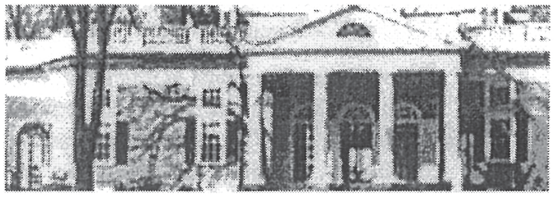

THE THOMAS JEFFERSON
INSTITUTE FOR PUBLIC POLICY

Th: Jefferson

Better Education for *All* Children:
The Annual Fiscal Analysis of
A Virginia Educational Improvement Tax Credit

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Updated With Most Recent Fiscal Data Available

Thomas Jefferson Institute for Public Policy

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Better Education for *All* Children

<u>Forward</u>

Parent choice already exists in America – unless you are poor.

Affluent families have choice because they can move to different neighborhoods or communities, send their children to private schools or supplement education with tutors and enrichment programs. Lower-income and working-class families are typically trapped with one option by virtue of their zip code – and most often that is a poorly-performing school.

This annual Fiscal Analysis update outlines one cost-effective solution to the challenge of increasing educational opportunity for all Virginians. It proposes an educational tax credit that could be used by sponsoring non-profit groups providing scholarships to students without alternatives.

Most importantly, this paper demonstrates why such a tax credit would not hurt the state's treasury … and not be a drain on local school districts. It would, in fact, leave more money available for education throughout Virginia while still providing choices for parents who currently do not have it.

This is not a radical idea.

Fifteen states and the District of Columbia have enacted 24 parent choice programs. More than 160,000 students use publicly-financed school choice to find the best educational options. Another 650,000 families use personal tax credits or deductions to make educational alternatives more affordable. Scholarships for students with disabilities are providing new hope for kids in Florida, Ohio, Utah, Georgia, and Arizona.

Demand for such scholarships far outstrips supply. Parents are demanding better for their children – not because they are "anti-public schools," but because they want quality schools, both public and private, for their children. They understand that our children are our most precious gift from God, and it is our responsibility to love them, nurture them, protect them, and ensure that they are properly educated.

More than 30 years ago, I was a community organizer involved with dedicated and committed people who were trying to change the power arrangements in Durham N.C.. I worked with low income and working class parents who were striving to get more control over their lives. They wanted to be able to exercise more of the advantages of living in a democratic society. Today, I am still fighting that same battle via the struggle for parent choice. One of the arguments that opponents use to forestall the creation of these programs is, "If we let these poor parents out, it will destroy the system." But I have heard those arguments before many times in so may different venues over the years, and I have to ask: Is education about the system, or is it about the parents and the children?

Without a good education, the next generation has no real chance to engage in the practice of freedom: the process of transforming their, and our, world. We owe it to them to provide the best we've got … and the Virginia Educational Improvement Act is an important path to the best.

Howard Fuller
Chair, Black Alliance for Educational Options
February 2009

Better Education for *All* Children
A Virginia Educational Improvement Tax Credit
Executive Summary

In the debate over parental choice in Virginia, many questions remain unanswered.

But, during budgetary hard times, the largest of these is simple: What would be the fiscal impact of a parental choice package, both at the state and local level?

The answer is simple: Properly constructed, a program offering a corporate tax credit of 90 percent for donations to organizations providing scholarships for students who had previously attended public school (or who were entering kindergarten for the first time) would have no effect on state funding of education. And, as well, it would have a generally positive impact on available funds at the local level.

In January 2005, the Thomas Jefferson Institute first analyzed the data that drew these conclusions. This paper updates that study with the most recently available data.

The paper also sought to review other issues pertaining to educational choice, including the effects elsewhere in the United States, the best path to choice in Virginia, and the unique historical challenges making choice an emotional issue among many black Virginians.

In the chapter *The View From Other States*, we briefly review the differences between vouchers and tax credits explaining why a tax credit system is preferable in Virginia. We then explore the tax credit systems existing in six other states.

Historical Perspectives in the Old Dominion examines how tuition grants were used a half-century ago to block integration in Virginia. We also underscore the differences between the race-based choice of the '50s and '60s, and contrast it with the freedom-based choice used to assist at-risk, mostly minority, children around the country today.

In *Help for Students*, we explore the impact of more than a half-dozen parental choice programs, reviewing studies demonstrating positive effects on public and private schoolchildren.

Finally, in *A Virginia Educational Improvement Tax Credit Proposal* we suggest a prototype tax credit, aimed squarely at educationally at-risk students, and outline the impact such a proposal would have on a per-pupil basis. Because the composition of per-pupil funding varies so greatly in Virginia from school division to school division, we demonstrate the impact on both state and local expenditures.

While the results are not uniform, where parental choice has been utilized it has had a generally positive effect on the academic performance of students who exercise choice as well as improving the education of children who remain in the public schools. It is long overdue that Virginia take the same step towards helping educationally at-risk children receive the education that best suits their needs.

The Thomas Jefferson Institute for Public Policy is appreciative of the support from Verizon Virginia, which enabled us to research, publish and distribute this study.

The View from Other States

Forms of parental choice exist in all or portions of thirteen states, plus the District of Columbia. These include state-funded voucher programs, long-time tuition programs in Vermont and Maine (where, for nearly 150 years, public money has been used to send students to private schools), and tuition tax credit plans offering tax credits for parents or companies to underwrite further options for students.

A general voucher plan – where the state offers a direct voucher to parents for use in the school of their choice – is less likely to be successful in Virginia because of the state's status as a "Blaine Amendment" state.

In 1875, Congressman James G. Blaine (R-ME) authored an amendment to the U.S. Constitution prohibiting the use of public money at "sectarian" schools. Although narrowly defeated in the U.S. Senate, individual states began passing similar amendments into their state constitutions as a direct result of the Nativist, anti-Catholic bigotry that ran strong through American politics in the late 1800s and early 1900s. Thirty-six states and the Commonwealth of Puerto Rico currently have such language.

The Virginia State Constitution contains such prohibitive language. Although the federal constitutionality of the "Blaine Amendment" is likely to be challenged, such a challenge will take time working its way through the federal court system to the U.S. Supreme Court.

The existence of "Blaine Amendment" language in the Virginia Constitution makes passage of a voucher plan less likely. Vouchers are also considered suspect by many parental choice supporters, fearing they will lead to increasing state and/or federal involvement and mandates in school curricula and instructional methodology.

As a consequence, the likely path to parental choice in Virginia is the use of tax credits. A tax credit or deduction does not involve the use of funds already collected by the state, and instead offers a tax benefit directly to the individual or corporation offering educational funding. Ten states – Arizona, Florida, Georgia, Illinois, Indiana, Iowa, Louisiana, Minnesota, Pennsylvania and Rhode Island – offer some form of tax deduction or credit, signed into law or expanded under both Democratic and Republican Governors. A brief description of those programs is important to provide background for any discussion regarding Virginia's options.

