
Pro:

North Carolina Should Embrace School Choice

by Vernon Robinson

Education reform efforts have failed because the government has a monopoly on the public schools. True reform would result from a market-based approach to education in which parents would be free to choose their children's schools—public, private, or religious. Two approaches to school choice are being considered by N.C. legislators in bills that would establish charter schools and private-school choice. Charter schools, although publicly funded, are largely free from burdensome government regulations, allowing them more room to innovate. Private-school choice options include vouchers, tuition grants, and tax credits. Vouchers and tuition grants are preferable to tax credits because parents would receive financial support when they pay their tuition, rather than having to wait for tax refunds.

We must break up the failing government monopoly on public education in North Carolina in order to achieve real reforms that expand educational opportunities for students and professional satisfaction for teachers. Instead, legislators in North Carolina should replace the current highly politicized, centralized, and bureaucratized public school system with a marketplace of educational services. This market-based system should tie educational funds to the children, thus empowering parents to choose the best options available for their children's education.

The 1995–96 General Assembly considered several school-choice bills that could transform our state's current educational system—which ranks 48th in the nation in Scholastic Aptitude Test (SAT) scores¹—into a higher-performing

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system. These proposals included legislation that would support charter schools, or independently run public schools, and would provide vouchers, tuition grants, or tax credits to the parents of students in private schools. (See Table 1 on p. 7 for a brief description of school-choice bills in the N.C. General Assembly.) But before we look at these policy options, let's look at the track record of education reform in North Carolina over the past 20 years.

Most Educational Reforms Have Not Worked

One reform popular with educational bureaucrats and the uninformed public has been cutting class sizes. Class size in North Carolina declined more than 25 percent from 1974 to 1993.² Yet during that period, there was no correlation between smaller class sizes and student performance as measured by SAT scores.³ That should come as no surprise. After all, the vast majority of studies comparing class size to student performance have found no link between student performance and student-teacher ratios.⁴

Undaunted, interest groups representing professional educators have pushed for class sizes to be cut from 23 to 17 students per teacher.⁵ These reductions have cost the state an estimated \$1 billion, according to State Superintendent Bob Etheridge. But smaller class sizes do not result in real education reform because they do not change the incentives in the system. If class size is a problem, then why don't we hear such complaints with regard to the Sermon on the Mount!

Legislators spent more money under the Basic Education Program (BEP), North Carolina's major reform effort during the past decade.⁶ The BEP, which took effect in 1985 and has cost the state \$3.5

billion⁷ so far, mandates class sizes, curriculum offerings, and other policies. But, instead of stronger student performance and safer schools, North Carolina only got better paid teachers. If we control for the cost of living, teacher pay in North Carolina ranks 25th in the nation overall and a stunning 4th highest for beginning teachers.⁸ But merely spending more money on teacher salaries or anything else under the BEP has not changed the incentives in the current system, nor will it ever.

Two other recent education reforms are Site-Based Management and Site-Based Decision Making, or "Schboom" and "Schdoom," which were supposed to increase flexibility and accountability in local school systems. These programs are prime examples of why good ideas cannot be grafted onto the current system without changing its incentives. For example, in Forsyth County, Cook Middle School's plan for improving sixth-grade test scores was "for the scores not to go down."⁹ In any manufacturing firm in North Carolina, a manager who proposed a product-improvement or quality-assurance plan with the goal of "not having the product get worse" would be fired. Only government-run, monopoly schools would adopt such a plan. Again, without changes in the incentives, reforms like site-based management are doomed to fail.

My final example of a popular "reform" proposal is merit or performance pay, which also won't work with the incentives of the current system. I once thought this change would be good. But conversations with teachers have convinced me otherwise. Teachers have told me they have no confidence that administrators would hand out merit pay in a meritorious fashion. So I asked myself: What would happen in the current system if a principal gave the merit money to his golf buddies? Could the best teachers leave and start their own school? No. Could parents pull their children out and enroll them in another school? No. Could administrators twist the evaluations to achieve any desired result? Of course. Thus I concluded that the concerned teachers were right. In the current system, merit pay would likely be handed out for all sorts of reasons—but not for merit.

Now consider what would happen to our golf-playing principal in a system with competing providers of educational services. Anyone foolish enough to award merit pay for reasons other than true merit would most likely encounter very different results under an educational system that empowers parents to choose schools, allows teachers to create schools worthy of being chosen, and lowers the barriers to new entrants.

The most likely result under the new scenario is that the best teachers would leave the school. The next result is that parents—seeing the best teachers leave—would follow them. After a while, the principal and his golf buddies would find themselves alone in an empty school. Before that happened, however, the school board would give that principal plenty of time to play golf. He would be fired. That's because the operational definition of inadequate performance—in a competitive educational system—is a school where no one wants to send their children.

Successful Schools Share a Common Vision

But how do we change the incentives, if even good ideas fail under the incentives currently present in public schools? I believe that the most effective schools create a common vision—one shared by the administrators, teachers, students, and parents. In government-run schools, bureaucrats in Raleigh make the overwhelming majority of substantive policy decisions. Local administrators assign children to their schools based on the accident of their residence—with the exception of a few magnet (or bribe-the-white-parents) schools. Under these circumstances, one can understand the difficulties in creating a shared vision. In fact, the only common vision in most public schools is the sports program.

By contrast, consider how Catholic and other independent schools manage their affairs. Private schools determine their own curricula, personnel policies, textbook selection, and budgetary priorities. Administrators and teachers work at those schools because they share a vision. Parents send their children to such schools for the same reason.

In *Politics, Markets, and America's Schools*, an influential report by The Brookings Institution, authors John Chubb and Terry Moe conclude that public schools will improve only if governments:

- Give educators the autonomy to create their own visions of what schools should be;
- Tie educational funding to the children; and
- Empower parents to choose their schools.¹⁰

Another important point that Chubb and Moe make in the debate over real education reform is that poor children are better off in a marketplace than in a political arena. Currently, most parents—and certainly poor parents—must compete for attention against organized special-interest groups that have more money, time, and political skills available to

influence the centralized and politicized system. But in a system of choice, parents—and particularly poor parents—merely would need to pick a better school for their children. They wouldn't have to win political fights.

The existing public school monopoly responds more to organized interest groups than to parents. The system's ethos may be described as "lousy service, highest prices in town for the value, and the customer is always wrong and usually dumb." By contrast, school choice would force all schools to respond to the needs of their customers, thus changing the system's ethos to something akin to: "Thank you for using AT&T!"

Racism Fails to Explain the Problems with Public Schools

Many black citizens have blamed racism for the problems faced by lower-income minority students in government schools. But this theory fails to account for the low levels of academic achievement by white children as well. Nor does it explain why black kids have done so poorly in systems controlled by black administrators—such as the old city school system in Durham or the public schools in Washington, D.C. The color of the bureaucrats in failing government schools appears not to make any difference regarding student performance.

Critics also have argued that allowing parents to choose their schools would "re-segregate" the schools. But those who make that contention either

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are uninformed or are deliberately trying to mislead citizens with genuine concerns. Pre-integration schools in the South were not bad because black children attended the same schools. That system was unacceptable because administrators systematically assigned children to schools on the basis of race and then denied resources to the black schools.

Any school-choice proposal worth its salt would ensure that public resources are allocated fairly and that students are not assigned coercively by race. Indeed, it would be impossible to replicate the necessary conditions for segregated schools in a voucher system that ties a fair share of educational funding to the children and empowers parents to choose their schools.

Some critics maintain that a system of voluntary choices that results in racially identifiable schools also would be unacceptable. I disagree. Yet it's probable that more—rather than less—integration would occur with a full and fair school-choice system. Consider the views of a Roanoke Rapids public school teacher, who recently said: "I don't support (vouchers) because they (poor black children) would be able to go to the private academy where my child attends."¹¹ That teacher understands that a tuition grant of \$2,000 or more—far from being merely welfare for the rich—would offer a range of educational choices to poor children as well as those with more resources.

