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Reinventing the Alabama K-12 School System to Engage More Children in Productive Learning

John Merrifield and
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Summary Points

- Alabama's public schools continue to poorly educate our children. The cost of the public schools burdens the state economy, while their poor performance threatens the quality workforce needed for growth and leaves thousands of Alabamians ill-equipped to lead happy and productive lives.
- A failure to engage students in their learning is the proximate cause of poor learning performance and contributes to Alabama's scandalously high dropout rate.
- Public school proponents offer an unending series of reforms focused on smaller class sizes. Larger schools, more spending, and increased control by lawmakers and educational bureaucrats. This failed game plan will never remedy the fundamental problems of Alabama's schools.
- Alabama needs a system offering students and parents a diverse range of genuine educational options based on learning styles and subject matter, in short, competition in education.

The Alabama K-12 public school system, like elsewhere in the United States, is chronically low performing. Our nation's best public school systems are still pretty bad because all fifty of the U.S. school systems implicitly make numerous heroic assumptions, such as one size fits all, incentives don't matter, and schooling is the one sector that can perform at high levels with price control. The key chronic low performance symptoms include higher than necessary K-12 costs, low student achievement levels, and a work-force that is ill prepared for 21st century jobs. Predominant recent approaches to school system improvement – higher standards, teacher micro-management, more stringent teacher qualification requirements, promises to improve political-administrative accountability based on test scores, and large per-pupil spending hikes - have been costly, but have done little to improve Alabama's student attainment levels. Despite decades of national and state education reform frenzy, the Alabama K-12 school system still contains multiple systematic flaws that undermine student engagement and doom efforts to significantly improve student achievement levels. An utterly deplorable fact is that the roots¹ of the low performance problem described in stark terms by the 1983 non-partisan National Commission on Excellence in Education's *Nation at Risk* report² have survived three decades of frenzied activity, nationwide. That is, additional authoritative groups, including the 1994 U.S. congress (Democrat majority in both chambers at the time) and another national commission have periodically re-affirmed, to this day,³ the 1983 commission's sense of immense risk and great urgency:

"The educational foundations of our society are presently being eroded by a rising tide of mediocrity that threatens our very future as a nation and a people. If an unfriendly foreign power had attempted to impose on America the mediocre educational performance that exists today, we might well have viewed it as an act of war."

Because of the persistence of the low-performing system (a very inefficient schooling strategy), far too many Alabama K-12 students remain confused, overwhelmed, or bored, which has produced underachievement, high dropout rates, and a workforce that lacks the fundamental skills to compete with other leading states. The result is that Alabama, along with every other state, has failed to receive an adequate return on its huge investment (ROI) in a K-12 system. The inefficiency and the chronic low performance of Alabama's system of traditional public schools (TPS) is not limited to low income, urban school districts. Certainly, the problems are at their worst in urban

schools attended by the poor. But the basic problems of dismal performance and falling productivity⁴ are system-wide problems with scattered exceptions widely described as someone(s) succeeding against incredible odds.⁵ The agents of those isolated success stories typically cannot sustain, much less replicate, the basis for their shining examples of high performing schools, and even occasionally, entire school districts.

Alabama needs a relentlessly improving menu of schooling options, public and private, as diverse as Alabama's schoolchildren. Since the individual schools on such a menu will be specialized, not comprehensive, no school can serve all children. Parents will compare schools of choice to find the best match for each of their children. Naturally, transportation challenges may prevent first best selections for large families of diverse children, and it remains to be seen just how specialized the alternatives to TPS will be. Second best choices may turn out to be much better for many children than the assigned TPS, and perhaps in many cases, not too far below the effectiveness, for many children, than the first best school that was too far away, or had unaffordable additional costs.

The prevailing large comprehensive schools approach to address the challenges created by student diversity (student talents, achievement levels, interests, and learning styles) is an increasingly expensive schooling strategy that has left many children unprepared for employment or citizenship. The needed student-teacher connections—engagement in learning—necessary to address the problems associated with learning issue diversity in the class room, and the within school diversity in how children learn and what subject themes secure engagement in learning, will continue to be unacceptably scarce until it is possible to decide a child's school through expanded school choice from an appropriately diverse menu of instructional approaches. A sufficiently diverse menu of schooling options requires a substantial financial leveling of the playing field—funding equity—between the different actual and potential schooling options, public and private.

There are several available policy options that would create the school choice conditions that would address the problems associated with the diversity of student learning determinants. Those policy options include properly structured universal tuition vouchers, education savings accounts, corporate and individual tuition tax credit options, and legislation allowing the creation of an independent, market-driven (price-decontrolled, profit

allowed) charter school system. The restriction-laden U.S. and international examples of school choice expansion only hint at what is possible with universal approaches that provide funding equity between publicly- and privately-provided schooling options. Alabama needs to do more than just copy an existing school choice expansion policy. Even smaller steps than the small, existing private school choice programs such as an open enrollment within the public schools and more magnet schools are options that can be good first steps, and eventually become part of a larger scale, overall school system transformation.

We proceed with a more detailed assessment of Alabama's recent struggles to significantly improve its school system outcomes. We follow that description of the persistent low performance problem with a discussion of recent decades of futility applying politically correct, conventional wisdom to the low performance problem. After we identify what we believe are the unaddressed 'roots of the problem', we describe the essential drivers of a dynamic (relentlessly improving, appropriately diverse menu of policy options capable of adequately addressing those roots.

Plummeting Productivity

School system outcomes including high school completion, college and employment readiness, and scores on national assessments have remained largely stagnant despite large increases in inflation-adjusted K-12 spending since at least 1990. The National Assessment of Education Progress (NAEP) exams are more reliable than state assessment data,⁶ though Alabama's assessments are closer to the rigor of the NAEP tests than most states. A Fordham Foundation assessment of the state tests gave Alabama's 2010 mathematics assessment a B+. It 8/10 of Fordham's criteria,⁷ and the English language and arts standards received a B. Even with less rigor than the NAEP test, Alabama's state assessments still show 20-30% of its students fail to meet academic standards.

NAEP data shows that while Alabama's 4th grade reading levels are comparable with the national average, the 4th grade math and science levels are below the national average, and 8th grade students performed well below the 'Nation at Risk'⁸ [=unacceptably low] national average on mathematics, science and reading (see **Tables 4.1** and **Table 4.2**).

TABLE 4.1: 2013 AND 2000 NAEP MATH ASSESSMENT SCORES

2013 NAEP 8 th Grade Math Assessment Scores			
State	All Students	White	Black
National Average	284/272	293/283	263/243
Alabama	269/264	280/275	250/240
Louisiana	273/259	285/275	259/239
Mississippi	271/254	285/268	255/237
Massachusetts	301/279	307/284	277/258

While the scores on the NAEP have shown some improvements since 2000, Alabama still ranks among the worst states overall. Far too many students are still scoring “below basic” on the NAEP (**Table 4.2**); a term indicating “non-mastery of fundamental skills.”⁹ Alabama’s 8th grade NAEP math score was 269; 15 below the national average.

Far too many Alabama high school graduates are unprepared for college. **Table 4.3** reports the college-ready share of high school graduates (based on the American College Testing [ACT] exam scores for 2008-2012). Since the ACT is a college entrance exam, those results reflect the skills and knowledge of the majority of Alabama’s best students. Roughly 76% of the Alabama’s 2013 graduating class took the ACT. **Table 4.3** shows the percent of Alabama’s 2013 graduating class that were considered college ready by the ACT.

