School Choice
Encouraging New and Better Schools

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The Religious and Secular Supply
Of Schools in Choice Programs

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Introduction

For generations, religious schools have been the dominant supplier of private education, and as choice programs expand religious schools are at the center of the school choice debate. Given the size of the religious school sector, any choice program that wants to quickly expand and provide parents considerable options must include the large supply of religious schools that already exist. However, religious schools are not just important to this discussion because they have a large share of the private school marketplace. Religious schooling in the United States dates back to before its founding. Their success has created a “brand name” for many types of religious schools. This brand appeals to many parents, including those who cannot afford private school tuition. This brand will be difficult for most nonsectarian schools to replicate anytime soon.

The growth of private school choice programs comes at a crucial time for religious schooling. Currently, about 10 percent of PK-12 students attend a private school, according to the Digest of Education Statistics. The proportion of all students attending private schools has not changed much over the last 25 years. Table 1 portrays the trends in the number of private schools and private school enrollment over the past two decades. The number of religious, non-Catholic schools and nonsectarian schools has increased since 1991, but enrollment for both types of schools was greater in 2001 than in 2011. Perhaps the greatest changes are seen for Catholic schools. The number of Catholic schools fell by almost 2,000 between 1991 and 2011, and Catholic enrollment decreased by over 600,000 students. While only 22 percent of private schools were Catholic in 2011, Catholic schools educated almost 43 percent of private school students. However, Catholic schools’ share of private school enrollment dropped by 10 percent from 1991 to 2011.
Table 1: Trends in Private Schooling 1991-2011

<table>
<thead>
<tr>
<th></th>
<th>1991</th>
<th>2001</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Schools</td>
<td>8,889</td>
<td>8,207</td>
<td>6,873</td>
</tr>
<tr>
<td>Catholic Enrollment</td>
<td>2,593,939</td>
<td>2,515,524</td>
<td>1,928,388</td>
</tr>
<tr>
<td>% Enrollment in Private Schools</td>
<td>53.0</td>
<td>47.1</td>
<td>42.9</td>
</tr>
<tr>
<td>Schools</td>
<td>11,760</td>
<td>14,388</td>
<td>14,214</td>
</tr>
<tr>
<td>Other Religious Enrollment</td>
<td>1,579,581</td>
<td>1,924,874</td>
<td>1,676,649</td>
</tr>
<tr>
<td>% Enrollment in Private Schools</td>
<td>32.3</td>
<td>36.0</td>
<td>37.3</td>
</tr>
<tr>
<td>Schools</td>
<td>5,349</td>
<td>6,678</td>
<td>9,775</td>
</tr>
<tr>
<td>Nonsectarian Enrollment</td>
<td>724,292</td>
<td>901,114</td>
<td>889,807</td>
</tr>
<tr>
<td>% Enrollment in Private Schools</td>
<td>14.8</td>
<td>16.9</td>
<td>19.8</td>
</tr>
</tbody>
</table>

Source: NCES, Private School Survey

The decline in Catholic school enrollment extends back to the mid-1960s and has not gone unnoticed. Compared to almost 50 years ago, Catholics schools currently educate 60 percent fewer students in almost half as many Catholic schools.\(^1\) The story of Catholic school enrollment is complicated by the fact that almost 30 percent of Catholic schools have a waiting list.\(^2\) Declining enrollment trends are the most evident for urban Catholic schools. Trends in central city enrollment are depicted in Figure 1. One sees that in urban areas Catholic schools educate more students than do other religious schools or nonsectarian schools. However, Catholic student enrollment in central city schools has decreased from over 1.4 million students in 1989 to just above 900,000 students in 2011. Enrollments in nonsectarian and other religious schools are rather stable over these two decades.
There are a host of reasons that explain why many religious schools are closing and religious school enrollments are decreasing. Religious schools can no longer rely on clergy, nuns, or other religious workers as inexpensive labor, as their numbers are dwindling. Demographic trends in the United States have changed the demand for religious schooling and have left many Catholic schools with large non-Catholic student bodies. Further, charter schools pose an increasing threat to private schools, particularly those in urban areas. Lastly, the sex abuse scandal in the Catholic Church may have hurt demand for Catholic education.

Choice programs can serve as a lifeline to many struggling religious schools. Since choice programs are often targeted at disadvantaged students or students attending underperforming public schools, central city religious schools may be those most aided by choice.
programs. As I detail below, religious schools are the dominant schools of choice in school voucher plans, and choice students are typically filling empty seats in existing religious schools.

While it is apparent that existing religious schools often benefit from choice programs, what happens when demand exceeds the supply in the established schools? Will new religious schools open, or will nonsectarian schools be more likely to open or expand? Based on the experiences of the voucher program in Milwaukee, I expect that religious schools will continue to educate majority of private school students under a choice program. There is significant demand from parents for religious education. Furthermore, other parents who are not necessarily interested in the religious aspects of these schools may still be attracted to the characteristics that are often associated with religious schools, such as discipline and high academic standards. Also, the existing supply of religious schools allows for expansion and economies of scale. Nonreligious schools may be at a disadvantage on these factors, but expanded choice programs also provide opportunities for secular schools. These schools may be able to specialize and find niche markets, while also being able to form networks or employ education management organizations to provide the necessary expertise and economies of scale. One advantage that nonsectarian schools may have is that they may be more responsive to parental demand. These opportunities and challenges will be described in detail below.

Any prediction regarding the supply side response to choice programs is predicated on the policy characteristics of the program. For example, how large is the subsidy given to choice participants? The supply side response will be muted if the subsidies are small. There will be little incentive for new schools to open and for existing schools to expand. Other policy design issues may affect religious and nonreligious schools differently. The amount and form of governmental oversight and regulations play an integral role in which schools decide to
participate in choice programs. Many religious schools are wary that participation in choice programs will erode their religious missions. Lastly, nonreligious private schools may be particularly affected by the presence of and public financial support for charter schools.

