THE BROOKINGS INSTITUTION

EXPANDING MEANINGFUL SCHOOL CHOICE AND COMPETITION

Washington, D.C.

Tuesday, February 2, 2010

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P R O C E E D I N G S

MR. WHITEHURST: Good morning and thank you very much for joining us here today. I will give you the usual announcements, the most important one being if you have a cell phone would you please silence it at this point? We will talk here for a while and then we will give you an opportunity to ask questions at the end, so we'll ask you to hold your questions until then.

We're here this morning to release a report from the Brown Center on Education Policy at the Brookings Institution on increasing choice and competition in education. I'm joined on the stage by the co-authors of the report. There are a lot of us, almost a symphony of authors up here, and it will be interesting for me and I hope for you to hear from each of us.

If you've picked up a copy of the report you'll have the names and institutional affiliations of my co-authors in front of you. I will just ask them to quickly go down to the stage and introduce themselves and say a word or two about their backgrounds and then we'll launch into the report. Could we start with you, Jay?

MR. GREENE: I'm Jay Greene. I'm Head of the Department of Education Reform at the University of Arkansas.

MR. LOVELESS: I'm Tom Loveless and I'm a Senior Fellow here at Brookings.

MR. NECHYBA: I'm Tom Nechyba. I'm a Professor of Economics at Duke University.

MR. MACLEOD: I'm Bentley MacLeod, Professor of Economics and International Public Affairs at Columbia University.

MR. PETERSON: I'm Paul Peterson. I'm a Professor of Government at Harvard University.

MS. ROSENTHAL: I'm Meredith Rosenthal. I'm a Professor of Health Economics and Policy at the Harvard School of Public Health.

MR. WHITEHURST: Thank you. This is the first of four reports that are coming from a project here at Brookings called Rethinking the Federal Role in Education. The task set for each of the task groups including this one was to generate recommendations for policy that were, A, grounded in evidence; B, novel and not beaten to death already in the policy community; and C, having some prospect of action or enactment. So we wanted to operate in an area that was informed by evidence where we could say something that might generate attention and where we could foresee at least in your imaginings that Congress of the administration would view the proposals as feasible or at least worth talking about.

We began the task on choice and competition by thinking in the abstract what's necessary for a good choice system to work. We identified four components that we thought would be present in any

market-based system. The first is the presence of choice or choosers. If you get assigned by the government the car we will drive, then we don't need to talk about choice in the automotive industry. There is none. So we need the ability of people to choose. Second, we need information on the basis of which that choice can be made. I'll stick with the car analogy for a moment. We know that Toyota's sales are going to be down because the market is flooded with information about sticking accelerators so that you need information on which choice can be made. Third, and I think will be one of the important and relatively unique aspects of our report, we think that information alone does not produce rational behavior, that you can be flooded with information and still make what seem to be irrational choices. So we think the way information is delivered will be extremely important in determining how choices are made and how rational those choices seem to be in the long-run.

Then finally, there need to be consequences in the system. Again, if you are assigned by the government to drive a Toyota, the sticking accelerator makes no difference at all, you'll still be driving a Toyota tomorrow, but the fact that Ford can jump on this situation and try to increase its sales is part of the competitive matrix that makes the system work. So we will move down this path and I think we'll introduce some interesting recommendations for you in terms of expanding choice. We're going to talk about the national chartering of virtual education providers. I don't think that's been talked about before,

In terms of the provision of information we're going to talk about independent information portals that give information to parents that they don't presently have independent of school districts and provided to them in a way support more rational choice. And in terms of consequences, we have recommendations that allow funding to flow in ways that are consistent with the popularity of schools as expressed by parents. You'll hear more about our recommendations going forward.

First we're going to walk you through some of the background in our report, in particular, what do we know about the current landscape of choice, and so I'll turn to Paul Peterson for that. Paul?

MR. PETERSON: Thank you, Russ. Good morning everybody. President Obama has announced that he's going to take some strong steps forward in education and it looks like there will be bipartisan support for this initiative which is all to the good because our educational system today is not efficient and is not equitable.

I talk about this more in the book. I have just finished "Saving Schools" which will be available later this month, but the facts are that our high school students today are performing below the international world average in math and science. A system that was once the best in the world has not improved for the last 40 years. Our 17-year-old students are not performing any better in math and reading than they were in 1970. Our high school graduate rate is stuck at 70 percent, actually a little lower than it was back in 1990. The system isn't efficient. We are today

spending three or four times as much in real dollar terms on our schools than we were back in 1970 and we're getting no more out it, and it's inegalitarian as well.

The kind of choice that is dominant today is residential choice. Good schools are in places where property values are high, property values go up when schools get better. This is very nice for the people who can afford to live in Potomac, Maryland, Fairfax County, Scarsdale, New York, or my hometown of Wellesley, Massachusetts, but for those who don't have the income and the wealth to purchase property in those areas, it can be a leftover situation for them. So we have an extremely unequal system produced by a residential choice system. We have choice in education but it's a very unequal form of choice predominantly.