The results show that while Alabama students score slightly above the national average on the English portion of the exam, they are well behind in the other subjects. **Table 4.4** show Alabama’s ACT historical benchmarks. Alabama’s 2012 graduating class actually scored worse on the ACT in English and Math than their 2008 predecessors.

Even more worrisome than Alabama’s poor performance on the NAEP and ACT exams is its scandalous dropout rate. It is one of the highest in the country. Between 2002 and 2012, roughly 30% of Alabama’s high school students failed to graduate in their allotted four years.

Alabama’s 2012 Adjusted Cohort Graduation Rates (ACGR) - the percent of students that successfully complete high school in four years with a regular high school diploma - was only 72% (**Table 4.5**). The gap between white and black students, as well as students characterized as limited English proficiency, is especially wide.

Unwise Conventional Wisdom on How to Improve Schools

The large share of Alabama K-12 students that still perform below basic is a key reason why an end to the policy practice of “more-of-the-same-harder (Merrifield, 2001)” or the Hess (2010) version, “the same thing over and over” – recycling

TABLE 4.2: BELOW BASIC SCORES

Alabama NAEP Below Basic Scores			
Year	Math	Reading	Science
2013	40%	32%	--
2011	40%	33%	47%
2009	42%	34%	49%
2005	47%	37%	---
2000	47%	---	---

Source: National Center for Education Statistics¹⁰

TABLE 4.3: ACT SCORES

2013 ACT Results: Percent of Students Considered College Ready ¹¹		
Subject	Alabama Average	National Average
English	66	64
Algebra	31	44
Reading	41	44
Biology	30	36
Meeting All Four	20	26

policy change with a track record of costly disappointment – is long overdue. Alabama is not getting nearly enough for its massive investment in K-12 schooling. Far too many Alabama adults lack the basic skills¹³ they need to realize the high earnings available in the modern economy. Paraphrasing a former Assistant Secretary of Education’s assessment of state rankings, the best schools are at the top of the cellar stairs. The Hess’ book about the need for systemic transformation notes that the problem persists at the district level: “acclaimed districts are impressive only relative to their peers.”¹⁴

Despite years of reform frenzy – justified by the persistently dismal outcomes of the current K-12 system – the roots of the low performance problem remain largely intact. We create an almost impossible teaching task when we assign children to classrooms, often in huge schools, on the basis of just their age and address; no attempt to sort them (or allow self-sorting via choice) according to subject-specific abilities, or specific thematic factors that can influence student engagement. The single salary schedule for teachers, which bases pay on just general credentials and experience, creates shortages of some types of teachers and stifles innovation and pursuit of excellence. Teachers with no tangible incentive to succeed, or to avoid failure, are supposed to succeed in exceptionally diverse classrooms with politically-correct, ‘teacher-proof,’ weak and boring textbooks and curricula; one size fits all materials chosen for them. Because of the learning issue diversity thrust upon teachers, many students are not developing even in classrooms of hard-working, competent teachers. That learning issue diversity, and resulting mismatches

TABLE 4.4: Percent of Alabama Students Meeting ACT College Readiness Benchmarks

Percent of Alabama Students Meeting ACT Benchmarks						
Year	Number of Students Tested	English	Mathematics	Reading	Science	% Students Meeting all 4 Benchmarks
2008	35,590	68%	30%	48%	21%	16%
2009	35,809	67%	29%	47%	21%	16%
2010	36,624	66%	31%	47%	23%	18%
2011	37,800	65%	32%	48%	22%	18%
2012	39,565	65%	33%	48%	23%	18%

Source: ACT

TABLE 4.5: GRADUATION RATES

2011-12 Adjusted Cohort Graduation Rates ¹²				
States	Total	White Students	Black Students	Limited English Proficiency
United States	79%	84%	67%	57%
Alabama	72%	78%	63%	36%
New Mexico	63%	73%	60%	56%
Arkansas	81%	84%	73%	76%
Texas	86%	92%	81%	77%

between lesson content and pace and student interests and abilities lead to parental disappointment and complaint that makes many teachers dread parental interaction.

Parents are largely powerless to achieve desired changes, except incompletely, at best, as political activists. That arduous process forces frustrating and debilitating compromise with other parents trying to solve different problems for their children. The obstacles to engagement undermine the co-production process that is unique to the education industry. Co-production means that the customers (students) must assist in the production of the service or product. In a typical business-customer transaction, customers are largely or entirely passive recipients; for example in the production of a legal document by a lawyer, or a haircut by barber. The desired student intellectual growth occurs only with the active co-operation of the clients, the students.

The importance of engagement to student outcomes is obvious and extensively documented.¹⁵ The motivation to learn, which is a key part of being engaged in school, is a proven key element of the learning process at all age levels.¹⁶ Engaged students learn more quickly, retain information longer, and are less likely to get in trouble or dropout.¹⁷ Yet, numerous studies have found that a large proportion of U.S. K-12 students are not

engaged in their coursework¹⁸; something that has been shown to intensify with age.¹⁹ The failure of past education reform efforts to address the engagement imperative was documented by a 2005 survey,²⁰ and again, more recently, in 2013, with a national survey of over 600,000 5th through 12th grade students. The extent of student disengagement is frightening (Table 4.6). Over 55% of students were considered disengaged, with 17% considered actively disengaged, meaning that they felt negative about their schools and will likely spread that negativity.

Disengagement has a drastic impact on student success. The Gallup poll estimated that a one percentage point increase in a school's average student engagement score is associated with a 6 point increase in reading achievement and an 8 point increase in math achievement. Comparing those figures with math achievement levels increases for Alabama over the past decade, shows that those gains can be considered massive. A key finding of the study is that students who agreed that their schools were committed to building their strengths and had a teacher who made them feel excited about the future were almost 30 times as likely to be engaged learners as their peers who agreed with neither statement.²¹ The high rates of disengagement typically don't include the most disengaged children of all, dropouts.²²

Too much subject interest and learning style diversity in TPS classrooms

While students living within public school attendance zones are often homogeneous in terms of socio-economic status and ethnic makeup, there are large differences in student subject-matter interests²³, learning styles, and career goals.²⁴ Therefore, it is easy to see how course material may be too difficult, uninteresting, or confusing to some students who have trouble learning via the prevailing pedagogy. Harvard professor Paul Peterson noted that, “the general consensus is that it doesn’t work having all these kids [students with vast educational differences] together. For teachers, the challenges can be [unnecessarily] enormous.”²⁵ An especially telling example of politics run-amok is increased “mainstreaming” of special needs children. “The percentage of special needs children who spend more than 80% of their time in a regular classroom jumped from 17% to 35% from 1995 to 2005.”²⁶ And, *“in making the mainstreaming decision, school[s] cannot, at least not officially, consider the well-being of the other students at the school.”*²⁷

Large disparities in student intellect within individual classrooms force many teachers to lower their standards so that the majority of their students can advance. The result is that many students under-achieve or drop out because of boredom.²⁸ Such “watering down” practices appear to be especially rampant in inner city schools.²⁹ Programs for gifted and talented children are increasingly rare, and often exist in name only. The diversity in student interest, knowledge attainment levels, and learning styles within attendance zones create an impossible teaching task; namely, to find a uniform process to address diverse instructional needs. Better teacher training can do little to make teachers better at being everything to everyone. There are no “best practices” for student groups that are highly diverse in terms of learning determinants.

