Summary of Review

Two recent reports contend that the introduction of school choice can promote economic development in economically distressed urban areas. The first report, published by EdChoice, presents a case study of a charter school that has, according to the report, contributed to the economic development of the city of Santa Ana, California. The second report, published by the American Enterprise Institute, presents a proposal for a hypothetical voucher-like program that, if implemented, would purportedly spur economic development in high-poverty neighborhoods by luring higher income families into those neighborhoods. This review explains that both reports overlook significant bodies of relevant research literature and make unsupported claims that rely on flawed logic and data. The EdChoice report fails to collect and analyze data related to the report’s causal assertion that economic development in Santa Ana resulted from the establishment of the charter school. The American Enterprise Institute report’s claims about the benefits of the proposed program to publicly fund private schooling are unsupported by existing research. We conclude that these reports offer little useful guidance for policy or practice.
NEPC Review:  
**RENEWING OUR CITIES**  
(*EdChoice, March 2017*)

**CPR SCHOLARSHIPS**  
(*American Enterprise Institute, March 2017*)

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I. Introduction

Over the last several decades, the school choice movement has gained significant momentum, as evidenced by the adoption of laws supporting charter schools, vouchers, education savings accounts (ESAs), and tuition tax credits. With the election of Donald Trump and the subsequent appointment of Betsy DeVos as Secretary of Education, support for instituting and experimenting with choice has grown at the federal level and emboldened advocates at the state level.

School choice advocates have argued that choice yields a number of educational benefits, including improved student achievement, increased graduation rates, and improved parental satisfaction. Researchers, by contrast, have found the evidence to be much more mixed. Indeed, studies have found that many choice policies not only fail to live up to these promises, but in some cases result in educational harms, particularly to the most vulnerable students.

Despite this mixed evidence, supporters continue to advocate for school choice, and have begun to expand the arguments about the benefits of choice beyond academic achievement, to include claims about the potential for choice to promote economic development in distressed neighborhoods. These arguments are featured in two recently released reports, which are the subject of this review.

The first report was published by EdChoice, which “is a nonprofit, nonpartisan organization dedicated to advancing full and unencumbered educational choice as the best pathway to successful lives and a stronger society.” In the report, *Renewing Our Cities: A Case Study on School Choice’s Role in Urban Renewal* (hereafter referred to as “the EdChoice Report,”) the authors present a case study of a charter school that, they claim, has improved economic development in its surrounding neighborhood. The second report was released by the American Enterprise Institute (AEI), a conservative think tank. In the report, *CPR Scholarships: Using Private School Choice to Attack Concentrated Poverty, Crime, and Unemployment* (hereafter referred to as “the AEI Report,”) the author presents a proposal for a hypothetical...
voucher-like school choice program that will be able to spur economic development in high-poverty neighborhoods. The author of the AEI report is a co-author of the EdChoice report.

II. Findings and Conclusions

The core argument presented in both the EdChoice and AEI reports is that school choice has the potential to stimulate economic development in high-poverty communities. The reports, however, arrive at this conclusion in distinctly different ways.

The EdChoice report is an empirical paper that examines the residential moves of families who attend and live within 50 miles of a specialized, 7th through 12th grade selective enrollment charter school, the Orange County School of the Arts (OCSA). The school is located in Santa Ana, a city classified by the authors as economically distressed. The study was designed to explore the extent to which the charter school served as a catalyst for urban renewal by attracting families to move into the nearby depressed urban neighborhood.

The report found, after analyzing enrollment data between 2000 and 2014 for the school’s 7,002 students, that 17.7% of families moved over the course of the study, and that of those families, 53.4% moved closer to the school, while 46.6% moved farther away. The authors sought to quantify the school’s “attractive power,” or the ability of the school to prompt families to move nearer to the school, through a measure called the von Mises distribution, previously employed when studying whether people are likely to move nearer to business firms. They found that the school’s “concentration parameter” or measure of “attraction” to be similar to previously reported workplace measures. In terms of probability, the report finds that families of non-ninth graders were 37-43% more likely to move closer to school than expected by random chance, and ninth graders 50-59% more likely to move. The authors of the report were surprised by and unable to further explain these findings, as they assumed families entering the school in 7th grade would be most likely to move. Based on the results, the authors conclude that the school does exert an “attractive power,” causing a subset of families to move closer to the school. In the conclusion, the report concludes that the economic benefits of the school’s “attractive power,” with 2,000 students plus 200 employees, is akin to the economic benefits that could be expected with a relocation of a firm of 2,200 employees in a neighborhood or city. Beyond these basic findings, however, the report does not provide evidence or analysis that answers the larger question of the actual economic impact of the OSCA on the city of Santa Ana.

