



THE CASE FOR TRANSPARENCY & EQUITY:

Improving MN's Opportunity Scholarship Proposal

Background

Across the state, and across differences in ideology and approach, Minnesotans can agree that every student deserves a fair shot at success. Ensuring that every student can find a path that is tailored to their unique assets and needs is one important strategy. From open enrollment policies to public charter schools, early learning scholarships to Post-Secondary Enrollment Options, Minnesota has long been a pioneer in both developing a range of high-quality options and empowering families to choose the programs that best meet the needs of their children.

Independent schools, also known as private or non-public schools, are an important piece of this landscape, with over 470 such schools serving tens of thousands of Minnesota students from Aitkin to Zumbrota.ⁱ Families choose these schools for many reasons: They may be drawn to a school's mission or academic and enrichment offerings, or they may be concerned about the performance of their neighborhood school.

While Minnesota has a number of existing policies to support these choices, the truth is independent schools remain much more accessible to middle- and high-income families, with the state doing little to level the playing field.^{ii iii} As a result, the students hindered by the largest opportunity gaps also have the fewest options. To advance equity and full access to opportunity, we must ensure that low-income students have all the opportunities their wealthier peers have, whether in district schools, public charter schools, or independent schools.

Minnesota's state leaders are currently considering a proposal that could help improve access for low-income students to the full menu of opportunities already available to their more affluent peers. The House and Senate omnibus tax bills both include provisions to provide a tax credit for donors to scholarship granting organizations (SGOs) that would provide low-income students with "Opportunity Scholarships." If passed, Minnesota would join 17 other states that use this model, with the first program starting in 1997.^{iv}

As policymakers consider this proposal to expand choice and opportunity, they must do so with an eye towards equity and transparency, and ensure that Minnesota builds off lessons learned in other states. Doing so would help not only increase access and choice, but also improve low-income students' academic outcomes and ultimately strengthen the state's economy and workforce.^{v vi}

To produce positive—and measurable—results, and target resources for the students that would benefit most from increased school options, this brief highlights successes and challenges that other states have encountered while establishing, implementing, and, in some cases, later improving their scholarship tax credit programs. Before moving forward with the proposed Opportunity Scholarship legislation, state leaders should consider factors that might strengthen this proposal and ensure that it has its intended impact: giving low-income students their fair shot at success.

Policy Recommendations

Research, site visits to states with scholarship programs, and interviews with their local policymakers and practitioners have allowed us to capture seven key recommendations to craft an effective program. Based on what we've learned, we have assessed how Minnesota's current proposal lines up with these recommendations and offered suggestions to better align the legislation with best practices from around the country.

How Other States Approach Accountability:

FLORIDA: Participating schools must administer a norm reference test or the state assessment, and report results to an independent evaluator, like a state university, which issues a public report on the academic achievement of participating students to the state legislature annually.

LOUISIANA: Participating schools are required to administer the state math and language arts assessments to scholarship students to be publicly reported to families and the broader community. Results are used to sanction or remove low-performing schools from the program.

What Type of Data Should be Reported:

- Academic performance of students receiving scholarships
- Academic performance of all students at participating schools
- School (or school type) students attended before receiving scholarship
- Income of families receiving scholarships

Recommendation

Is it in Minnesota's Current Proposal?

Full Academic Transparency for Families

Many states require participating schools to administer—either to scholarship recipients or to all students—a state standards-aligned or nationally-normed assessment.^{vii}

No

Legislators should include in law that participating schools must administer—and report the results of—objective, comparable academic assessments, ensuring informed choices for families, privacy for students, and overall accountability to help policymakers and the public measure impact.

Programmatic Transparency

As with any new program, transparency is key to building public trust. Additionally, transparency is essential to measuring the degree to which a program is meeting its goal.

Mixed

The current proposal requires SGOs conduct an annual financial audit. However, legislators should require **additional non-identifiable data reporting requirements** to measure impact and, if needed, to determine any future legislative changes to the program.