Counter-Productive Structures of the Current Traditional Public School System

TPS are riddled with rules and practices that impede learning. For example, attendance zones mean that schools have to offer something for everyone (uniformly comprehensive) in every zoned school. An analogy of how attendance zones keep schools from providing the instruction that matches each child’s needs is that of a restaurant that *must* cater to all of the diverse tastes within its jurisdiction.³⁰ Such a restaurant would have a poorly executed, huge menu to attempt to serve a cliental

TABLE 4.6: STUDENT ENGAGEMENT 5TH – 12TH GRADE – U.S.

Percentage	Level of Engagement
55%	Engaged
28%	Not Engaged
17%	Actively Disengaged

with vast differences in tastes. Or, it would lack specialized menu choices, for example cuisine items with narrow country/ethnic appeal, choosing rather to provide food options that the vast majority of their captive clientele will accept. Lack of specialization precludes the preferred meal of most diners. Similarly, the attendance zone of a traditional public school (TPS) precludes addressing the instructional needs of students with widely different interests and learning styles. Teachers simply *cannot* connect with many of their students.³¹ The educational mismatches and high level of disengagement found in public schools also causes teachers and school officials to come into conflict with parents and each other.³² The especially low performance of urban public school systems is evidence that learning style and subject interest diversity is an especially large problem in large urban district schools where the interests, learning styles, and student intellect are especially diverse.

Our typically large, ‘comprehensively uniform’ TPS (including “shopping mall high schools”³³) are a failed attempt to address student diversity. They don’t achieve the needed grouping by ability, by subject, and mega-schools typically fail to create a sense of community and a distinct purpose and identity needed to engage some students in their academic pursuits.³⁴ Also, because they lack a coherent mission, “comprehensively uniform”³⁵ mega-schools are hard to manage,³⁶ and highly vulnerable to waste³⁷, corruption³⁸, and fraud.³⁹ The ability of the typical U.S. private school to provide a sense of community and purpose has been found to be a major reason why the majority of their students surpass their public school counterparts on state and national examinations each year.⁴⁰ And private schools have lower achievement gaps between minority and white students,⁴¹ and have a higher percentage of college-bound students.⁴² A 1993 Harvard study found that classroom composition was even more of a determining factor for increased student test scores than the sense of community small schools tend to achieve.⁴³ The effects of classroom composition are larger after the 5th grade, when students, rather than teachers, set the pace for academic achievement.⁴⁴

Grouping students by age instead of by their ability to perform in each subject area, further compounds the challenges caused by attendance zones. Students have natural tendencies to perform better on certain subjects than others. So, the current process of grouping students by age instead of by their subject-specific abilities is part of the reason for too much subject interest and learning style diversity in TPS classrooms. It’s another reason that students at higher achievement levels are prone to lose interest in same-age classrooms,⁴⁵ while students

at lower achievement levels may feel overwhelmed.⁴⁶ Age is not a key determinant of the proper level and pace of instruction.⁴⁷ Asserting that a students' current grade level equivalents should be based on their age, is similar to having the shoe or clothing industry assign all students of a certain age the same clothing or shoe size.⁴⁸ Yet, TPS provide identical instruction based on students' age. Grouping students *by specific subject* interest and ability instead of by age would greatly enhance student engagement and academic achievement.⁴⁹ Grouping children by subject specific ability is very different from the much-maligned 'tracking' of students according to assumed general ability. Tracking assumes that children are uniformly, high-, low-, or average-ability, while the reality is that the vast majority have subject strengths and weaknesses.

Our over-challenged teachers are also insufficiently incentivized

The teaching profession is hindered by the lack of incentives inherent in the TPSS. The inability of teachers to choose an instructional approach that exploits strengths that can be very specific can be boring or stressful, and prevent them from increasing their earnings. Indeed, as noted previously, there are few, if any, tangible rewards for outstanding performance. That persistent factor, alongside the single salary schedule, discourages high achievers from entering the teaching profession in the first place,⁵⁰ and causes many of those who enter it anyway, to quickly exit. That is especially true of teachers with skills that are useful outside of teaching; for example the math and science skills that are in chronic short supply in schools.⁵¹ Subject-specific teacher shortages force administrators to use out of field teaching, which feeds teacher burnout and student disengagement. The terms 'uniform' and 'single' arise from basing salaries only on experience and educational attainment levels; something known to push out higher ability teachers.⁵² And, neither a teacher's years of experience, nor their level of education, have been found to be strong indicators of student performance.⁵³

Uniform pay schedules also create equity, and talent distribution problems.⁵⁴ For example, more experienced teachers are more common in suburban school districts, where base salary rates are higher, and job stress is lower. Meanwhile, inner city schools with a more urgent need for the best available teachers have traditionally had higher than average teacher turnover rates.⁵⁵

The accountability crisis

Accountability can come from two main sources: accountability to government officials (top-down accountability), and bottom-up accountability to clients.⁵⁶ TPS suffer from total reliance on inherently weak and poorly informed top-down accountability to public officials. The bottom-up accountability that is inherent in the private sector requires empowerment of parents and students to choose schools that best match their goals, subject matter interests, or specific pedagogical styles that help those students learn best. Top-down accountability focuses attention on the specifics of the official accountability measures like state assessments. That has produced 'teaching to the tests,' a teaching practice that has greatly narrowed curricula to tested items and to lessons aimed at standardized test preparation.⁵⁷ For example, there is greater emphasis on math and reading test questions, and much less coverage of untested subjects like history and social studies.⁵⁸ Teaching to tests and dumping large chunks of the curriculum is not conducive to engaging children in well-rounded, productive learning. And because of the disengagement factors we've discussed, the extra time on tested subjects has produced only modest measurable gains, while creating even greater dissonance in the neglected critical areas at the core of the justification for public schooling; for example, social cohesion through an understanding and commitment to American values and governance traditions.

More intense testing to increase top-down accountability has not improved the U.S. K-12 system. The Clinton Administration's Goals 2000 Education Act of 1994, and the Bush Administration's No Child Left Behind (NCLB) Act of 2001, aimed to address the *Nation at Risk*⁵⁹ alarms with much improved top-down accountability through a mass focus on standardized testing. NCLB, reinforced by new state laws, implores schools to meet certain standards (i.e. have a certain percentage of students achieve proficient or above on state assessments). Yet, educators typically face few, if any, major repercussions when they fail to meet their objectives. That is something that is evident from the many low performing Alabama TPS schools that remain open year after year.⁶⁰ The Alabama Association of School Boards lists on its website 72 TPS schools that have been in the lowest 6% of schools for three out of the past six years.⁶¹

Since bottom-up accountability to families is inherently comprehensive, though subjective (informed by accessible

data and personal observation), it can transform the current, largely stagnant and resistant-to-change K-12 system into one that creates student-teacher-content connections infused with relentless improvement. Without the informed and motivated scrutiny of parents, there is little fiscal motivation to remove ineffective educators, improve services, or reduce costs. Government oversight (top-down accountability) that monitors performance, including threats of processes that could eventually end with personnel actions and/or a school's closure, has failed to produce the type of continuous improvement necessary to turn around low-performing school systems and schools that work for no one.⁶² Families moving money by voting with their feet is what bottom-up accountability means. That's the fundamental basis of a school choice system. That meaningfully pressures schools to continuously improve without the more difficult and less effective alternative of political or administrative actions that typically must [awkwardly] apply to everyone.⁶³

Teacher micro-management and de-professionalization / teacher-proof curricula.

