

# THE OREGON PARENTAL CHOICE TAX CREDIT

How Freedom of Education will Help Oregon Students, Families,  
Schools, and Taxpayers

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## EXECUTIVE SUMMARY

Most parents would agree they bear the primary responsibility for decisions related to their children's well-being. The ability to choose such fundamentals as clothing, food and religion is taken for granted. The opportunity to choose how and where their children are educated, however, is denied most families by imposition of a large financial burden. This paper will explore a method of returning school choice to the family by removing the financial obstacles that limit their options. Increased school choice will also encourage public schools to improve through the incentives of a more open market. The Oregon Parental Choice Tax Credit (OPCTC) is a K-12 tuition tax credit that gives all Oregon families the means to effectively choose their child's school. It is designed to protect public schools' financial resources, to provide first and greatest access to low-income families and to address other legitimate public concerns about school choice.

The OPCTC gradually phases in a tax credit for tuition paid to any Oregon K-12 school. The credit will ultimately equal 50% of the amount public schools receive to educate each child. Tax credits can be used by individuals, families, or businesses. Students migrating from public schools to independent schools will save Oregon taxpayers the difference between the tax credit amount and the cost to educate that student in the public schools. Lower tax credit amounts in the initial years of the plan ensure that the plan's fiscal impact is always positive for taxpayers and the public schools, from the first year through full implementation.

The advantages of the plan include greater freedom of education, greater parent and student choice and involvement, more competition among schools producing higher academic standards, and more diversity in schools resulting in accelerated improvement.

## ABOUT THE AUTHORS

Mr. Buchanan founded Oregonians for School Choice, wrote the 1990 Oregon school choice initiative and chaired that 1990 campaign. He has written extensively on school choice and Oregon public school financing. Dr. Smith is a psychologist in the Oregon public schools and has extensive knowledge of that system. He chairs the Oregon School Choice Task Force and has worked for charter schools, school choice, and educational reform in the 1995 and 1997 legislative sessions.

Model legislation for the Oregon Parental Choice Tax Credit is available from the authors.



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## INTRODUCTION

### The Importance of K-12 Education

Of all the services provided by the state, none has as profound and direct an impact on our citizens as our educational system. Education takes a bigger slice of the state budget than any other service, and K-12 education takes almost half of that budget. Improvements in the quality, efficiency, and costs of providing that service would greatly improve the overall livability of our state and ensure our citizens a bright future.

### The State of Oregon Education

Enactment of two property tax limitation measures, notably 1990's Measure 5, has reduced local funding of schools. The lion's share of school funding now comes from the state. This has, unsurprisingly, led to greater and greater involvement by the state in educational decision making. This is nowhere more evident than in the passage of the Oregon Education Act for the 21st Century (OEA-21) in 1991, a sweeping school reform legislation introduced and signed into law in a few months at the legislature. It would take several years for the average teacher, school principal, or local school board member to gain some understanding of the specifics of this legislation. Seven years later, the average citizen lacks even the most basic knowledge about how these reforms are to change our schools.

Regardless of their merits, it is far from the truth to say these reforms were the products of grassroots input from teachers, parents, and principals. The template for OEA-21 was not local, but national. OEA-21 is typical of most state and national school reform efforts of the past. These approaches can best be described as top-down, one-size-fits-all solutions to the myriad of problems facing our schools. Though proponents of these reforms like to talk about local control and site-based decision-making, when the suggestion was made that these reforms be a local option, proponents were clear in their opposition.

There is an alternative to another series of mandates from Salem: school choice. The tuition tax credit is a new educational reform approach that is bottom-up and consumer-driven. It is a reform, not just in programs, but in the way we organize our schools.

In the last seven years we have moved rapidly down the road to centralized educational decision-making, to the detriment of local control. Well-intended individuals have made these changes, for the most part, intent on improving our schools. The consequences, however, have led to greater politicization, bureaucratization, and conformity. In almost all instances, such politicization of education has led to mediocrity, high costs and inefficiencies, disregard for parental input and educational decision-making dominated

by special interest groups. The former president of the American Federation of Teachers, Albert Shanker, summarized the problem perhaps best when he said, "It's time to admit that public education operates like a planned economy, a bureaucratic system in which everybody's role is spelled out in advance and there are few incentives for innovation and productivity. It's not a surprise our school system doesn't improve: it more resembles the communist economy than our own market economy."<sup>1</sup>

### The School Choice Option

If our market economy can help us be the leaders in computer technology, automobiles, and telecommunications, there is no reason we can't lead the world in educational excellence. School choice is not a new concept. Milton Friedman started the political debate in this country over 35 years ago in *Capitalism and Freedom* when he proposed school vouchers. School choice predates Friedman by almost a hundred years in Vermont. State policy there allows for state funding of private schools for those rural citizens not near a public school. More recent adoptions of school choice policies include school vouchers for low-income families to attend private schools in Milwaukee, Wisconsin and Cleveland, Ohio. The Milwaukee Parental Choice Program was enacted in 1989 and was recently expanded to include religiously-affiliated schools. A more recent Wisconsin Supreme Court decision decisively affirmed that program's constitutionality. Arizona just passed a law allowing tax credits of up to \$500 for donations to fund K-12 school tuition scholarships. Additionally, over 30 states have passed charter school legislation that extends school choice among public schools.

Internationally, school choice is common. Comprehensive school choice, on a "funding following the student" approach has been in effect in the Netherlands for more than a century. Some of the most prestigious high schools in Holland are now public schools, because they have been challenged by the private sector to excel. School choice policies have also been enacted in England, France, Australia, Canada, Sweden, and many other industrialized democratic nations. Our country's unwillingness to introduce market forces in education is all the more confounding when viewed from the uncontroversial acceptance school choice enjoys in these other countries.

Oregon has no formal school choice laws on the books. Initiatives have been proposed, and legislation introduced, but such plans have been strongly opposed by the teacher's union, arguably Oregon's most powerful political lobby. In 1995 the Oregon Legislative Assembly directed the Oregon Department of Education to commission a study of school choice pursuant to possibilities made available through OEA-21; the department restricted the study to public school choice options.

Some school districts in Oregon have limited public school choice options. In general, school selection is based on the assignment system. Under this system, boundaries are drawn, based on proximity of communities to available schools and bus routes, and students are assigned based upon the convenience of the school district. Alternative education options allow for limited choices for high risk populations, for handicapped students, and for students failing at their present school. Parents who have the financial means can choose among an array of private school options. They can also purchase a house in a community known for its good schools. This choice mechanism, “buy a house, buy a school,” is not an option for low-income families, neither is paying tuition at a private school. The only time most low-income families have any choice is when their high school student fails, or drops out; by then it is likely too late and their choices are typically very restricted.

The parental choice option accepts that there is no one best way to educate children. Some parents would like a traditional academically-focused education. Other parents want a more hands-on, experiential environment for their child. Some parents would like their children educated in an environment with clear standards and unambiguous moral guidelines. Other parents prefer their children to be exposed to a variety of options to allow them to clarify their own values. Some parents desire school uniforms, some parents do not. Some support bilingual education, others oppose it. Some favor whole-word reading instruction, others would emphasize phonics.

Education is not advanced when these issues become politicized. If we expected there to be one religion to satisfy all, or one automobile, we would create an environment where the church we attended or the car we drove became highly charged political issues, with winners and losers. With the choice option, we accept that in a diverse society there are diverse needs and values. No one model for education can fit all children. With school choice we can all be winners, we can enhance the diversity and quality of our schools, and we can do all this at lower cost.

### **School Choice Alternatives**

There are four major varieties of school choice legislation, the latter three of which are the focus of politically active school choice reformers:

**Public School Choice:** Open enrollment allows students to cross area or district lines and enroll in public schools in other areas or districts. Magnet schools provide diverse or specialized programs within public schools.

**Charter Schools:** Charter schools are deregulated public schools, still subject to some regulations, but with much more school control over governance, curriculum, teaching

methods, staff, and discipline. Charter schools are governed by charters that often commit the schools to certain levels of educational achievement.

**Tuition Tax Credits:** Tuition tax credits, such as the authors' proposal, reduce taxes or provide tax refunds for tuition or other educational expenses. Tax credit plans tend to specify no regulations or few regulations of independent education.

**Vouchers:** Vouchers are grants or scholarships paid to schools when students choose private, parochial, or out-of-district public schools. Many voucher plans include many regulations that schools must follow. Some scholarship proposals use personal education accounts controlled by parents or sponsors to avoid direct government payments to independent schools.

School choice reformers in different states are promoting charter schools, tuition tax credits, and vouchers. A tuition tax credit initiative was proposed in Oregon in 1990. Voucher initiatives were proposed in Colorado in 1992, California in 1993, and Washington in 1997. Also in 1997, a charter school initiative was proposed in Washington, and legislation introduced in Oregon. These efforts are yet to be successful, but reform movements often take years to bear fruit; consider the decades-long crusades for civil rights and women's suffrage, both eventual successes.

School choice reformers pay little attention to public school choice, considering it too limited a reform (and one already adopted several years ago in a number of states). Most school choice reformers support tuition vouchers, tuition tax credits or both. Some school choice reformers oppose vouchers because of the regulatory entanglements that vouchers may create between the government and independent schools. Some voucher supporters have criticized tuition tax credits as being insufficient support to independent schools and likely to be of greatest benefit to parents in the highest income tax brackets. The innovation of the proposed Oregon Parental Choice Tax Credit is that, being a tax credit, it avoids the entanglement issues, but unlike past tax credit proposals, its universal design directs greatest benefits to the lowest income families. Consequently, it incorporates the best of both worlds.

## **OREGON PARENTAL CHOICE TAX CREDIT**

### **Summary of the OPCTC**

The OPCTC is a K-12 tuition tax credit that will help defray the costs parents bear when they send their children to tuition-based public or independent elementary or secondary schools in Oregon. For most students, the tax credit amount will start at 10% of what we spend on each

public school student, and increase to 50% over the next nine years. Low-income families will qualify for the full credit immediately. Low-income families who do not pay sufficient taxes to benefit from a tax credit on their income are eligible to receive the credits from businesses or other individuals who have greater tax obligations. Additional details of this proposal and recommendations for implementing it follow.

**Amends the Oregon State Constitution**

The OPCTC would be enacted by amending the state constitution. The state’s system of education is already the subject of several constitutional articles, notably Articles VIII, XI-F, and XI-G. Putting the main elements of a school choice tax credit into the Oregon constitution protects those elements from legislative changes without another popular vote. For example, the general tax credit percentage could not be raised above 50% of public school spending without another vote, heartening for those concerned about the impact on public school finances if the credit percentage was higher.

Though court decisions and legal opinion do not indicate any conflict between the proposed tuition tax credits and other Oregon constitutional provisions, opponents may attempt to raise Oregon constitutional issues. Making the plan itself a constitutional amendment means that it can supersede potentially conflicting constitutional provisions.

A state Constitutional amendment can only be approved by a popular vote, normally at a general election. An amendment can be referred by the legislature or submitted as an initiative from the people (the form in which the authors’ model legislation is drafted).

Critics of some ballot initiatives in recent years have argued that Oregon’s Constitution should only be amended for weighty reasons and that any constitutional amendments should therefore be viewed with suspicion. However, five of the eleven initiatives on Oregon’s 1998 ballot are constitutional changes.<sup>2</sup> The Oregon Constitution contains lengthy provisions related to home loans, energy and water projects, and protectionist restrictions on exporting state timber, among its many relatively trivial provisions. The proposed legislation is properly constitutional because the Oregon Constitution deals directly with basic education.

**Purpose**

The purpose of the proposed reform is to expand parental choice in education, increase freedom and innovation in education, and improve all Oregon schools through greater choice.

**Maximum Credit Amount**

The maximum credit amount is a percentage of average annual per student spending in Oregon public schools,

beginning at 10% and increasing to 50% of per student spending in public schools.

If public schools spend \$6,000 per student, then the maximum credit in the first year of the plan is \$600 per student, and when the plan is fully implemented, \$3,000 per student. The federal government’s National Center for Educational Statistics indicates Oregon per student spending was \$5,736 in the 1996-97 school year.<sup>3</sup> A previous study by one of the authors indicates Oregon per enrolled student spending of \$6,644 in the 1994-95 school year.<sup>4</sup> The present study uses \$6,000 per student as the assumed public school spending per student; the projections in Appendix A assume that spending per student increases by 3% per year from that base amount. If actual per student spending is higher, both the maximum tax credit and the financial savings from the OPCTC will be higher.

Because the maximum credit is tied to spending in public schools, even families using independent schools and tax credits may support stable or increasing public school spending, as their own tax credits would be stable or increase as a result.

**Phase-In**

The proposed tax credit would be phased in over nine years. For most students, the tax credit begins at 10% of average per student spending in Oregon public schools for calendar year 2001; it increases by 5% in each subsequent year, and is 50% in 2009 and later years.

Table 1 shows how the phase-in would operate, beginning in the year 2001.

<b>Table 1. Tax Credit Phase-In (based on \$6,000 per student in public schools)</b>		
Year	Percent	Maximum Amount
2001	10	\$600
2002	15	\$900
2003	20	\$1,200
2004	25	\$1,500
2005	30	\$1,800
2006	35	\$2,100
2007	40	\$2,400
2008	45	\$2,700
2009+	50	\$3,000

A quicker phase-in may be favored by some in the independent school community while a slower phase-in may be more comfortable for some voters concerned about how quickly public schools can adjust to stable or declining enrollments and increased competition.

Another important question is, “How quickly can the independent school sector grow in enrollment to meet

increased demand?” A reform that suddenly increases the demand for independent education far beyond the supply of independent education would produce dissatisfied families who had a choice in theory, but could not in fact find space in their desired schools.

The OPCTC is based upon a nine-year phase-in because the model used to predict consumer demand for services suggests that the increase in demand for independent school options could be readily accommodated over this period of time.<sup>5</sup> The authors believe the independent school market could likely accommodate a quicker five-year phase-in, but lack the econometric model to substantiate those beliefs. Furthermore, a quicker phase-in could lead to a possible decline in public school enrollment and cause some disruption to the existing public school system.

### **Low-Income Students Go First**

The OPCTC provides the eventual maximum credit (50% of public school spending per student) immediately for students with family incomes below the federal poverty level. The Legislative Assembly may provide intermediate credit percentages for near-low-income students to reduce the threshold effects that create perverse incentives for some families to reduce or conceal income. The intent is that low-income students, who are the most trapped and harmed by the present public school monopoly, will immediately have the financial means to choose their schools.

### **Usable at Any School**

In contrast to the present government monopoly of basic education, school choice seeks a level—or more level—playing field on which different kinds of schooling can compete. The proposed legislation treats government-operated (public) and non-government (independent) schools equally. Secular and religiously-affiliated (parochial) schools are also considered equal; an eligible student can be educated in a public or independent, secular or religiously-affiliated school.

Though the proposed credits are equally usable at public and independent schools, public schools do not normally charge students for tuition. However, there are still two significant uses of the credits for public school students. First, and most common, Oregon public schools have significantly increased miscellaneous student charges, for athletic programs, laboratory studies, field trips, and student clubs. The legislative assembly may allow such fees as creditable education expenses. Second, when a public school student chooses to enroll in a school outside his district of residence, the student may be charged out-of-district tuition. The proposed credits can be used to pay 80 to 100% of those tuition costs.

Homeschooling is the lowest cost and arguably, the most effective educational alternative in widespread use in the United States and Oregon. Because the parents of over 10,000 students in Oregon have chosen the homeschool option, comprehensive school choice policy should not leave homeschoolers out. Why isn't homeschooling included on the “level” playing field of the proposed tax credits? There are two reasons. First, the homeschooling community is fiercely independent of government, desiring mainly freedom from government regulation. Homeschooling is inexpensive enough (not counting the opportunity costs when parents reduce their outside work hours to homeschool) that tax credits would not be a major financial boon to homeschooling families. Some homeschoolers fear that even a tax credit program with safeguards against new regulations could lead to greater government control. Second, the proposed tax credits are designed for the financial needs of school tuition. Offering a \$3,000 tax credit for homeschooling expenses, possibly \$12,000 for a family with four children, creates legitimate concerns that such credits may be either abused or create a perverse incentive for families that are not devoted homeschoolers to keep their children out of school.

The OPCTC allows, but does not require, the legislature to extend tax credits to homeschooling, or to other educational programs, in whatever way it chooses, which could be credits at lower maximum dollar amounts or percentages. The Legislative Assembly should request input from the homeschool community and consider some reduced tax credit amount to assist these parents. The legislature may also deal with other kinds of educational possibilities, such as schooling delivered over the Internet or hybrid versions that combine independent schooling and homeschooling.

### **Claimed by Oregon Individuals or Businesses**

The OPCTC allows both individuals and businesses to claim the tax credits. A person or business that provides for the education of a K-12 student can claim a credit against the Oregon personal income tax, corporate income tax, or any successor taxes.

When the tax credits are fully phased in, only a minority of the families using the tax credits will have sufficient Oregon tax liabilities to fully use the tax credits. Oregon businesses, some with corporate tax liabilities of millions of dollars each year, will be able to pay tuition for large numbers of students and deduct those payments from their corporate income taxes.

A company such as Intel, Nike, Hewlett-Packard, or Fred Meyer could pay tuition for thousands of students at a low cost to the company using the tax credits. Such company programs could be offered as an employee benefit to retain

workers and as an outreach program to build community relationships and train the next generation of workers.

Individual philanthropists could also sponsor many students, again at very low cost. For example, even without tax credit reimbursement, investor Virginia Gilder is offering annual vouchers worth \$2,000 for 153 students leaving a public school in Albany, New York, with the vouchers offered for three to six years.<sup>6</sup>

Such relationships between students and companies or philanthropists will generally be positive or benign. Some parents, however, would not want Phillip Morris, a tobacco company, to sponsor their children's education. Therefore if a student is not a taxpayer's dependent, then the student's parent or guardian must approve of the sponsor.

The relationship between the parent, other individual taxpayer, or business paying tuition and the student is called *sponsorship* in this paper and the payer is sometimes referred to as the student's *sponsor*.

For low-income students, sponsors will be able to subtract 100% of their tuition payments (subject to the maximum credit amount) from their Oregon tax liability. For other students, sponsors will be able to deduct 80% of their tuition payments from their Oregon tax liability. The 20% of payments that cannot be subtracted using the proposed tax credits could be considered a charitable contribution if made through a choice charitable trust (see page 7) or paid to a non-profit school, creating a further tax deduction if not a tax credit.

### Limited to Tax Liability

A fundamental principle of the OPCTC is that a decision for school choice only allows a taxpayer to keep their own money and does not impose costs on other taxpayers. Some other school choice proposals, including Oregon's 1990 Measure 11, would have allowed a tax credit to be paid even if it exceeded the taxpayer's tax liability. Allowing such a negative income tax would mean, in many cases, the funds that would pay for tuition tax credits would come from other taxpayers.

Taxation is coercive, not voluntary. It would be ethically questionable for taxpayer A to be required to send taxpayer B money so B can send his child to a school to which A conscientiously objects. (While this same argument could be used against financing public schools, that is not our intent. The authors simply seek to uphold a higher ethical standard in their proposed program of educational finance.) A claimed credit is therefore the lesser of the maximum credit amount, and the taxpayer's tax liability before the credit.

A more complicated analysis, but one that needs to be

made, is to determine whether abating all of a taxpayer's tax liability creates a subsidy by other taxpayers. Income taxes pay for many things other than basic education, though basic education does consume 44% of the state general fund (in 1993-95; it could be higher now).<sup>7</sup> If B abates all of her taxes with tuition tax credits, is A having to subsidize other general fund expenditures because B is not paying her share? The general answer: A is subsidizing others to a lesser extent because of tuition tax credits than without them. Therefore, there is no increase in subsidies from A to other taxpayers. For example, if B abates her taxes by paying for four students to go to private schools, at a cost in tax credits of \$12,000 (4 x \$3,000), those four students are not going to public schools, saving taxpayers \$24,000. By abating all of her tax liability, B is actually reducing the costs to A and other taxpayers by \$12,000.

In summary, the proposed school choice program gives each Oregon taxpayer some freedom in choosing which basic education alternatives to support with their own tax dollars. This free choice never takes tax dollars from other taxpayers and does not increase the burdens on other taxpayers.

### Limited to 80% of Expenses (100% for Low-Income Students)

The proposed school choice program will significantly change the economics of Oregon independent education, increasing demand and available financial resources. In addition to expanding the number of independent schools, the new school choice program can be expected to produce some rising independent school costs and tuitions as well. Therefore the maximum allowable credit is limited to 80% of tuition and other creditable education expenses (100% for low-income students).

To restrain price increases and keep a degree of financial involvement of families in their children's education, the OPCTC provides for a co-payment of 20% of costs by the family or sponsors. The consumer decisions of the middle class majority will then determine the price of independent education, with the cost consciousness imposed by both the co-payments and the maximum tax credit amounts. The co-payments are waived for low-income students, about one out of every nine Oregon students, which is not enough to have a major upward effect on the general price of independent education.

### Multiple Students Can be Claimed

Each Oregon taxpayer can pay tuition for and receive tax credits for an unlimited number of students. Intel can sponsor a thousand students, a rich business-woman a hundred students, and a father and mother all six of their children.

There is no limit on the number of sponsored students,

because the taxpayer is not receiving financial favors from the state but is rather doing a financial favor for the state. Each student sponsored (in the typical case where the students attend independent schools) saves state and local government \$6,000 in per-student expenses in public schools, while the tax credit cost is \$3,000 per student when the plan is fully implemented.

### **Multiple Taxpayers Can Divide a Credit**

When parents have joint custody of a child and both are Oregon taxpayers, then multiple taxpayers can divide a claimed credit, each claiming a portion. When a taxpayer has, for example, a \$2,000 tax liability, and another taxpayer contributes an additional \$1,000 in tuition via a choice charitable trust, then the taxpayers would divide the claimed credit.

### **Choice Charitable Trusts**

The proposed tax credits will create a much broader market for independent education and will require extensive matching between low-income and moderate-income families desiring to use independent education and taxpayers seeking to sponsor students. Claiming credits will require documentation of tuition and other education expenses. There will be mismatches of timing between when tuition is paid and when families receive tax credits, though allowing families to adjust their Oregon tax withholding in expectation of tuition tax credits could reduce this lag time.

For these reasons, it can be expected that some existing and new non-profit organizations will serve as choice charitable trusts, providing information about schools, matching taxpayers, families, and students, and financing educational expenses until credits are received.

### **Higher Credits for Disabled Students**

Educating a student with a serious handicap is more expensive than educating an able student. The OPCTC allows and encourages the legislature to provide higher credits for students with major mental or physical disabilities.

### **Pro-Rating Credits**

Children attend schools from fall through spring, while taxes are typically paid on a calendar year basis. If a child leaves twelfth grade in the spring (or exceeds an equivalent age requirement for credits), she is eligible for the tax credit for only part of a year. Families moving to or from Oregon will also create part-year eligibility situations. The legislature may choose, in implementing the proposed plan, to allow half-year eligibility for the tax credits, at half of the full-year maximum amount.

### **Extending Credits to Other Expenses and Programs**

The OPCTC allows other expenses besides tuition to be

credited, possibly at lower levels, as determined by the legislature. The legislature could choose to allow credits for textbooks, computer software, educational fees, athletic and extra-curricular fees, school uniforms, or any other definable category of education expense. As previously discussed, the proposal explicitly opens the door to tax credits for home education and other educational programs, which could be distance learning via the Internet, early attendance at college by teenagers, or programs not even imagined by the authors.

### **Excludes Extremist Schools**

Tax credits will not be available to students attending any school that advocates violence or teaches hatred of any person or group. A school shall be entitled to due process in any determination of its ineligibility.

The intent is not to foster any kind of general entanglement between government thought police and independent schools, so this provision is narrowly written. If a school advocates violence or racial hatred, the students will not be eligible for tuition tax credits.

### **Does Not Increase Regulation of Independent Education**

The authors' proposal creates no new regulation of independent education and protects independent education from regulations within any implementing legislation. Note that this protection does not prevent the legislature from regulating any form of education in general, but simply prevents the implementation of the OPCTC from creating any new regulation of independent education.

Many supporters of school choice or independent education justifiably fear that any entanglement with the government, even the arms-length provision of a tax credit, will increase pressure for the regulation of independent schools. Enacting a tuition tax credit will itself create and expand a significant political interest group lobbying for greater educational freedom, a group that can resist regulatory intrusions.

## **BENEFITS OF THE PARENTAL CHOICE TAX CREDIT**

### **Freedom of Education**

This is a work of policy, not an ideological manifesto. The authors propose providing no additional economic or physical resources for education; propose no specific improvements in instruction, teacher training, or schooling intensity; and have no five-year or ten-year plan for making Oregon schools world-class. The burden of proof should thus be on the authors to show that merely increasing the amount of freedom in a system of economic production or values production can significantly improve educational results.

After World War II, the northern and southern zones of Korea were similar in economic development. After the Korean War of 1950-53, North Korea (the Democratic People's Republic of Korea) followed a strictly communist and centralized economic model dominated by government central planning, government monopoly, and government ownership of the means of production. South Korea (the Republic of Korea) followed a much freer economic model, largely capitalist, though with some elements of mercantilism and central planning. In the decades after the Korean War both nations received significant development assistance from their respective Cold War sponsors; because both nations received significant aid, such aid is unlikely to explain differences in economic outcomes. In 1997, per capita national income was \$920 in North Korea and \$13,000 in South Korea.<sup>8</sup> This is a multiplier of 14-fold!

This kind of comparison, which could be repeated for many other nation-states and for many specific economic sectors, indicates that freedom is not simply a relevant variable in determining the effectiveness of systems of production. Freedom is the most important variable in determining the effectiveness of systems of production. This is not an ideological statement but a factual statement.

The OPCTC will encourage much greater freedom in education. Some schools will teach from a sectarian, Christian perspective, others will emphasize environmental responsibility and ecological sustainability. Some schools will be centers for computers and science and will promote a technological understanding of the world. Still other schools will emphasize the arts and literature and promote a more intuitive and holistic approach to learning.

If this kind of freedom bothers you, ask yourself whether you would shut down our book stores, television, or the Internet. This is the kind of diversity that children and adults find in every other area of free expression.

### **Better Schools**

School choice's main force for school improvement will be the parallel feedback mechanisms of a freer market. "Parallel" means that the evolution and improvement of education can happen simultaneously in thousands of different and more autonomous schools. Compared to the lockstep execution of a multi-year central plan, such as the Oregon Education Act for the 21st Century, a thousand or so different independent schools will make largely independent choices of curriculum, staff, governance, and other methods. Each choice provides visible feedback in the form of student test scores, profit and loss statements, and rising or declining enrollments.

One aspect of feedback is that good schools will gain students, expanding to their own capacity and sometimes

franchising or cloning their operations. By the opposite effect, poor schools will lose students, either eventually closing their doors or reforming and reorganizing their programs. While closing a hopeless school is occasionally necessary, the availability of many more degrees of freedom, many more feedback mechanisms, and much more parallel evolution will be the major sources of school improvement.

Recent test results released by the Oregon Department of Education indicate that more than half of current 10th graders failed to demonstrate reading competency on the Certificate of Initial Mastery (CIM) testing in 1998.<sup>9</sup> Fewer than one third met competency in math. Major reforms of public education will likely result from the new competition unleashed by the OPCTC and schools that will be able to greatly improve on these results will likely emerge. More charter schools may be allowed, more community input may be used, and managers may seek more authority to fire poor teachers and reward good teachers in public schools. This will foster improved schools in both the public and private sectors.

### **Parental and Student Choice**

People have children for more reasons than passing on their DNA. Parents routinely and justly control their children's nutrition, bedtimes, choice of friends, allowable toys, discipline, reading materials, computer access, and upbringing with particular religious or philosophical values. The choice of a child's education is one of the most important choices a parent can make. It is imperative to parents to choose for their children, and choose wisely.

The U.S. Supreme Court declared in *Pierce v. Society of Sisters* (1925), "The child is not the mere creature of the state; those who nurture him and direct his destiny have the right, coupled with the high duty, to recognize and prepare him for additional obligations."<sup>10</sup> The court made a stronger declaration in *Wisconsin v. Yoder* (1972), "[T]his case involves the fundamental interest of parents, as contrasted with that of the State, to guide the religious future and education of their children. The primary role of the parents in the upbringing of their children is now established beyond debate as an enduring American tradition."<sup>11</sup>

American law, beginning with the First Amendment, recognizes a special place for freedom of belief, conscience, and values. Because education involves beliefs, conscience, and values, the parental right to choose their child's education naturally follows.

A parental right to choose does not imply an obligation for other taxpayers to finance any possible choice. I may conscientiously believe that my child should attend the prestigious Catlin Gabel school in Beaverton, Oregon, but that does not obligate you to pay the tuition. If public schools

merely added to the menu of educational choices, they would have little impact on parental rights. The problem is parents pay the school taxes, so the compulsory provision of resources for one school system deprives most families of the resources they need to choose another school or system. This deprivation of choices has worsened as the real costs of public schools and the associated taxes have doubled or tripled over the last thirty years.

Oregon independent schools are much smaller, on average, than government-operated schools. For example, a typical independent school may have 80 students compared to perhaps 500 students for an average government school. Thus expanding independent school enrollment from 38,000 to about 96,000 could increase the number of independent schools from about 475 to 1,200, or 725 new schools. A medium-sized Oregon city, such as a Beaverton or an Albany, could have 10 new independent schools and 4 existing and expanded independent schools for families to choose from, in addition to public schools seeking to change and compete. When parents work in a different locale from where they live, they will also have effective choice of independent schools in that locale as well, if they can drop off and pick up their children as part of their daily commute.

Parental choice and student choice will make both parents and students more interested in and involved in education. Both parents and students will become more aware of academic achievement, because independent schools will be free to deny admission or promotion to students that cannot meet their academic standards. Both parents and students will become more aware of discipline standards when they choose some independent schools, which may require school uniforms, require patriotic or religious observances, or expel students that violate school norms. Some of these practices would never be acceptable in a coercive monopoly system but are perfectly acceptable when students and families voluntarily choose schools with such requirements.

Under the OPCTC the dimensions of parent and student choice will be open-ended, but will likely include:

- A school's religious or secular orientation
- The character and devotion of the school's staff
- A school's approach to instruction, structured or experiential, rote or hands-on, phonics or whole-word
- A school's academic standards
- The ability of a school to deal with a child's specific needs, be they special talents, areas of

interest, or disciplinary problems

- The academic subjects offered by the school
- The athletics and extracurricular clubs available
- A school's ability to provide a safe environment for students, free of drugs and violence, and discouraging sexual contact between underage students
- The tuition charged by the school

### **Lower Taxes, or More Money for Other Programs**

Critics of school choice sometimes chide reform advocates for speaking of education in economic terms, as if schools were an assembly line for producing hamburgers, or computer chips. In fact, it is the advocates of government monopoly that have adopted the standardized assembly line model. Channeling children through thirteen standardized stages is a one-size-fits-all model. Real children have diverse needs, diverse family imperatives, and diverse developmental schedules, all better accommodated in a diverse marketplace.

A fair approach may be to analyze education as both a system of economic production and as a system of values production. As a system of values production, we should appraise school systems as we would appraise the production of art, religion, literature, or other aesthetic and spiritual values, an appraisal that likely favors diversity and views the impoverished state standardization of textbooks and curricula with suspicion.

As a system of economic production, we can see that government monopoly schools produce mediocre educational results at approximately double the price of the average independent school. A public school takes 13 years to educate about 80% of the students who go through the system, at a cost per graduated student in excess of \$100,000. Often that hundred thousand dollars purchases minimal literacy, minimal numeracy, and questionable moral values.

There is evidence that public schools now teach as much in 13 years as they once taught in 8 years (see Appendix B, the "Test for Admission to the High School, Portland, Oregon, 1877"). How much economic production and individual value is lost when five years of education is either delayed or never acquired?

The economic imperative of school choice is four-fold. It will:

1. Turn an inefficient and low-quality three-hundred-billion-dollar a year industry (nationwide) into a more

efficient and higher quality industry.

2. Potentially accelerate the pace of education so that young people can enter and finish college, or enter the workforce, earlier.
3. Improve the education, happiness, and lifetime earnings of the young people who receive a higher quality education.
4. Eventually (in about two decades) increase the supply of skilled workers for U.S. companies.

When fully implemented, the OPCTC will save a minimum of \$133 million per year, as documented in Appendix A, “Enrollment and Fiscal Projections.” There will also be major savings from a reduced need for new public school construction, which is projected to cost \$1.7 billion in the Portland area alone over the next 18 years.<sup>12</sup> Funds saved can be used for any combination of tax cuts, increased funding for public schools, or increased spending on other government programs.

### Justice and Equality of Opportunity

One class of Americans already have school choice: the well-off. Families with high incomes or significant wealth can afford to pay twice for education, once in taxes for government schools and a second time in tuition for independent schools. School choice extends an equal opportunity to choose other schools to families at all income levels.

Of course not all, nor even most, of the students in today’s independent schools are from well-off families. Instead these students are from families that sacrifice vacations, better housing, or their children’s college funds so their children can attend schools of choice. Today’s education system is unjust when families, who believe public schools are unsatisfactory, must sacrifice their financial security in order to choose their child’s school.

School choice also addresses the significant remaining racial, ethnic, and class inequality in public schools. Where property taxes determine school spending levels, rich suburbs often have better schools than inner cities. Black and Hispanic children still disproportionately attend public schools where academic achievement is lower and dropout rates are higher. Those same children in Catholic schools, for example, are much more likely to succeed academically and behaviorally.<sup>13</sup> Additionally, independent schools are often more socio-economically and racially diverse as well. In California, more than half of Catholic elementary school students are minority students and in the Los Angeles diocese, more than 68% are minority students.<sup>14</sup>

The OPCTC will establish tax incentives for businesses or well-to-do individuals to assist low-income families in paying tuition at a school of their choice. With choice charitable trusts, foundations will be established to match benefactors with recipients so school choice will be choice for all families.

## ANSWERING CONCERNS

### Is the Plan Constitutional?

There are three major threads in court rulings related to school choice. First, there are liberty rights to pursue an independent education, at one’s own expense, that cannot be taken away by state regulation: *Pierce v. Society of Sisters* (1925), *Wisconsin v. Yoder* (1972), and the evangelical school cases of the 1970’s in the state courts of several states, notably Kentucky.<sup>15</sup> Second, aid biased towards religious schools, or aid that entangles government in the operation of religious schools, may be unconstitutional: *Lemon v. Kurtzman* (1970). Third, that indirect aid to education, such as a tax credit, tax deduction, or the neutral provision of services to individuals (such as a Pell grant or a sign-language interpreter), very likely are constitutional, subject to the Lemon test described below, per Lemon and the U.S. Supreme Court decisions in *Mueller v. Allen* (1983), *Witters v. Washington Department of Services to the Blind* (1986), *Zobrest v. Catalina Foothills School District* (1993), and most recently *Agostini v. Felton* (1997).

The test used to assess compliance with the First Amendment has been referred to as the Lemon Test (*Lemon v. Kurtzman*, 1970). This three-pronged test asserts that a statute is not in violation of the First Amendment’s establishment clause if (1) it has a secular legislative purpose; (2) its principal or primary effect neither advances nor inhibits religion; and (3) it does not create excessive entanglement between government and religion. Based on this test, the previously cited court decisions affirm the constitutionality of school choice that includes religiously-affiliated schools.

The OPCTC has a secular purpose: to improve all Oregon schools through greater choice; is neutral towards religion, providing equal credits for secular or religiously-affiliated, government or independent schools, always at lower levels than the tax support for public schools; and does not “entangle” the state with religion or religiously-affiliated schools, in fact guaranteeing no new regulations as part of the plan. Tuition support for children to attend a school of their parent’s choice does not violate the First Amendment. Whether the school of choice is religiously-affiliated is not the issue. It is that the parents make the choice, not the state, and the choice is equally open to schools with or without religious affiliation.

A more rigorous test of separation of Church and State is included in many state constitutions, including the Oregon constitution (Article I, Section 5). This “Blaine Amendment” language was adopted in the 19th century with the express intent of discouraging the formation of Catholic schools. Article I, Section 5 of the Oregon Constitution states that “no money shall be drawn from the Treasury for the benefit of any religious or theological institution.” This language is more restrictive than the First Amendment but is consistent with the Blaine Amendment language of a number of other states. Article I, Section 18 of the Wisconsin Constitution, for example, includes very similar language that states: “nor shall any money be drawn from the Treasury for the benefit of religious societies, or religious or theological seminaries.” In spite of this language, the Wisconsin Supreme Court in June of 1998 found a voucher program that included religious schools in the city of Milwaukee to be in compliance with this article.<sup>16</sup> Although money was “drawn from the Treasury,” it was drawn without bias to religious affiliation or lack thereof and although a religious school might benefit from that assistance, it was secondary to the secular intent of advancing education and offering choice to poor families in Milwaukee.

The fact that the Wisconsin Supreme Court found a voucher program in compliance with their state constitution is an indication that a tuition tax credit, which is one step removed from a voucher plan and does not involve money drawn from the Treasury, would hold up under court scrutiny. The decision by the Wisconsin Supreme Court does not have direct bearing on Oregon law, but the precedent has been established, and the rationale for their decision clearly laid out.

### **Will Low-Income, Minority, or Disabled Students Be Harmed?**

Low-income, minority, and disabled students are typically the most deprived of school choice. Often they are the ones most effected by poor, dangerous, and substandard schools. The OPCTC puts low-income students first and gives them a greater share of the tax benefits. Furthermore, because businesses can subsidize low-income families this will give low-income parents some of the same choices that the well-to-do currently enjoy.

Low-income students who leave public schools to attend better independent schools will benefit from being in those better schools. Low-income students who choose to stay in public schools will do so because those schools are better, or become better under competitive pressures. As already described, this plan produces financial savings that can be used to improve public schools if the legislature chooses.

The proposal also allows and encourages the legislature to provide higher tax credits for students with major

disabilities. Oregon public schools already contract out the education of many disabled students to alternative providers. School choice provides parents of such students with more options, and provides alternatives to litigation when parents feel their disabled children’s needs are not being met.