Means Testing for Eligibility

To target students who are most underserved by their current educational options, it is critical a tax credit scholarship program have means testing for eligibility.

Mixed

The current proposal sets clear eligibility requirements to ensure scholarships target low- and middle-income families. However, the Legislature should closely monitor participation data and, if necessary, make adjustments to prioritize the most underserved students.

Recommendation

Is it in Minnesota's Current Proposal?

Administrative Spending Cap

Restrictive caps on the percent of donations collected that may be used for SGOs' administrative costs can help ensure program fidelity. Generally, best practice calls for administrative caps in the range of 3 to 5% annually.

Yes

The current proposal sets an administrative spending cap of 5% to protect against potential abuse and fraud.

Conflict of Interest

Strong conflict of interest language can increase the public's faith and ensure that SGOs serve students and families first, not pad school budgets or serve special interests. In particular, leaders of the largest and most successful SGOs caution against models that would allow SGOs to partner with only one school or allow donors to designate donations to specific students.

Mixed

The current proposal sets some requirements to mitigate conflicts of interest, like provisions preventing SGOs from working with only one school and designating donations to specific students. However, the conflict of interest language should be further strengthened to ensure legislators and other groups tasked with holding the system accountable do not benefit from the program.

Overall Program Growth

Any growth in the overall size of the program should depend upon the success and impact of the program, and therefore should only be available with an amendment to current law.

Yes

Under the current proposal, income eligibility for scholarships would rise as federal guidelines for free and reduced price lunch are adjusted for inflation. However, funding for the overall program would not expand automatically, and would require a change in law to increase the total value of tax credits available.

Non-Discrimination

Participating independent schools should be open to all students, who should have the same protections against discrimination as they would receive in a district or public charter school.

Mixed

The current proposal requires independent schools adhere to the 1964 Civil Rights Act and the state Human Rights law, chapter 363A. Because Chapter 363A includes limited exemptions for religion and gender, the state should monitor the impact these exemptions have on students and families.

Access to Independent Schools by Income

Independent school enrollment rates are much higher among middle- and high-income families than low-income families.^{vii}



ONE in 25 low-income students (with annual family incomes below \$20k) enroll in independent schools.



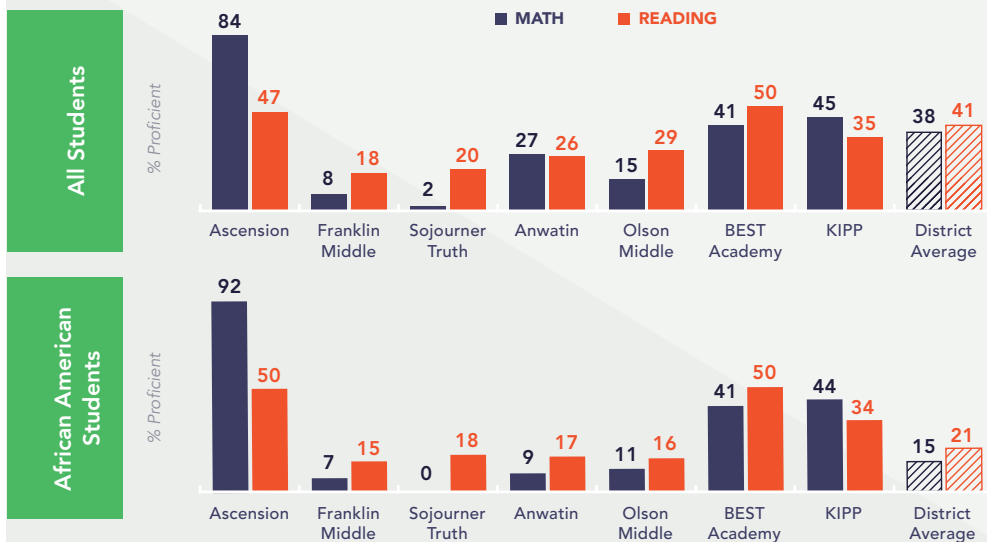
ONE in SIX higher-income students (with annual family incomes of \$50k or more) enroll in independent schools.

