-granting organization, which then gives money to students. Students typically qualify by meeting some characteristic (e.g., being from a low-income family, attending a failing school, or having a disability).	Arizona (1997) Florida (2001) Pennsylvania (2001) Iowa (2006) Rhode Island (2006) Georgia (2008) Indiana (2010) Oklahoma (2011) Louisiana (2012) New Hampshire (2012) Virginia (2012) Alabama (2013) South Carolina (2013) Kansas (2014) Nevada (2015)	255,000

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These changes contributed to exponential growth in the program, with the number of students increasing by more than 10,000 two years in a row.<sup>5</sup>

They also brought in new types of students, according to a comprehensive report by the Indiana Department of Education.<sup>6</sup> While 85 percent of students in the program's first year were from low-income families, 68 percent were in 2015-16. In the first year, nine out of 10 voucher students had previously attended a public school. By 2015-16, fewer than 48 percent had.

Geographically, about six in 10 voucher students now come from urban areas, down from the first year. Suburban students rose from 16 to 22 percent in that time frame. Participation in towns and rural areas has remained at about 7 to 8 percent every year.

Initially white students comprised fewer than half the program's participants. Now they make up 60 percent (compared to about 70 percent of all students statewide). African-American students, who made up a quarter of the first year's voucher recipients, now comprise 13 percent. Latino students make up 18 percent of today's total, a slight decline from the first year's proportion.

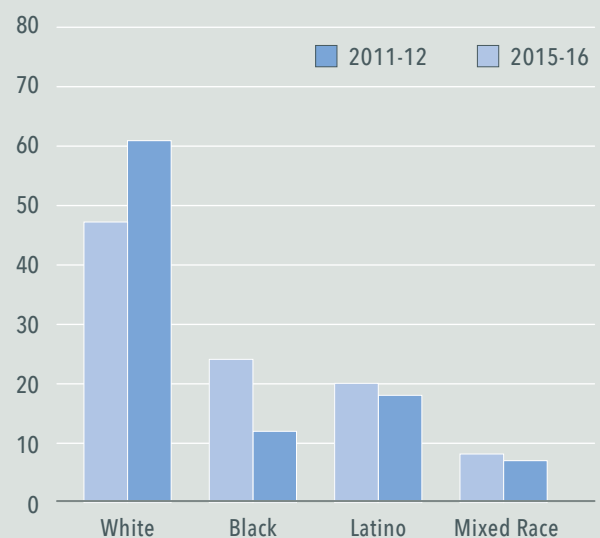
A study of school choice across the Indianapolis area by researchers Mark Berends at the University of Notre Dame and R. Joseph Waddington of the University of Kentucky found that African-American and Latino students who switch out of their traditional neighborhood schools are more likely to choose public charter or magnet schools than to pursue vouchers. Those who do go to Catholic or other private institutions bring considerable racial, socioeconomic and

academic diversity to the campuses, the study showed.<sup>7</sup>

Supporters point to this diversity and to the popularity of the program as evidence of its value to Indiana. But the Center for Budget and Tax Accountability, a Chicago-based think tank, viewed it differently. Because white children represent the majority of those now taking part in the program, that leaves fewer white students—and less diversity—in the public schools.<sup>8</sup>

And the increase in moderate-income, suburban students using vouchers suggests that the program is becoming an entitlement of sorts for middle-class families, many of whom were planning to send their children to private schools but now have public dollars to help pay for it.

**Enrollment in Voucher Programs by Race and Ethnicity**



SOURCE: Indiana Department of Education

## Indiana Vouchers: At a Glance

- The majority of Indiana's voucher students come from low-income families in urban settings. In recent years, though, suburban communities have seen considerable gains, and moderate-income students have become a larger part of the voucher population.
- Racial and ethnic minority students have become a smaller proportion of those involved, though their percentages still are larger than their share of statewide population.
- Voucher use has not grown as much in towns and rural communities, given the lack of access to private schools.
- Most voucher students are not coming from faltering public schools. State figures for 2015-16 showed that less than 1 percent came from a public school judged failing. About 52 percent of those receiving vouchers that year never attended public school at all.
- Students receiving vouchers saw their math scores decline during the first two years of the voucher program and no change in the third year. Reading and language arts scores showed no significant gains. Researchers found considerable variation among demographic groups and types of schools.
- The number of private schools participating has increased from 241 to 316 in the five years of the program. A full 94 percent of those schools are affiliated with a religion—more than half of them are Catholic schools, and most of the others are connected to various Christian denominations. A handful of Muslim and Jewish schools receive vouchers.
- The advent of vouchers has led to an increase in the number of private school students statewide, with about 12,000 more students overall in the past five years. At the same time, the number of vouchers has increased by nearly 30,000.
- In 2011-12, 5 percent of the private school population received vouchers. Now it's nearly 40 percent.
- The transfer of state funds to private schools cost the state an estimated \$53 million in the 2015-16 school year, state estimates show. The actual payments to private institutions totaled about \$132 million, but the state realized savings because it didn't have to pay for some of those students in public districts.