Growing frustration with low performance and difficulty creating appropriate incentives has led to teacher bashing, and lacking appropriate incentives, a perverse determination to force teachers to be more successful. In school districts across the country, regulations and oversight by state and local officials drastically limit the autonomy teachers have in preparing their own lessons. In many states, teachers must follow a timetable and strict guidelines and for what, when, and in some cases how they should teach. Such drastic measures allow for little discretion to adapt unique teaching abilities to their particular mix of students. That, and demoralization of teachers, inevitably stifles engagement and innovation in the classroom. Teachers often can do little more than follow a structured outline of what they must teach, and then they are scolded when their students fail to succeed at high rates.

Teacher resistance to micro-management and discomfort with imposed practices—specifying *how* they should do their jobs—further undermines teacher commitment to engage their students in learning. The insulting and demoralizing micro-management process also contributes to teacher burnout.⁶⁴ The inability to control the design and delivery of content underutilizes the unique strengths of each school's staff.

Lack of school autonomy

Public school principals typically lack key management powers.⁶⁵ They usually control only a small part of their school's overall budget. Principals frequently lack the authority to make personnel decisions, and typically lack the ability to financially reward top performing teachers.⁶⁶ A 2001 Public Agenda survey of 853 public school superintendents and 909 public school principals found that 92% of superintendents and 89% of principals said that it would either be somewhat helpful or be very helpful to provide them with much more autonomy in running their schools and then hold them accountable for results.⁶⁷ A large majority (69%) of superintendents said school boards interfere with their jobs, and 81% said bureaucracy and politics are the main reasons superintendents leave their jobs. Furthermore, 71% and 67% of superintendents and principals, respectively, wanted more authority to remove ineffective teachers, and 76% and 67%, respectively, wanted the ability to reward outstanding teachers. The fact that top-down accountability has continued to increase since that survey is further evidence of the dire need to address the inherent weaknesses of political micro-management with a large increase in students' school choice options.

Past Reform Attempts Didn't Address the Issues Described Above

The education establishment throughout the U.S. has been in reform mode for at least a century.⁶⁸ It became frenzied, but still ineffective, with the 1957 Sputnik 'scare' and even more so after the release of the seminal first Nation at Risk report (1983).⁶⁹ But the predominant reform efforts, including increased funding, smaller classes, plus at least symbolically increased top-down accountability with higher standards left the system's key barriers to engagement intact.⁷⁰ Some reform efforts made them worse. We know that the mega-school approach that provides customization and specialized instruction within giant, "shopping mall" schools is a failed strategy that fosters fraud and creates school management problems that go beyond the persistent inability to fully engage the majority in high value learning.

More Money Syndrome

State governments across the country have long held low spending levels as the culprit to the low student achievement levels on standardized tests and large gaps between various social economic groups. Yet, almost every state in the U.S. spends more

money per student than every country in the world.⁷¹ Alabama's 2012 average K-12 expenditure per-pupil was \$8,562, which ranked 40th in the U.S. in 2013⁷² (**Table 4.7**). Alabama's low spending compared to other U.S. states will lead some to suggest that increased expenditures per-pupil is the answer to increase student achievement levels. Yet, that conclusion doesn't match up with the higher output per dollar that states such as Texas and Florida have been able to achieve (based on national assessment scores, dropout rates, etc), not to mention other OECD countries. Alabama actually spent at similar or slightly higher per-pupil levels than Germany, France, Korea, and Finland; countries far outperformed the U.S. as a whole on prominent international tests like PISA⁷³ (**Table 4.8**). Overall, the U.S. ranked 39th out of the 62 countries on the PISA in 2012, and Alabama was low-performing compared to other U.S. states.

A particularly shocking case that demonstrated the system's typically ineffective use of additional resources arose from a 1985 Kansas City, Missouri desegregation-driven reform effort. A 1985 court decision ordered the Missouri Legislature to spend over two billion dollars to improve facilities and desegregate the Kansas City School District. Per-pupil spending quickly rose to roughly twice the national average. The ensuing spending spree lowered the student-teacher ratios below 13:1 - the lowest in any major school district at the time. By the end of the twelve-year spending spree, student test scores had not risen, achievement gaps between minorities and whites had not fallen, and integration had failed to occur.⁷⁵ Families continued to flee the low-performing Kansas City schools despite their lavish budgets and impressive facilities. Under-motivated, out-of-field, and burned out teachers were still commonplace at the end of the twelve year period following the passage of the desegregation mandate. Educators still lacked the autonomy to best decide how to do their jobs, and lack proper direct accountability to students and parents. The additional money did not eliminate any of the debilitating practices described above.

Smaller Class Sizes

Despite its poor track record⁷⁶ and high cost, class size reduction has been a key funding priority for many states including Alabama. The average U.S. class size fell steadily from 22.6 in the 1970s to 16.2 in 2002.⁷⁷ That coincided with a sharp drop in academic performance throughout the country. Would anyone dare speculate that class size reduction prevented an even larger drop in performance? We would regard such speculation as credible. Also, at the same time, school size rose with the

pressure to produce comprehensive (include everything) schools, even though public schools were widely known to be mostly too big.⁷⁸

No doubt, for some children studying certain subjects, a class size reduction would be worth the cost, but an untargeted, across-the-board reduction in class size is worse than foolish. On a level playing field of diverse schooling options, school entrepreneurs would continually experiment with class size to determine the specific circumstance in which smaller classes yield enough improvement in educational experiences and outcomes to justify the cost.

Higher Standards and Increased Top-Down Accountability

In addition to spending more money, in part for class size reductions, increased top-down accountability was widely seen as an essential reform.⁷⁹ Before we make our recommendations for moving forward, we want to deal directly with the fundamental pros and cons of the latest round (NCLB + Obama-Duncan) of frenzied federal response to the previous round of reform failure. Note, first, that the increased attention to school policy at the federal and state levels implicitly presumes that political arenas in which individuals have less voice can do what the smaller, local political arenas could not. "It is not clear how the problems of the local political arena can be solved by moving authority and control up to an even larger political arena."⁸⁰

The current Federal Race to the Top policy yielded some school system improvements, but most federal and state efforts, including NCLB, have amounted to a more-of-the-same-harder version of the failed 'Goals 2000' Act (a 1994 law whose preambles amount to 'Nation at Risk' III).⁸¹ We welcome NCLB's public school choice provisions, and the NCLB-generated data. It brings attention to the system's failure to move forward much since the 1983 *Nation at Risk* declaration. We deplore the NCLB premise that our low-performing system's key deficiencies are unclear definitions of success, unqualified educators, and insufficient pressure⁸² to excel. There is no evidence that higher standards lead to improved performance.⁸³

Solution: A Diverse, Dynamic Menu of Schooling Options

We need to address student diversity through specialized schools of choice, not through "internal choice"⁸⁴ within mega-

TABLE: 4.7: K-12 EXPENDITURES BY STATE

2012 K-12 Expenditures Per-Pupil By State	
State	Total Spending
National Average	\$10,608
New York	\$19,552
Georgia	\$9,247
Alabama	\$8,562
Florida	\$8,372
Texas	\$8,261
Utah	\$6,206

Source: U.S. Census Bureau

schools. Widespread access to a menu of schooling options as diverse as the engagement factors and learning styles of our children will address and probably largely eliminate the disengagement problems of the current system. Though large urban areas appear most in need of specialization, and best able to support it, recent, major improvements in technology⁸⁵ can provide many benefits of specialization even to rural Alabama.