We've had some small steps taken to improve that choice landscape over the last 20 years. We have magnet schools. There are about 5,000 of them where parents can choose the school that has the right educational offering for them. We have open enrollment programs and we'll be talking more about them, and some of them work well and some of them still place a great deal of weight on the neighborhood school. We have interdistrict choice programs but these are limited by the fact that districts can opt out of them or place very limited numbers of students they admit from outside their district and they're worried about

the cost of educating a child who's not living within their district and may not have the same social background as the residents of the district.

We have charter schools. About 3 percent of our kids are attending charter schools and the Obama administration is supporting their expansion and we do too, but they still are serving only 3 percent, the quality of some is very good and some is not. We have school voucher programs that serve a very few students. We have some here in the District of Columbia and Milwaukee, but they haven't caught on as a national option.

We have a variety of choice programs that are expanding. What we need to do is to capitalize on what we have, add to the mix virtual education which I think is one of the more dynamic new forms of choice that's becoming available and which I will talk about a little later on in more detail. But we need to increase the supply of choice in a wide variety of ways and we need to also provide better information to parents about the kinds of choices that are currently available and that's the topic that Tom Nechyba is going to be talking about, so I'll turn it over to him.

MR. NECHYBA: One of the common themes that you'll see running through our report is that in order for competition to actually achieve the promise of being a systemically disciplining force on the system is that it has to be real and one of the things that competition real is information. Choosers have to know what they're choosing. The two important aspects that we highlight in our report about information is that it

has to be relevant and that it has to be comprehensible. Currently we supply information through district and school report cards and we think that those by and large fail on both counts. They often times arrive in an untimely way so that choice has already been made by the time that individuals are informed about the possibility of choice. They often times include information we know to be irrelevant and not correlated with school performance. And they're often times not very easily comprehensible. The problem that we see is that information is being provided by an interested party to the transaction. It's being provided by the school districts themselves and they have an incentive to provide that in a self-serving way that meets goals that may not be the same as the goals of the parents. It results in what we call in economics an asymmetric information problem, and one of the fundamental results in economics is that markets have trouble when the parties are asymmetrically informed. In some sense it's the fox guarding the henhouse problem. So one of our main recommendations that what we really need to think about is creating a new information architecture that helps parents make decisions and that lies outside the control of the districts.

Step one in creating such an architecture is that we have to have the information and this is where we see a federal role for creating a more thorough data warehouse of information that districts would be required to report. Such a data warehouse is a necessary condition to

providing this information, but it's hardly efficient. People like us might be able to go into that data warehouse and run statistical models out of it, but parents aren't going to be able to do that. So the second question is about information delivery. How do we get that information to parents in a way that's relevant and comprehensible. The relevance has to be informed we believe by empirical evidence, we know certain information is relevant to the types of choices want to make and other information is not. So empirical evidence ought to guide what kind of information is delivered in this new information architecture.

The second part is the comprehensibility of the industry. By that we don't just mean that it has to be presented in a simple way. Rather, we mean that we really need to draw on lessons from behavioral economics and the cognitive sciences more generally about how it is that people process information because how information is presented has a deep impact on how people make decisions in ways that a pure rational choice model doesn't predict.

Let me give a few examples. We know for instance that if we enroll you in a 401(k) plan and give you the option to opt out, you are likely to make different choices than if we don't enroll you in a 401(k) program and give you the option to opt in. In a purely rational choice context, those are virtually identical situations, but we know it makes a difference. Defaults matter and so assigning a child to a default school matters in terms of what decisions will be made so that one of our

recommendations is that we should move away from assigning default schools in order to force choice, in order to create an active choice system where parents have to access information and make choices.

Another example is how choices are framed matters a great deal. In my classes I sometime tell a story of two priests who smoke and they'd like to be able to pray when they smoke, but they think they need the bishop's permission to do that. So one priest goes to the bishop and says, Your Eminence, I would really like to smoke while I pray. Would that be permissible? The bishop says, praying is a sacred activity. You can't defile it by smoking. No, absolutely not. The second priest goes to the bishop and says, Your Eminence, you know that I have this weakness for smoking and I wonder if it would be permissible during those moments of weakness if I could speak to the Lord in prayer which is very different way of framing an identical question and the bishop is likely to respond differently.

How we anchor information matters. It matters whether we present information on schools in comparison to the least-performing schools, in comparison to average and to the highest-performing schools. It matters whether the information is presented in a personalized way, whether the consumer feels engaged as he or she searches for information. So we think that these lessons ought to be part of the thinking that goes into designing this new architecture for how to deliver information from the data warehouse to the consumer and part of that may

involve improvements in report cards, but as we'll talk more about in our recommendations a little later, part of it will involve going to a new generation of base portals that allow parents to access information in a way that's most useful to them.

I've hinted that people don't always respond the way think to systems that we design, and so I'll turn it over to Meredith who will talk a little bit about what we've learned about that in the health care sector.

MS. ROSENTHAL: Thank you, Tom. Just to put my remarks into a little bit of context, let me start by noting some of the similarities between health care markets and the market for education.