SOURCE: Indiana Department of Education

## Disappointing Academic Results

Beyond the equity issue lies the equally significant question of whether students who receive vouchers are actually seeing improvements in achievement.

Researchers Berends and Waddington are engaged in an extensive longitudinal study to assess the impact that Indiana's school choice programs—both voucher awards and charter schools—have on student success. Because all private schools receiving vouchers are required to administer the Indiana standardized tests that public school students take, the researchers can track students for several years. So far, the results are not promising.

Berends, who heads Notre Dame's Center for Research on Educational Opportunity, stressed that the research is not yet finished. But early publications provide a glimpse of the program's impact.

In a paper presented at the Association for Public Policy and Management in November 2015, Waddington and Berends reported that students transferring to private schools "experience significant losses in mathematics achievement, with null gains in English/language arts in comparison to their achievement gains in their previous public schools."<sup>9</sup>

They documented improvements in attendance among voucher students, with fewer unexcused absences after they moved to private schools.

They also found variations depending on the characteristics of the private schools attended. "These findings suggest that the choice of private school may be important for students

choosing to use a voucher to transfer from a public school,” the researchers concluded.<sup>10</sup>

In a 2016 article on school choice options in the Indianapolis area in the journal *Education Finance and Policy*, Berends and Waddington provided more detail. Indianapolis is one of the state’s largest and most diverse regions, with nine large public school districts. The researchers looked at the 10 percent of Indianapolis-area students who switched from traditional public schools into charter, magnet and private options. The weakest students typically chose the public options, while stronger students went to Catholic and independent schools.<sup>11</sup>

The research analysis found that students moving into charter schools showed no gains on test scores in their first year. Students who moved to magnet schools saw test scores drop in both math and English-language arts. Those with vouchers at Catholic schools saw deeper drops in math and no change in English. The math drop persisted for the second year at private schools, then flattened out in the third year. African-American students experienced deeper test score drops in Catholic schools than white transfer students did.<sup>12</sup>

The researchers surmised that the disruption from switching to a new school and a different curriculum could contribute to the decline in scores. Supporters of the Indiana Choice Scholarship Program say it needs time to demonstrate improvements in student achievement and cost savings and point to an A-F school rating system designed to identify schools not achieving results.

“Like in most situations, it will take students time to fully adjust to expectations, and even more time to thrive under their new school environment,” wrote the Indiana Non-Public

Education Association, which supports the voucher program in a 2016 statement.<sup>13</sup>

The disappointing early academic results dovetail with other recent research across the country raising questions about the efficacy of private school vouchers. An analysis of Ohio’s EdChoice program, commissioned by the conservative Thomas B. Fordham Institute, found that students who used vouchers to move to private schools performed significantly worse than similar students who stayed in the public school.<sup>14</sup>

In Louisiana, students using state vouchers lost significant ground in math and language arts in the first year after shifting to private schools, though the language arts losses were not significant in their second year, according to a study of the 2012-13 and 2013-14 school years released by the Education Research Alliance for New Orleans.<sup>15</sup>

Earlier research showed mixed results: The Milwaukee Parental Choice Program, the longest running city voucher program, reported gains in math but no real growth in language arts for voucher students. Washington, D.C., found gains in reading but none in math. In both cities, as well as in a philanthropic effort in New York City, voucher programs reported gains in high school graduation rates, though the number of students involved was small, and graduation standards varied widely among schools.<sup>16</sup>

Researchers from the University of Kentucky followed students in Milwaukee for five years and found those receiving vouchers were more likely to graduate from high school and go on to a four-year college than similar students in the public schools. They noted, though, that the private schools might be selecting or “cream



skimming” the better students and pushing out those who wouldn’t make it to graduation.<sup>17</sup>

Supporters point to intangible benefits of private schools, particularly religious institutions, in imposing discipline and discouraging self-destructive behavior. Research into Milwaukee’s voucher program indicated that using vouchers to attend private school reduced the likelihood that a student would be accused of committing a crime by five to 12 percentage points.<sup>18</sup>

Others argue the public schools are teaching to standardized tests, while private schools have not yet adjusted their curriculum to reflect those standards—a possibility that the Louisiana researchers acknowledge. Less compelling is the argument that the regulation and accountability measures, such as standardized tests, that come with accepting state money are hamstringing instruction. Such regulation does keep some schools from ever accepting vouchers, though the experience in Indiana suggests that private schools are all too willing to get involved.