The AEI Report also concludes that school choice can promote economic development in distressed neighborhoods. Unlike the EdChoice Report, which is empirical, the AEI Report consists of a hypothetical proposal for a “scholarship” program aimed at promoting economic development in high-poverty neighborhoods. The hypothetical program is called the “Community Protection and Revitalization” Scholarship program or “CPR,” an acronym selected presumably to liken the process of reviving a high-poverty neighborhood to that of resuscitating a patient. The goal of the CPR Scholarship program is to attract middle-class
families back into high-poverty neighborhoods by providing them with “scholarships” (which the report notes could be conventional vouchers, educational savings accounts, or tuition tax credits) as an incentive to relocate into high-poverty neighborhoods they would not traditionally consider due to the poor-quality schools. The scholarships could be used at private schools that, the report implies, would be acceptable to the middle-class families that receive them.

The CPR Scholarships would be available to both high- and low-income people living within a census tract of 20% or greater poverty, or if funds were limited, the highest need census tracts (i.e. 40% or greater poverty) in a city. To ensure that high-income families would have easy access to the scholarships, the program would not include many of the restrictions that are placed on existing voucher, ESA, and tuition tax credit programs that ensure the benefits go to the highest need children (i.e., means testing, allocation through lottery, and restrictions to existing public school families).

The report claims that the CPR Scholarships program would result in both “direct” benefits to low-income families through the provision of a scholarship, and “indirect” benefits flowing from what the report claims will be improved economic activity in the neighborhood due to the presence of higher income families (i.e. amenities, jobs), and reduced crime (hence the “Protection” in the CPR acronym.) The report also claims that the program would provide fiscal savings to the state: first, because the program would in theory be structured like existing choice programs and operate with lower per-pupil funding; second, because the increased economic activity will enhance the tax base, improve property values, and reduce the cost of fighting crime. The report also argues that the CPR Scholarship program would be more effective, less costly, and politically more feasible than current federal housing policy, which is oriented towards the movement of families into high-opportunity neighborhoods.

III. Rationale for Findings and Conclusions

Because the reports share a common primary author, the rationales for the reports are quite similar. Both reports are premised upon the notion that neighborhood school assignment policies exacerbate urban poverty, because they cause higher income families to move out of cities into the suburbs in order to avoid high-poverty neighborhood schools. Both reports also argue that school choice can break down this relationship by liberating families from neighborhood schools, and promote economic development at the same time by (paradoxically) enticing higher income families to move closer to schools of choice in high-poverty neighborhoods.

The logic of the EdChoice Report is not clearly stated and thus must be inferred from the arguments made. The specific premise of the EdChoice report is that high-poverty neighborhoods, assumedly with poor-quality neighborhood schools, can be improved by opening a charter school that would prompt families who choose the school to move into the neighborhood. The report does not explicitly state which kind of families the authors are referring to, yet because there are presumably low-income families with limited residential options
already living in the surrounding neighborhood, the report is likely referring to the potential for the school to attract higher income families to the neighborhood. The report then measures the extent to which “families” (undifferentiated by income) move nearer to, or farther from, the school, to make claims about the economic development benefits of the school.

The premise of the AEI report is that concentrated poverty persists in cities and in urban schools primarily as a result of neighborhood school assignment policies that force people who live in high-poverty neighborhoods to send their children to low-income neighborhood schools. Because more acceptable (non-high-poverty) private schools are too costly, middle-class families are forced to move to the suburbs in search of better schools. This flight contributes to a “natural equilibrium condition” that causes concentrated poverty, low levels of student achievement, as well as crime and “pathology” in inner cities. The AEI Report then argues that the CPR Scholarships would attract high-income families back into high-poverty urban neighborhoods, because the scholarships will provide those families with needed funds to send their children to private schools. By promoting gentrification through state education dollars, the report argues that the CPR Scholarships will yield both direct and indirect benefits to low-income families, as noted previously.