I think first and most importantly is the notion of the asymmetry of information between consumers and providers. In medical care of course that would be the physician for the most part, and we know that when patients go to the physician they go seeking not just services but information about exactly what they need so that that asymmetric information problem creates a real challenge for competition. Second, and a very important similarity with education is that many of the key attributes of the good people go to consume in medical care markets are observed decades later often with the confounding of many other influences like individual health behavior. So if you go to our primary care physician for care for your chronic disease, the outcomes, morbidity and mortality, may not be realized for decades, so it is very difficult for competition to drive high performance given the lack of observability

simply as a matter of time and the complexity of the production process. I would note and I think it's important in interpreting findings from health care that one thing that is quite different in medical care markets in the U.S. at least, there is a high degree of variation and choice. There are almost an infinite number of options available in most geographic and specialty markets, so it's a context where competition if harnessed could in fact have the desirable effects that we associate with competition.

In light of the information problems I referenced earlier, during the last several decades there have been fairly concerted efforts in health care policy under the rubric of value-based purchasing which is effectively a notion of managed competition to address these information problems and harness competition. I would note that that there are two components essentially of these efforts. The first is the development of systematic information on provider performance, and the second is the development of mechanisms to engage consumers in using the information generated by the first part. Briefly in terms of what we have observed in health care, it has been fairly challenging to develop a set of performance measures that are meaningful in the sense that they are good signals of what people want from health care largely having to do with what we can observe that truly is associated with good health, which providers really are delivering appropriate, timely care and which providers for example may just be selecting healthy patients who would have maintained their health in any event and in essence that problem of

separating out patient factors as well as other environmental factors from true provider performance has been the key challenge here. That's important of course not just because public reporting or pay for performance on measures that don't do a good job of separating what is truly quality versus what is underlying characteristics of patients generates a lot of risk which is costly in economic terms, but the bigger concern we have there is the potential for providers to be encouraged to avoid high-risk patients, to dump their sickest patients or to refuse to treat certain patients. There is a small but fairly convincing body of evidence in health care policy that our efforts to publicly report performance have led to such patterns of patient dumping, most notably in the cases of the New York and Pennsylvania cardiac mortality reporting systems. It's been documented that high-risk patients found it more difficult to get surgery after these report cards were published even though there were statistical efforts to adjust those mortality rates for underlying patient characteristics. There has also been some evidence about discrimination by race presumably based on the expectation of poor outcomes for certain racial and ethnic groups, so I think this is important to keep in mind. Of course these unintended adverse consequences don't mean we shouldn't measure and provide transparency of information, only that we need to think about mitigating these effects and keep them in mind moving forward.

What do we know about the beneficial effects of public reporting in health care? To date there's been very little good evidence to suggest that the production and dissemination of information in health care has really driven average quality up in those markets where we have publicly reported information. In part we believe this is due to the fact that consumers don't appear to find this information salient. As Tom hinted earlier, it's not obvious that what we believe as experts are the right measures of quality are meaningful to the choosers or to the decision makers and in some research it appears that there are two important factors. One is that sometimes the measures are too technical. They're simply not salient enough to consumers. Clearly, mortality should be salient, but often what we provide consumers is a set of evidence-based practice performance measures that are simply too technical. The other problem is that it's obvious from the cognitive research that Tom referenced earlier in talking to patients who have been given public report cards that they don't choose based on statistical information very easily. They don't really understand whose experience is in that number or what it means to them. When they talk to their primary care physician or their neighbor or their relative, that's much more meaningful information to them. This evidence suggests that not that information is not important, but that it needs to be accompanied by robust and thoughtful decision support and to incorporate the preferences of the decision makers into the construction of the information and decision support systems themselves.

I think overall the takeaway from health care is despite choice and the existence of considerable information available in the public domain for the last several decades, competition requires more and we're going to need to work on these systems from the perspective of consumers as well as from technical aspects of identifying appropriate quality measures. My cautionary tale from health care indicates that choice systems may need work beyond our conceptual models of how people make decisions and when evaluated on the ground they may have other consequences that need to be mitigated. Bentley MacLeod is going to extend that point with reference to some information about Chile.

MR. MACLEOD: Thanks very much, Meredith. As Meredith pointed out, in health care we have a lot of competition, but the problem is that there are two choosers. We have the patients choosing the physicians and then the physicians choosing the patients. The question is when the physician has the control, they may choose certain types of patients. We have an analogous effect in education and I think what we want to underling is simply saying that we're going to have choice or free markets doesn't mean that we're going to have a free for all and people can just do whatever they want, we want to have it operate inside the context in which these markets work well. As economists as Tomas discussed earlier when we're dealing with problems of adverse selection and incomplete information we have to set up a system that allows this information to be used effectively.

On the case of education markets what we get is the Groucho Marx effect. Unfortunately, most parents don't follow Groucho Marx's advice. If you remember when he was offered membership to a private club in Beverly Hills he resigned immediately because why would he be a member of any club that would accept him as a member? As it turns out, as a New York parent, if you get admitted to any fancy school in New York, you certainly accept admission. As a consequence you have these schools that are extremely competitive to get into and parents spend a lot of resources trying to get into the best schools and schools spend a lot of resources not expanding choice but restricting the admission into these very fancy schools and school quality becomes associated with the students rather than with the educational services being provided. This is a well-known point where Steven -- had this great article many years ago which I recommend all of you to have a look at on the folly of rewarding A while hoping for B. We all hope that competition is going to give us good outcomes but it doesn't always do that. Sometimes it gives us different outcomes. A nice example of this is in Chile they had this wonderful experiment where they said all we need to do is have free markets for education and the world will be perfect. They instituted in 1981 a comprehensive voucher program. What's nice about that is we've had a long time to watch it and we've learned a couple of things about it. The first thing you must recognize is that people like choice, so in fact once you've allowed more private schools to enter and you have these