## A Lifeline for Indiana Private Schools

The Indiana voucher program has clearly been a boon to the state’s Catholic schools and parishes, which have been experiencing enrollment declines for years. In fact, some religious leaders have become vocal advocates of vouchers.

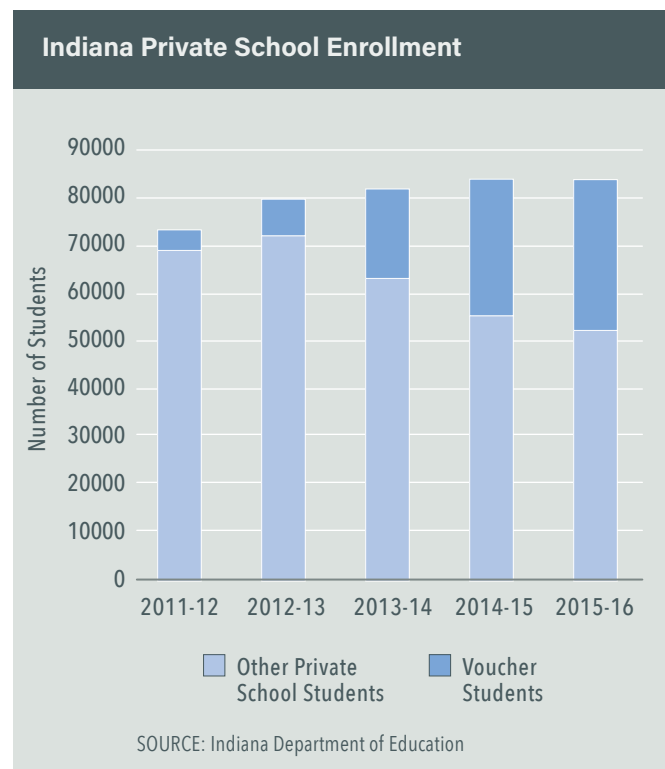
The stakes for parishes are captured in a recent video appeal from “Father Jake” Runyon at St. Jude’s Catholic Church in Fort Wayne. Parishioners should be sure to take advantage of Indiana’s Choice Scholarship Program at the parochial school, Father Runyon told parents. Even students already enrolled could earn

the scholarships “with no strings attached.” The infusion of public cash, he said in a video, would leave the church with extra money to repair its air conditioning system and rebuild the steeple.<sup>19</sup>

Fully 304 of St. Jude’s nearly 600 students received vouchers in the 2015-16 school year. Statewide, nearly two in five private school students got the state subsidies.<sup>20</sup> In some schools, three quarters of the students rely on vouchers.<sup>21</sup>

Like St. Jude’s, more than 90 percent of the 316 schools involved in Indiana’s voucher program have a religious affiliation, an arrangement that has been blessed by the state Supreme Court.<sup>22</sup>

The state has no control of the curriculum at these schools, although any place accepting state funds must submit to certain requirements. Those include administering the



state's ISTEP standardized test in grades three to eight and teaching certain civics topics, such as the Indiana and U.S. constitutions, the National Anthem, Pledge of Allegiance, Thomas Paine's "Common Sense," and the Mayflower Compact. The schools are also subject to an A to F rating system that can result in losing access to new voucher students after two years of low ratings.<sup>23</sup> Indiana officials say 10 private schools have are currently under corrective action and unable to accept new students.

Some of the schools are falling well below state standards. The three Horizon Christian Academies in Fort Wayne, for instance, collectively received \$2.2 million in state tuition subsidies in the 2014-15 school year, while their students were scoring below the state average on standardized tests: Only 8 percent of students at one Horizon campus passed the state's math and English tests, compared to 53.5 percent statewide. Another Horizon campus recorded an 11 percent pass rate, while the strongest of the three had a 27 percent rate.<sup>24</sup> Horizon has since consolidated onto a single campus, where some 85 percent of students still receive vouchers.<sup>25</sup>

The advent of vouchers has led to an increase in the number of private school students statewide, with about 12,000 more students added overall in the past five years. At the same time, the number of vouchers has increased by nearly 30,000. This suggests that rather than expanding campuses or opening new institutions—moves that would require capital outlay—schools are filling more of their existing seats with students subsidized by the state. The effect can be profound. A study of 71 Milwaukee Catholic parishes between 1999 and 2013 found that taking vouchers seemed to prevent parish closures and consolidations. On average,

parishes taking vouchers were bringing in significantly more money from government subsidies than they were from the offertory plate.<sup>26</sup>