### IV. Use of Research Literature

Both reports are selective in their use of research evidence, and overlook studies that contradict their claims. The EdChoice report, furthermore, cites several studies as supporting the claim that housing values appreciate under school choice plans that actually find the opposite of what the report asserts; the studies find that housing values do not consistently appreciate under school choice. Further, the logic for the EdChoice study is built upon a number of assumptions about the causes of economic hardship in cities, the relationship between school quality and poverty, the desires and preferences of parents, the drivers of economic development, and the relationship between economic development and reducing poverty (or furthering equity). None of these assumptions are discussed in relationship to existing research. Also missing is work that examines the impact of economic development efforts on poverty and quality of life for the impoverished who live or lived in an “economically revived” community.

Similarly, the AEI Report cites limited research evidence to support its claims. For example, in making the claim that the CPR Scholarships will prompt upper income families to move back to urban neighborhoods, the authors cite a news story in Vermont that does not support their claim. Similarly, the report implies, but does not directly state, that access to a scholarship will lead to improved student achievement, noting that the Milwaukee voucher program improved education in Milwaukee, yet the report cites no studies to support this claim. The report also ignores the large body of research that has shown little to no effects of vouchers, tuition tax credits or ESAs. Finally, to support the claim of indirect benefits for low-income families (i.e. reduced crime, improved job opportunities, etc.), the report cites three different studies, only one of which is peer-reviewed, that do not directly relate to the proposal that the authors make. Further, the report ignores many studies that have
found negative effects of gentrification, such as displacement, and potential school closure as resident families are “driven out” by higher income families. The report also ignores the ample research to document the negative effects of concentrated poverty and segregation in schools, which would persist with this proposed policy, which is shown to contribute to reduced short- and long-term outcomes for children.

V. Review of the Reports’ Methods

If the EdChoice Report had chosen to focus only on the relocation patterns of families who attend a charter school outside of their assigned district, the methods selected for this study would have been appropriate. However, because the report claims that opening a charter school can directly impact the economic prospects of a distressed city or neighborhood, the methods employed are severely lacking and the claims cannot be supported with the evidence provided. Indeed, the available data and subsequent analysis do not allow the researchers to tease out if families intended to move prior to applying to the school. Thus, they cannot make causal claims about the charter school’s impact on family relocation decisions. There is also no descriptive data on the characteristics of the families moving. It is plausible that all the families that moved into Santa Ana were low-income families, while those who moved closer but remained outside the city limits were higher income, making any claims about economic development moot. In all, the findings are not generalizable, a point the authors do make in the report. More importantly, none of the methods employed aid in making the connection between the attraction rate of the school, parents moving into Santa Ana, and the presumed resultant economic development in the area. In other words, the report makes inappropriate logical leaps that are neither supported by their findings nor bolstered by existing research.

Unlike the EdChoice Report, the AEI Report presents a hypothetical program, and therefore does not employ traditional research methods. However, in making the point that families with school-age children avoid living in Milwaukee, the report does present data in the form of a “family flight rate” which is “the percentage difference in school-age children in each district, relative to the number of preschool children.” They use this rate to illustrate that surrounding suburbs have a higher proportion of school-aged children relative to preschool-aged children. The “fact” of middle-income family flight is not something that would be in dispute. However, the rate that is presented does not differentiate between middle- and low-income families, and therefore does not directly support the point that is made in the report.

VI. Review of Validity of the Findings and Conclusions

Both reports make flawed leaps of logic, and provide data that do not support the conclusions made.

The central finding of the EdChoice Report, which is that the charter school (OSCA) prompt-
ed a small subset of families to move closer to the school, appears valid, if unsurprising. Families are likely to seek the most convenient commuting pattern they can afford. Yet the report did not examine any demographic data on the families, the type of housing that they were moving into, or their spending patterns in the community after they moved, etc. Thus, the very “fact” of a small number of moves does not back up the claim about improving economic development in a local community.

Indeed, the fact that just a small fraction of families (1.4% of tracked families, or 97 families in total) actually moved into the city of Santa Ana did not appropriately temper the authors’ claims around economic development. The report downplays the finding that most families, despite moving slightly closer to the school, remained in other cities or towns with different taxes, services and amenities. These moves were therefore unlikely to create or sustain positive economic impacts, rendering the claim that the school is a “driver of economic stimulus” not valid. The authors clearly state they cannot establish causality with the chosen methods, yet the authors claims infer that the school is, in fact, attracting families to move closer, thereby improving the economy. Even the title implies causal findings, “Renewing Our Cities: A Case Study on School Choice’s Role in Urban Renewal” (emphasis added). Yet these conclusions are entirely speculative and are not supported by either the data or literature featured in the report. In fact, a number of newspaper articles and the biography of the long-time Mayor of Santa Ana attribute the revitalization of the city to policy and planning that has occurred over the last three decades. In sum, the mismatch between methods and conclusions, poor use of literature, and unclear meaning of actual findings yield unsubstantiated policy recommendations that cannot be supported.