vouchers, private schools did increase in size. Secondly, it didn't completely kill off the public system in the sense that if we start with 80 percent public schools, it went down to about 60 percent public schools in Chile. However today it turns out that the parents are still not happy with this system. The administrators in Chile are upset by the fact that international test scores in Chile have not moved at all, if anything, they may have gone down slightly. So even though we hoped that we would get better test score results, we didn't actually get better test score results in the end. What that illustrates is the important point that we're not just saying any kind of market or any kind of free for all, we want to think about how could we organize a market in such a way so that the parents are in power to in fact get better schools? What we're going to do next is I'm going to turn it over to Paul who has some innovative ideas on virtual education to help think about how we create a new environment that will empower parents to get better education.

MR. PETERSON: Thank you, Bentley. There are two facts about our educational system that I think are very important. One is that the high school is one of our most troubled institutions. A lot of reform is focused on the elementary schools where No Child Left Behind tested students in third through eighth grades but it really didn't do much at the high school level. The other fact is that you've got to increase the supply of choices and you've got to diminish the supply of poor schools. How do you get good schools to replace poor schools when you've got a brick-

and-mortar educational system? It's very expensive to build a new school. Acquiring the land and putting it in a new place takes a very long period of time. Making changes in our educational system has been very slow. It's taken us a long time to do very much.

What's interesting about virtual education is that is targeted in the first instance at the high school, and secondly, it introduces technology into the choice system in such a way that it provides access to choice to people regardless of their geographical location. It's the fastest-growing segment in our educational system today. We have 25 states with virtual schools or online educational program, we have 173 virtual charter schools, we have a million students taking an online course. There's one admittedly optimistic prognosticator who says that half of all the courses at the high school level will be provided online by the end of this decade. That may be too optimistic, but consider this. At the college level, 20 percent of all students are currently taking at least one course online and that's growing at the rate of 25 percent a year. The greatest growth is in the junior colleges and community colleges, young people who are only a year or two older than those who are in high school. So the capacity for online education to transform learning at the high school level is there.

What's interesting about the high school today is that students are bored. Either the material, they've already learned it or they can't understand it. It's either pitched too high or too low. What's

interesting about online education is that the information can be provided to the student at the precise level of comprehension the student has reached so that every student can learn at any time of the day, not in the morning, if they want to study at night, anytime, any place, take any path and at any pace so that it's a much more flexible learning system. I'm not say that we have today better online education than we have classroom instruction. We don't have evidence that that's the case. The best evidence we have is that they're roughly the same. But virtual education because it is transparent and because you can learn from the existing curriculum how to improve it and because you can bring in technology and resources from outside the educational system in such a way as to improve the quality of the material that's being presented to the student has a potential for improvement that your classroom instruction doesn't have where every teacher has to reinvent the wheel all over again. You have all these people who you have to instruct and what's the best way to present the material which is an enormously complicated task. Virtual learning can be transformative but it has to be transparent, it has to be accountable and you have to have a competitive system. It has to be transparent because it has to be possible for outsiders to see what the curriculum is that they can figure out better ways to provide that same instruction so that learning can build on itself. We are learning with Wikipedia that open-source mechanisms can be very transformative in

terms of the information that can be provided and there is no reason why curriculum can't be open-source curriculum in the long-run.

Accountability. The biggest challenge to virtual online learning is to make sure that the courses are actually providing the instruction that's needed and that the student is acquiring it. That's the biggest challenge. Finally, you have to have competition because if you have multiple online providers because if online learning is competing with classroom learning then the student has the choice of how they want to acquire the skill set they need. We recommend that we have national or regional accrediting agencies that identify online courses that any student can take nationwide and the local school district will pay for those courses and the student will get credit for those courses. This is going to put classroom into a competitive juxtaposition with online learning. It's going to open up on an equal basis access to a whole range of new possibilities to young people at a time in their lives when they're currently bored with the education they're receiving. In this way we can increase the supply, but we need to also increase the opportunities that exist in our brick-and-mortar schools as well, and Bentley is going to talk about that further.

MR. MACLEOD: Thanks, Paul. That's wonderful. As Paul pointed out, you can't open and close brick-and-mortar schools instantaneously so you face this problem. In America we have this new blood sport which is the admissions game. What we have is a competitive environment where people spend enormous resources, you can buy

books and you can pay for consultants to help you get into specific schools. You have to ask yourself should I be spending my time on this admissions game or should I be spending my time learning something such as learning math or other useful things in life. The question is how do we design an environment where we move effort away from trying to get into the selective schools into acquiring knowledge. Certainly we can all see that spending your time just trying to get into something is not very efficient.

One of our important recommendations is trying to level the playing field, trying to ensure that we have some kind of free access into schools in these lottery type systems so that every individual has an equal change of getting into school rather than having a system where the schools try to tilt it for certain interest groups. We know this policy is always at work, but you want to keep in mind that we all gain by opening up access and getting everybody free access to these schools because then you're going to spend less time and effort trying to game the system. People are smart, they're very innovative and wherever there's a game they'll try to game it.

