# NEPC Review: Ripple Effect: How Expanding School Choice Programs Can Lead to More College Graduates and a Stronger Economy (Wisconsin Institute for Law and Liberty, January 2020)


Reviewed by:

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University of Colorado Boulder



March 2020

**National Education Policy Center**

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# Acknowledgements

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## Executive Summary

A recent report from the Wisconsin Institute for Law and Liberty claims a chain of benefits will purportedly follow if the current cap on voucher enrollment for the state of Wisconsin is increased from four percent to 20%: "(if) lawmakers can expand Wisconsin's parental choice programs . . . more low-income children can graduate from college. This will create a ripple effect of economic benefits that will reverberate throughout the state." The promised improvement in graduation rates will, the report asserts, result in the employment of more people at higher wages, leading to increased personal wealth and government income of $3.2 billion over 20 years. The obvious failing of this logic is how the projected "ripple effect" will occur. Causal links are weakly explained and lack support. The claims cannot be verified because the methods are not described and, in key areas, the numbers literally do not add up. Other prominent unaddressed issues include social stratification, inequitable selection effects, the cost of running two school systems, and the effects on learning. With a large number of relevant variables at play and the study's apparent reliance on descriptive methods, interpretations of the data are subjective and untrustworthy. Finally, with less than one percent of the districts reaching the current voucher cap of four percent, there is no demand-side need for the voucher growth initiative. For all of these reasons, the report offers no assistance to policymakers or others.

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## I. Introduction

The fundamental theme of this short report from the Wisconsin Institute for Law and Liberty (WILL) is that the expansion of state "school choice" (voucher) programs will result in a bountiful harvest: a decrease in dropouts, more higher education enrollments, more college graduates, and greater personal income and spending.[1] These results of making more children eligible for vouchers are said to bestow an ever-increasing flood of personal, social, and governmental improvements. Therefore, the programs should be expanded, contends author Will Flanders.

Hallmarks of science are confirmation and replication. But this report veers into utopian science fiction, with the growth of a voucher policy propped up, through a series of increasingly improbable causal claims. In short, the report presumes a chain of: raising the voucher cap from four percent to 20% will yield → more voucher students in K-12 schools → higher graduation rates from college → higher lifetime earnings → more consumer spending → increased state and local taxes collected. The chain is long and, as discussed below, it has some weak links.

## II. Findings and Conclusions of the Report

The new report's executive summary says, "But for many, a substandard K-12 education system stands in the way, too often leaving low-income students unable to realize their dreams." The "sad truth" is that this burden falls most heavily on low-income families. But hope is

found in the largest of the Wisconsin choice programs, the Milwaukee Parental Choice Program (MPCP), which is claimed to increase four-year college graduation rates by 38%, a figure that is said to be "in line with other peer reviewed studies" (p. 2).[2]

In turn, this increase in parental choice programs is said to lead to more college graduates, which creates a "ripple effect" leading to higher lifetime earnings and more consumer spending. The lead-off assumption is that an additional 400 students per year would graduate from college over the next 20 years, which is calculated (unclear how) to yield 9,044 more college graduates, who would generate an additional $3.2 billion in consumer spending and taxes. This largesse is also stated to result in "significant economic benefits" for municipalities (p. 3-4), which may or may not be part of the tax claim above.

The report lacks detail, so it is sometimes difficult to follow, but the core logic leading to the $3.2 billion figure apparently relies on (a) the above 38% graduation figure; (b) an estimate that 400 more students will enroll in each of the next 20 years; and (c) that each new college graduate will contribute $353,763 " . . . more to the economy and government taxes over their lifetime [in comparison to] someone with only a high school diploma" (p. 8). That is, the report really never explains how it derived, for example, the key figure of "9,044 more low-income choice students [who] would graduate from college compared to if they attended public school."

To argue that college graduation rates for low-income students have room for improvement, the report points to a seven percentage point gap (50.1% versus 57.1%) in the graduation rates of Pell Grant recipients as opposed to other students. This is the gap that will presumably be closed once more students receive vouchers.

The report offers two sets of estimates, one at a 10% voucher participation rate and one for a "more robust" 20%. Using the 20% enrollment yields the projected $3.2 billion over 20 years, which includes $300-$430 million in state and local taxes over 20 years. The 10% choice enrollment rate is presented as yielding lesser gains.

However, as discussed later in this review, the current Wisconsin Parental Choice Program (WPCP) law is capped at four percent and is under-enrolled in all but four districts.[3]

The cumulative number (over 20 years) of future four-year college graduates from public schools is estimated, as well as the number of graduates from private schools—which is predicted in the report to be higher, based apparently on the 38% figure. Subtracting one from the other results in a gain of 9,044 graduates. Not addressed are the demographics of public school children as compared with the composition of private schools. No apparent adjustment for parental education level or income is provided, although these differences are mentioned earlier in the report. The costs of operating two systems and the cost differential of the two forms (if any) are not presented. (The current system is reported to cost approximately $6 billion annually.[4])

It appears that the estimated increase in "graduates" was multiplied by the asserted economic gains to yield the $3.2 billion economic impact, but this is not explicitly stated. Shares of the benefits shown for different school districts are generated, but again the method is not detailed.

The report concludes by urging policymakers to raise the enrollment limit from four percent of the student body to 20%, increasing the family income limits, and simplifying application procedures.

## III. The Report's Rationale for Its Findings and Conclusions

The report's rationale is set forth in its title, *Ripple Effect: How Expanding School Choice Programs Can Lead to More College Graduates and a Stronger Economy*. High school vouchers are presented as leading to greater college graduation rates, which leads to greater personal income, thus creating a boon to the economy and society.

The unambiguous rationale is to advance the growth of private school vouchers, as seen in the content and structure of the report, the emphases and omissions, the recommendations and the narrow selection of references in the bibliography.

## IV. The Report's Use of Research Literature

There exist countless articles on school choice, ranging from general interest publications to peer-reviewed professional articles in prestigious journals. Yet the limited references in this report are drawn from a narrow, non-representative slice of the field. Eleven of the 12 selections in the bibliography are drawn from raw data sources (e.g., the Bureau of Labor Statistics) or pro-school-choice articles. The one exception is the Brookings brief, which is the basis of the human-capital claims and numbers (i.e., the claimed benefits of moving an individual from a high school graduate to a college graduate).

Yet the report overtly appeals to the strength of peer-reviewed articles to buttress its claims (p. 7). From page 2 of the report:

> This study estimates the economic impact from expanding Wisconsin's parental choice programs by using similar methods to previous studies, the first of which has already been published in a peer-reviewed journal (Flanders & DeAngelis 2018a; Flanders & DeAngelis 2018b; DeAngelis and Flanders 2019).

Note that all three pieces are co-authored by the author of the *Ripple Effect*. Looking at the report's reference section, we find that these are cites not known to peer-reviewed publications, but to Tennessee's free-market Beacon Center, to something called "School Systems Reform Studies," and to the Mississippi State University Institute for Market Studies. Searching online, one finds that the School Systems Reform Studies piece was indeed subsequently published in the *Journal of School Choice*,[5] a common venue for articles touting vouchers. The paper does later cite to a peer-reviewed article that offers some support for the claim that Milwaukee voucher students are more likely to graduate high school. However, this study itself has some serious limitations. Fifty-six percent (56%) of the original

sample were no longer enrolled in a voucher program by the time they should have been in the 12th grade. Furthermore, "Only one of the findings could be considered statistically significant at conventional levels."[6]

There is an open question as to whether vouchers nonetheless are indeed successful in rendering other benefits such as greater high school and college graduation (or fewer dropouts).[7] The dynamics involved in something like college graduation are complex, based on a jumble of social, economic, personal, and environmental factors, such as family, culture, language, neighborhood, and peer influences. This mix has been the subject of more than a half century's research and debate. To infer that graduation or non-graduation is due to the offer or uptake of vouchers (apparently based only on one suspect study) is a leap too far. The subsequent chain of complex causal linkages—everything that follows from the act of choosing—including the predicted massive social, economic, educational, and personal gains attributed to growth in the state's voucher programs, is enormously speculative. The core assumption creates an error of the single cause. It completely overlooks the possibility (indeed, the likelihood) of selection effects and any number of lurking but powerful unexamined "third variables" such as teacher quality, funding, and community factors, that may have stronger influences.

## V. Review of the Report's Methods

The major methodological problem is that the numbers do not add up and the method by which they were derived is not explained. Throughout the report, a weak chain of causal assertions are stated without support. It selects arbitrary estimates of projected enrollments and multiplies them by assumptions. This is the primary method used throughout the paper. Some key examples:

- The methods for measuring the economic impact are not explained. In particular, the 20% model fails to explain a $91 million hole. The report's Table 1 (pg. 12) purports to present the derivation of the $3.2 billion claim for the total "economic impact," which is the sum of the last two columns in the table: "Local Spending" and "State & Local Tax." This simple addition works out for the 10% increase in vouchers. But for the 20% increase, the numbers don't add up. Or, more accurately, they add up to exactly $91 million less than the claimed total economic impact of $3,199,519,400. It appears that $91 million either was added incorrectly into the total number or was left out of one of the columns. So even if readers completely buy into the report's assumptions and claims, they should not accept its arithmetic.

- The central claim is that public schools "leav(e) low income students unable to realize their dreams" (p. 2) and that choice will solve the problem. This is unsupported and illogical. Using basic arithmetic, one can see that the key barrier for lower-income families is the simple cost of college. The state's median household income is $59,305,[8] with a poverty threshold of $27,241.[9] The average annual in-state college tuition is $15,905.[10] The maximum annual Pell award for 2019-20 is $6,195.[11] The report pro-

vides no explanation for how low-income high school students can afford college. Yet, school choice is proposed as a "clear and simple" solution.

- It is assumed that moving a student into the college-graduate category will not just increase that person's salary (human capital benefits) but also mechanically scale those benefits up to the larger economy—with no consideration of job supply and related macroeconomic concerns. It also treats a correlation as if the effect were causal. No plan is provided that would make this money real.

- The paper says that "studies have shown" that a Milwaukee voucher student is 38% more likely to graduate from college. Unfortunately, the single cited study had a 56% dropout rate and did not adjust for chooser-nonchooser differences.[12] The paper cited, however, also discusses two other (non-Milwaukee) studies, and in the one contrast where students were randomly assigned, no differences were found.[13]

Furthermore, the proposed policy is a solution in search of a problem—or a supply in search of a demand. The report argues for increases in the eligible population from four percent to 10% or 20%. Yet excluding Milwaukee, there are only four districts out of 446 that reach the current four percent limit.[14]

## VI. Review of the Validity of the Findings and Conclusions

It can be an interesting and worthwhile exercise to speculate about possible models of how a given policy would play out. In fact, it generally makes sense to ask a proponent of a given claim to articulate how we get from Step 1 to the stated outcome. Regrettably, the particular causal chain set forth in this review is fantasy. It is not based on evidence. A more carefully developed strategy using techniques such as correlations, path models, and examination of non-linear relationships would help. The model employed is simply not strong enough to justify the conclusions.

## VII. Usefulness of the Report for Guidance of Policy and Practice

With under one percent of Wisconsin's school districts reaching the current voucher caps, is there a need for program expansion at all? There is nothing presented in this report that suggests a "build it and they will come" policy is realistic or necessary.

Moreover, expansion of Wisconsin's school voucher plans has downsides, risks, and costs:

- It misdiagnoses the problem. Children from less affluent families do not enter or complete a college program on time primarily due to financial reasons.[15] In other words, with a potpourri of various influences in play, the examination neither pinpoints nor

makes the case that choice is the causal solution.

- It requires the state to fund and supervise two separate systems of education, which would likely be unacceptable to statehouse budget-makers.
- Assuming a finite amount of public money, choice schools erode the financial capability of public schools.[16]
- Private systems create additional difficulties in accounting for public funds.
- Despite contrary claims, voucher systems have not proven to be beneficial for the students receiving those vouchers.[17]
- Most importantly, the paper never addresses the segregative effects of choice mechanisms on democracy and society.[18]

Wisconsin has the largest racial achievement gap in the nation and this has remained essentially unchanged over the last decade[19] Governor Scott Walker's cuts diverted funds from public schools and into private schools.[20]

There is a substantial literature on financial returns. Henry Levin, for example, calculated returns even higher than WILL. If WILL embraces the human capital concepts implicit in their proposal, it would seem they would support rather than oppose the Milwaukee referendum that would generate just the type of the ripple effects promoted in the report—albeit generated by public schools.[21]

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