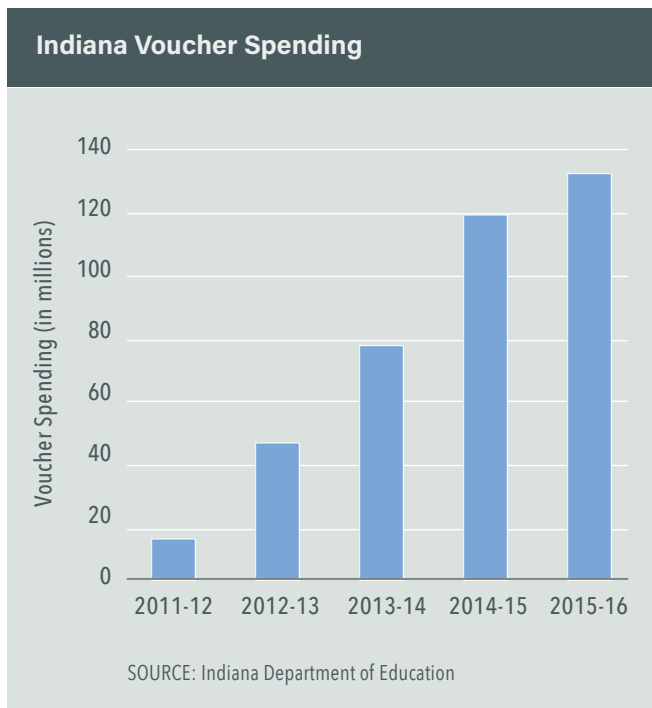
## The Impact on Public Schools

With millions of state dollars flowing into private schools under the voucher program, Indiana public school districts are losing students and resources. The state spent nearly \$132 million on Indiana Choice Scholarships in the 2015-16 school year, up from about \$16 million in the first year of the program. In the first two years, state officials estimated that they saved \$4 million to \$5 million on the program, because they were spending less on vouchers than they would have sent to local school districts for the same students. Under the legislation, this money would be redistributed to public and charter schools.

But as the program grew and more money went to students who had never attended public schools, state officials calculated that the program had begun to run a deficit. By 2015-16, that deficit had reached \$53 million, under a formula the General Assembly developed.<sup>27</sup>

School choice advocates in the state dispute that calculation, saying there is no way to know whether those students would have one day attended public school. They argue that the program continues to save the state money and came in under budget in the 2015-16 school year.<sup>28</sup>

The debate over the state's costs ignores the burden on local school districts. The loss of a few students at each public school doesn't change the need for school buses or principals or school maintenance. Such fixed costs



account for about 38 percent of educating a child in Indiana, according to one analysis.<sup>29</sup>

The collective impact of losing hundreds of students districtwide can hit hard. More than \$19 million flowed to private schools for students who would have gone to Fort Wayne Community Schools. Nearly \$18 million went for those who would have attended Indianapolis Public Schools, and \$10.4 million went for those in the South Bend Community Schools Corp. area.<sup>30</sup> The prospect of many students being left behind in atrophying public school systems is difficult to reconcile with voucher proponents' commitment to provide students with improved educational opportunities. From a policymaking perspective, helping some students at the expense of others isn't a net improvement.

If there isn't much at this juncture to recommend the Indiana voucher program as a path to a stronger educational system, support for the program remains strong in Indiana's

Republican-controlled General Assembly. And with the ascendance of Pence and DeVos at the national level, we can expect to hear much more about it.

If the Trump administration is committed to using vouchers or federal tax credits for private school tuition as educational lifelines for struggling students, rather than for struggling private schools, there are things it could learn from the Indiana experience.

One lesson is the importance of ensuring that choice systems reach students who need them the most: students stuck in failing schools. One reason voucher systems don't do this effectively is because they permit private schools to choose students, rather than the other way around, in contrast to most school choice options *within* public education. No less important is ensuring that choice programs aren't merely subsidizing existing private school students.

Secretary DeVos declined during her confirmation hearing to commit to holding voucher schools accountable for their performance. She has argued that market forces alone—parents “voting with their feet”—are sufficient to ensure school quality. But the Indiana experience—and the history of vouchers more generally—suggests a need to vet private schools before they are permitted to admit publicly supported students, in the same way that charter schools are “authorized.”

The Indiana story also suggests the importance of being able to hold schools up to public scrutiny once they begin educating voucher students. Indiana's requirement that voucher schools administer the same tests as public schools has yielded important comparative information that benefits parents and policymakers alike.

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