We've tried this and New York and Boston for example are beginning to experiment with new ways to in fact allow more access. They take preferences of individuals involved and then they use those preferences to try and find the schools that are a best fit for the individuals and try to reduce the load on parents who are spending so much effort to

try and game the system figuring out how to get into the best school and the best location with the best teachers. As you can easily see, the parents who are most able to game the system are going to be the better off parents and we're left with this unfortunate situation where those individuals at the bottom end, their parents may not be as skilled at gaming the student. It's not their fault that their parents don't know how to game the system and we want to give every child an opportunity to get the best possible education.

As I mentioned already, we can look at the competitive system having two elements. It has a selection element and those selection elements can be adverse as it is in both medical care and education with this blood sport of the admissions game. Or it can be positive in terms of rewarding individuals who come up with new and better ways of doing things. It might be for example virtual education or as Jay will discuss it could be new funding systems to help encourage the creation of new brick-and-mortar schools. I'll hand it over to Jay to discuss the fiscal side of competition.

MR. GREENE: Thanks, Bentley. Expanding choice doesn't necessarily mean expanding competition. For example, when McDonald's expanded its menu to offer fillet of fish or a garden salad, it expanded choice but it didn't expand competition. The money still goes to McDonald's and it didn't alter the fundamental financial incentives of the institution, although it did help satisfy consumer taste. So if you had a

taste for fish or a taste for salad instead of a burger, this was a positive development for you but it didn't alter the incentives for McDonald's to be efficient in attracting your business.

The same is true in schools so we have to be sure that if we want system-wide benefits and the other kinds of benefits that we think competition can help product then we all have to make sure that when we expand choice that we're also expanding competition by having resources follow students from one institution to another as they make choices so that successful institutions that attract more students receive additional resources so that they can expand their offerings, serve more students and receive a positive feedback loop from their success, and conversely, unsuccessful institutions that are failing to serve students well, that are failing to attract students would be receiving fewer resources and would be ultimately removed from the market.

This kind of expanded competition from expanded choice has occurred on a very small scale in existing programs and it's been studied with the expansion of choice through vouchers in Florida, and Milwaukee where several studies in each location have found that when competition is expanded that there is some improvement system-wide, not just for those who get to choose, but also for those who don't choose actively and remain in traditional public schools. We've also seen evidence of these improved results from expanded competition in the charter sector. But I should emphasize that the benefits of competition be

produced without charters or vouchers. Ideas like Bill Ouchi's weighted student funding where money would follow students within school districts where school buildings become financially autonomous institutions within districts is another way we could harness some of the power of choice and competition even within traditional public school settings. I think there are a lot of opportunities out there for us to devise mechanisms to not only expand choice but also expand competition, and as we do this I think it's very important that we develop measures of the extent of competition that's available in different markets, in different districts and different states simply so we can gauge where we have more competition, where we have less so that we can better track the relationship between that competition and performance and so that policymakers can make decisions informed by these measures of the variation in competition across markets. In places where we observe that there are low levels of competition and low levels of performance, we might focus more clearly on those places to see if we can incentivize the expansion of choice and competition in those localities, and with Secretary Duncan's new vision for the reauthorization of NCLB to transform federal education funding into a competitive grant situation where we incentivize localities to embrace certain types of reforms in order to receive federal money. One of the ways we could use that model and those federal resources is to incentivize through competitive grants localities with low levels of

competition and low levels of performance to expand their choice and competition in order to win additional federal resources.

As we expand choice and competition though as has been emphasized before, it's really important that we also keep our eyes on information for consumers so that they can make informed choices. With that let me turn this over to Tom Loveless to talk about better systems for informing parent choice.

MR. LOVELESS: Information is an important theme in our report. It runs throughout the report. Good choosers need good information. As my colleagues have been talking about, we really see choice as a tool to boost the quality of schools. That can only happen if parents are provided with good information.

We have three specific recommendations regarding information. The first is that school systems should be required to provide timely and relevant information to parents. The second one is that one or more choice navigation websites should be developed with federal funds that would be independent of local education providers. The third recommendation is that school systems be incentivized to link these choice navigation websites to their parental choice systems.

Currently parents rely on school report cards to get most of the information that they receive about schools and we think these report cards are deficient in three respects. The first is that they're authored by the educational providers themselves so you get the fox-guarding-the-

henhouse problem. The second is they're not timely. In 2005, districts were surveyed under No Child Left Behind and asked when they had notified parents that they were eligible under the AYP provisions to have choice, and over half of them didn't notify the parents until 5 weeks into the school year, so that's certainly not timely. The third problem that we see with school report cards is that they don't provide relevant information. I'll give you two examples. One of the things they all report to parents is the percentage of kids who took the tests in terms of the test data that are given. Frankly, it doesn't matter in terms of school quality whether 98.5 percent of the kids took the test or 95.6 or 92.7. This is completely irrelevant to school quality. Another piece of information that's often reported dealing with faculty and teacher quality is the percentage of teachers who are credentialed or who have master's degrees. This has been researched to death. We've looked at this for a long time. Actually, neither of those pieces of information correlate very highly, or if they do correlate it's a weak correlation with student achievement. So parents in these report cards are really given a lot of information that doesn't tell them very much about the quality of the school.