### **Will a 50% Tax Credit be Sufficient to Cover Tuition Costs?**

The national average annual tuition in independent schools was an estimated \$3,116 in the 1993-94 school year.<sup>17</sup> If average tuition is (for example) \$3,600 after adopting this plan, then 80% of the average would be \$2,880, very close to the \$3,000 projected maximum tax credit. It may become common for schools to offer tuition reductions for low-income students, so that a low-income student at the same school could pay \$3,000 tuition, entirely covered by their 100% tuition tax credit of up to \$3,000.

### **How Do We Know How Many Students Will Move from Public Schools to Independent Schools?**

The method used to project migration to independent schools is a model for predicting consumer demand for services that has gained wide acceptance and is detailed in a publication by the Mackinac Center for Public Policy.<sup>18</sup> The Center was consulted when running the OPCTC projections; the figures are based upon a very conservative estimate of consumer demand. There is also experience with consumer demand for alternative school enrollment in Michigan and other states that substantiate these estimates. Based on consumer demand for independent schools in voucher programs in Wisconsin and Ohio and charter schools in many other states, these estimates, outlined in Appendix A, offer realistic projections as to how the plan will impact public and independent school enrollments in Oregon.

### **How Can We Give Tax Credits to Families Already in Private Schools and Still Save Money?**

In the first year of the OPCTC, the maximum credit is very small, an estimated \$600. Providing that credit to the 38,000 students now in independent schools will cost about \$23 million, less than one percent of Oregon public school spending, which exceeds \$3.6 billion annually.<sup>19</sup>

When students leave public schools to attend independent schools, the public schools can save the variable costs of educating those students, mainly labor costs for instruction and administration. Fixed costs, that are not reduced in the short run, include debt service, facilities and maintenance, and student transportation. A fair division of the nominal \$6,000 per student spending in Oregon public schools is \$1,000 fixed cost and \$5,000 variable cost.<sup>20</sup>

The projected migration of 5,700 students in the plan’s first year, out of public schools to independent schools, will produce net savings of \$4,400 per student (\$5,000 variable

costs minus the \$600 tax credit). These savings of \$25 million will slightly exceed the costs of providing credits to students now in independent schools. Note that the migration of one student produces enough savings to pay the first-year tax credits for seven students already in independent schools.

The projections in Appendix A do not show separate figures for the migration of low-income students out of public schools. When a low-income student leaves, eligible for up to the full \$3,000 tax credit immediately (depending on the individual school's tuition), there are still net savings of at least \$2,000.<sup>21</sup>

The projections in Appendix A show that the plan produces steadily increasing financial savings, reaching \$133 million annually when fully implemented.

### **Will the Plan Drain Money from Public Schools?**

Because the OPCTC is phased in over nine years, it produces only minor reductions in overall public school enrollment, mainly diverting the natural demographic increase in student numbers into independent schools. As already described, per student spending in public schools can stay at its present high level or even increase under this plan. Because public school enrollment will be stable rather than increasing, there will be less need for new capital construction and more public school money can be used for instruction.

### **Will Independent Schools Promote Racist or Fringe Ideas?**

Tax credits will not be available for use at any school that teaches hate or advocates violence. There are 38,000 students in Oregon attending independent schools and choice opponents cannot document a single school that teaches hate. Almost all European and Commonwealth countries have school choice policies and their experience with choice also refutes such specious claims. Over the last several years, nearly a thousand charter schools have been established nationwide, all without any evidence that choice fosters racist or hate group schools. In the history of the United States, there has only been one major system of racist schools: the public schools in many states from 1870 to about 1960, operated by the government.

### **Will the Plan be a Windfall for the Rich?**

In the first year the OPCTC is implemented, a well-off family with two children in private schools would receive a \$1,200 benefit, while a poor family with two children could receive a \$6,000 benefit, five times as much. A large share of the tax credits will be used by businesses and charitable individuals to help low-income and moderate-income families. This plan can fairly be described as a windfall for the poor.

### **Will the Best Students Leave Public Schools?**

The best students will only leave if the public schools are inferior. Public schools will have twice the funding, immense capital resources, established facilities, huge existing market shares, and frills like buses and athletic facilities that few independent schools can match. To believe that the best students will leave is to have a stunning lack of confidence in our public schools. Experience with choice nationally and abroad has shown that it is the low-income, minority and at-risk students who are likely to seek alternatives to the public schools because they are the ones likely to be in failing schools.

### **Will Unregulated and Unaccountable Schools Harm Students?**

Independent schools are not unregulated or unaccountable, just differently regulated and differently accountable. Walk into a Catholic or a Montessori school and you will find a definite and coherent system of instruction, expectations, quality control, and often a system that works better than whatever rulebook guides the local public school. The market provides what might be called "meta-regulation" or "meta-accountability" that allows consumers to choose whichever system of regulation and accountability really works best for them. This meta-accountability selects for and encourages the systems of local accountability that produce the best results for students, parents, and schools.

### **How will Local Property Taxes be Impacted?**

The plan does not affect local property taxes. Tax credits apply only to the Oregon personal income tax and corporate income tax (and any successor taxes if those taxes are ever eliminated). Only the Oregon Department of Revenue (ODR) needs to administer the tax credits, rather than ODR and the county assessors of 36 Oregon counties.

### **Will Public Schools be Destroyed?**

Public schools will not be harmed, hardly. No more than AT&T was destroyed by letting Sprint and MCI compete in long-distance telephone service. Australia has provided direct financial assistance to private schools since 1970, with payments now averaging 63% of public school levels. The Australian market share for private schools is about 30%, leaving a 70% market share for government schools.<sup>22</sup>

### **Where Will New Schools Come From?**

First and foremost, existing independent schools will expand. Secondly, religious denominations that have not previously established schools will likely consider doing just that. There are also multiple other sources for creating new independent schools, including: work-place schools, investment by Wall Street capital and for-profit chains, parent groups, wealthy reformers, and teachers who become educational entrepreneurs.

## **CONCLUSION**

Among the significant factors in determining a child's future are the educational opportunities open to that child. Today, many Oregon parents lack the financial ability to make fundamental decisions regarding their children's schooling. The Oregon Parental Choice Tax Credit puts these decisions back into the hands of parents, giving all Oregon families the means to secure a quality education for their children.

The plan ensures public school funding is protected, from the first year through final implementation, while low-income families receive the first and great access to choice. Through the broader educational freedom offered by the OPCTC, all Oregon schools will improve, and every student will benefit.

## **ACKNOWLEDGMENTS**

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## APPENDIXES

### A. ENROLLMENT AND FISCAL PROJECTIONS

This appendix contains tables that show projected enrollment and fiscal impact for the Oregon Parental Choice Tax Credit (OPCTC). These tables assume 1% growth in overall student population and 3% growth in per student spending in public schools each year. Recent base figures (1997-98 school year) for enrollment in Oregon public schools and independent schools are used. The projections begin in the year 2000, assumed to be the year before tax credits are implemented, and go through the year 2010, assumed to be the year following full implementation. These projections were modeled after a Mackinac Center for Public Policy study on tuition tax credits for the Michigan school system. Some numbers do not add exactly due to rounding.

**Table 2. Base (Status Quo) Enrollment and Enrollment with OPCTC, and Public School Costs with OPCTC, 2000 to 2010**

Year	Rel. Year	Base Pub. Enrollment	Base Ind. Enrollment	Projected Migration	Cumulative Migration	OPCTC Ind. Enr.	OPCTC Pub. Enrol.	Per Student Pub. Cost	Total Pub. Sch. cost (millions \$)
2000	0	510,000	38,000	0	0	38,000	510,000	\$6,000	3,060
2001	1	515,100	38,380	5,700	5,700	44,080	509,400	\$6,180	3,148
2002	2	520,251	38,764	6,171	11,871	50,635	508,380	\$6,365	3,236
2003	3	525,454	39,151	5,064	16,935	56,086	508,519	\$6,556	3,334
2004	4	530,708	39,543	5,609	22,543	62,086	508,165	\$6,753	3,432
2005	5	536,015	39,938	5,588	28,131	68,069	507,884	\$6,956	3,533
2006	6	541,375	40,338	6,126	34,257	74,595	507,118	\$7,164	3,633
2007	7	546,789	40,741	6,714	40,971	81,712	505,818	\$7,379	3,733
2008	8	552,257	41,149	6,537	47,508	88,656	504,749	\$7,601	3,836
2009	9	557,779	41,560	7,093	54,600	96,160	503,179	\$7,829	3,939
2010	10	563,357	41,976	0	54,600	96,576	508,757	\$8,063	4,102

**Table 3. Projected Tax Credits and Fiscal Savings with OPCTC, 2000 to 2010**

Year	Rel. Year	Avg. Tax (millions \$)	Tot. Credits (millions \$)	Tot. Credits plus Pub. Sch. Cost* (millions \$)	Base Pub. Sch. Cost ** (millions \$)	Savings (millions \$)	Cum. Sav. (millions \$)
2000	0	0	0	3,060	3,060	0	0
2001	1	\$618	27	3,175	3,182	8	8
2002	2	\$955	48	3,284	3,312	27	35
2003	3	\$1,273	71	3,405	3,445	40	75
2004	4	\$1,591	99	3,530	3,584	53	128
2005	5	\$1,910	130	3,663	3,728	66	194
2006	6	\$2,228	166	3,799	3,879	79	273
2007	7	\$2,546	208	3,941	4,035	94	367
2008	8	\$2,864	254	4,090	4,197	107	475
2009	9	\$3,183	306	4,245	4,367	121	596
2010	10	\$3,183	307	4,410	4,543	133	729

\*Total Credits plus Public School Costs includes the amount to fund students in the public schools, after anticipated migration to independent schools under OPCTC, and the amount to provide tax credits to those parents with students in independent schools. Please refer to endnote 21.

\*\*Base Public School Costs include the costs to educate students in public schools if OPCTC were not implemented and public school enrollments were to continue to grow at current rates.

## B. TEST FOR ADMISSION TO THE HIGH SCHOOL, PORTLAND, OREGON, 1877

Students leaving eighth grade had to pass this test for admission to the public high school in Portland, Oregon in the year 1877.<sup>23</sup> The relevance of this appendix is that it shows the relative rigor and depth of knowledge once required after eight years in Oregon public schools, a standard that could be compared to today's "outcome-based" standards.

### [Questions submitted to the A Class, First Grade, for admission to the High School.]

#### GRAMMAR—100 CREDITS.

1. What is the effect of adding 's' to nouns and also to verbs in the present tense? What are the nominative and possessive plurals of each of the following words: cargo, motto, vermin and man? How do irregular nouns form their possessive plurals? What is the most important principle in the English language in reference to the verb and its subject?
2. How is the comparative degree formed? Compare near, far and top. Who said that? What has that man done with what you gave him? (Classify the pronouns in the last two sentences.)
3. Make a compound and a complex sentence. What two parts of speech are most generally used, and why? Analyze and parse this sentence: He is proud that he is a soldier.
4. Turn into prose: Self-love and reason to one end aspire, Pain their aversion, pleasure their desire, But greedy that, its object would devour, This taste the honey and not wound the flower.
5. Give the principal parts of the verbs, lay, lie, go, cut, shoe. Give the second person singular of elect in all its moods and tenses.
6. Correct and give the reasons for correcting the following sentences: If I had went with you, you had not ought to blame me. A number of the scholars are diligent. John and us went to the fair. He did not say nothing.
7. Why are adjectives and adverbs inflected? How many of the eight classes of words are inflected? Name them.
8. When the words each, every, either, or no precede nouns, what must be the number of the pronouns used to represent them? Collective nouns conveying plurality of idea, require what kind of word in reference to number?
9. Write a joint and several note of hand payable to Ladd & Tilton.
10. Give five rules for punctuating sentences. Punctuate the following: Tis midnights holy hour and silence now is brooding over the still and pulseless world Hark on the winds the bells deep tones are swelling tis the knell of the departed year

#### ARITHMETIC—100 CREDITS

1. Define Formula, Analysis, Complement of a number, Common Multiple, Complex Fraction.
2. Multiply  $\frac{4}{5}$  by  $\frac{2}{3}$  and give analysis. Divide  $\frac{2}{3}$  by  $\frac{4}{5}$  and give analysis.
3. Multiply 4 millionths by 63 thousandths, and give the reason for pointing off the product.
4. If 30 lbs. of cotton will make 3 pieces of muslin 42 yds. long and  $\frac{5}{8}$  yd. wide, how many pounds will it take to make 50 pieces, each containing 35 yds. 1 and  $\frac{1}{8}$  yd. wide?
5. A had 29 lbs. 9 oz. 12 pwt. of gold, B 3 times as much; then A bought  $\frac{1}{2}$  of B's and afterwards sold B  $\frac{1}{3}$  of his; how much had each then?
6. A bought 150 acres of land, which was 25 per cent. of what he already had; he then sold 400 acres, and desires to know what per cent. the remainder is of the first quantity?
7. If the interest of \$35,640 for 7 yr. 6 mo. 10 da. at 8 per cent., be divided into two parts to each other as 5 to 6, it will respectively give  $\frac{2}{5}$  of A's and  $\frac{3}{4}$  of B's money; how much money has each?
8. What would it cost to enclose a square lot, containing 160 acres, with a fence costing at the rate of \$4 per rod for fencing?
9. A, B and C can do a piece of work in 24 days, A and B in 36 days, and A and C in 48 days; in how many days can each do it?

10. A's capital was in trade 10 mos., B's 15 mos. and C's 18 mos. ; A's gain was \$1,250, B's gain was \$1,500, C's gain was \$1,350, and the whole capital \$6,000; what was the capital of each?

**MENTAL ARITHMETIC—100 CREDITS. (NOTE.—Give analysis of each example.)**

1. A certain number, increased by 2 and  $\frac{1}{2}$  times itself, equals 35; what is the number?
2. One-third of a number, increased by 4, equals  $\frac{1}{4}$  of the same number, plus 7; what is the number?
3. A horse and saddle cost \$120; what was the cost of each, provided  $\frac{5}{8}$  of the cost of the saddle equals the cost of the horse?
4. Divide the number 54 into two such parts, that three times the first part, diminished by 2, shall equal the second part.
5. One-third of the difference between two numbers is 4, and  $\frac{1}{8}$  of the first number equals  $\frac{1}{6}$  of the second; required the numbers.
6. Divide the number 104 into three parts which shall be to each other as  $\frac{1}{2}$ ,  $\frac{1}{3}$  and  $\frac{1}{4}$ .
7. If 5 men can do a piece of work in 6 days, in what time will it be completed if they receive the assistance of 1 man when the work is half done?
8. A lady, being asked her age, replied that her daughter's age is 9 years, which is  $\frac{3}{4}$  of  $\frac{1}{4}$  of her age; required her age.
9. Divide  $\frac{3}{4}$  by  $\frac{5}{7}$ .
10. How many dollars will 10 sheep cost if 3 sheep are worth 3 cows, and 4 cows are worth \$80?

**HISTORY—80 CREDITS**

1. What was the character of the Puritans? What did the Mutiny Act order?
2. Name the men who composed Washington's first cabinet. Of what political party were Jefferson, Madison and Randolph the leaders? What three important measures did this party oppose during Washington's administration? How were the "Alien and Sedition" laws received?
3. Where did the second Continental Congress meet and what measures did it adopt for furthering the success of the Revolution? Describe the battle of Brandywine.
4. Give a short sketch of J. Q. Adams' administration. What did the Nullification Ordinance declare.
5. Who were the Ante-Renters? From whom did the Texans gain their independence? How was their first petition for annexation received by Congress; how the second? By what compromise was the northwest boundary of the United States fixed?
6. Give the five provisions of the Compromise of 1850.
7. What were the "Personal Liberty Bills?" What did the doctrine of States Rights teach?
8. What southern state led off in the late civil war? Compare Buchanan's character with that of Jackson's, as presidents.
9. Of what purchase did Oregon form a part? When was Fort Astoria built? When was Oregon admitted into the Union? What was the Dredd Scott Decision, and what Judge rendered it?
10. Where is the judicial power of the United States vested? What in relation to government, shall the United States guarantee to every state in the Union? By whom are amendments to the Constitution proposed? Who was president when the Constitution was adopted? What is the Fifteenth Amendment?