Increased Engagement through Better Matching of Students and Educators

Another benefit of increased school choice arises from “peer effects.”⁸⁶ Choice among diverse schooling options will mean that school peers have similar subject interests or learning styles, a characteristic that has shown to improve learning rates and material retention.⁸⁷ Experience with magnet schools (specialized, district-run public schools)—a school integration strategy based the lure specialized curricula—hints at the potential gains from systems with specialized schools of choice available to everyone, rather than a hard-to-secure exception sometimes available through magnet schools or chartered public schools.⁸⁸

Schools with a focused mission attract the educators with specific talent and passion for that school’s instructional approaches. The proper matching process between educator talent and passion and student interest and aptitude that we describe below can also lessen the friction between parents and teachers; something found to be a major cause of costly teacher burnout.⁸⁹

Fiscal Benefits

Specialization by schools, rather than costly specialization within large schools, will mean more manageable schools and less corruption.⁹⁰ Competition will drive efficiency gains, while specialization can also save money by eliminating duplication of services. For example, the matching of specialized instructional

TABLE 4.8: 2012 OECD PISA SCORES

2012 OECD PISA Scores By Country			
Country	Mathematics	Reading	Science
China	613	570	580
Korea	554	536	538
Germany	514	508	524
France	495	505	499
USA	481	498	497

Source: OECD PISA⁷⁴

approaches to the students that will benefit the most from them eliminates the need to maintain similar non-core subjects at several schools.

Smaller Schools

Studies show that there are many benefits to smaller schools.⁹¹ As specialization takes place, schools focusing on different pedagogical approaches and specific themes such as sports,⁹² law, health, or engineering are likely to emerge. Students that do not currently fit in the current public school system can find a niche school that works with their natural talents and abilities, rather than against their weaknesses.

Smaller schools enhance the community feel of schools by enabling teachers, school administrators, and parents to play a greater, more personal role in the education of their students.⁹³ Smaller schools would mean a rise in the number of schools, which would offset some of the transportation cost implications of matching children interest/ability to school mission.⁹⁴ The net transportation cost effects of school specialization and residential choice are unknown. Certainly, transportation challenges could deter some large families from enrolling each child in their best existing school choice, though second and third best *choices* will still be, by definition, preferred to the assigned public school.

Appropriate Specialization Requires Choice and Market-Set Prices Basic Rationale

Attendance zones – assigning children to schools through home address – mandates unspecialized neighborhood schools (“comprehensive uniformity”⁹⁵).⁹⁶ Because exclusivity over a zone forces each TPS to at least appear to consider every major instructional preference the zone might contain, an attendance zone precludes noteworthy specialization. You can’t assign children to specialized schools because that would aggravate existing disengagement problems, while likely creating a political

outcry that would quickly end the policy. So, implementation and exploitation of the needed diverse menu of schooling options requires school choice. And meaningful universal choice requires funding equity which we define to mean much-reduced financial discrimination against those opting out of the assigned school. That means that the subsidy available to a particular child cannot depend upon whether their teachers are school district employees. Achievement of the best possible mix of schooling options, and the need for incentives for relentless improvement, also require low formal barriers to new schooling approaches. Accountability exists through closure of schools that lose funding when they fail to be 'choiceworthy' to enough families. That would eventually include every change-resistant TPS. The appropriate choice policies (do not favor TPS) – that focus on maximizing the academic development of children, regardless of how they advance - could yield gradual privatization of K-12 schooling.⁹⁷

An example will help convey how specialization would improve engagement, and why specialized schooling options cannot have attendance zones. New Zealand, which has public school choice, has a school that teaches math and basic statistics through computation of sports statistics like batting averages and field goal percentages. That school teaches English through sports stories and by having children write imaginary sports articles. That approach generates excitement and engagement among children that are sports nuts. Since it has the opposite effect on children that are not sports nuts, such schooling options cannot have attendance zones. All such specialized theme or specialized pedagogy schools must compete to be chosen.

It will take market-determined price and profit change to get schooling entrepreneurs to create and sustain a menu of schooling options that appropriately addresses the diversity of the student population. So, for example, suppose a sports themed school receives more applications than it has space. With a constraint that schooling be 'free' (zero tuition; government funds cover 100% of the cost), the popularity of the school will yield a shortage (wait list). And there is little or no monetary incentive to eliminate the shortage by shifting resources from other types of schooling. But if schools have permission to seek a tuition levy on top of whatever public funds arrive with each student, the school can react to its popularity by raising its tuition rate to the level necessary to balance the number of applicants against the number of openings. Such tuition add-ons would provide the wherewithal to expand the school, or build another, and establish the price level needed to balance supply and demand.⁹⁸ The tuition hike—a needed signal of true cost—will also appropriately discourage the families with the lowest degree of preference for the sports theme over other available schooling options. *Initially*, the tuition increase also discourages

families with the least ability to pay the tuition. But in due time, the expansion of supply—increased competition—will drive tuition rates down to the level actually required to deliver that instructional approach. A lower level still above zero means schools are not willing to provide enough of the sports theme instructional approach for just the government funds supporting each child. Means tested scholarships will be available to low income families that can make the case that specialized options with a tuition levy—like a sports-themed school—will greatly assist their child's academic development. Education historian Diane Ravitch's examples of haphazard "boutique" school creation illustrate the importance of price signals to the school design/formation process.⁹⁹

The existing ban on charging tuition on top of government funding prevents deployment of innovative instructional approaches that initially cost more than the per-pupil subsidy level, which is especially sad since the tuition levy may be wholly or partially temporary, but absolutely necessary to get the innovation into production; that is, for it to ever exist. Once in existence, competition and experience can quickly bring the cost down to where the government subsidy covers the full cost, or nearly so. That was the effect of the Chile's voucher program and the Florida McKay Special Needs voucher program. In both places, permission to add-on came after the voucher program was in operation. Permission to add-on greatly raised school and student participation in the programs. After some market adjustment, most private schools charged tuition, but nearly all of the tuition levies are very modest. A ban on tuition add-ons creates standard, horrific price control problems: shortages, waste, stifled innovation, and declining product quality,¹⁰⁰ which exactly describes our nation's school systems. All of the prominent federal (NCLB, Goals 2000, etc.) and state-level school system reform proposals implicitly assumed that price control is okay for the education industry; that somehow, forty centuries worth of awful price control outcomes¹⁰¹ do not apply to the production of schooling.

Since we are not legal scholars, we cannot assure that allowing TPS or chartered public schools to charge tuition will survive a constitutional challenge. A typical state constitution requirement that the state provide free schooling does not necessarily preclude the provision of alternatives that, in some instances cost more than what the state's taxpayers are willing to provide for everyone. Certainly, it seems that it will be appropriate, and likely legally necessary, to *have some free options available to everyone, but not necessarily just free options*. Low income families have been found to be willing and able to supplement subsidies with private funds when it yields schooling that will work much better for their child.¹⁰²

The equity argument against price decontrol (argument for ‘free’ only) offers further proof of the dangers of unchallenged assumptions. Certainly, allowing tuition levies can severely impact low income families. But third parties can address those affordability/access issues on a case-by-case, academic talent (scholarship) or financial need basis. Mandating free-only schooling options does not generally benefit lower income families since this merely eliminates schooling options that are not feasible for just the per pupil government funding. And mandating free-only, subsidized schooling short-circuits the product development process that transforms initially costly services into widely affordable options.