I believe that 25 years of desegregation policies have succeeded only at integrating the lunch lines at many public schools. Other policies, such as ability tracking and discipline measures, have often resulted in single-race classrooms. School choice is likely to foster more integration, given the better track record of Catholic schools and other moderately priced independent schools.¹²

Charter Schools Another Way to Instill Choice

The charter-school concept is the method of school choice that had the best chance of state-wide adoption in 1995. Charter schools get public money, but are largely exempt from government regulations. Instead, charter schools are held accountable by market forces and measures of student achievement. (See Table 3 on p. 20 and Figure 1 on p. 21 for a list of the states that have enacted charter-school laws.)

In North Carolina, both the House and the Senate passed bills that would authorize the establishment and funding of charter schools, but lawmakers failed to enact a compromise bill by the end of the

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1995 session. (See Table 1 on p. 7.) The charter school legislation—if adopted in the 1996 session—would strip away tons of existing burdensome regulations, including the Basic Education Program, the Personnel Act, drug and AIDS education mandates, and teacher certification requirements. Such deregulation is the key that will enable charter schools to create a shared vision necessary to achieve higher student performance.

Reform saboteurs such as the N.C. Association of Educators, their allies in the N.C. Congress of Parents and Teachers (N.C. PTA), and duped business organizations probably will try to gut regulatory relief provisions in order to minimize the differences between charter schools and the traditional failing public schools. The other tactic that the educational establishment will use in trying to weaken the bill is a limit on the number of charters so that traditional government-run schools are not threatened by a large supply of higher-performing independent schools.

Charter schools, because they are public, must still comply with some government requirements. For example, charter schools would be non-religious with regard to their programs, admissions policies, employment practices, and all other operations. They would not charge tuition and would not discriminate against pupils on the basis of race, ethnicity, national origin, gender, or disability. Admission to charter schools also would be limited to legal residents of North Carolina.

The big political winners in a charter-school environment could be county commissioners. Under the House proposal (H.B. 955), these boards not only could add local supplements to the state money

that supports charter schools, but they also could issue charters. Thus county commissioners would have another option for dealing with public schools—in addition to their existing authority for either approving big spending requests or denying those requests and getting beaten up by the educational establishment.

Support is growing outside of Raleigh for charter school legislation. Groups that have gone on record supporting charter schools legislation include the Eastern North Carolina Chamber of Commerce and the Piedmont Triad Horizons Education Consortium Model School project.

Vouchers Would Improve Education at No Cost

Vouchers, tuition grants, and tax credits are the main private-school options in legislation considered during the 1995 session of the N.C. General Assembly. Republican lawmakers introduced three private-school choice bills:

- H.B. 190, sponsored by Rep. Ken Miller (R-Alamance), which would provide tax credits for private-school tuition costs;
- H.B. 781, sponsored by Rep. Larry Linney (R-Buncombe), which would provide tuition grants for private schools; and

- H.B. 954, sponsored by Rep. Steve Wood (R-Guilford), which would provide vouchers and tax credits.

The only one of those bills that advanced in the legislature was H.B. 954, although in an amended form. In June, the House Finance Committee approved a committee substitute for H.B. 954 that eliminated the vouchers and decreased the tax credits. (For more details about these bills, see Table 1 on p. 7, and p. 25 in the article, "School Choice: A Simple Term Covers a Range of Options.") However, the House Appropriations Committee did not approve the bill during the 1995 session.

Tax credits are better than nothing, but vouchers and tuition grants are far superior because the families of needy children would get support up front. With tax credits, however, families would not be eligible for support until they filed their state income-tax returns. Thus many poor families, who have the hardest time obtaining credit, would have to borrow money to send their children to private schools until they received tax refunds (in January at the earliest)—many months after they paid school tuition and other expenses (starting in August of the previous year). For this reason, much of the support for greater school choice could shatter if tax credits became the primary focus of legislation.



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In fact, the voucher concept is really nothing new in North Carolina. That's because the state already provides tuition grants averaging about \$1,250 a year to students attending private universities and colleges.¹³ The legislative rationale for this program is that the University of North Carolina system could not accommodate all of the qualified students who want to attend public colleges and universities in the state. Such reasoning should apply to voucher proposals for private elementary and secondary schools as well. Vouchers not only would promote higher academic achievement in a safer educational environment, but they would save taxpayers from having to foot the bill for massive amounts of school construction needed to accommodate the state's growing student population.

Many citizens support vouchers because they feel that public schools go out of their way to trample on the moral values that parents try to teach their children. Twenty years ago, if a young man was caught with a condom in school, he would ask that his parents not be told. Today, some public educators want to hand out condoms and they don't want the students to tell their parents.

Vouchers face two political dangers. First, a voucher program would be short-lived if the grants increased educational costs in today's environment of spending cuts. Second, vouchers would face a similar fate if the state reduced per-pupil expenditures in public schools. The proposed tuition grant

bill (H.B. 781) would have avoided those problems by creating a funding pool using the money now spent on public-school students who wish to transfer to independent schools. Both transfer students and those already enrolled in private schools could draw from this fund. By the second year, this approach would provide a tuition grant to anyone who wanted one. It also would not require increases in the amount spent on public education, nor would it force reductions in per-pupil expenditures.

Concerns Over Vouchers Are Not Warranted

The defeat of California's school-choice initiative in 1993 was a learning exercise for observant supporters of school vouchers. The initiative was vulnerable because many voters were concerned about potential spending cuts in public schools and increases in state spending. In addition, minorities were never an equal partner in the California school-choice coalition. Finally, voucher supporters were forced into a premature election battle with better-funded opponents.

Some conservatives fear that once private schools take government money, the state will do to them what it did to public schools—destroy them. But the government can strangle independent schools now. It could abolish home schooling next week if it cared to do so.¹⁴ Governments are dangerous. The only guarantee of freedom in the face of government is a vigilant citizenry.

The proposed voucher and tuition grants bills (H.B. 781 and H.B. 954) had several features that would have protected independent schools. The first safeguard is that private schools don't have to take the money, nor must they continue receiving tuition grants if government regulation becomes unacceptable. A second safeguard under the bills is that the monetary support would be defined as grants to citizens, not as grants-in-aid to private schools. But perhaps the most important safeguard is that any legislator who votes for such a market-based educational system is explicitly rejecting the current failed educational system.

Some critics charge that tuition grants would violate the separation of church and state clause in the First Amendment of the U.S. Constitution or the public purpose clause in Article V of the N.C. Constitution. But I believe that a well-crafted voucher bill would survive constitutional challenges if it ensures that parents use educational funds at the schools of their choice and if it does not favor religious schools over other private institutions.

The proposed House bills establishing vouchers and charter schools (H.B. 781 and H.B. 955) both contain provisions for a Student Education Account. Under both bills, the account would enable parents to accumulate the unspent portions of their children's educational money for future educational expenses. This feature would keep tuitions in check while creating a way for poor families to accumulate educational assets.

Opponents of private-school choice also contend that vouchers and tax credits would cost taxpayers millions of dollars. For instance, a consortium of business and education groups called Citizens for Public Schools recently distributed a letter—signed by Gov. Jim Hunt and former Gov. Jim Martin—which charged that the \$1,000 tuition

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tax credit in H.B. 954 would cost taxpayers \$77 million a year by 1997. But this analysis is flawed because it fails to take into account the savings that would result from students transferring out of public schools—thus saving the state \$3,565 per student in annual education expenditures, not including additional savings from lower transportation and construction costs. It's clear that demand for private education would increase with a \$1,000 tax credit because that would cut in half tuition costs, which average



Rep. Steve Wood (R-Guilford), left, and Vernon Robinson, president of the N.C. Education Reform Foundation, discuss school choice legislation at a House Education Committee meeting.