The mismatch between methods and conclusions, poor use of literature, and unclear meaning of actual findings yield unsubstantiated policy recommendations that cannot be supported. Similarly, the findings and conclusions in the AEI Report about the benefits of the proposed CPR Scholarship program are not sustained by the presented evidence. The most significant problem with the report is its premise, which blames neighborhood school assignment policies for the problem of concentrated poverty. An abundance of literature, not cited by the authors, traces concentrated poverty in cities and in urban schools to decades of discriminatory federal and state housing policy, transit policy, realtor discrimination, and banking and insurance policies. These policies have, since the early 20th century, given middle- and upper-income white families billions of dollars in subsidies to leave urban neighborhoods. As this literature clearly illustrates, concentrated poverty is not a “natural equilibrium” condition as the report claims, but something that was man-made and state constructed. While schools certainly do factor into the decisions of families to leave urban districts, the schools are not the main cause of concentrated poverty. Tackling concentrated poverty requires tackling the structural inequities that created it, rather than creating new inequities by providing state-subsidized “scholarships” to high-income families to help them gentrify high-poverty neighborhoods.

The report’s claims about the benefits of the CPR Scholarships are also unsupported by empirical evidence. There is no evidence in this report, or in the research literature, to back up the main claim about the ability of a scholarship program to recruit middle-income families

http://nepc.colorado.edu/thinktank/review-choice
into high-poverty neighborhoods. Even if it the program were successful in doing this, there is no evidence that this movement would produce either direct or indirect benefits to low-income families, as the report claims. Indeed, even the “direct” benefit for a low-income child of receiving a scholarship is unsupported by the research, as noted previously. There is, however, research to suggest that the indirect costs may outweigh any purported benefits, as “uncontrolled” gentrification has been shown to have negative consequences in low-income communities and low-income schools - much less explicitly “state-supported gentrification” which is what this report is advocating.\textsuperscript{22} The final, and most troubling, aspect of the report is that while the focus is ostensibly on the problem of concentrated poverty in schools, which the report argues is the cause of “dysfunction” in urban schools, the CPR Scholarship program proposes to change nothing about this issue. In conclusion, there is no evidence to back up claims the report makes about the improvement of the lives of low-income families from the proposed scholarship program.

\section*{VII. Usefulness of the Report for Guidance of Policy and Practice}

Both reports subscribe to an ahistorical explanation for racial and economic segregation in this country, one that is undergirded by market and economic theory, and largely ignores the role that government policy played in engineering white, middle-class flight to the suburbs and persistent poverty in urban centers. Also, somewhat remarkably, the reports pay no heed to a large body of work that examines gentrification and economic development in cities, and instead, as a matter of implicit faith subscribe to the notion that any economic growth is beneficial to all. The proposed solutions, which are heavily reliant on markets and trickle-down economic theory, therefore, are not only flawed but threaten to exacerbate the educational and geographic inequities that exist.

It is notable that neither report addresses the ways in which existing, struggling urban public schools might improve or benefit from any of these policies. Further, as stated previously, the key “problem” with public schooling that both reports identify - the concentration of poverty in schools - is ignored by these reports and unaddressed by the policy solutions proposed. Thus, the reports offer little guidance for policymakers or practitioners seeking to reform urban schools, to support low-income students, or to uplift urban neighborhoods.
Notes and Resources


2 For evidence regarding mixed effects of choice programs, see:


7 The variable $k$ in the von Mises distribution, represents the propensity of a family (of those who move) to move towards the school.


9 At least two studies cited by the report in footnote 9, on page 27, do not support the point made in the report:


For examples of literature and resources on equitable and sustainable economic development see:


For examples, see:


DC opportunity scholarship program. Washington DC: United States Department of Education.


For examples see:


[http://nepc.colorado.edu/thinktank/review-choice](http://nepc.colorado.edu/thinktank/review-choice)


20 See, for example:


22 For examples on the possible negative impacts of gentrification see:


