

University of Kentucky

Gatton College of Business and Economics

Institute for the Study of Free Enterprise



INSTITUTE FOR THE
STUDY OF
FREE
ENTERPRISE

Study demonstrates that state school choice programs can improve test scores and lower costs state-wide

- **School choice programs and charter schools have been created by many state governments in the past 25 years**
- **Economic theory suggests that this is a move towards a more competitive education industry that should improve performance and lower costs system-wide**
- **New study finds that the effect of these programs on test scores is not only large, but much greater than the effect of general increases in per pupil spending on K-12 education**

The decreasing performance of public schools despite growth in resources supporting education is an increasingly alarming problem, especially given the modest results of the U.S. among fellow OECD countries. To address this states have experimented with different policies, including school choice reform, aimed at helping students attend the schools that best fit them and their learning styles and needs. John Garen, ISFE Affiliate and BB&T Professor Emeritus at the University of Kentucky's Department of Economics, analyzes whether choice and charter programs have had effects beyond those on the performance of students enrolled in these programs, that is, an indirect effect on schools statewide through the introduction and increase of competition within education.

Garen begins by quantifying the laws and describing the landscape of programs within the school choice and charter umbrella since 1990. He then conducts an empirical analysis that finds large gains in test scores across states that adopt voucher programs and/or Education Savings Accounts (ESAs). He finds that these improvements in performance are multiple times

the effect of increased per pupil K-12 spending and also that vouchers and ESAs are associated with statewide cost savings per pupil, a double-dividend to the programs.

Garen notes, “To cause substantial improvements in the state’s average NAEP test score, a large number of students – not just the small minority in choice programs – must improve, implying that a considerable number of public schools, and their students, need to improve. This can occur if the public schools feel sizable enough competitive pressures to upgrade their programs, to develop programs that better match students, or assist parents in moving their children to a better-suited private school. For this competitive pressure to exist, it must be feasible and credible for parents to move their children out of the public school system.”

He continues, “Perhaps the lessons learned from the more successful states can be applied elsewhere. Note, though, that the expected gains from choice and competition comes from enabling schools to find what works for their specific situation and allowing parents to reward those schools by enrolling their children. “What works” in one place may not work in another. The real key is establishing the incentive system that allows and rewards finding what works.”