Arizona:

Personal Tax Credits

Under the Arizona plan, all students are eligible to receive scholarships from approved Student Tuitioning Organizations (STOs). The number of students served is limited only by the amount of funding that flows into the program. Begun in 1998, individual taxpayer donors to STOs may claim a dollar-for-dollar refund up to $500; married couples may claim up to $1,000. An additional $200 may be claimed for contributing to a public school foundation.

The individual STOs define which students are eligible (within certain non-discrimination guidelines), and also decide the amount of support to each student. There is no income cap for recipients, and individual taxpayers may not make a contribution to an STO for his/her/their own child. In school year 2008-09, 28,324 students at 373 private schools received scholarships averaging $1,909 each.

Arizona's law requires STOs to provide the state with data including the total number and amount of contributions received, number and names of children awarded scholarships and the dollar amount of those scholarships.

Corporate Tax Credits

Starting in the 2006-07 School Year, companies received a dollar for dollar corporate tax credit, with a total state-wide cap of $5 million in credits. Scholarships funded by corporate donations are capped at $4,600 in grades K-8 and $5,900 in grades 9-12 (with a $100 per year automatic increase). In 2008-09, 2967 scholarships worth an average $2,533 each were distributed. To be eligible students must have family incomes below 185 percent of the income required for free and reduced meals and must have previously attended a public school or be entering kindergarten. This income limit does not apply to the personal tax credit scholarship program described above.

Florida:

The Florida Corporate Income Tax Credit Scholarship Program began operation in 2002. In return for donating to Scholarship Funding Organizations (SFOs), corporations may receive a dollar-for-dollar tax credit off their corporate income tax. SFOs provide scholarships of up to $3,950 for low-income students to attend the private or religious school of their choice. They also provide scholarships for transportation to another public school.

Corporations may donate up to 75 percent of the tax they owe. The state-wide cap on total corporate contributions is $118 million. About 23,259 children used these scholarships in 2008-09. To be eligible, students must be from families earning less than 185 percent of poverty, or $40,792 for a family of four in 2009.

Scholarship Funding Organizations must be a recognized non-profit granting scholarships to low-income students; must register with and be approved by the Florida Department of Education; disburse 97% of funds for scholarships and conduct an annual outside audit.

Private and religious schools participating in the program must complete detailed application, including questions ranging from the number of teachers to food safety inspections.

Georgia:

Starting operations in this school year, the program offers Tax Credits for Student Scholarship Organizations (SSOs)offer private school scholarships. Individuals may claim a dollar-for-dollar credit of up to $1,000 and married couples may claim up to $2,500. Corporate taxpayers may claim a dollar-for-dollar tax credit of up to 75 percent of total tax liability. The program is capped at $50 million in tax credits.

All Georgia students enrolled in public schools are eligible to receive scholarships, but taxpayers may not make contributions earmarked for a particular child. SSOs set their own eligibility guidelines. In 2008-09, it was expected that approximately 1,000 students would receive scholarships.

Illinois:

The Illinois tuition tax credit program, which began operating in 2000, provides an individual 25 percent tax credit for expenditures above $250, up to a maximum of $500 per family, for approved education expenses at any private or public school. These expenses may include tuition, books and lab fees. The credit cannot reduce an individual's tax burden to less than zero.

All students are eligible to benefit when their parents invest in eligible education expenses, provided that the taxpaying parent has proof of expenses. Over 183,500 taxpayers took the credit in 2009, for an average claim worth $386.

Indiana:

A new program in Indiana offers both individuals and corporations a tax credit against state tax liability equal to 50 percent of the contribution to Scholarship Granting Organizations (SGOs) offering scholarships to low income students. There is no limit to the amount of the tax credit, although the state-wide cap is limited to $2.5 million.

Eligibility is limited to students who live in a household of not more than 200 percent of the amount required for eligibility for federal free or reduced price lunch and were either enrolled in a public school in the previous year, are enrolling in kindergarten, or had received a scholarship the previous year from a Scholarship Granting Organization. SGOs must contribute at least 90 percent of their annual receipts under the program for scholarships and participating schools must administer a national norm-referenced standardized test and/or the Indiana standardized test.

Because the program began this year, there are no figures for participation.

Iowa:

Personal Tax Credits

Iowa offers families a personal tax credit, refunding 25 percent of educational expenses up to a maximum refund of $250. These expenses may include tuition and textbook expenses for subjects commonly taught in public schools, as well as extracurricular activities such as athletics, music, or driver's education. Expenses in connection with religious teachings or worship, for-profit schools, or for schools not complying with civil rights laws are excluded. In 2009, 191,600 families participated. More than half of the tax credit dollars go to families earning less than $50,000 per year, and the average claim was $79.

Tax Credits for Donations

In 2006, Iowa enacted a tax credit on personal income taxes for donations to School Tuition Organizations. The credit is pegged at 65 cents for each dollar donated, and there is a state-wide cap of $7.5 million per year. The amount of credits each STO may grant is limited by its share of the state-wide cap, as determined by the enrollment at the schools it serves. In order to receive a scholarship each student's family income may not exceed 300 percent of federal poverty guidelines. In 2009, more than 8,737 scholarships were distributed with an average scholarship of $856.

Louisiana:

Enacted in 2008, Louisiana offers a personal tax deduction equal to 50 percent of the total amount spent on tuition, fees, and other eligible expenses for public, private or home-schooled students. The deduction is capped at $5,000 per child per year, and all Louisiana K-12 students are eligible.

Minnesota:

Minnesota offers both a tax credit (begun in 1997) and a tax deduction (in 1995), depending upon the income level of the taxpayer. All students are eligible, and the tax benefit may be taken when the taxpayer invests in approved education expenses for a child, including books, tutors licensed by the state, and academic after-school programs. Those eligible for the tax deduction may also deduct tuition fees at private schools.

Taxpayers earning less than $37,500 per year may claim a tax credit of 75 percent for their non-tuition education expenses, up to a $1,000 credit for each child. This credit begins to phase out for taxpayers earning above $33,500, at which point the maximum credit is reduced one dollar for every four dollars of earned income. Above $37,500, families with more than two children may add $2,000 to the income ceiling for each child in the family after the first two. Some 56,372 families claim the credit in 2006-07.

Taxpayers not eligible for a tax credit may receive a 100 percent tax deduction of up to $1,625 per child in grades K-6 and $2,500 for a child in grades 7-12. In 2006-07m 210,371 families took some part of the tax deduction.

Pennsylvania:

The Pennsylvania Educational Improvement Tax Credit (EITC) program began operation in 2001. The program provides corporations a tax credit of 90 cents on the dollar for two years of contributions to Scholarship Organizations (SOs) offering scholarships for eligible children to attend public, private or religious schools; or for contributions to Educational Improvement Organizations (EIOs) that support innovative programs in public schools. Single year donations receive a 75 percent tax credit.

The tax credit is capped at $300,000 per company. In total, the program is capped at $38 million for scholarships each year and $15.6 million for educational improvements. An additional $6.4 million is available for pre-K scholarships, a program begun in 2003. Credits are offered on a first-come, first-served basis, as determined by the state, until the annual cap is met.

Eligible students are defined as those in families with an income $50,000 or less per family, plus $10,000 for each child in the family. Household income excludes non-salary income such as disability, workers or unemployment compensation, public assistance, etc.

During the 2008-09 school year, more than 38,000 students received scholarships averaging $1,022. Since 2001, more than 3600 companies have donated more than of $420 million to the two programs. Fifty-seven percent of participating companies have given less than $10,000.

Rhode Island:

In 2006, Rhode Island enacted a credit on corporate income taxes for donations to Scholarship Organizations supporting private school scholarships. The program was set to go into operation in the 2007-08 school year.

The law is similar to Pennsylvania's, providing for a tax credit of 75 percent of the corporate contribution; 90 percent if they donate for two consecutive years and the second donation is at least 80 percent of the first year's donation. The program is capped state-wide at $1 million, and a corporation can receive a maximum of $100,000 in credits each year. Surplus donations may not be carried forward to generate future tax credits.

Eligible students must have family incomes at or below 250 percent of poverty (or about $55,125 for a family of four in school year 2008-09). Last year, 291 scholarships averaging $5,879 were provided.

Legal Challenges:

Opponents of parental choice frequently cite "legal issues" in arguing against legislative enactment of choice measures. It is important to note that no tax credit program has ever been successfully challenged in the courts, including constitutional challenges.

Indeed, tax credit programs in Florida, Georgia, Indiana, Iowa, Louisiana, Pennsylvania and Rhode Island have never been challenged at all.

The Minnesota program was challenged in the early 1980s, but in 1983 the U.S. Supreme Court ruled in favor of the tax deduction program.

In 1999, Illinois' program was challenged in two separate suits by the Illinois Federation of Teachers and the People for the American Way. The suits charged that the program violated the First Amendment of the U.S. Constitution and clauses of the Illinois state constitution, which includes both a Blaine Amendment and a Compelled Support clause (see p. 2 for an explanation of these). In 2000, Illinois appellate courts upheld the constitutionality of the law inn both cases and under both the state and federal constitutions. The Illinois Supreme Court refused to grant an appeal of those decisions.

In September 2006, the Arizona Civil Liberties Union, the School Boards Association, and the Arizona Center for Law in the Public Interest filed suit to block the program under the state's Blaine Amendment. The Institute for Justice, joined by the former chief justice of the state's high court and representing four Arizona families, moved to dismiss the suit on grounds that the Arizona Supreme Court had already ruled that school choice doesn't violate the state constitution. The suit was dismissed by the Superior Court in March 2007. Opponents of the program appealed, and the Arizona Supreme Court ruled in March 2009 that tax credit programs that fund tuition scholarships for low- and middle-income children to attend private schools "pass constitutional muster."

Historical Perspectives in the Old Dominion

Virginia, like other southern states that resisted court-ordered desegregation efforts, faces particular challenges inherent in any choice-based education proposal.

These challenges stem from memories of race-based tuition grants enacted by the General Assembly and used by white Virginia officials to deny black students a public school education. The story of those actions is instructive in understanding the emotional opposition of many black Virginia leaders to school choice, and also important in underscoring the differences between the 1950/60's-era choice programs and those advocated in the 21st century.

Opposition to *Brown v. Board of Education* was led by Virginia's elected leaders, most notably U.S. Senator Harry Byrd (D-VA). Byrd persuaded 101 of 128 southern congressmen to sign the "Southern Manifesto," arguing that the Supreme Court's decision in *Brown* was contrary to established principles of federal law. [1]

Virginia was among the first to enact a state version of the "Southern Manifesto" and in 1956 approved a tuition grant statute designed to circumvent the Court's decision in *Brown*.[2] Tuition grants were originally restricted to private schools and used by white parents to send their children to all-white private academies after local officials attempted to close the public schools, rather than desegregate. Following court decisions prohibiting such public school closures, the General Assembly made the tuition grants available for use at public schools in neighboring school divisions, as well.[3]

While most local school systems complied with court decisions, Prince Edward County did not. Instead, the county closed all public schools to both white and black students from 1959 to 1964. The tuition grant was then utilized at white-only private academies opened during those five years.[4]

The only other alternative for the formal education of black children was to send them to another county. While a handful of white children did not enroll in the academies, more than two-thirds of black children were denied any formal education during this time. Those that received formal education usually did so only by sneaking over county borders to other school systems or by being sent out of the county to live with relatives.

The U.S. Supreme Court intervened in 1964 in *Griffin v. County School Board of Prince Edward County*, ruling that closing public schools and providing public funds for the all-white academies violated the equal protection clause of the U.S. Constitution.[5] The tuition grant law itself was left unscathed. Not until 1969 did a federal district court in *Griffin v. State Board of Education* rule that Virginia's tuition grant law violated the equal protection clause because of its racist use to circumvent *Brown.*[6]

This 13-year battle for the education of their children is seared into the souls of black Virginians who understandably oppose any hint of reviving a mechanism that sounds suspiciously similar. During the 1950/60s private schools had simply become an all-white alternative for those seeking to circumvent integration, and the voucher programs of that period constituted state financing of racial discrimination.

But there are clear differences between the race-based choice of the ‘50s and ‘60s and the freedom-based parental choice movement of the 21st century, and these differences must be understood.

Primary among them is intent: During the 13-year history of tuition grants in Virginia, federal courts repeatedly determined that they violated the federal equal protection clause. Over the 18 years that the Milwaukee voucher program has been in place, for example, such a determination has never once been made.[7]

Race-based school choice plans were developed specifically to prevent integration and maintain segregation. Indeed, in his chapter on race-based school choice for *Educational Freedom in Urban America,* Gerard Robinson (now Virginia’s Secretary of Education) makes the point that eligibility for the ‘50’s/’60s era tuition grant was triggered only by a school closing and only students who had been in a public school were eligible. Virginia Code *required* closing any public school that became integrated either through court order or voluntary action. In fact, the Governor was authorized to assign a student to another public school when “mixing of White and Colored children constitutes a clear and present danger.”[8]

Current freedom-based school choice plans are not predicated upon the closing of a public school, and race as a criterion for determining eligibility is prohibited. In states where school choice has been provided, parents of all colors and backgrounds are able to enroll their children into any school they wish.

In fact, in a *Fordham Law Review* article, Goodwin Liu and William Taylor argue that the major obstacle to desegregation “has been the continued link between school attendance and place of residence,” [9] and that “school choice can and should be used to promote desegregation”[10] when targeted towards low income students.

The old ‘50s-era grant program was enacted before the Civil Rights Act of 1964. Race-based criteria is specifically prohibited today. Every current school choice program prohibits private schools from discrimination contrary to the guidelines of the Civil Rights Act of 1964.

The programs put in place throughout the country – whether voucher programs in Cleveland, Milwaukee and Florida or tuition tax credits in Arizona, Pennsylvania, Rhode Island and Florida – contain strong anti-discrimination language. Given the history in the Old Dominion, the concerns of black Virginians are understandable. But those concerns will not become reality because of federal law and the vigilance and motivations of those fostering parental choice in the 21st century.

Help for Students

The bottom line in any education debate should be the effect on students. Often lost in the debate over school choice are answers to three simple questions: Does it help students? Does it provide positive opportunities for students who leave the public school system? And what is the impact on those students who choose to remain within the public school system? Here's what the research demonstrates –

In ***Cleveland, Ohio,*** families with incomes below 200% of the federal poverty level are given priority for vouchers valued at up to the lower of $3,450 or 90 percent of the cost of private school tuition. Between the fall of 1996 and the spring of 1998, a Harvard University study found that children using vouchers to attend the two "Hope Charter Schools" experienced a seven percentile point increase in reading and a 15 percentile point increase in math.[11] The most recent report conducted by the Indiana University Center for Evaluation found "there is some evidence of a pattern of slightly greater annual achievement growth among students who have used a scholarship continuously since kindergarten."[12] In addition, a report by the Center for Evaluation and Education Policy comparing scholarship students with both public school students who applied for scholarships and failed to receive them and non-applicants, found that "Sixth grade scholarship students who had been in (the program) since kindergarten outperformed both public school comparison groups in language and social studies." These students also outperformed non-applicants in science.[13]

In ***Florida,*** the A+ Opportunity Scholarship Program offered any student attending a chronically failing public school a scholarship that could be used in the school of their parents' choice. In 2006, however, Florida state courts ruled the program a violation of the state's constitution, ending the program. What was the impact while it existed? A 2003 study demonstrated that low-performing schools "already facing competition from vouchers showed the greatest improvements … improving by 9.3 scale score points on the FCAT (Florida Comprehensive Assessment Test) math test, 10.1 points on the FCAT reading test, and 5.1 percentile points on the SAT-9 math test."[14] The threat of having vouchers offered to their students helped spur at-risk schools and school districts to take effective action ensuring greater educational achievement for students in the public schools.

A 2008 analysis of the program demonstrated that failing schools improved only modestly before the start of the scholarship program. From 2001 to 2007, improvements dramatically improved, and the removal of vouchers caused the positive impact on public schools to drop well below what it had been before vouchers were widely available.[15]

Similarly, a 2007 paper showed that "schools facing accountability pressure changed their instructional practices in meaningful ways," offering "medium-run evidence of the positive effects of school accountability on student test scores" as a result of the Florida voucher program.[16]

And a 2005 paper by Harvard Professors Martin West and Paul Peterson concluded that the Florida A+ Opportunity Scholarship program has a greater positive impact on student performance – particularly for black students, students eligible for free and reduced meals, and those with the lowest initial test scores – than the federal No Child Left Behind Act.[17]

In ***Maine,*** where vouchers have been in existence since 1873 and are used by nearly 14,000 students, a study by Dr. Christopher Hammons, of Houston Baptist University in Houston, Texas found that – even when taking into account per-pupil spending, poverty and other factors – standardized test scores increase as competition among high schools for tuition dollars increase. Increasing per-pupil spending to purchase the same gain in test scores would cost an additional $909 per pupil. These same conclusions were also drawn by Dr. Hammons in his study on ***Vermont*** schools, which have had a voucher program since 1869.[21]

In ***Milwaukee, Wisconsin,*** nearly 19,000 students whose family income does not exceed 175 percent of the federal poverty level receive a voucher worth up to $6,501 or the cost of the private school – whichever is lower. There have been seven state-sponsored evaluations of the program, and three additional studies conducted by researchers from Harvard and Princeton. State studies sponsored by University of Wisconsin Professor John Witte did not find test score gains but noted, "Choice can be a useful tool to aid families and educators in inner city and poor communities."[22] Harvard researchers found that students in the program for four years achieve a gain of 11 percentile points in math and six percentile points in reading.[23] Princeton researchers found that students in the program for four years achieve a gain of eight percentile on the math portion of the Iowa Test of Basic Skills.[24] Harvard Professor Caroline Hoxby concluded that performance improved faster at public schools where many students could receive vouchers, noting that "public schools most exposed to competition increased math scores 7.1 percentile points between 1999 and 2002."[25]

That result is echoed in a paper written by Hoxby for the Koret Task Force on K-12 Education. It concluded that "an evaluation of Milwaukee suggests that public schools made a strong push to improve achievement in the face of competition from vouchers. The schools that faced the most potential competition from vouchers raised achievement dramatically."[26]

The Milwaukee program has also driven other improvements. Between 1990 and 2001, the drop-out rate in public schools declined by 37 percent, real spending per-pupil increased by nearly 35 percent, and test scores increased in 12 of 15 categories. Part of these improvements resulted from reforms instigated by school choice: Teaching vacancies filled without regard to seniority; education dollars "strapped to the backs" of students, following them to the schools they chose; and individual schools controlling 95 percent of their operating budget.[27]

A September 2004 Manhattan Institute study demonstrated that choice students in Milwaukee graduate high school at much higher rates (64 percent) than students in traditional public schools (36 percent). Those graduation rates are higher than those at selective public high schools (41 percent) where students are more likely to have an advantaged background.[28]

Finally, a paper prepared for the Federal Reserve Bank of New York validated empirically the argument that policy changes in Phase 2 of the Milwaukee School Choice program (i.e., including faith-based schools) led to a greater improvement of the public schools when compared with improvements in Phase 1.[29]

In ***Arizona***, Dr. Matthew Ladner of the Goldwater Institute, examined test score data from Pima County elementary schools, comparing schools from areas of high competitiveness where there were significant alternative options in charter schools, and private and religious schools with schools were there were few alternatives. After controlling for factors including poverty and ethnicity, teacher experience and education, and student-teacher ratio, the evidence showed that. when faced with competition, schools in Tucson improved their academic outcomes at a significantly faster rate than schools not facing competition. Tucson-area public schools facing competition gained an average four national percentile points on Stanford 9 Reading scores, compared with less than one national percentile point for schools not facing competition. Overall, the gains of the schools facing competition were 5.4 times larger than those not facing competition, and in math, the gains were twice as large. In the Language Arts exam, the gains of schools facing competition were more than 13 times greater than the comparison group.[30]

Privately-sponsored scholarships are in existence throughout the United States, and are more heavily concentrated where a tax *credit* (as opposed to tax *deduction*) exists. Where they are heavily concentrated, their results have been similar. In New York City, a Harvard University study found that, after three years, black students with privately funded vouchers scored 9.2 National Percentile Rank (NPR) points higher than their public school peers on Iowa Test of Basic Skills composite tests.[31] In Dayton, Ohio, researchers found that after two years black students had a gain of 6.5 percentile points on standardized tests.[32] In Charlotte, North Carolina, students receiving a privately-funded voucher achieved a 5.9 percentile point gain in math and a 6.5 percentile point gain in reading after one year.[33]

In Edgewood, Texas, where more than 4,000 schoolchildren were offered a scholarship to the school of their choice, a detailed analysis over a ten-year period shows that the privately funded voucher program helped the high-poverty district outperform 85 percent of Texas school districts in achievement gains, decreased dropout rates by more than 30 percent, and the school district rose from “Acceptable” to “Recognized” for the first time in its history.[34]

A U.S. Department of Education evaluation of the DC Opportunity Scholarship Program showed that after three years, there was a statistically significant positive impact on reading test scores – equivalent to 3.1 months of additional learning – but that students performed at similar levels in math when compared to students not offered a scholarship.

Not all reports are necessarily quantitative. In ***Washington, DC***, the Opportunity Scholarship Program offering parents federal vouchers to place their children in private schools was analyzed by Georgetown University researchers Patrick Wolf, Thomas Stewart and Stephen Cornman. The report determined that “higher academic standards, improved safety, increased discipline, greater parental involvement and access to a religious and values-based environment were among the top reasons why parents express satisfaction” with the school choice program. While the program is too young to determine academic differences, the fact that children were safer when attending something other than the crime-ridden traditional DC public school system is an important consideration for their future.[35]

Finally, a 2008 study reviewing school choice research published in the *Annual Review of Economics* comes to a different conclusion. It points out that full scale choice “has never been tested in the U.S.” and notes that when research (all short-term studies) finds gains for voucher students, the gains are small and mostly not statistically significant. The authors note that parents are more satisfied with their child’s schooling, but that the research designs of these studies “do not necessarily allow the researchers to attribute any observed positive gains solely to school vouchers and competitive forces.”[36]

A Virginia Educational Improvement Tax Credit Proposal

Opponents of school choice consistently argue that giving poor students the right to choose a better school would "use public money for private schools" and would "hurt public schools by cutting their funding."

Any successful school choice proposal must necessarily address these concerns and also address the fears of those who believe such a choice proposal would "re-segregate Virginia's schools." Since 2005, choice proposals introduced by Delegate Chris Saxman have passed the House of Delegates each year, but have been stymied in the State Senate.

The structure proposed in this paper seeks to continue "moving the ball forward" on the parental choice issue while simultaneously rebutting the frightening and false claims made by choice opponents. This proposal consolidates a number of ideas and is largely based on the successful corporate tax credit used in Pennsylvania.

This paper does not comment upon, or attempt to analyze any components providing tax credit assistance to upper income parents. Our analysis is aimed solely at the issue of expanding educational opportunities to students who heretofore have had none. Such an expansion should include the following components –

- It should offer a tax credit to companies for donations to a Scholarship Organization providing scholarships for eligible children to attend the school of their choice. The scholarships must be large enough to make a difference in a family's ability to choose a school. The tax credit should be large enough to offer encouragement to the donor to take action while not so large as to damage the state treasury. Given Virginia's relatively low tax rate, a tax *deduction* provides only minimal tax benefits, so a larger tax *credit* is needed to maximize the incentive for participation. For the purposes of this proposal, we propose a scholarship equal to the level of state funding for each student in the school division in which he or she resides and a 90 percent tax credit for corporate donations to Scholarship Organizations.

  A tax credit also avoids such obstacles as Virginia's Blaine Amendment, as well as conservative opposition to private school acceptance of state funds and the likely mandates and requirements that could accompany such funds.

- It should target its resources towards those most in need, and those least able to exercise choice. For the purpose of this proposal and for an easily-defined benchmark, we suggest defining eligible students as those who are currently enrolled in a public school and are eligible for "Free or Reduced Meals" in public schools. This means a student from a family at or below 185% of poverty level (or $40,793 for a family of four) could receive such scholarships. In school year 2008-2009, more than 415,700 Virginia students – or 34.49 percent of all students – would have been eligible to receive scholarships.[37]

  While such a limitation will be offensive to some school choice purists, it ensures that a Virginia choice proposal will not lead to the "re-segregation of Virginia schools." Furthermore, by targeting high poverty students, the proposal also targets the population educators say is among the hardest to educate, eliminating the argument that school choice will "cream" the best student away from public schools.

- The total state-wide tax credits should be capped, at least in the early years. Both Florida and Pennsylvania did so, although Pennsylvania has regularly raised its cap to accommodate demand. We suggest a cap of $40 million – slightly less than Pennsylvania's state-wide cap of $44 million and less than half of Florida ($88 million). Typically, state economic fiscal analysts will score this as a $40 million "loss" to the treasury. However, as we shall see, this proposal results in neither a "loss" nor a "gain" to the state treasury.

  Most choice proposals are capped in the early years in order to manage both demand and capacity. Although, as we shall see, an Educational Improvement Tax Credit does not "drain the treasury," placing a cap on the total amount of the tax credit will lance the inevitable "cost" argument until fiscal experience makes the point moot.

- An Educational Improvement Tax Credit proposal must ensure that both the funding organizations and the non-public schools are legitimate. In the case of the funding organizations, they must be a charitable 501(c)(3) organization authorized to provide scholarships, may retain no more than 10 percent of their receipts for overhead expenses, and should submit an annual audit to the appropriate state agencies. In the case of receiving schools, they must comply with federal anti-discrimination provisions (including race and national origin) and meet all state and local health and safety regulations.

- Finally, any legislation should ensure that the schools are doing the job. Receiving schools should either be accredited by a private accreditation organization or be required to administer an annual assessment in both reading and math for each grade available.

  In the alternative, the State Department of Education could develop a longitudinal analysis similar to that which is planned for the Washington, DC choice program. Such an analysis could evaluate academic performance, retention rates, dropout rates, graduation and college admission rates of students in the program compared with a similar cohort not in the program.

Educational Improvement Tax Credits:
No Lost Funding for Public Schools

What will an Educational Improvement Tax Credit "cost" state taxpayers?

Opponents of school choice argue that a tax credit will decrease revenues to the State Treasury, thereby reducing the funds available for public schools. But supporters of school choice make the point that if a child leaves the public schools the costs associated with that child also leave, resulting in no net loss to the State Treasury.

Education spending in Virginia is divided between state, local, and federal contributions. Local funding is dependent upon decisions made by the local School Board and the local governing authority (Board of Supervisors or City Council). State funding includes both per-pupil funding based upon staffing requirements and then computed through the state's Local Composite Index (which is, in turn, based upon a locality's "ability to pay"), categorical funding, and a revenue stream from sales taxes that is based upon school-age population (including private and home-schooled students). Federal funding includes federal impact aid in areas with a high concentration of federal personnel and federal property, as well as aid based upon school age population and numbers living in poverty rather than public school enrollment numbers.

The state funding formula is notoriously complex. The major portion of the Standards of Quality formula is refereed to as Basic Aid and is meant to cover most of the operational expenses required to educate a typical student. To determine the Basic Aid associated with each student in a school division, the maximum number of teachers the state will fund for each grade level in each division is calculated, based on the Average Daily Membership (ADM) and pre-determined guidelines for the minimum and maximum number of students per type of teacher. The average salary for each type of position is then multiplied by the number of positions required by an average Basic Aid dollar amount per ADM, known as the Basic Aid PPA. In other words, the number of students determines the total allowable personnel costs. This number is then divided by the number of students to get an average. This average is then multiplied by the forecasted number of students the division will have in the next year to determine total funding, and this funding is then calculated for each school division using the Local Composite Index (LCI).

The LCI is calculated for each school division and reflects a combination of its property wealth relative to the state, its retail sales relative to the state and its income relative to the state. These three components are meant to reflect a division's local ability to pay, although income cannot be taxed by county governments. The LCI is capped at 0.8, meaning the local division must provide 80 percent of the funds required by the state funding formulas. The division with the lowest LCI is Lee County, at 0.1552.

As a consequence, per pupil expenditures can vary tremendously from school division to school division.

In our prototype Educational Improvement Tax Credit, each scholarship given to a student is limited by the amount of per-pupil state aid spent by the state in the student's school division (not including any sales tax funding stream). As an example, if the state spends $2,700 per pupil in a school division, the amount of the private scholarship for students residing in that school division is limited to $2,700. Funding streams from the local contribution, the state sales tax and federal aid remain with the local school division.

The state thus "saves" $2,700 it doesn't have to spend on that student. This is offset by giving a 90 percent tax credit given to corporations for donating to a scholarship organization. A 90 percent tax credit on a $3,000 donation consequently comes to $2,700 in foregone tax revenue – the same as the amount withheld from the local school division.

State aid per pupil ranges from as little as $1,409 in Goochland County to as much as $6,787 in Lee County. In our prototype, a student using a scholarship to leave Goochland County Public Schools would receive only $1,489, but a similar student in Lee County would receive more than $6,600.

An Educational Improvement Tax Credit will help those students who choose an alternative educational environment that better addresses their learning needs. More importantly, it will *not* hurt the state's ability to fund public schools elsewhere.

Educational Improvement Tax Credits:
Generally Positive Results for Local School Systems

Determining savings or losses at the local level is more complex. Local per-pupil school expenditures include both fixed costs (such as transportation or building operating costs, debt service, certain administrative costs, etc.) that remain if a limited number of students leave a school system, and variable costs (such as teacher salaries and supplies) that rise or fall based on the number of students in a classroom. Whether a school division is financially helped or hurt by departing students depends upon the relationship between those fixed costs remaining and the variable costs that disappear.

Even variable costs can fluctuate wildly. For example: Because of class size limitations, a single fourth grade student leaving a school with two 20-student classes will have a limited impact. However, because the state "caps" 4th grade classrooms at 35 children, a fourth grade student leaving a school with two 18-student classes would potentially save the school division the cost of a second teacher or possibly even the need to rent a trailer for additional classroom space.

Because no formula exists in Virginia for determining the proportion of fixed vs. variable costs, we considered a surrogate devised in 1995 by the University of Texas at Austin's Dr. Chrys Dougherty and researcher Stephen L. Becker (MBA, University of Texas) that used data supplied by the Texas Education Agency (TEA). The pair examined the average incremental increase in total cost at each individual school when enrollment increased by one student, calculating from that the fixed and variable costs for elementary schools, middle schools and high schools. The variable cost ranged from 82 percent of per pupil cost in an elementary school located in a small school division to 94 percent in a middle school located in a large school division.[38]

In addition, a 2004 econometric study by Dr. Cotton Lindsay, of Clemson University, concluded that the marginal (or variable) classroom cost of educating a student in South Carolina was in excess of 90 percent. Dr. Cotton re-affirmed his conclusions in 2005 after examining three years worth of data. However, his studies did not incorporate central district office expenses.[39]

We also examined the recent experience of several Virginia school divisions that had seen student membership rise or fall and the budgetary effects the school system imputed to those membership changes. The variable costs ranged from the mid-seventies to, most recently, 91 percent of the per-pupil costs in Fairfax County when the school division there adjusted its projected enrollment downward.[40]

These figures struck us as overly optimistic, however. In a small school division or a small school – as are most Virginia schools – the variable costs were likely to be much lower.

To obtain a more accurate picture, we consulted the Virginia Department of Education Superintendents Annual Report. Table 13 of that report offers a breakdown of disbursements by school division and by category. Some categories (Adult Education, Facilities, Debt Service, Pupil Transportation, Administration) are composed nearly totally of fixed costs. Others (School Food Services, Attendance and Health Services, Technology teachers, Summer School) have a small component of variable costs. The category of Instruction (representing expenditures for classroom instruction, guidance services, social work, books, instructional improvements, etc.) has a high percentage of variable costs.

Additionally, given the fact that students choosing a private school under an Educational Improvement Tax Credit program will be high poverty and also likely be over-represented with students requiring English language and special education services, we felt secure in using the self-reported "Instructional Costs" as a surrogate for variable costs in each school division. These are, in fact, the per-pupil costs most likely to disappear when a high-poverty, at-risk student leaves a public school system.

In computing the fiscal effects of an Educational Improvement Tax Credit on each school division, we considered the current local contribution per pupil, the fixed costs that would remain in a school division, and the revenue from state retail sales and use tax.

Sales tax distribution is determined and distributed by school-age population within a school division. Sales tax revenue continues to flow for each school-age child, whether that child is in public, private, religious schools or home-schooled. Thus, a school division continues to receive that revenue stream, even if a current student transfers to private school. The same is also true for much of the federal aid, in which districts are guaranteed to receive at least 85 percent of their prior-year allocation, even if the number of eligible students declines.

In short, for each child who would leave the school system, the local school division would lose the state and potentially some federal dollars that child would normally bring. The local contribution and the sales tax remain in the school division, as do the fixed costs of education. The result was a formula for each school division that read –

(Local)		(Sales and)		(Fixed Costs)		(Money)
(Contribution)	+	(Use Tax)	-	(within total per)	=	(Remaining)
(Per Pupil)		(Per Pupil)		(Pupil Expenditure)		(Per Pupil)

As an example, the attached chart shows for Accomack County a Total Per Pupil Expenditure of $10,519, a local contribution of $2,952, a fixed percentage of student costs of 25.6%, and retail sales and use tax revenue per pupil of $1,009. Thus, the formula indicates –

$$\$2,952 + \$1,009 – (.256 \times \$10,519) = \$1,268$$

In this case, the Accomack County School system, after paying for the fixed costs, would have $1,268 from state sales and local funding for each student who transferred to private sector schools – funds that would then be available to meet help other students in the public schools.

Because several school divisions are jointly operated, data is reported with the school division acting as the fiscal agent: Bedford County, fiscal agent for Bedford City; Fairfax County, fiscal agent for Fairfax City; Greensville County, fiscal agent for Emporia; and Williamsburg, fiscal agent for James City County.

In the case of Williamsburg-James City and Greensville-James City County, the publicly-reported expenditures overlapped in too many areas and we were unable to project the fiscal results for those two school divisions.

The fiscal effect of an Educational Improvement Tax Credit on local school divisions is less uniform than the effect on state funding. Of 131 school divisions for which we could make a determination, 17 would derive a net gain of more than $5,000 for each student who chooses to transfer (one as high as $11,982); 34 would derive a net gain of between $2,500 and $4,999 for each student who chooses to transfer, 47 would have between $1,000 and $2,499 available for redirection to other uses; 22 would have between than $500 and $999; 11 would have less than $500. Of this latter category, four school divisions would actually *lose* money through an Educational Improvement Tax Credit.

The four school divisions that lose money are among the smallest in the Commonwealth, with a little more than 12,000 students between them. They also are among those areas with the fewest number of available private schools and thus are least likely to see students migrate away from their systems. *<u>Even if all 12,168 students in these five divisions were to leave their public schools,</u>* the net "loss" would be a little more than $1.5 million. The General Assembly could create a "hold harmless" provision to fund these schools for a period of time to accommodate any loss of funding.

No claim is made that this is a perfect measure. Indeed, the amount of money left in a local school division if only one or two students choose to leave could be substantially more (if it eliminated the need for a teaching position) or less (if it made no staffing change) then the amount suggested here. However, since the high-poverty students who can make use of such tuition scholarships are also among the most expensive to educate, their departure from the school system is more likely to have a positive impact on a school system's finances than the departure of an "average" or "high performing" student.

It is clear, however, that a tuition scholarship will generally not have a negative effect on local school finances and is, indeed, more likely to have a positive effect. In the overwhelming majority of school divisions, funds will remain in the local division – even after paying for the fixed costs of a student's education – available to redistribute for the education of other students.

Fiscal Effects of a Virginia Educational Improvement Tax Credit

School_Division	Total Per Pupil Expenditure	Local Contribution Per Pupil	State Aid Per Pupil	State Sales Tax Per Pupil	Fixed cost Percentage in Division Budget	Money Remaining Per Pupil
Accomack	$10,519	$2,952	$5,347	$1,009	25.6	$1,268
Albemarle	12,518	8,425	2,614	950	28.9	5,757
Alleghany	11,030	3,740	5,706	832	31.8	1,064
Amelia	8,977	2,622	4,806	866	28.4	939
Amherst	9,329	2,499	8,075	922	24.8	1,107
Appomattox	9,125	2,066	5,323	914	28.5	342
Arlington	20,317	17,050	1,627	941	27.3	12,444
Augusta	9,337	3,077	4,619	1,005	23.5	1,888
Bath	14,055	10,277	1,831	1,015	31.0	6,935
Bedford County/City*	8,753	3,082	4,163	904	24.3	1,859
Bland	9,301	2,277	5,485	860	27.3	598
Botetourt	9,577	4,075	4,088	976	24.4	2,714
Brunswick	10,885	2,307	6,118	1,067	29.2	196
Buchanan	10,919	3,049	5,596	902	29.2	763
Buckingham	10,869	2,893	5,782	1,097	28.2	925
Campbell	8,697	2,263	4,880	978	22.0	1,328
Caroline	9,352	3,148	4,342	1,116	22.0	2,207
Carroll	9,750	2,645	4,838	967	27.0	980
Charles City	13,075	5,887	5,204	908	25.2	3,500
Charlotte	9,605	1,809	6,035	878	31.3	-319
Chesterfield	9,344	4,199	3,896	858	25.8	2,646
Clarke	9,365	5,082	2,962	928	26.2	3,556
Craig	9,243	2,503	5,026	1,007	27.7	950
Culpeper	9,447	4,070	4,013	836	25.6	2,488
Cumberland	11,129	3,462	5,238	973	39.4	50
Dickenson	10,110	2,733	5,525	808	29.3	579
Dinwiddie	9,076	2,691	5,025	818	27.2	1,040
Essex	10,039	3,787	4,281	941	26.9	2,028
Fairfax County/City*	13,620	10,272	1,850	968	25.3	7,794
Fauquier	10,925	7,090	2,457	1,011	23.7	5,512
Floyd	9,120	2,763	4,741	966	25.4	1,413
Fluvanna	9,251	3,829	4,130	828	18.9	2,909
Franklin	9,640	3,587	4,252	992	26.3	2,044
Frederick	10,284	4,852	4,184	843	22.3	3,402
Giles	9,188	2,567	5,087	947	24.4	1,272
Gloucester	9,833	3,931	4,322	1,013	27.4	2,250
Goochland	10,594	7,837	1,409	884	25.9	5,977
Grayson	9,910	2,462	5,527	1,047	25.8	952
Greene	9,780	3,609	4,699	910	18.0	2,759
Greensville/Emporia*	10,399	2,373	5,760	918	19.3	952
Halifax	10,454	2,750	5,777	984	29.4	661
Hanover	9,192	4,376	3,549	913	22.1	3,258
Henrico	8,913	3,950	3,483	947	22.6	2,883

School Division	Total Per Pupil Expenditure	Local Contribution Per Pupil	State Aid Per Pupil	State Retail Sales and Use Tax Per Pupil	Percentage of Budget that is Fixed Costs	Money Remaining Per Pupil
Henry	9,401	1,995	5,281	1,112	25.7	691
Highland	14,983	6,898	5,799	1,054	23.5	4,431
Isle of Wight	10,182	4,504	4,021	1,026	23.1	3,178
King George	8,105	2,940	4,053	760	24.2	1,739
King & Queen	14,105	6,156	5,489	1,108	35.2	2,299
King William	9,660	3,353	4,787	869	26.9	1,623
Lancaster	11,214	6,910	2,378	995	26.5	4,933
Lee	11,859	2,673	6,787	1,050	23.8	901
Loudoun	13,440	10,015	2,217	860	23.7	7,690
Louisa	9,725	5,270	2,924	956	23.8	3,911
Lunenberg	10,214	2,040	5,846	1,071	27.2	333
Madison	9,742	4,150	4,060	1,005	27.8	2,377
Mathews	9,567	4,384	3,758	853	27.7	2,587
Mecklenburg	9,090	2,344	5,008	848	22.1	1,183
Middlesex	9,954	5,401	2,862	984	30.3	3,369
Montgomery	9,798	3,799	4,281	1,047	26.2	2,279
Nelson	10,972	5,158	3,892	1,042	31.8	2,711
New Kent	9,172	3,963	3,903	953	30.6	2,109
Northampton	11,949	4,308	5,313	989	28.6	1,880
Northumberland	10,228	5,656	2,635	996	24.6	4,136
Nottoway	10,146	2,131	5,574	989	31.1	-35
Orange	8,894	3,529	4,005	848	28.5	1,611
Page	9,936	2,761	5,592	866	26.2	1,024
Patrick	9,651	2,265	5,510	936	29.6	344
Pittsylvania	8,643	1,908	4,925	952	27.1	518
Powhatan	9,887	4,608	4,042	886	26.4	2,884
Prince Edward	10,618	2,974	5,461	1,169	23.8	1,616
Prince George	8,975	1,930	5,084	909	28.0	326
Prince William	10,682	5,101	4,247	883	26.6	3,143
Pulaski	9,162	2,555	4,778	957	31.4	635
Rappahannock	12,217	8,611	1,926	1,168	25.7	6,639
Richmond	9,835	3,681	4,652	854	27.0	1,880
Roanoke	9,487	4,050	4,033	964	22.3	2,898
Rockbridge	9,772	4,332	3,525	967	26.5	2,709
Rockingham	9,633	3,687	4,313	1,013	23.9	2,398
Russell	9,448	1,729	5,347	944	28.7	-39
Scott	9,680	1,683	6,212	862	28.0	-165
Shenandoah	9,804	4,088	7,331	896	19.0	3,121
Smyth	9,615	1,986	5,723	853	22.4	685
Southampton	10,146	2,922	5,232	1,130	30.2	988
Spotsylvania	9,822	4,338	4,137	917	22.5	3,045

School Division	Total Per Pupil Expenditure	Local Contribution Per Pupil	State Aid Per Pupil	State Retail Sales and Use Tax Per Pupil	Fixed Cost Percentage in Division Budget	Money Remaining Per Pupil
Stafford	9,335	3,961	4,112	936	25.3	2,535
Surry	14,973	11,040	1,882	1,028	29.4	7,666
Sussex	15,257	7,026	5,864	1,016	30.4	3,404
Tazewell	8,940	1,840	5,140	976	23.2	742
Warren	8,990	3,466	4,021	991	25.0	2,209
Washington	9,243	3,081	4,443	905	26.0	1,583
Westmoreland	9,978	3,288	4,565	983	35.1	769
Wise	9,733	2,232	5,212	917	24.2	794
Wythe	9,156	2,493	4,723	917	24.2	1,194
York	9,368	3,530	3,919	857	27.0	1,858
City Of:						
Alexandria	18,622	15,057	1,682	1,022	25.2	11,386
Bristol	9,973	2,772	5,068	992	22.7	1,500
Buena Vista	8,994	2,275	5,468	815	21.6	1,147
Charlottesville	15,514	10,010	2,957	1,259	25.1	7,375
Colonial Heights	11,439	6,458	3,606	914	24.0	4,627
Covington	12,087	4,720	5,709	670	21.7	2,767
Danville	10,114	2,941	5,019	1,043	25.4	1,415
Falls Church	18,747	16,018	1,511	930	25.6	12,149
Fredericksburg	13,122	9,490	1,856	935	25.2	7,118
Galax	8,904	2,531	4,630	763	24.3	1,130
Hampton	10,388	3,200	5,180	1,067	24.2	1,753
Harrisonburg	11,664	5,693	4,134	831	22.6	3,888
Hopewell	10,124	2,806	5,439	857	24.2	1,213
Lynchburg	10,902	4,247	4,489	1,066	25.4	2,544
Martinsville	10,352	2,914	5,168	1,074	29.9	893
Newport News	10,565	3,122	5,054	1,097	29.7	1,081
Norfolk	10,763	3,170	5,120	1,084	24.2	1,649
Norton	9,196	2,262	5,076	838	23.2	967
Petersburg	10,437	1,986	6,186	901	26.4	132
Portsmouth	10,542	2,671	5,826	860	24.4	959
Radford	9,748	3,565	4,786	769	24.5	1,946
Richmond	13,088	5,904	4,383	1,201	23.8	3,990
Roanoke	11,247	3,875	4,804	991	27.7	1,751
Staunton	10,502	4,249	4,069	1,357	19.5	3,558
Suffolk	9,830	3,407	4,550	1,052	23.9	2,110
Virginia Beach	10,796	4,848	4,049	1,031	26.6	3,007
Waynesboro	9,996	3,733	4,313	1,036	25.0	2,270
Williamsburg/James City County**	11,109	6,882	2,847	925	N/A	N/A
Winchester	12,387	7,435	3,200	935	23.9	5,410
Franklin	12,308	3,925	6,118	918	24.1	1,877
Chesapeake	10,960	4,573	4,458	1,036	22.1	3,187
Lexington	9,575	3,785	4,540	840	21.1	2,605

School Division	Total Per Pupil Expenditure	Local Contribution Per Pupil	State Aid Per Pupil	State Retail Sales and Use Tax Per Pupil	Percentage of Budget that is Fixed Costs	Money Remaining Per Pupil
Salem	9,939	4,805	3,892	830	22.1	3,438
Poquoson	8,665	3,215	4,169	889	20.8	2,302
Manassas	12,748	7,893	3,243	1,072	23.9	5,918
Manassas Park	12,116	5,768	4,963	812	26.6	3,357
Town of:						
Colonial Beach	11,138	3,576	5,351	694	22.5	1,764
West Point	10,890	4,483	5,364	715	24.1	2,574

Sources: Tables 13 and 15, *Superintendent's Annual Report, 2007-2008,* Virginia Department of Education.

* -- Data for jointly-operated school divisions (Bedford City and Bedford County; Fairfax City and Fairfax County; Emporia and Greensville County; and Williamsburg and James City County) is reported under the fiscal agent division only. Bedford County, Fairfax County, Greensville County and Williamsburg City are the fiscal agent divisions

** -- Because the publicly reported accounting for Williamsburg/James City County overlap in a number of areas, this report was unable to determine the fixed cost percentage of their budgets and therefore unable to determine the funds that would remain within the school system.

ENDNOTES

[1] Numan V. Bartley, *The Rise of Massive Resistance: Race and Politics in the South during the 1950s* (Baton Rouge, LA; Louisiana State University Press, 1997), p. 116.
[2] *Race Relations Law Reporter* 3 (1958): 1241.
[3] *Race Relations Law Reporter* 1 (1956): 1094 – 1096; *Harrison v. day*, 200 Va 439 (1959), and *James v. Almond,* 170 F. Supp. 331 (1959).
[4] *Allen v. County School Board of Prince Edward County,* 198 F. Supp. 497 (1961).
[5] 377 U.S. 218, 225 (1964).
[6] *Griffin v. State Board of Education,* 296 F. Supp. 1178, 1180, 1182 (1969).
[7] Gerard Robinson, "Freedom of Choice: *Brown*, Vouchers, and the Philosophy of Language," *Educational Freedom in Urban America* (Washington, DC; Cato Institute), p. 38.
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About the Author

Chris Braunlich is vice president of the Thomas Jefferson Institute for Public Policy, Virginia's premier non-partisan public policy foundation. He served eight years on the Fairfax County School Board, the nation's 12^{th} largest school system, where he was a strong advocate of educational accountability and research-based reading programs.

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"... a wise and frugal government, which shall restrain men from injuring one another, shall leave them otherwise free to regulate their own pursuits of industry and improvement, and shall not take from the mouth of labor the bread it has earned. This is the sum of good government, and this is necessary to close the circle of our felicities."

Thomas Jefferson
1801

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