Any analysis of school choice programs that does not take into account the role of religious schools as integral to supply and demand is incomplete. One must understand parental demand for religious schooling and the unique opportunities and challenges faced by religious schools in school choice markets. In the section that follows, I describe the role of religion in choosing a school in the private sector. Then, I examine the supply side response to the Milwaukee Parental Choice Program (MPCP) and other voucher programs. The results indicate that religious schools often benefit from participation in choice programs. Based on the evidence from existing choice programs, I then examine the unique challenges and opportunities that both religious and nonreligious schools would face in an expanded school choice environment.

The Role of Religion in Choosing a School

If one wants to understand how school choice policies may influence the supply of religious and nonsectarian schools, it is important to examine how parents choose schools. Typically, religion plays a large role in the private school selection process. Reviewing the literature, Belfield concludes that “unambiguously, the main determinant of private school choice is religious preference.”3 Students with parents who attend religious services frequently are more likely to attend private schools than are students with families who are less religious. Also, despite the fact that fewer Catholic parents are sending their children to Catholic schools, Catholicism is still associated with a greater likelihood of attending a private school, especially for more religious Catholics.4 In their study of private schools and religiosity using the General Social Survey,
Cohen-Zada and Sander find that Catholic religiosity increases demand for Catholic schools, but not for other types of private schooling.\textsuperscript{5} Fundamentalist Christian religiosity is associated with an increased demand for Protestant schooling but not for other forms. Non-fundamentalist Protestants and those with no religion seem to prefer nonsectarian schools.

The demand for private schools changes when parents participate in privately- or publicly-funded school voucher programs. Evaluations of school voucher programs indicate that there is substantial demand for religious education among low-income parents. Studies of privately-funded voucher programs and publicly-funded plans have concluded that Catholic parents and those who attend religious services regularly are more likely to participate in such programs.\textsuperscript{6} In their multivariate analysis, Fleming et al. find that parents that attend religious services at least once a week are 15 percent more likely to participate in the Milwaukee voucher program than parents who attend religious services less frequently.\textsuperscript{7} Choice parents claim that academic factors and overall education quality are the most important factors driving their school choice decisions.\textsuperscript{8} Parents who participate in choice programs also consider school safety, class size, and school size.\textsuperscript{9} However, parents participating in choice schools and public school parents are typically looking for similar things in their children’s schools. One important school characteristic that seems to greatly influence participation in choice programs is the religious nature of some choice schools. Choice parents place a greater emphasis on “values” when selecting a school for their children.\textsuperscript{10} An evaluation of Milwaukee’s voucher users found that the importance of religious instruction was the largest difference between public school and voucher parents when rating the importance of various school characteristics.\textsuperscript{11}

When parents consider schools for their children, they often have insufficient information, particularly for hard to measure characteristics like student discipline or teacher
quality. Oftentimes, parents rely on mental shortcuts or heuristics to make education decisions. They select the “brand” that they most trust. Brand names play an important role in competitive markets. For example, many people trust the Coke brand as a superior supplier of cola. A consumer knows that they will be getting the same Coke product when they purchase it anywhere in the country. Similarly, many parents identify religious schools, particularly those associated with the Catholic Church, as having a unique brand.\textsuperscript{12} Parents may not be drawn to religious schools for the religion per se, but rather they see that the Catholic school “brand” emphasizes discipline, school safety, and academic excellence. At first glance, a review of parental motivation in choosing schools may underestimate the attractiveness of religious schools to parents because even those parents who do not place much weight on religious instruction may understand that a religious school brand connotes other characteristics that are attractive to parents.

**School Choice Programs Have Changed Religious and Nonreligious Supply**

One way to better understand how expanded school voucher programs will affect the supply of religious and nonsectarian schools is to examine the effects of current school choice programs. In this section, I review the supply side of effects of the MPCP, the nation’s oldest and largest school voucher program for low-income, urban students. Then I briefly examine the participation of religious schools in other voucher programs.

*The Supply Side Response to the Milwaukee Voucher Program.*

The Milwaukee Parental Choice Program began a limited, pilot voucher program in 1990. While initially only available to one percent of students in Milwaukee Public Schools (MPS),
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subsequent reforms expanded the program. For most of the history of the MPCP, students could qualify for the program if they lived in Milwaukee and met the income requirement of 175 percent of the poverty line. Importantly, the initial program was only open to secular, private schools. After the changes to the law and affirmation of the constitutionality of the program from the Wisconsin Supreme Court, religious schools were allowed to participate in 1998. This drastically increased the number of schools participating in the program, as well as the number of voucher users. The cap on the number of participating voucher students was incrementally increased over time and eventually eliminated in 2005. Given that approximately 80 percent of students in Milwaukee are eligible to receive a voucher, the MPCP provides a feasible alternative to the public sector for many students. After a high of 127 schools at the beginning of the 2008-09 school year, the number of schools in the program fell to 102 schools by the 2010-11 school year, before slightly rebounding over the last two years.

Religious and nonreligious private schools have exhibited different levels of participation in the voucher program. As of the 2012-13 school year, 85 percent (96 of 113) of voucher schools were religious and educated 87 percent of voucher students, which is an increase from 67 percent of voucher students in 1998-99. As of 2012-13, the largest single type of religious school is Catholic schools, which number 23 (30 percent) and educate 38 percent of all voucher students. Twenty-six voucher schools (23 percent) are Lutheran. Lutheran schools educate 20 percent of voucher students. Other religious schools make up 31 percent of all MPCP schools (36 schools) and 29 percent of voucher enrollment. The 14 nonsectarian schools make up 12 percent of all voucher schools and 12 percent of voucher student enrollment.
Trends in School Participation in the MPCP

The trends in the number of schools participating in the voucher program from 1991 to 2013 by school type are depicted in Figure 3. Data from the Wisconsin Department of Public Instruction, Levin and Belfield’s analysis of MPCP schools, and the Public Policy Forum, a non-profit research organization in Milwaukee, were used. Before religious schools were allowed to participate in the program, the number of nonreligious voucher schools grew from 7 in the first year of the program to 23 by 1997-98. The inclusion of religious schools in the program quickly increased the total number of voucher schools to 85 in 1998-99. Catholic schools became the dominant type of religious school participating in the voucher program. However, since the early 2000s, the number of Catholic schools has decreased, while the numbers of Christian Evangelical/Lutheran and other religious schools have increased. The trend for nonsectarian schools is particularly interesting. The number of these schools accepting voucher students grew at a steady pace until the mid-2000s, even after religious schools were allowed to participate in the program, reaching a peak of 38 in the 2005-06 school year. Evaluations of the MPCP during this type noted how the MPCP had benefited nonreligious, private schools, as the number of such schools participating in the program was rising over time. Since that time however, there has been a large decline in nonreligious voucher schools. The number of nonsectarian schools participating in the Milwaukee voucher program is now less than it was in 1997-98, before the program expanded to include religious schools. None of the schools, which were all nonsectarian, that took part in the MPCP for the first six years of the program are still participating.
Figure 3: Number of Milwaukee Voucher Schools by School Type


Were New Schools Created by the MPCP?