Real School Choice Facilitates Broader Bottom-up Accountability

Current laws promise to hold schools accountable for low test scores,¹⁰³ but the actual consequences for low performance have been minimal.¹⁰⁴ And the promised top-down accountability for low scores is not nearly enough. We need incentives for large, broad-based, continuous improvement in student performance. The current system of top-down accountability produces stifling controls over teachers, endless standardized tests, and a curriculum narrowed to the test items and test-taking skills. Schools have no tangible incentive to pursue additional improvements after meeting their narrowly assigned objectives. So, schools deemed successful often become complacent and end difficult efforts to make further gains.¹⁰⁵ An inappropriately narrow focus and complacency are major, inherent flaws of systems wherein providers [educators] are not directly dependent on payments from their clients (parents); instead being paid, judged, and directed by elected officials and their appointed administrators. Only through bottom-up accountability that can only result from well-informed, high stakes consumer/parent choice will educators maintain an appropriately broad focus beyond a few tested subjects and fully address the interests of their students/parent customers, while also working to attract new ones. Meaningful school choice fosters direct accountability to parent/student clients, which provides educators the necessary strong incentives to focus on the full schooling experience, not a narrow experience defined by tested items.

Integration Benefits of School Choice

Specialization and school choice can also enhance educationally beneficial, and legally mandated, ethnic and racial diversity. There is no basis to expect a strong correlation between skin color or ethnicity and interest in specific pedagogical

approaches or subject themes; unless the subject themes relate specifically to such backgrounds. Therefore, sorting of children into schools and classrooms according to *their abilities in particular subjects* (≠ ‘tracking’) and or their pedagogical preferences, should provide an ethnic/racial mix in each school that reflects the population of the surrounding area.

Research has yet to draw a clear distinction between school choice policy options that reduce the racial and socio-economic diversity of schools, and which options increase it. The studies that contradict claims that academic issues are parents’ top concern may be the result of minimal, readily observable differences between ‘comprehensively uniform’¹⁰⁶ attendance-zoned schools. Quite often the only readily apparent difference between nearby TPSs is student body composition, which parents may see as a sign of possible beneficial peer effects. Since virtually all of the available data arise from such circumstances, - the effects of possibly more important differences between nearby schools (specialized approaches, curriculum, pedagogy, teacher training, and textbooks) as choice-making criteria¹⁰⁷ are largely unavailable to study - can make it appear that many parents may have racist motives for their school choices. When parents can send their children to a school that focuses on a highly valued specific subject theme or learning style, they are much more likely to voluntarily integrate their children with other children with the same interests regardless of race or ethnicity. That’s the lesson of popular magnet schools – widely over-subscribed – and public school choice policies aimed at integration progress, such as in Cambridge, Massachusetts.

Benefits of Rivalry and Genuine Competition

Existing, modest school choice programs have injected some useful school rivalry into the existing system, but not yet the full-blown competition that is a proven agent of efficiency and relentless improvement in most markets. Parental choice from a dynamic, appropriately diverse menu of schooling options will inject the needed genuine competition. If schools must vie for a share of an education market, each school has to attain a choice-worthiness level that will cover their school’s expenses, probably by specializing in instructional approaches that exploit the strengths of its staff.¹⁰⁸ Schools would have to value performance over credentials, and thus would less readily accept mediocre products of weak teacher training programs¹⁰⁹ that have often been described as trivial programs with non-trivial negative consequences.

Since an engaging specialty area is worthless without high quality instruction, schools of choice have to compete for the most effective teachers. The resulting competition would

yield higher incomes for master teachers of the most valued specialty areas. And the rivalry for top teachers would also cause teaching to become a more desirable profession for the most able students. Many schools would no longer insist that every aspiring teacher go through the hoops and hurdles of teacher certification that have repeatedly been shown to have little correlation with student performance.¹¹⁰ Teachers, including esteemed professionals seeking a pre-retirement second career in teaching could be hired and retained, based on subject mastery and their ability to successfully communicate their knowledge to students.¹¹¹ Competitive pressures would also increase the probability of dismissal of the teachers lacking a valued teaching strength, or without the ability to readily acquire one with additional training.

Competitive pressures could force schools and school systems to seriously reconsider convenient, but counter-productive practices like attendance areas, grouping by age, one-size-fits-all, politically correct curricula and textbooks, and teacher salary schedules that fail to recognize differences in competence or subject fields. On a modest basis, such re-assessments were outcomes of the restriction-laden Milwaukee Voucher Program. Some Milwaukee school administrators asked district officials for more autonomy in running their schools once faced with competition from choice schools.¹¹²

Economic Development Magnet

Families and businesses move to places that offer private school choice without a huge tuition bill on top of school taxes. A survey of families leaving inner city Baltimore for better suburban schools found that nearly half would have remained in the inner city had there been a significant tuition voucher program, or widely available charter schooling options.¹¹³ The privately-funded Edgewood (San Antonio, Texas) tuition voucher program attracted significant immigration and business development; so much that in several years of rapid growth in voucher use, school district enrollments also grew.¹¹⁴ In these times of fiscal stress and shrinking labor force participation, a school choice-based economic stimulus policy needs much more attention. It may be the necessary catalyst for the extra political support needed to enact transformative school choice policies.¹¹⁵

Policy Options to Facilitate Appropriate School Choice Outcomes

Widespread engagement in learning requires a diverse menu of schooling options that, in turn, requires meaningful school

choice, which requires light regulation,¹¹⁶ a level playing field, and market-determined prices to signal the scarcity of each schooling option. Of the many school choice policy options that could create the necessary conditions of a high performing school system,¹¹⁵ we review five policy approaches with a chance of being adopted in Alabama in the near future, plus a sixth that would be a good first step towards one of the other five.

1. Education savings accounts (ESA); a universal version of what Arizona provides to help eligible families opt out of assigned, failed TPSs; about 20% of Arizona schoolchildren. The state makes an annual deposit that is available to pay tuition or purchase supplies and courses from any approved schooling provider.
2. Course choice¹¹⁸ – like as ESA; the state pays for courses from non-TPS providers.
3. A universal tuition tax credit, going significantly beyond the Alabama Accountability Act - can foster the specialized schooling options that would raise the effectiveness of our educators, and engage significantly more children in academics.
4. Universal eligibility for a tuition voucher that can be phased in gradually, or first tested and fine-tuned in the state's lowest performing urban school systems.
5. Forty-three states, including the District of Columbia (but not Alabama) have laws that allow the creation of chartered public schools, but many severely limit charter use. Alabama needs a strong charter law, as defined below, to foster the specialized schooling options that will greatly expand engagement in learning by Alabama K-12 students.
6. Open enrollment among traditional public schools (TPS), including magnet schools.