Why Families—and the Public—Need Data

Families want what's best for their child, and the reality is that an independent school might very well be the best educational option in their neighborhood. This is why it's critical that we make strong independent school options available to underserved children and make objective data available to their families as they navigate their options. While some independent schools, like the one highlighted here, **voluntarily administer state assessments^{ix}** and make their data available, to know whether Opportunity Scholarships lead to improved student outcomes, we simply need good, objective data for all participating independent schools.

Currently, state law requires independent schools to either gain accreditation through the state Nonpublic Education Council or work with their local, district superintendent to select and administer a nationally-normed standardized assessment to students annually.

8th-Grade Proficiency Rates, 2016 MCAs^x



Conclusion

At some point, almost every Minnesota family makes an intentional choice about school options, whether by choosing the district they live in, exploring district, public charter, and independent school options, or taking advantage of the flexibility of dual credit programs like PSEO. The next step is to make our system of choice work equitably. Many families look to independent schools as a strong alternative, and access should not be determined by financial means alone.

With the Legislature currently considering a tax credit scholarship program, we have the chance to deliver the potential of school choice to even more families, but only if state policy is crafted intentionally. Our state leaders have an opportunity—and a responsibility—to get this right, learning from other states' successes and challenges and remembering the underlying goal: giving all students, particularly those most underserved, the opportunity to succeed.

ⁱ "MISF Membership," Minnesota Independent School Forum, accessed April 14, 2017, <http://misf.org/membership/>.

ⁱⁱ Minnesota Statute, (123B.92; 290.0134, Subdivision 4).

ⁱⁱⁱ Sean F. Reardon and John T. Yun, "Private School Racial Enrollments and Segregation," The Civil Rights Project, Harvard University, June 26, 2002, p. 6, accessed April 14, 2017, https://www.civilrightsproject.ucla.edu/research/k-12-education/integration-and-diversity/private-school-racial-enrollments-and-segregation/Private_Schools.pdf.

^{iv} Martin F. Lueken, "The Tax Credit Scholarship Audit," Ed Choice (October 2016), pp. 1 & 7, accessed April 14, 2017, <https://www.edchoice.org/wp-content/uploads/2017/03/Tax-Credit-Scholarship-Audit-by-Martin-F.-Lueken-UPDATED.pdf>; "Scholarship Tax Credits," National Conference of State Legislatures, accessed April 14, 2017, <http://www.ncsl.org/research/education/school-choice-scholarship-tax-credits.aspx>.

^v Will Flanders and Corey DeAngelis, "The Economic Benefit of School Choice in Milwaukee," Wisconsin Institute for Law & Liberty (December 2016), pp. 2-3, accessed April 14, 2017, <http://www.will-law.org/wp-content/uploads/2016/12/EBSC-MPCP.pdf>.

^{vi} Noah Berger and Peter Fisher, "A Well-Educated Workforce is Key to State Prosperity," Economic Analysis and Research Network, Aug. 22, 2013, pp. 1-2, accessed April 14, 2017, <http://www.epi.org/files/2013/A%20well-educated%20workforce%20is%20key%20to%20state%20prosperity.pdf>

^{vii} "Scholarship Tax Credits," National Conference of State Legislatures.

^{viii} "Private School Racial Enrollments and Segregation," p. 6.

^{ix} Minnesota Statute (120A.24; 122A.22, 123B.445).

^x "Minnesota Report Card 2015–16," Minnesota Department of Education, accessed April 14, 2017, <http://rc.education.state.mn.us>; "Ascension's Annual update for 2016," Ascension Catholic School, p. 5, accessed April 14, 2017, <http://ascensionschoolmn.org/achieving-academic-excellence/student-outcomes/?lang=en>.