**SPELLING—80 CREDITS (Note.—The examiner will pronounce each word twice, and the pupil will write them in columns.)**

- |               |                |                |
|---------------|----------------|----------------|
| 1. Campaign,  | 11. Ambrosial, | 21. Diaphragm, |
| 2. Champaign, | 12. Ichneumon, | 22. Lachrymal, |

- |               |                    |                 |
|---------------|--------------------|-----------------|
| 3. Pommel,    | 13. Analysis,      | 23. Hemorrhage, |
| 4. Javelin,   | 14. Obsequious,    | 24. Pneumonia,  |
| 5. Unique,    | 15. Subterraneous, | 25. Furlough,   |
| 6. Burlesque, | 16. Ineligible,    | 26. San Diego,  |
| 7. Rescind,   | 17. Analytically,  | 27. Wednesday,  |
| 8. Yachting,  | 18. Sylph-like,    | 28. February,   |
| 9. Facetious, | 19. Heliotrope,    | 29. Acoustics,  |
| 10. Cylinder, | 20. Mucilage,      | 30. Panegyric.  |

**Write the abbreviations for the following:**

- |                |             |             |                 |
|----------------|-------------|-------------|-----------------|
| 1. C. O. D.    | 4 Maj. Gen. | 7. N. P.    | 10. Y. M. C. A. |
| 2. Dist. Atty. | 5. M. C.    | 8. P. O. O. |                 |
| 3. G. P. O.    | 6. MSS.     | 9. Regt.    |                 |

**Give the meaning of the following:**

- |                     |                         |                |
|---------------------|-------------------------|----------------|
| 1. E Pluribus Unum. | 5. Vox Populi, Vox Dei. | 9. Beau Monde. |
| 2. Sine Die.        | 6. Au Revoir.           | 10. A la mode. |
| 3. Subpoena.        | 7. Vive la Republique.  |                |
| 4. Vice Versa.      | 8. Hors de Combat.      |                |

**CITIZENSHIP—10 CREDITS**

1. Name three officers of the city government of Portland. When and how are these officers elected?
2. Name the members of the county court of Multnomah. When and how are these members elected?
3. Name the three departments of the government of Oregon. Name a member or officer in each department.
4. Name three state officers and state the salary of each. Name the Judges of the Supreme Court of Oregon.
5. Mention two of the important features of the Preamble to the Constitution of the United States. Define preamble.
6. Name a member or officer in each of the three departments of the government of the United States. When and how are these members and officers elected?
7. Mention three powers of Congress.
8. Name the Judges of the Supreme Court of the United States. How long is their term of office?
9. To how many Presidential Electors is Oregon entitled? Who is Vice President of the United States?
10. When does the Oregon Legislature convene? When does Congress convene?

**DRAWING. [No Credit Value Specified.]**

1. Copy the figure on the board. [No description is given of the figure.]
2. Define semi-circle, diameter, arc, ellipse and trefoil.
3. Draw an original design.

**COMPOSITION—30 CREDITS.**

Write a composition of not less than twenty lines on the following subject: An Imaginary Voyage.

## END NOTES

- <sup>1</sup> David Boaz, "The Public School Monopoly: America's Berlin Wall," *Liberating Schools: Education in the Inner City*, Cato Institute, 1991, p. 2.
- <sup>2</sup> "T is for Initiative," *Willamette Week*, July 22, 1998, p. 23.
- <sup>3</sup> *Report Card on American Education*, American Legislative Exchange Council, Washington, D.C., October 1997. References 1996 state profile statistics from the National Center for Educational Statistics, U.S. Department of Education.
- <sup>4</sup> Martin L. Buchanan, "Oregon K-12 Education Spending: Stable After Measure 5," Cascade Policy Institute, April 1997. See esp. endnote 17. Available online at [www.CascadePolicy.org](http://www.CascadePolicy.org).
- <sup>5</sup> P. Anderson, R. McLellan, J. Overton, and G. Wolfram, *The Universal Tuition Tax Credit: A Proposal to Advance Parental Choice in Education*, Mackinac Center for Public Policy, Midland, MI, November 1997, pp. 59-66.
- <sup>6</sup> Susan Lee and Christine Foster, "Trustbusters," *Forbes*, June 2, 1997, p. 146.
- <sup>7</sup> *1995-96 Oregon Blue Book*, p. 169.
- <sup>8</sup> *The World Almanac and Book of Facts 1998*, pp. 789-790.
- <sup>9</sup> 1998 CIM Test Results released by the Oregon Department of Education, as reported in the *Statesman-Journal Newspaper*, Salem, Oregon, August 28, 1998.
- <sup>10</sup> *Pierce v. Society of Sisters of the Holy Names of Jesus and Mary*, 268 U.S. 510, 535 (1925). The court held that an Oregon law, which banned all non-public schools, violated the Fourteenth Amendment's due process clause, which forbids any state to "deprive any person of life, liberty, or property without due process of law."
- <sup>11</sup> *Wisconsin v. Yoder*, 406 U.S. 205 (1972).
- <sup>12</sup> "New Schools: Who Pays," *The Oregonian*, December 9, 1996.
- <sup>13</sup> J.S. Coleman, T. Hoffer, and S.B. Kilgore, *High School Achievement: Public, Catholic and Private Schools Compared*, New York: Basic Books, 1982.
- <sup>14</sup> "California Catholic Schools Report," Enrollment 1991-92, California Catholic Conference, Division of Education, November 27, 1991.
- <sup>15</sup> William Bentley Ball, *Mere Creatures of the State? Education, Religion, and the Courts*, pp. 77-91.
- <sup>16</sup> Supreme Court of Wisconsin, June 10, 1998, Case #97-0270. Reported at 213 WIS. 2d 1, 570 N.W.2d 407.
- <sup>17</sup> *Statistical Abstract of the United States 1996*, Table No. 269, p. 175.
- <sup>18</sup> Anderson, McLellan, Overton, and Wolfram, op. cit., pp. 44-72.
- <sup>19</sup> *The 1996-97 Oregon School Districts Audit Summary*, from the Oregon Department of Education, shows spending in school districts alone of \$3.636 billion, excluding debt principle payments and transfers. This figure does not include spending in educational service districts on K-12 education.
- <sup>20</sup> Buchanan, op.cit. See page 3 for an analysis of fixed costs and variable costs in the system.
- <sup>21</sup> An accurate forecast of low-income student migration during the first years of the OPCTC is difficult, and beyond the scope of this study. There is pent up demand for alternative education among this population, indicating a higher migration rate, but it would take time for businesses and philanthropists to learn the intricacies of the OPCTC, establish choice charitable trusts, and be matched with low-income students. If it is assumed that 15% of the first year migrating students are low-income, the savings will still exceed the cost of giving credits to current private school students. In later years, as more students move to independent schooling, the difference between cost and savings will be all the more positive.
- <sup>22</sup> "School Funding: Consultation Report," Australia Department of Employment, Education, Training and Youth Affairs, October 1997. See page 9 for market share and page 55 for ratio of vouchers to public school spending.
- <sup>23</sup> *Fourth Annual Report of the City Superintendent of Public Schools of the City of Portland, Oregon for the year ending June 22, 1877*, pp. 59-66. One question item that may be racially offensive by modern standards has been omitted.