Education savings accounts, Course choice, Tuition Tax Credits, and Tuition vouchers

Each of those is a possible way to achieve bottom-up accountability, a much more level playing field between public and private schooling options (funding equity), critical price signals, entrepreneurial initiative, and the other critical conditions described above. Adam Smith's *Wealth of Nations* (1776) proposed tuition vouchers as an alternative to the current TPS public finance monopoly. Milton Friedman's 1955 essay,¹¹⁹ and his chapter in *Capitalism and Freedom*,¹²⁰ injected tuition vouchers into contemporary policy debates. Friedman proposed universal tuition vouchers to harness entrepreneurial initiative driven by

market-generated price signals, arguing that the outcome would be much preferred to the widely-lamented achievement deficits of our current, virtually closed system, due mainly to the public school system's public funding monopoly. Tuition tax credits, course choice programs, and education savings accounts can also level the playing field between public and private providers of instruction, while adding flexibility to buy schooling from multiple providers and reducing the potential for debilitating regulation of private schooling options.

1. Education Savings Accounts (ESA)

When an eligible student opts out of public schools, parents receive an annual state-financed deposit in an account they can access via debit card for approved schooling purchases. All else equal (for example, eligibility and annual funding amount), the important advantage of an ESA over the more conventional tuition voucher is the ESA flexibility to divide the state-provided funding among multiple providers – for example, course selection from different providers – and the flexibility to spend less now, to spend more in the future, with ESA balance carryover from one year to the next.

Legislation creating universal education services accounts (ESA), combined with competitive pressures, would provide producers of low cost instructional approaches (e.g. cyber schools) an incentive to offer parents some of the subsidy amount as a deposit in an ESA that would fund other educational expenses such as purchasing text books, transportation costs, tutoring services, or whatever the state approves. Likewise, ESAs motivate parents to find the least expensive schools appropriate to the unique attributes of their children. Currently no state offers such ESAs to all families.¹²¹ Alabama should lead the way.

2. Course choice

The government can opt to pay per child, per course, rather than just on the long-standing all-or-nothing per child basis. Like an ESA, per course funding facilitates blended learning, but with less flexibility than choice that includes privately-provided options that may include services that are not as courses; for example, therapy for special needs children. Utah provides course choice limited to public schools, including on-line options.

3. Tuition Tax Credits

Tuition tax credits have the same flexibility advantages of ESAs, with the advantage that courts are likely to rule that

ESAs are state money while tuition tax credits, especially non-refundable credits, are generally not seen by the courts as state money. State money is more vulnerable to debilitating regulation of schooling practices. Non-refundable tuition credits escape the 'state money' designation by being limited to each taxpayer's designated tax liability (like state income tax), which, except for the wealthiest taxpayers, is well below a private school tuition for even one child. Thus, for most families, especially those with multiple school-age children, non-refundable tuition tax credits would not defray private school tuition costs very much. Refundable credits, which can exceed the designated tax liability, can solve that problem, but at the risk of the regulation that could come with 'state money' being paid to taxpayers with a credit amount larger than their designated tax liability. For example, if there is a refundable tuition tax credit of \$5000 per child, eligible taxpayers will get a check (state money) for the difference between the \$5000 per child, and the amount of state income tax they would otherwise owe.

4. Tuition Vouchers

The existing, narrowly targeted, restriction-laden U.S. voucher programs do not remotely resemble the Friedman vision of a level playing field between public and private options, which he believed would lead to gradual full privatization. The existing voucher programs target certain groups of children (special needs, low-income, from failing schools, etc.), certain types of schools (i.e. private, secular, not for profit schools, etc.), and/or allow only a fraction of the total student population to participate. And the dollar value of the voucher is rarely much over half of per pupil TPS funding, often much less than half. Studies of those limited versions of tuition voucher programs have created a lot of misleading, implicit generalizations about potential larger scale, less restricted voucher programs.¹²² As Rick Hess noted through his pick-axe and bulldozer metaphor, only the 'pick-axe' variety has been implemented anywhere. Only pick-axe vouchers have generated effects to study. "Bulldozer" voucher programs have not existed to study. That's critically important because the un-researched 'bulldozer' effects seem likely to be significantly different from the pick-axe effects seen so far.¹²³

Like Hess, Milton Friedman carefully differentiated between universal and restriction-laden targeted tuition vouchers, calling the latter "charity voucher" programs;¹²⁴ much smaller than the transformational "education" voucher programs that he envisioned. Larger voucher programs exist in Chile, the

Netherlands, and Sweden, but tight regulation by the central government limits entrepreneurial initiative and the needed subject area and/or pedagogical specialization. For example, Sweden specifies a national curriculum that all schools must teach. Since the national curriculum consumes 95% of the school year, Sweden has only pedagogical choice. That is, Sweden's school system (public + private, combined) teaches the prescribed national curriculum in a wide variety of ways.

The evidence accumulated from voucher program studies indicates that even small doses of school choice boost school system performance. Multiple studies found that each of thirteen U.S. voucher programs had positive effects on parental and student satisfaction and student achievement levels on standardized tests.¹²⁵ The Friedman Foundation website lists over 24 different studies written by public and non-profit based organizations that attributed positive effects to the various U.S. voucher and tax-credit programs.¹²⁶ None of those studies found there to be any negative impacts on choice schools or the TPSs. That is true, despite the often large restrictions imposed on those programs.¹²⁷ To avoid too much of a detour from our recommendations, we provide further discussion of evidence in an online Appendix.¹²⁸

Tax Credit – Low-Income Voucher Combinations

Several states, including Alabama, allow a tax credit when businesses or individuals donate to “scholarship” organizations that fund vouchers for low income families.¹²⁹ Such organizations are non-profit and are responsible for distributing the donated money to children on a random or need basis. That combination of means-tested vouchers funded by tax credits for businesses, and tax credits for families that spend their own money on private schooling, is an alternative to the aforementioned direct subsidy and charter school approaches to the needed diverse menu of schooling options. Compared to those options, a tax credit – low income voucher combination has the disadvantage of likely yielding much less per pupil funding for private school users than that received by TPS users. Private schools' financial disadvantage is likely magnified if the tax credit is ‘non-refundable;’ that is, if the credit amount is capped at the tax liability targeted by the credit, typically state income tax. But, as noted above, a key advantage of the non-refundable credit approach is that courts may construe vouchers, ESAs, and refundable credits to be expenditure of state money, a legal obstacle to choice programs in many states, and a political issue in that some taxpayers will object to subsidy use at, for example, non-secular schools. As we will briefly argue below, the Alabama

constitution does not appear to pose major obstacles to any of the approaches described above. Avoidance of price control effects is a major advantage of all tax credit approaches.

A “Strong” Charter Law

Alabama does not currently authorize chartered public schools (CPS), and the weak charter law proposals that recent Alabama legislatures have considered would not detectably change the Alabama school system. The charter laws that exist in California, Minnesota, Arizona, and Washington, DC provide a model for a good place to start on this route to a better school system.¹³⁰ Those states exempt CPS from many of the rules that apply to traditional public schools (TPS), provide charter school per pupil funding levels comparable to the level for TPS, and provide multiple sources of the needed charter. The typical weaker charter laws provide little or no regulatory relief, fund charters at much lower levels than TPS, and allow few, if any, alternatives to school districts as charter authorizers. After matching the strongest existing charter laws, the next step would be to improve upon them by avoiding the price control created by all of the existing charter laws, by allowing shared financing of tuition, and by allowing school charter/mission-based selective admissions.