We pinpoint some things that we think will tell them about the quality of the school. One would be the percentage of first-year and inexperienced teachers. That does correlate with achievement. The popularity of the school. We gather data from this website that I'm talking about, this school navigator that I'm going to describe in a minute, and we

can find out which schools are popular and which schools are unpopular and parents can then factor that in to their decision making. The tenure of principals at the school and their performance at previous schools that the principals have led is important information. The transfer out rate of students, the absentee rate of both teachers and student is important information. Curricular focus in academic areas. Parents should know what the particular curricular focus is and then they can make better informed decisions. At the high school level, things like the availability of accelerated classes, specially AP classes or ID programs, test scores on AP exams, all of this is good information that parents should have at their fingertips.

In terms of independence, if you look at page 21 in the report you'll notice when districts notify parents now of these report cards of their choices, they do it in a way that in a sense tells them you already have a great school and a great situation and your kid is being taken care of by caring teachers, but you have a bunch of choices.

What we see is really a robust federal role for making the information provided to parents more independent and at the heart of this we propose what we call a school choice navigator. The Department of Education right now has funded, you can go to the website when you get home and take a look at it, a college navigator so that parents can sit down with their high schools when they're thinking about college. They're asked a series of questions about their values in education, what kinds of

majors might you be interested in, what about extracurricular activities, how about geographical concerns? Would you rather go to school on the west coast or the east coast? Parents input all this information, and then what happens is they get a list of schools that they might want to consider. We're proposing a similar K-12 school navigator but with one additional element that you can see in the college navigator but we particularly want to underscore it here, as we said earlier, there's a problem when you have a default. We would have no default. You're not going to just default into a school based on where you live. What we do as see this navigator taking the information that parents provide it and then nudging parents a little bit. It's a paternalistic nudge that says to parents you've told us here are your top four schools, here are another three schools we're going to urge you to take another look at because based on the values that you've put in, based on the performance data that we have of those schools, we think you need to take another look at these other schools over here as well and we see that nudge as being very important. The basic idea would be this. Parents input information on what they're looking for in schools, an algorithm provides them with a list of potential candidates and then we have the nudging mechanism that pushes them a little bit toward being better chooses.

The data from the navigator could also be used again to feed back into the choice system. We think the federal government has a role in funding that navigator at least initially. But also we would open it up and

allow all of that data to be public so that competing navigators could be formed as well that might provide even better information to parents. We think all of these things will make choice not just good for parents, but help move school quality as well. Meredith has more to say about the federal role in all of this especially in making the system a dynamic learning system.

MS. ROSENTHAL: Thank you, Tom. Our final recommendation is about federal stewardship of a nationwide system of choice and competition. Recognizing the fundamentally local nature of education delivery, a key federal role we believe is to support the creation of effectively a learning context within which local variation can advance best practices. We all know that experimentation without systematic collection of data does not lead to advanced performance over time. We know there's a lot to learn in education delivery. The systems and the technologies will continue to evolve over time. So it's really important to put all of this in this more dynamic context.

Needed for this learning context in all likelihood would be first some kind of way to encourage the systematic structuring of choice and competition systems such that they can be evaluated, and of course resources of some kind would need to be rallied to support evaluation, systematic and ideally independent evaluation of these local experiences. And a mechanism for sharing best practices across school districts.

Wrapping around all of what you've heard today, all of these recommendations are evidence based and based on what we know so far in the literature but we have a lot to learn as we go forward making these systems work more effectively and so this learning context wraps around all of our recommendations. Now I'll turn it over to Russ to wrap us up.

MR. WHITEHURST: Thank you. Let me review very quickly where we've been. People like to choose. How many of you chose where you went to college? Raise your hand if you chose. Almost everybody. Fifty percent of parents in this country do not get to choose where they send their child to public school. Their child goes where the district says the child goes. We think something should be done about that and that we need to expand choice as a way of reaching all parents. We've talked to you about a couple of ways of expanding choice. We've talked about open enrollment systems becoming de facto so that no child simply goes to a school that the district thinks is best but, rather, parents have to actively choose. And we've talked about ways of structuring those choice systems so that they're equitable so that they cannot be gamed by the parents who want most to game them who have the strongest educational backgrounds already.

We've talked about using the information that's revealed by parental preferences to fuel other developments including the funding of schools so that popular schools would get more money to expand based on the revealed preferences of parents. Currently we have little

information about popularity. All the buildings are full aren't they? In a parental choice system we would know more about where parents actually want to send their kids to school and have a mechanism for allowing those schools to expand.

We've talked about virtual education as an extraordinary opportunity to expand choice with its limits now primarily being a function of individual districts being able to decide whether a virtual-education course will be acceptable for credit and whether the district will pay for it. We've said let's make the market for virtual education national by chartering virtual-education providers and in Title I schools that are not making good progress in which children now have an empty choice because they can choose to go to another school but there are no openings in other schools, let districts for kids in those schools have to pay for the virtual-education option if students want to pursue it so that open enrollment and virtual education are ways of expanding choice.

We've talked about the need for much better information to support choice and a paternalistic system to collect information and nudge parents to consider it. Imagine I'm the parent and I do what frankly we know empirically most parents do when they're asked to exercise choice. The first dimension of the school they will look at is the demographic background. What if a parent ordered a set of schools primarily based on the racial composition of the student body? Or the parent arrayed the schools based on their end-of-the-year test scores? It might be that a

value-added measure that the quality of those schools would be something one ought to consider in those circumstances. In fact, this school which may not look the best in terms of its end-of-the-year scores looks a lot better in terms of the gains that are created in that school over the course of the school year. I want you to take at these other people do would be the kind of nudge we're talking about, coupled with a much more vigorous federal data-collection effort so that we know things about schools that parents don't know now. For high schools, how many kids from high schools go on to college? What percentage of those children persist? One can imagine a system, and you can get this information in Florida already, where the long-term labor-market outcomes connected with particular high schools are available online so that we want rich information and we want it available to parents in ways that can support the kinds of choices we think probably you or I would make if we were faced with that information, not forcing parents to make those choices, but giving the advantage of information presented usefully. And we stress that this is not to be a federal monopoly but, rather, we see competing choice portals that are built on the rich data that could compete in terms of the usefulness that they provide for parents. New information presented in new ways independent of school districts. And funding mechanisms finally with consequences that let popular schools grow, unpopular schools wither. We think the landscape that we've talked about here could have a substantial impact on the quality of education. We have

acknowledged the tentativeness of our recommendations in terms of the underlying data and have suggested that if we go forward we need to do so in a learning context, we need systematic variation, we need to find out how to construct choice navigation sites best, we need to find out how to develop choice systems that work best for their intended impacts, we want A and let's not get B and be satisfied with it.

With that before turning it over to you for questions and comments, I'd like to thank very much the funders for our overall project here. It's the Walton Family Foundation, the Foundation for Educational Choice and a very nice foundation that would prefer to remain anonymous. I'd like to thank Michelle Croft, a research analyst here who's worked very hard on the report.

With that we would all be pleased to take your comments and questions. If you'll raise your hand I will call on you and someone will come with a microphone and we would ask you to let us know who you are before you ask the question.

MS. LEE: My name is Erica Lee from the Education Department. Along with your recommendation to have open enrollment and to force parents to choose, would you also recommend that an LEA helps to fund the transportation costs for moving students? If your answer is yes because I see you nodding your head and I'm not sure if you're saying, yes, I understand your question or yes. Would that be for all

students or only for students who are in Title I schools or failing schools? How would that work?

MR. WHITEHURST: There is a recommendation in the report on the kind of panoply of things that districts might do to expand choice and we certainly mention there the need to support choice with transportation so that absent a school bus system or public transportation system that can get a child across town to the preferred school, we end up again with an inequitable system where the parents who have a car or where there's a parent who's at home who can take the child back and forth has the advantage and other kids do not. We have not recommended a particular investment in transportation for particular types of students. Rather, we've recommended the development of a choice and competition index that would be applied or available for every school district in America that would include factors like the one you're discussing, how much choice is available, how functional is it, how easily is it exercised, as a way to draw the spotlight on districts that are both providing great choice and have a competitive milieu as well as districts where the choice either doesn't exist or is nominal rather than functional choice.

MR. WIBLE: My name is Brad Wible from "Science" magazine. In the global economy being what it is there's increasing emphasis on STEM education and not just learning the facts of science, but how to understand, appreciate and apply the concepts behind it so

that there's the buzzword inquiry-based education as opposed to just being told goes gravity work, yes or no? It's easy for us probably all to imagine being in a classroom and doing hands-on laboratory work and that's how you learn the art of inquiry. Obviously that's not to say that it can't be done in a virtual school, but it's a little bit harder for me to imagine how do you cultivate the skills of being an active, scientific-thinking, hands-on inquirer dealing with all these concept abstract things as opposed to just learning on a computer screen who discovered gravity? Is there data out there to suggest what are people learning and how do you teach inquiry-based science education online?

MR. PETERSON: I think on the contrary that kind of learning is more likely to advance in a virtual setting than in the classroom setting that most students face today. One of the great shortages we have in education is math and science teachers. The quality of instruction except in your very prestige locations can be very low in those particular domains. One of the things that you can do is have very sophisticated people designing your science courses which is happening at the college right now. You can have games where students can play with one another, you can have imaginary situations, you can have your avatar engage in activities so that we should not underestimate the technological improvements that are going to be introduced over the next decade that can be quite transformative for the kind of learning that you're discussing.

MR. LOVELESS: I would underscore that I agree with what Paul just said.

In fact, things like in biology classes they're no longer dissecting frogs, they're doing it through simulations -- the frog population appreciates this. So, you can do a lot of creative things.

And then the second thing I would say is inquiry-based learning has been around for a very long time. And most of the evidence is that it does not -- that it's not very productive.

MS. KINGMAN: Marsha Kingman, U.S. Department of Education.

One of the assumptions, I think, that you had was that people like to choose. Well, I think students like to choose, too. And I wondered if you had any discussion -- I don't see any recommendation about a student's role in choosing their school. But it seems like in high school especially, and maybe middle school, that would be an important consideration. I wondered if you discussed it.