\$2,000 a year at Christian schools in North Carolina. I believe that the tax credits would not cost the state a dime because of the large numbers of students that would transfer from public to private schools.¹⁵

Likely Effects of an Educational Services Market

Vouchers and charter schools would create a marketplace of educational services. The results would include lower prices, better service, greater responsiveness to customer concerns, and higher academic, moral, and safety standards. Schools would be smaller and closer to their customers, leading to lower transportation costs. Additional savings would result from schools contracting out transportation, meals, and other services to private companies with lower costs and better performance.

Lower barriers to entry would encourage more educational entrepreneurs to hang out their shingles and establish new private schools. Black churches would be among the most important of these new providers. Top-notch educators currently suffocating in the public schools would flee to create new charter and private schools. Competition for the best educational leaders would shatter the current union-like pay scale in the public schools as the compensation packages in schools of choice soared. Meanwhile, those public educators not contributing to the organization would find their compensation reduced to zero regardless of tenure, certification programs, and advanced degrees of questionable worth from education schools.

Stiff competition would force school boards to reorganize their systems, turning many traditional public schools into charter schools. The role of school boards also would shift, with boards focusing more on the management of the vast physical facilities they own. They also would be responsible for providing services to charter schools and monitoring student performance to ensure compliance with charter provisions.

Principals would be a likely casualty. They would be replaced by administrative officers who would deal with operational issues rather than instructional policy and leadership roles. Policy and leadership roles would become the purview of "master teachers," who would handle key decisions much like the managing partners or committees in law firms. At all levels, school systems would slash the numbers of non-instructional personnel and

middle managers—traveling much the same road that private businesses have followed over the past decade or so.

Children would be the big winners in this restructuring process. They would have not only a much brighter economic future, but also the literacy required of citizens who wish to stay free in a constitutional republic.

Prospects for Passage

While the Republican sweep in the 1994 elections made real education reform possible, it did not assure the passage of legislation establishing charter schools, vouchers, and tuition tax credits. The educational establishment took major losses, but it is still a powerful force lobbying for the maintenance of the government education monopoly. However, the biggest impediments to real reform are the misguided businessmen who are afraid to alienate the teachers' organizations. Instead of supporting voucher proposals, these individuals are instead holding their noses and giving plaques to the "best" teachers and principals in the failing public school system—all the while enrolling their children in private schools. It is ironic that North Carolina businessmen—long a bulwark against workplace unionism—have been reluctant to take on the educational establishment.

When I ran for State Superintendent of Public Instruction in 1992, I saw fear in the faces of many young couples. This fear of failing public schools forced them to save each penny—not for college—but to pay for tuition at private schools. That's not the America I grew up in nor the nation my father fought for in World War II. But in spite of all the great obstacles to school choice, I believe that the forces for reform one day will prevail. These reformers help create opportunities in North Carolina so that no child must grow up with low hopes, dreams, skills, and wages.

FOOTNOTES

¹ U.S. Department of Education, *Digest of Educational Statistics*, 1994, p. 131.

² N.C. Department of Public Instruction, *Statistical Profile*, editions 1974 through 1994. The average pupil-teacher ratio in North Carolina fell from 23.2-to-1 in 1972 to 17.1-to-1 in 1992.

³ U.S. Department of Education, note 1 above, p. 131.

⁴ John Hood, *The Entrepreneurial School: A Model For Education Reform in North Carolina*, John Locke Foundation, Raleigh, N.C., p. 8. Hood cites a study by University of Rochester researcher Eric Hanushek that reviewed hundreds of education studies and found that 82 percent of the studies found no link between student performance and student-teacher ratios. See Eric A. Hanushek, "Impact of Differential Expenditures on

School Performance," *Educational Researcher*, Vol. 18, No. 4 (May 1989), p. 45.

⁵For example, Owen Phillips and Teena Little, two of the candidates for State Superintendent of Public Instruction in 1992, supported reducing class sizes in grades K-3 from 23 to 17 students per teacher. That goal was supported by the State Board of Education, the N.C. Association of Educators, the N.C. Congress of Parents and Teachers (PTA), and the Professional Educators of North Carolina.

⁶N.C.G.S. 115C-81.

⁷Rob Christensen, "The rise and fall of N.C. education's Great Leap Forward," *The News & Observer*, Raleigh, N.C., June 12, 1995, p. 3A.

⁸John Hood, "New N.C. School Data Offer Lessons," Executive Memo No. 13 (Sept. 13, 1992), John Locke Foundation, Raleigh, N.C. Hood derived North Carolina's ranking by dividing the average total teacher compensation (salary and benefits) by the index of state costs of living. He then ranked the states by teacher salaries adjusted for cost of living in descending order.

⁹Interview with Norma T. Smith, a parent and member of the Cook Middle School Improvement Committee, fall of 1991.

¹⁰John E. Chubb and Terry M. Moe, "Politics, Markets and America's Schools," The Brookings Institution, Washington, D.C., 1990. Chubb is a senior fellow at The Brookings Institution and Moe is a political scientist at Stanford University.

¹¹The teacher's comments were made to a school-choice field organizer.

¹²James Coleman, "Do Students Learn More in Private Schools than Public Schools?" *Florida Policy Review*, Vol. 5, No. 1 (Summer 1991).

¹³The General Assembly created the N.C. Legislative Tuition Grants (NCLTG) program in 1975 to provide tuition assistance to resident students attending private colleges and universities in the state. This was in addition to the State

Contractual Scholarship Fund (SCSF), created in 1971, which provides need-based grants to students at private colleges and universities in the state. Both programs are administered by the State Education Assistance Authority, located in Research Triangle Park. For the 1994-95 academic year, NCLTG grants averaged \$1,250 per student and SCSF grants averaged \$550.

¹⁴The N.C. Center for Public Policy Research looked at home schooling in an article by Katherine White, "When Is a School a School?" *North Carolina Insight*, Vol. 8, No. 1 (September 1985), pp. 82-83.

¹⁵Citizens for Public Schools estimated the cost of the bill by multiplying the proposed tax credit (\$1,000) times the projected private-school enrollment in 1997 (77,000). However, this cost estimate does not take into account the savings that would result from public-school students who transferred to private schools, thus saving the state \$3,565 per student allotment. The author argues that people change their buying habits as a function of the elasticity of demand. For instance, price greatly influences the demand for a product such as a house, with a high unit elasticity of demand (close to 3 on a scale of 0 to 3). Conversely, price has little effect on the demand for a product such as insulin, with a low unit elasticity of demand (close to 0). Conservatively assuming that the unit elasticity of demand for private-school tuition is 1 on a scale of 0 to 3, and that the average tuition cost is \$2,000 per child a year, a tuition tax credit of \$1,000 would increase demand for private-school education by 50 percent. Thus, an additional 38,500 students would transfer from public to private schools—saving the state \$2,565 per child (the \$3,565 allotment minus the \$1,000 tax credit). The savings for transfer students would total \$98,752,500 (38,500 students times \$2,565)—more than \$20 million higher than the cost of providing tax credits for existing private-school students (\$77 million). Therefore, the author maintains the tuition tax credit is likely to save taxpayers money.

***"Well, Johnny can dance and Johnny can love
Johnny can push and Johnny can shove
Johnny can hang out; Johnny can talk tough
Johnny can get down and Johnny can throw up—***

***But Johnny can't read
Summer is over and he's gone to seed
You know that Johnny can't read
He never learned nothin' that he'll ever need—***

***Well, is it Teacher's fault? Oh no
Is it Mommie's fault? Oh no
Is it Society's fault? Oh no
Well, is it Johnny's fault? Oh no!"***

—DON HENLEY AND DANNY KORTCHMAR
IN "JOHNNY CAN'T READ"