These general trends mask the fact that a number of schools are dropping out of the program and joining the program in any given year. While the number of voucher schools was rather consistent from 2000-2010, approximately 11 new schools joined the program each year during that decade.\(^{18}\) Using the 2010-11 principal survey data from the School Choice Demonstration Project’s evaluation of the MPCP, one can investigate whether the voucher program has primarily worked to benefit existing schools or has led to the creation of new schools.\(^{19}\) According to Table 2, the vast majority of Catholic and Lutheran voucher schools existed before the voucher program was established. On the other hand, two-thirds of “other religious” schools...
and all of the non-religious schools that provided survey data did not exist before the MPCP. For those principals who said their school did not exist before the MPCP began in 1990-91, a follow-up question was asked which measured how important the voucher program was in the decision to establish a school. See Table 3. Of those 2010-11 participating voucher schools that were created since 1991, 46 percent (17 schools) said that the MPCP was a major factor in the decision to open a school and 11 percent (three schools) said it was a minor factor, according to principals’ reports. The existence of the voucher program was a major factor for the majority of Lutheran and nonreligious schools. It was not important for Catholic schools.

There has been considerable churn in the Milwaukee voucher program. As of 2012, 230 schools have participated in the voucher program, with 9.3 years as the average length of participation. Given the large number of schools that have participated in the program and the significant number of schools that were created in response to the voucher program, there has been a substantial supply side response to the Milwaukee voucher program. This is despite the fact that the voucher amount, which has ranged from $2,446 to $6,607, is often below the cost to educate a student in a private school and that the MPCP currently has the highest regulatory burden of all school voucher or tax credit programs, according to a study by the Fordham Institute.
Table 2: New School Growth by School Type

<table>
<thead>
<tr>
<th></th>
<th>Catholic</th>
<th>Lutheran</th>
<th>Other Religious</th>
<th>Non-Religious</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Existed prior to the MPCP</td>
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<td>20</td>
<td>9</td>
<td>0</td>
<td>60</td>
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<tr>
<td></td>
<td>91.18</td>
<td>76.92</td>
<td>34.62</td>
<td>0</td>
<td>61.86</td>
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<tr>
<td>Did not exist prior to the MPCP</td>
<td>3</td>
<td>6</td>
<td>17</td>
<td>11</td>
<td>37</td>
</tr>
<tr>
<td></td>
<td>8.82</td>
<td>23.08</td>
<td>65.38</td>
<td>100</td>
<td>38.14</td>
</tr>
<tr>
<td>Total</td>
<td>34</td>
<td>26</td>
<td>26</td>
<td>11</td>
<td>97</td>
</tr>
<tr>
<td></td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: School Choice Demonstration Project evaluation of the MPCP 2010-11

Table 3: How Important Was the MPCP in Establishing Your School?

<table>
<thead>
<tr>
<th></th>
<th>Catholic</th>
<th>Lutheran</th>
<th>Other Religious</th>
<th>Non-Religious</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not a factor</td>
<td>3</td>
<td>1</td>
<td>6</td>
<td>3</td>
<td>13</td>
</tr>
<tr>
<td></td>
<td>100</td>
<td>20</td>
<td>35.29</td>
<td>33.33</td>
<td>38.24</td>
</tr>
<tr>
<td>A minor factor</td>
<td>0</td>
<td>0</td>
<td>4</td>
<td>0</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>0</td>
<td>0</td>
<td>23.53</td>
<td>0</td>
<td>11.76</td>
</tr>
<tr>
<td>A major factor</td>
<td>0</td>
<td>4</td>
<td>7</td>
<td>6</td>
<td>17</td>
</tr>
<tr>
<td></td>
<td>0</td>
<td>80</td>
<td>41.18</td>
<td>66.67</td>
<td>50</td>
</tr>
<tr>
<td>Total</td>
<td>3</td>
<td>5</td>
<td>17</td>
<td>9</td>
<td>34</td>
</tr>
<tr>
<td></td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: School Choice Demonstration Project evaluation of the MPCP 2010-11

How Policy Changes Affected the School Choice Marketplace

Policy changes have changed the makeup of schools participating in the voucher program. As mentioned above, the program was initially limited to nonsectarian schools. However, after the program was expanded and the Wisconsin Supreme Court affirmed that religious schools could participate, the barriers to entry for voucher schools had been minimal until rather recently.
Prospective voucher schools needed to apply to the Wisconsin Department of Public Instruction and possess a building that met safety and health requirements.\textsuperscript{22}

Program design changes, including state-mandated assessments, governing boards, and accreditation, made by the state legislature in 2006, 2009, and 2011 had important ramifications for the Milwaukee voucher program. During the 2005-06 school year, the number of participating voucher students neared the enrollment cap of 15 percent of Milwaukee K-12 students, which was about 15,000 students. This cap was increased to 22,500 in 2006 and eventually eliminated in 2011. After the cap was increased in 2006, the number of Lutheran and other religious schools continued to grow, but the number of secular schools began to drop.