Open Enrollment – End Attendance Areas

While open enrollment curbs the attendance area barrier to specialization, it does not provide the price signals to inform and motivate it, or the incentives to drive the politically difficult resource re-allocation process. Still, with the ‘comprehensive uniformity’ starting point of the current system, initial specialization decisions are likely to result in the establishment of magnet schools that would mostly be wildly popular. The open enrollment mandated by the federal NCLB Act for students in failing schools is a useful first step to build familiarity and with widespread public sector specialization, and thereby gradually increase the political feasibility of policy approaches that could produce a high performing system, and sustain it through disruptive changes.¹³¹ The weak response to the NCLB public school choice mandate argues that choice among existing schools will not be that helpful to the choosers, or do much to motivate school system change, including specialization. Therefore, increased provision of magnet/charter schools may be the only way to develop much specialization from the current school district governance process. A recent Center for Reinventing Public Education provided useful tips for improving outcomes of public school choice.¹³²

To achieve the needed dynamic, diverse menu of schooling options, Alabama's school choice program must provide a portable per pupil funding level comparable to the per pupil funding of TPS, maintain low formal entry barriers for education entrepreneurs that might start new schools, place no permanent caps on the number of students that can opt out of their assigned TPS, and avoid price control effects by letting schools accept vouchers as partial payment. Implementation of such a policy would provide Alabama with the world's most competitive system and system-transforming policies. It would provide parents and students with a dynamic, diverse set of schooling options not yet available anywhere in the U.S.

Pilot Program for a Universal School Choice Program

A pilot program approach is a reasonable, yet risky way to launch and develop support for a statewide program. To attract enough entrepreneurs into the market, the state should enact the pilot as a permanent program contingent on the absence of serious problems. It's a risky approach, because in addition to the costly delay in bringing the benefits of genuine choice to the entire state, there is a chance that something set-up as a pilot will provide a distorted view of a full-scale permanent program. The uncertainty inherent in even the best-conceived pilot approach may stifle the investment needed to produce the lion's share of the benefits. A temporary, privately funded voucher program for residents of the Edgewood District of San Antonio, Texas provides an indication of what could happen. The program was successful in its early years at attracting new businesses into the area and fostering public school improvement. But since the program was scheduled to end within ten years of startup, the only major investment was a new school created by the one of the key funders of the voucher program. Participants found better choices for themselves among the existing schools, but there was no major diversification in the menu of schooling options.¹³²

That said, political realities may dictate a pilot program approach. A rapidly growing large metro area with a large low income population and a history of frustration with previous school reform efforts is an ideal place to start a pilot program. The history of frustration will minimize resistance to the pilot, and the large population will maximize the potential for specialization, while also maximizing access to the choices through public transportation.

If politically feasible, phased multi-region or statewide implementation is a better approach. It avoids the temporariness problem, while providing time for adjustment¹³² and abandonment, if necessary. Elements to possibly phase in include geographic areas, student age eligibility, the value of the voucher, and existing self-pay users of private schools. The key factor to have in place right away is permission to accept the voucher as partial payment; always avoid price control. Price signals are essential to orchestrate the adjustment process, and the chance to add-on eliminates the potential for debilitating, quality-undermining shortages. Choice supporters must exhort philanthropists to fund add-ons for low income families to curb protests about unequal opportunity that could undermine the political support for the program during the critical transition period.

Supply Side

To optimize the effects of a school choice program, new policies must help potential education entrepreneurs – often educators with little familiarity with the business aspects of setting up and operating an independent school – develop their ideas and seek financing. So, we recommend that the state create a program to train educators in the business aspects of running a school, including familiarity with the relevant regulations. To support education entrepreneurship, at least one Alabama university should offer training designed specifically for them. Arizona State University used a USDOE grant to set up such a program.

Accountability: Bottom-Up, not Top-Down

Schools of choice must have the necessary freedoms to enact their own specialized curriculums, hire teachers they deem best fit their schools, and buy the textbooks they prefer. Full disclosure of academic policies and outcomes will allow parents to hold them accountable. In the rare cases where there is not yet enough competition to close low-performing schools, a provision for state intervention may be needed. For enhanced school transparency, we recommend the publication of annual student assessments of schools of choice. A website that contains lists of schools of choice, their ratings, their accreditation status, and a listing of teachers and school officials will help parents and students make good choices.

Mandatory standardized testing is a delicate issue. While some well-chosen tests would enhance transparency of schools of choice, it would be unwise to use test scores as a criterion for permission to enroll subsidized students. Such a requirement will amount to the kind of regulation that often undermines choice and innovation, as has happened in Sweden, New Zealand, Chile, and the Netherlands. And as is now the case with public schools, formal high stakes testing would cause some private schools to fixate on specific test content, invest school time in test prep, and consequently take time away from other important curriculum areas.¹³³

Alabama Accountability Act (AAA)

Year one of the AAA¹³⁶ saw 719 students leave their assigned TPS. Most of them went to another school within the same school district. Only 18 transferred to another district, and only 52 switched to a private school. The AAA program yields large fiscal cost savings for each tax credit user; at least 20%¹³⁷ of the per-pupil costs for each tax credit user, which during the 2011-12 academic year amounted to \$1680 per student. And based on evidence from U.S. school choice programs (see online Appendix) we can also expect academic gains.

The AAA is a strong framework for building stronger school choice programs. The flexibility inherent in the AAA allows school districts room to become competitive with private schools. The tax credit of up to \$3500 per student is a large fraction of private school cost; close to 100% for some parochial schools. The ability for businesses to donate to the scholarship fund to enable families who are unable to attend schools that costs more than the \$3500 is also valuable. But the program should be improved in several areas.

1. Increase the number of students eligible to participate in the tax credit program

The AAA covers only 14% of all public schools. Universal eligibility should be rapidly phased in. The resulting huge increase in the market would create incentives for education entrepreneurs to increase or expand their services.

It is a huge mistake to assume that only students attending persistently failing schools or schools performing in the bottom 10% of the state's math/reading assessments are in need of additional options to improve their education options. Because of student diversity and resulting mismatches with the one-size-

fits-all approaches, even schools deemed successful contain a large number of students that would benefit from moving to a school with teachers and programs that fit them better than their assigned school.

Summary and Concluding Remarks

To engage the majority in productive learning, and provide every child with a high minimum level of opportunity to pursue happy and productive lives, Alabama needs to move forward with reforms to yield the much-needed, dynamic, diverse menu of schooling options. Choice and competition must be brought into K-12 education, and particularly the segment of the market currently dominated by public schools. There is no proven alternative to achieve significantly improved schooling outcomes. Decades of futility pursuing ostensible fixes that do not address the current system's fundamental flaws—reasons that school systems around the U.S. persistently fail to engage enough children in learning – have proven that. Policymakers have clung to, indeed further eroded, a de facto, failed business model for K-12 schooling that is contrary to much of what we know about business, economics, human nature, and how children learn. Current schooling practices do not reflect effective planning in any meaningful sense. Current schooling policies and practices are a multi-level (federal, state, district) collection of traditions and rules that demand compliance regardless of their sum total effect on student learning.

There are several policy options for moving forward with a real plan – ones aligned with what we know about human nature and how/why children learn—and considerable flexibility with each of the main options. The policy options are not mutually exclusive. For example, providing ESAs, tuition vouchers, or tuition tax credits does not preclude adopting a strong charter law. We strongly recommend at least the latter (CPS yield higher rates of return on public funds¹³⁸); an Alabama charter law to include at least the key provisions of the strongest existing charter laws,¹³⁹ preferably plus price de-control and permission to exclude mission-incompatible children.

Notes

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