Some have credited the requirement that new schools obtain pre-accreditation and that existing voucher schools become accredited by the 2009-10 school year for the large number of schools that left the program in 2009-10.\textsuperscript{23} Only three of the 19 schools that applied for pre-accreditation were approved, and 13 of the 14 schools that closed in 2009-10 did not have accreditation. Another “38 schools had previously indicated to state regulators an intent to participate in the program in 2009-2010, but did not apply for pre-accreditation.”\textsuperscript{24} Since these new accreditation requirements were passed into law in 2006, some schools may have dropped from the program even before the 2009-10 deadline if they knew that they would be unlikely to receive accreditation.\textsuperscript{25}

While the reasons for schools to close or decide to no longer participate in the voucher program are multifold, it is clear the number of nonsectarian schools participating in the program has decreased from a high of 38 schools in 2005-06 to 14 in 2012-13. This drop coincides with an increase in program oversight and regulations. Many religious schools participating in the MPCP were accredited before the accreditation requirement, or they were associated with
accrediting agencies, such as Archdiocese of Milwaukee and Wisconsin Evangelical Lutheran Synod School Accreditation Agency. In their analysis of the MPCP from 2006-07 to 2010-11, the School Choice Demonstration Project found some preliminary evidence that schools that closed had lower test scores than those that stayed open. This could be evidence that parents “voted with their feet” and left underperforming schools. Further, Carlson, Cowen, and Fleming find that voucher schools increased their academic performance after these greater accreditation and reporting requirements were instituted. It remains unclear if many nonsectarian schools closed because of increased regulatory requirements, decreased parent demand because of low performance, or some combination of these reasons.

It should also be noted that the growth in the number of participating Lutheran and other religious schools leveled off after the new regulations came into effect and the number of Catholic schools decreased. This might be evidence that the increased regulations, oversight, and reporting requirements hastened the exit of low-performing schools, while these policy changes increase the barrier to entry for new schools. The growth in the number of participating schools in the past two years can be partially explained by new legislation effective in 2011 that allows Milwaukee students to attend vouchers schools outside the City of Milwaukee.

A final policy change that affected the supply side response to vouchers in Milwaukee was the introduction of charter schools in 1993. Over the first thirteen years of the MPCP, six private schools left the voucher program to become charter schools, including some of the largest and most successful nonsectarian schools. Although charter status necessitates greater government oversight and regulations, it also provides an escape from the political controversy surrounding vouchers, greater opportunities for schools to attract middle class students, and more funding per pupil. For example, Urban Day School, a former Catholic school, was established
in 1967 as a nonsectarian school and became the one of the first schools to join the voucher program. In 2010, the school became a charter school authorized by the University of Wisconsin-Milwaukee. Rather than receiving only $6,442 for each low-income voucher student, Urban Day received $7,775 for each student, regardless of income.\textsuperscript{30}

While still politically controversial, the Milwaukee voucher program has continued under Republican and Democratic governors over the past two decades. Although regulations involving the program have changed over time, there is little doubt that the Milwaukee voucher program will continue. This gives existing voucher schools and educational entrepreneurs who are considering opening a school greater confidence in participating in the program. Furthermore, the size of the voucher in Milwaukee has generally been more generous than other voucher programs, including the Cleveland program. These factors indicate that one should expect that Milwaukee is a good area to look for a supply side response to voucher programs.\textsuperscript{31}

\textit{Consequences of the MPCP for Religious and Public School Enrollment}

As the voucher program has expanded, private schools in Milwaukee have been increasingly relying on the public program for support. One of the main outcomes of the Milwaukee voucher program is to keep private school doors open, particularly for religious schools. Private school enrollment in Wisconsin fell 17 percent since 2000, but, according to an analysis by the \textit{Milwaukee Journal Sentinel}, enrollment in private schools in Milwaukee County increased by nine percent\textsuperscript{32}. Almost two-thirds of private school students in the county participate in the voucher program. Richards and Crowe argue that their analysis demonstrates the “extent to which taxpayer support for the mostly parochial schools has shielded them from market forces that have prompted closures and consolidations of similar private schools elsewhere in the
As of 2013, almost two-thirds of Milwaukee voucher schools reported that voucher users account for more than 90 percent of their total enrollments, while only 28 percent of vouchers in 1998 had enrollments that were at least 80 percent voucher students. Despite support from the voucher program, the number of Catholic schools in the Milwaukee Archdiocese fell by 31 over the past decade as Catholic school consolidation continued. This 22 percent decrease in the number of Milwaukee Archdiocese Catholic schools is smaller than the 30 percent decrease in the number of Catholic elementary schools across twelve large urban areas throughout the country, according to the National Catholic Education Association. This provides further evidence that the voucher program is keeping open the doors of Catholic schools in Milwaukee that would otherwise be shut.

The voucher program also has important ramifications for Milwaukee’s public schools, where enrollment dropped 18 percent between fall 1999 and fall 2009. According to data from the U.S. Department of Education, Milwaukee’s decrease in public school enrollment is larger than Chicago’s (6 percent) and Boston’s (12 percent) decreases and is similar to the 19 percent decrease in enrollment in the Columbus, OH school district.

Overall, like other analyses of the supply side effects of the Milwaukee voucher program, I find that schools are responding to parental demand, but the number of schools participating is no longer increasing at the same rate as before. The supply of schools has changed over time, as there is less than half the number of nonsectarian schools participating as a decade ago. The program has benefited Catholic and Lutheran schools that existed before the voucher program began. Like other urban religious schools, these schools faced dwindling enrollments. The voucher program has filled empty seats and has even led to some opportunities for expansion. According to data from the School Choice Demonstration Project, new schools are much more
likely to be secular or in the “other religious” (not Catholic or Lutheran) category. The voucher program has given these schools the opportunity to open their doors and fill their seats with public financial support. The program design changes have had substantial impacts on the supply of schools. The expansion of the program to include religious schools greatly increased the number of voucher schools. However, as regulations on voucher schools have increased, the program seems to privilege more established schools and religious schools that are more likely to already have accreditation. Lastly, private schools participating in the voucher program are relying on publicly-funded vouchers for a greater percentage of their revenues. These relationships between private schools and the government will bring forth new challenges, a topic I will return to in the conclusion below.

The Supply Side Response to the Other Voucher Programs.

Supply side reactions to voucher programs are more likely in situations with established programs with little political or legal uncertainty, generous voucher amounts, and ample demand. Besides the Milwaukee voucher program, few other programs meet these criteria. However, much can still be learned from these other voucher programs, particularly the supply side effects of young programs. While more nonreligious choice schools may join these programs as the programs mature, the existing evidence indicates that new programs and those with modest voucher amounts elicit a stronger supply side response from religious schools than nonsectarian ones and benefit private schools with previously enrolled students that are eligible to receive a voucher.

Voucher programs enacted since the establishment of the MPCP have allowed for the participation of religious schools. Since approximately 70 percent of all private schools are
religious, and given the recent financial difficulties faced by many religious schools, it is unsurprising that religious schools are often the first to participate in voucher programs. Furthermore, voucher amounts that are small may be insufficient to cover the costs of tuition at nonreligious schools. For example, the size of the voucher in the Cleveland, OH voucher program has been modest since the program was established in 1995 (e.g., $3,284 for the 2011-12 school year). In his evaluation of the program, Belfield argues that the vast majority—40 out of 42—of schools that participated in the Cleveland program in the mid-2000s had a religious affiliation because the voucher amount was insufficient to get a supply side response from nonreligious schools.36

A similar trend is evident in the newly established Indiana choice program, perhaps the most expansive voucher program in the United States. Of the 260 private schools that participated in the program during its first year in 2011, 98 percent had a religious affiliation.37 Many of the reporting and curricular requirements of the program are similar to what religious schools are already doing, and all Catholic schools were already accredited by the state, which is a requirement for participation.38 Also, like in Cleveland, the voucher amount is approximately $4,000, which may be too low to encourage nonsectarian schools to join and new schools to be established. The religiously dominated nature of the Indiana choice program was the subject of an unsuccessful attempt to get the courts to rule the program unconstitutional.

Newly established voucher programs that do not require students to attend public schools immediately before using a voucher benefit eligible students already attending private schools. For example, 67 percent of students who applied to receive a voucher from Wisconsin’s newly established statewide voucher program were already attending private schools.39 Belfield and Levin identify voucher funding in these situations as “windfall payments” to voucher schools, as
tuition-paying students become publicly-funded voucher students. Only 25 private schools were allowed to participate in the first year of the Wisconsin voucher program. All of the schools were religious.

The available evidence indicates that religious schools will be the most likely participants in new choice programs. These schools are more likely to already exist and are willing to take a modest subsidy to fill open seats. State legislators should be aware that school choice programs that provide smaller voucher amounts will create a system in which religious schools may be the dominant or perhaps only sector participating.

The Future of Religious and Nonreligious Private Schools with Expanded School Choice

Policy design plays an outsized role in determining the composition of schools participating in voucher programs. This happens in three ways, by excluding religious schools wholesale, by varying the size of the subsidy, and by imposing oversight and regulation.

Exclusion of Religious Schools

The first design issue pertains to the permissibility of religious school participation. Choice programs that do not allow religious schools to participate advantage nonreligious private schools and can exacerbate the decline in religious school enrollments, as seen in the early years of the MPCP when religious schools were not allowed to participate. Given the current private school marketplace and absent an extremely generous subsidy, any choice program that excludes religious schools would greatly constrain the supply of choice schools.

How would excluding religious schools affect private school choice? Using housing and school data, Ferreyra provides simulations of how changes in choice program characteristics
would affect public and private school enrollments in Chicago. Of particular importance, Ferreyra compares the effects of a universal voucher program to one that excludes religious schools. The simulations compare different voucher amounts and assume that parents may supplement the voucher amount towards tuition. As the voucher size increases, so does expected enrollment in private schools. With a voucher amount of $7,000, the model predicts that 62 percent of students would attend private schools in the nonsectarian simulation, while 74 percent would attend if religious schools (i.e., Catholic schools) were included. If religious schools are not allowed to participate, enrollment in religious schools would decline and total private school enrollment would expand less than under programs in which both religious and nonreligious schools participate. Further, as the voucher size increases and more students participate in a universal choice program, Ferreya predicts that Catholic school enrollment will not increase as quickly as enrollment in other private schools, as new, nonreligious schools open and non-Catholic parents have more private school options.

Participation of religious schools is not just a legislative decision; it may also depend on the courts. While the Zelman v. Simmons-Harris (2002) Supreme Court decision affirmed the constitutionality of religious schools participating in school voucher programs under federal law, many state constitutions have Blaine Amendments or other impediments to religious school participation. School voucher opponents have had some success in challenging school voucher on these grounds in some states.

Size of Subsidy

The size of the government subsidy is also an important element of the policy design of school choice plans. As discussed above, a more generous voucher increases private school
participation, particularly for nonreligious schools which cannot rely on parish support for financing. The average tuition for Catholic parish elementary schools is $3,673 and is $9,622 for high school, while the actual per pupil costs are $5,387 and $11,790, respectively.\textsuperscript{44} This means that Catholic school tuition covers only 62 percent of the cost of educating an elementary school child and 82 percent of the cost of educating a high school student. The remaining funds are largely provided by the parish, diocese, or religious order, as well as outside grants and fundraising opportunities. Minimal voucher amounts may motivate some private schools to use vouchers to fill empty seats, but they will not encourage educational entrepreneurs to open new schools. Also, the size of the voucher amount must be compared to possible per pupil support for charter schools. Nonsectarian schools may prefer the increased governmental oversight from charter school status in return for more government funding.

\textit{Oversight and Regulation}

A third important component of school choice policy design is the amount of governmental oversight and regulations. These can increase the costs to private schools for participating in these programs. However, some argue that increased regulation and oversight of private schools in choice programs may be necessary to improve and expand choice programs, as well as limit the possibility that public funds are used at schools like “Eastside Ku Klux Klan Academy” that create more social costs than private benefits.\textsuperscript{45} Increased governmental oversight may have differential effects on religious and nonreligious schools. The experience in Milwaukee indicates that many nonsectarian schools left the voucher program as regulations increased because they were not accredited, for example. Alternatively, some religious schools may be wary that the religious character of their schools could be undermined by greater government intrusion.
The most detailed and expansive study on this topic examined how different regulations surrounding school voucher and tax credit programs have affected private sector participation. Stuit and Doan find that the more regulations, the less likely private schools are to participate. Catholic schools seemed to be the least concerned about regulations compared to five other types of private schools, while nonsectarian schools were more likely to decline participation because of burdensome regulations. The authors provide many possible explanations for these trends. Perhaps participating in voucher or tax credit programs is consistent with the social justice mission of the Catholic Church, Catholic schools may be under more pressure from declining enrollments, or simply because there is greater demand for Catholic schooling. These factors often apply to other religious schools as well.

Nonreligious schools may be less likely to participate for a host of reasons: they may have fewer empty seats available for choice students, tuition at these schools is much higher than the voucher amount, these schools are typically smaller and easily overwhelmed by the paperwork involved in precipitation, or demand for these schools is not high. Religious schools may also be better able to tap the resources and expertise of community members to deal with increased government oversight. For example, a good lawyer may attend the Lutheran church and be willing to donate her time to the local Lutheran school, whereas a private school may have a more limited network of resources and have to pay for a lawyer.

Stuit and Doan then surveyed schools that participate in choice programs and asked why they participated, as well as nonparticipants and asked these schools why they have declined to participate. The most important factor that school officials gave for not participating in choice programs was insufficient demand (19 percent). Other factors, like that the choice program is a bad fit given the mission of the school (10 percent) and the choice program could lower...
academic standards (nine percent) were also popular responses. Only three percent of respondents said that program regulations were the most important reason for not taking part in the program. The three most popular reasons why choice schools listed for participating in the program were helping needy children in the community (25 percent), expanding the school’s mission to a larger community (20 percent), strengthening the school’s financial standing (18 percent), and helping families already at their school who qualified for the voucher (14 percent).

The survey results also indicated that private schools are particularly sensitive to government regulations that affect religious freedom and their selective admissions policies. This is evident in Wisconsin’s new statewide voucher program. While some Catholic schools in the Green Bay Diocese have elected to participate in the program, others have not. Citing the fact that voucher students may opt out of religious classes and services, one Catholic school system argued that voucher participation would require them to change their mission as a Catholic school.\(^{49}\) Pressure from regulations may only increase as choice schools become more reliant on public money. As discussed above, private schools in Milwaukee are becoming voucher schools as more and more students use vouchers. This may put these schools at risk as they grow to rely more on the government for funding and increase the likelihood of regulatory capture.\(^{50}\)

**How expanded vouchers may affect religious schools: Opportunities and challenges**

There are many reasons to believe that expanded voucher programs will positively affect religious schools. There are major opportunities these programs have to drive a strong supply-side response.
Opportunities for Religious Schools

Large Supply. There is a large existing supply of religious schools. While the numbers of Catholic schools and other religious schools have decreased over the past decade, religious schools still make up over two-thirds of all private schools and even larger proportion of private school enrollment (over 80 percent). Start-up costs for schools are extremely large, and many schools have difficulties finding school space. The existing supply of religious schools affords this sector more growth opportunities. Since many urban religious schools have dwindling enrollments, school voucher programs may be a way to keep seats filled. Choice programs may be particularly attractive to urban Catholic schools, which have seen dwindling enrollments.

Large Demand. The current supply of religious schools and evaluations of school voucher programs indicate that many parents want religious schooling for their children. The religious aspect of these schools makes them unique in the educational marketplace and is something that cannot be directly replicated by public schools. While revealed parental preferences may change as the supply of schools changes, most research on why parents choose private schools emphasizes the importance of religion. This is true in situations with no government subsidy, as well as when parents select schools as part of a school voucher program.

Demography is Destiny. Demographic changes may be advantageous to religious schools, especially Catholic ones. Since 1965, the American Catholic population has increased by 45 percent, largely driven by the increased number of Hispanics. Currently, almost 45 percent of American Catholics are Hispanic, and they make up the majority of Catholics under the age of 30. However, because of the costs of Catholic schooling and other factors, Hispanics make up just 14 percent of Catholic school enrollment. Low enrollment rates do not appear to be due to a lack of interest. According to the Education Next 2013 survey, Hispanics are more
supportive of school voucher programs than the general public. If more Hispanic parents are given the opportunity to attend private schools through school vouchers, one should expect that Catholic school enrollments will increase. This may be a particularly good outcome for Hispanic students, as previous research indicates that the positive effects of attending religious schools are particularly large for Hispanic students.\textsuperscript{54} A coalition of reform-minded Republicans and African-American Democrats in Wisconsin created the Milwaukee voucher program in the early 1990s. Perhaps, new coalitions of Hispanic Democrats and Republicans may find success in promoting school choice programs in state legislatures. In a system of expanded school options, Catholic schools may be at an advantage in terms of drawing parents compared to other private schools, such as nonsectarian ones.

**Branding.** In a competitive school choice marketplace where schools are opening and closing reflecting parental demand, it may be difficult for schools to signal their quality to parents. The characteristics of the school “brand” are particularly important. To examine the Catholic school brand, Trivitt and Wolf analyze data from a privately-funded voucher program in Washington, DC.\textsuperscript{55} They find that parents associate Catholic schools with high academic quality and high parental involvement and prefer Catholic schools over nonsectarian ones, even when non-Catholic themselves. Since more parents use brand reputations as informational shortcuts in the school selection process, “schools that lack a clear and well-known brand are likely at a competitive disadvantage relative to Catholic schools.”\textsuperscript{56}

**Network Effects.** Schools affiliated with non-Catholic churches might be able to set up management organizations more easily than fledgling secular private schools. From an HR perspective, churches have an advantage. They have readier access to people who could provide
part time, pro-bono support, ranging from regulatory compliance to school lunch monitor. They also have a clear built in marketing platform and fundraising platform.

Mission. Lastly, school choice programs may create greater opportunities for religious schools to promote their missions of social justice and evangelization. School choice programs allow religious schools to educate low-income students who otherwise could not afford tuition. Many religious schools have students that are of a different religion or no religion at all. Currently, about one in six students attending Catholic schools are non-Catholic, and this number is even higher in voucher schools.57 A common refrain among educators in Catholic schools is, “We don’t teach our students because they are Catholic, but because we are Catholic.”

Challenges for Religious Schools
It would be foolhardy to think that private school choice programs would be entirely positive for schools choosing to open their door to voucher or tax credit receiving students. Religious schools face some unique challenges.

Mission. Though there is strong reason to believe that mission will be a positive force in driving the participation of schools desiring to serve the poor, there is a downside. While school choice is supposed to incentivize schools to be responsive to parents, some religious schools may be wary of too much parental participation. In their study of public and private schools, Benveniste, Carnoy, and Rothstein conclude that “private schools can shield themselves from parental influence behind their entitlement to follow their own educational mission and vision… Ultimately, families are presented with two choices: to accept the school as it is or to find a different institution that better suits their educational expectations.”58 This seems particularly true of religious schools, where the missions of these schools prove very difficult for parents to
change. Furthermore, there may be a clear upper bound on the number of parents or students that are interested in the mission of religious schools. This would limit the expansion possibilities of these schools.

**Speed of Change.** Religious schools may be slow to innovate. They may “resist change and modernization, or at least evolve very cautiously, and they worry especially about new developments in society undermining their efforts to perpetuate their faith through schooling of children.”**59** Furthermore, Catholic schools have a unique set of bureaucratic challenges that many nonreligious schools do not have. The organizational structure of Catholic education has not changed in generations. Bishops have the authority over all Catholic schools in their dioceses, even if the school is run by a religious order, and parish priests may have no experience, expertise, or interest in running an efficiently managed school.**60**

**How Expanded Vouchers May Affect Nonreligious Schools: Opportunities and Challenges**

One place to look for the implications for increased school choice are international effects of choice plans. School choice plans remain rather limited in the United States, but universal plans exist in other parts in the world, and the effects of these programs may have implications for expanded plans in the United States. For example, the Chilean voucher system allowed students to attend most private schools in addition to the public ones.**61** The supply of private schools quickly increased after the establishment of this program, and the majority of the schools were nonreligious and for-profit. Despite the fact that Chile was a largely Catholic country and many Catholic schools existed prior to the program, the nonreligious private school sector became the most popular. This was despite the fact that the nonreligious private schools underperformed
compared to the public sector. Perhaps a similar response from the for-profit sector could occur in universal choice programs in the United States.

Many of the same factors or forces that will shape the religious school reaction to expanded school vouchers will also affect nonreligious schools. However, nonreligious schools may have some advantages over religious schools in a more universal school choice marketplace, as seen in Chile.

Opportunities for Nonreligious, Private Schools

Speed of Change. One possibility is that nonreligious schools are more likely to respond quickly to the market. Religious schools and other nonprofit schools may not be able to match the rate of growth that for-profit schools could produce in a universal voucher system. Nonreligious schools, on the other hand, may be more likely to try new approaches to education, such as online education, which could appeal to a greater segment of parents, and these approaches may be easier to replicate and scale up. While religious schools now have more access to capital, this may not always be true. Nonsectarian schools may gain the advantage, as these schools can expand more quickly using a successful template.

For-profit private schools may be best positioned to meet parental demand. For example, under a universal choice system, the number of for-profit voucher schools in Chile quickly increased. One possible explanation for the grow is that non-religious, for-profit schools were successful in cutting costs when compared to religious and public schools, as non-religious private schools had the greatest budgetary flexibility.

Mission. The mission of nonreligious schools may advantage them in the education marketplace. While many nonreligious schools with strong missions or those that promote a
particular pedagogy may also be resistant to change, this challenge seems larger with religious schools. Many popular school programs or pedagogies are well-suited for secular schools. For example, it is easier to imagine a secular STEM school than an evangelical STEM school or a nonreligious performing arts high school than a Catholic performing arts school. Nonsectarian private schools may be better position to specialize or find niche markets.

Challenges for Nonreligious, Private Schools

Despite the opportunities available to these schools under expanded choice programs, nonsectarian schools are often independent and need to brave the turbulent waters of the education marketplace on their own. Their position presents some unique challenges.

Economies of Scale. One challenge faced by many nonreligious schools is creating economies of scale. Lessons can be learned from the expansion of charter schools throughout the last two decades. Many charter schools have partnered with a for-profit Education Management Organization (EMO) or a Charter Management Organization (CMO). CMOs and EMOs have played a substantial role in the scalability of charter schools, as 16 percent of all charter schools are affiliated with CMOs and 13 percent are with EMOs.\(^{64}\) These organizations have been successful in producing economies of scale. Previous research shows that EMOs and CMOs allow for increased standardization, centralization of administration and services, and innovation in areas such as teacher pay.\(^{65}\) For the nonreligious, private school sector to respond to expanded school choice programs, it may be necessary for these schools to employ organizations similar to EMOs and CMOs because they may not have the economies of scale that religious organizations may have.
Competition. Nonreligious private schools may be at a disadvantage when competing against religious and charter schools. Many niche or mom-and-pop secular schools may have little brand recognition, while religious schools may be known for high academic quality and student discipline. Nonreligious private schools may present a great risk for parents thinking about where to send their children.

Previous research indicates that charter schools often attract private school students, have hastened the decline in urban private school enrollments, and try to replicate successful private schools.\textsuperscript{66} Whereas the religious component of religious schools sets them apart from charter schools, nonsectarian schools do not differ from charter schools on that dimension, which puts secular schools in more direct competition with charter schools. Further, as long as charter schools receive more public funding than voucher schools, nonsectarian schools may prefer the increased governmental oversight from charter school status in return for more government funding. Even if a secular school wants to remain independent, it still must compete with better-funded charter schools.

Conclusion: Predicting Supply Side Reactions to Expanded School Choice Programs.

Predicting how private schools will react to expanded school choice programs is fraught with peril. In all likelihood, the private school environment would be much different under a universal choice system. How will current private schools, which are usually not profit-seeking firms, react to changing choice environments? Beyond the challenges that I have noted throughout this chapter, I would like to briefly expound on two. First, how likely is it that schools will be able to duplicate the positive “private school effects” that I described above? Second, will private schools want to participate in a government-run choice program?
Previous research indicates that many students, particularly Black and Hispanic students, appear to benefit from private schooling. These results are generally more consistent for Catholic schools. However, it is unclear if these programs will be able to accurately replicate successful private schools on a larger scale. As Chile’s voucher experience demonstrates, for-profit, nonreligious schools may be the most likely to be created by universal school choice, but underperform Catholic schools.

Further, religious schools in the United States often receive subsidies from affiliated churches, parishes or religious organizations. It is unlikely that these subsidies will grow in proportion to increased enrollment produced by vouchers. In addition, religious schools will be less and less able to rely on clergy as a low-cost teaching force. This means that religious schools may need to find other funding sources or require a more generous voucher to replicate current levels of per pupil spending.

While many researchers have attempted to isolate the causal mechanism that leads to high levels of private school performance, it is still unclear why some private schools are successful. One likely explanation is that these positive results are the result of peer effects. Students may increase their achievement because they share a class with higher performing students. However, the composition of private schools may change drastically in universal voucher contexts. For example, the student body may become more minority, more low-income, and more likely to have special educational needs.

This may be happening already to some extent. In his analysis of the effects of private school on civic outcomes, Dill surmises that one reason that he does not find positive results for Catholic schools, unlike previous studies, is that the significant demographic and other changes in Catholic schools means that Catholic schools today may bear little resemblance to Catholic
schools decades ago. Further, choice parents may have more of a consumer mindset than a commitment to Catholic education; this may not change instruction, but it challenges the school’s religious identity.

School choice policies assume that schools will be willing to participate in these programs. While there is evidence of at least some form of supply side response to choice programs from limited voucher programs and charter schools, it is still unclear if there will be a robust response in a universal voucher setting, and, of course, the response will be dependent on the policy features of the program. Of particular importance here is whether a sufficient number of religious and nonreligious schools will participate in choice programs if there is a significant amount of governmental regulation and oversight.

A study in the 1990s by the U.S. Department of Education surveyed private schools in a number of urban areas across the country and examined their interest in participating in a voucher program. While most schools said they would be interested in participating in a voucher program, their interest in participating declined sharply if they could not maintain their current policies regarding admissions, curriculum, and other areas. Eighty-six percent of religious schools said they would not elect to participate in the program if voucher students would be able to be exempt from religious instruction. The United States Catholic Conference said that the idea of exemptions “strikes at the very nature of what a Catholic school is all about” and Christian Schools International commented that “almost all our schools would not allow the exemption because every class is permeated with a Christian religious viewpoint.”

While many religious schools have elected to participate in actual voucher programs, many schools remain wary. Currently, there is very little government regulation of private schools in most states, and participation in these public programs threatens some schools. This
reluctance applies to nonreligious private schools, as well as religious ones. Trying to explain why so few nonsectarian schools have participated in the Indiana voucher program, Jeffery Burnett, vice president of government and community relations for the National Association of Independent Schools, said that nonreligious schools are “very sensitive to federal and state efforts that might hinder their ability to remain independent in admissions, hiring, and teaching,” and he notes that many of these nonreligious schools are extremely autonomous and often only report to their internal board of trustees.74

While most of the dynamics of expanded choice will affect religious and nonreligious schools similarly, there are factors that may affect one sector more than the other. It is extremely difficult to predict how new and existing schools would react to a universal choice system. However, private school choice programs may be a lifeline for struggling private schools and provide opportunities for innovation and expansion.


5 Cohen-Zada and Sander, “Religion, Religiosity and Private School Choice.”


7 Fleming, Ibid.


11 Fleming et al., “Similar Students, Different Choices: Who Uses a School Voucher in an Otherwise Similar Population of Students?”.


14 Public Policy Forum, Choice Schools Have Much in Common with MPS, Including Student Performance.


16 Ibid.

The five-year evaluation of the Milwaukee Parental Choice Program by the School Choice Demonstration Project produced 36 reports, covering many aspects of the voucher program. For more information on this evaluation, see [www.uaedreform.org/milwaukee-parental-choice-program-evaluation](http://www.uaedreform.org/milwaukee-parental-choice-program-evaluation).


Dickman, Public Policy Forum, New Regulations Impacting School Choice Program: School Closures Up, Number of New Schools Down.

Ibid., 1.

Data on the reasons for why schools discontinue participation in the voucher program are not available. One can only look at general trends, important events (like policy changes), and outside sources to offer some possible explanations for why schools leave the program.


Belfield and Levin, Privatizing Educational Choice, 153; Peterson, Torinus, and Smith, “School Choice in Milwaukee Fifteen Years Later.”


Ibid.

Ibid.; Belfield and Levin, Privatizing Educational Choice.

Belfield and Levin, Privatizing Educational Choice; Peterson, Torinus, and Smith, “School Choice in Milwaukee Fifteen Years Later.”

The Evidence on Education Vouchers: An Application to the Cleveland Scholarship and Tutoring Program. Also see Cohen-Zada and Justman, “The Religious Factor in Private Education.”


Privatizing Educational Choice, 160.


46 Stuit and Doan, School Choice Regulations.
47 Ibid., 20–21.
48 Stuit and Doan, School Choice Regulations.
50 Belfield and Levin, Privatizing Educational Choice, 160.
52 McCloskey and Harris, “Catholic Education, in Need of Salvation.”
55 Peterson, Torinus, and Smith, “School Choice and the Branding of Catholic Schools.”
56 Ibid., 240.
62 Brian P Gill et al., Rhetoric Versus Reality: What We Know and What We Need to Know About Vouchers and Charter Schools, 2nd ed. (Santa Monica, CA: Rand Corporation, 2007), 142.
67 Ibid.
69 McEwan and Carnoy, “The Effectiveness and Efficiency of Private Schools in Chile’s Voucher System.”
73 Ibid., xi.