MR. WHITEHURST: The notion of student choice is implicit in the recommendation for virtual education at the high school level. We simply assume that high school students are going to be very actively involved in those choices.

It is true that in the -- you're correct that in our report we talk about parents choosing. It's a shorthand for a process that, depending on the parents and depending on the child, will involve a great deal of student activity. I cannot imagine for my older son my having made any choice for him on my own, much less a choice of school to attend.

So “parents” here is a shorthand for family understanding, but the family dynamics will differ from family to family.

Do others want to --

MR. PETERSON: I was going to say, in Florida, the most popular online course is physical education. It’s required by the state of Florida that you have to take one semester of physical education and there’s a lot of young people who hate the thought of lockers and showers and sweat and all that stuff at school. And so, the fact that you can take it online and you can report what your activity for the day is going to be, et cetera, et cetera, it sounds crazy; it’s actually -- whether or not -- I don’t know that physical education is ever taught too well in high school anyhow. So my guess is it’s probably no better or worse.

But one thing I am quite sure of is it’s -- that the student is choosing the course.

MR. MACLEOD: Me, I just had one little point, I guess, is that as Russ said, we view choice occurring at the family level. But I think one of the things we observe is as you go to more educated families, parents are heavily involved in their education.

By bringing forced choice, I think there are benefits with getting parents from all levels involved and then as they’re forced to get involved, they will interact with their children on the dealing with their educational choices, so, in a sense, helping parents to be more engaged.

And, in fact, you know, one of the things I’ve observed -- this is

just anecdotal -- but as a parent who's been into many, many different types of schools, the big difference between a private school and a public school is a private school demands a lot of parent time. I mean, that's a required input. And so helping parents to be better parents by having them involved in education is going to help the students. And so the student will be more likely to make choices if the parents realize that making choice is good. Basically, it's an intergenerational transmission of behavior, and so getting parents to choose will help make students better choosers as well. So, I think that's also -- we can't forget that as well.

MR. WHITEHURST: The fellow just behind you there. We should actually have a lottery, you know, open enrollment and a lottery for the question system here. I tend to prefer people on the aisle. I'll try to be fair to those of you in the middle in a minute or two.

Go ahead.

MR. YARROW: Noah Yarrow, Education Development Center and former public high school teacher.

I'm wondering about your views about the applicability of your findings and recommendations for schools and parents and communities outside of major metropolitan areas where there are two junior high schools and everybody knows which one's the good one and which one's the bad one, and there's one high school. And I thought that the e-Learning and virtual learning platforms hold out some interesting possibilities for those communities. But especially in rural parts of the United States it's not clear

to me how much of an information gap there is. And even if you close the information gap, how relevant that is for student outcomes and actually actualizing the choice that they would like to make.

MR. WHITEHURST: Well, I mean, the -- it -- we talk in the report about virtual education having particular promise for rural areas and the obvious point of entry are specialized courses that may not presently be available at all. The reality of rural life is that choices in a variety of fields or areas are limited. That's certainly true in education. But again, I think virtual education is an obvious way to expand those choices.

Others on the panel?

MR. PETERSON: I mean, one of the things that is almost implicit, but should be said at least once, is that virtual education has this intriguing feature that it's really a technological innovation in a sector where we've had no technological innovation. And it -- that innovation has enormous returns to scale. So that in math and science work where the instruction isn't very good, an extraordinary teacher can reach an extraordinary number of students in ways that simply isn't possible in the world as we've previously conceived it. And so that return to scale element has promise in the rural areas, has promise in low-income areas where choice is restricted, and that's really the -- one of the most exciting features of virtual education is the technological innovation and the returns to scale that simply aren't present elsewhere.

MR. GREENE: Russ?

MR. WHITEHURST: Yes, (inaudible).

MR. GREENE: I would just quickly add that one other benefit of virtual education in rural communities is not just that it expands choice for families, but that it actually may help preserve those schools and those school districts.

There are a number of school districts in rural areas that are facing consolidation because as standards rise they're unable to offer courses that are necessary to meet state requirements, and so this is a backdoor method to consolidation of school districts.

And the school district is an important social institution in those communities and not just an educational institution. Virtual education allows those institutions to operate more efficiently, to continue operating, and to continue serving their social function in those rural communities.

MR. WHITEHURST: And while we're kind of freelancing on the virtual education theme, I wanted to put an exclamation on what I thought we said, but probably not strongly enough. And that is that the market for virtual education is now substantially constrained because each district gets to decide whether courseware is acceptable. That means the developers who are out there, who are willing to come into this market are reluctant to do so because of the competition that they generate for districts. And districts can easily avoid that competition by saying we don't want any part of that. And there certainly will be understandable pressures from teachers' unions in this context because a course taught online is

presumably a course that will not be taught in a brick-and-mortar classroom by a teacher delivering instruction traditionally.

So the national chartering or the regional chartering -- the same system that exists for colleges and universities now that allows them to be accredited -- is one that we think will jumpstart this market in ways that will resound to students' benefit, for sure.

Yes.

MS. BEND: Hi, I'm May Bend . I am a recent CEPA graduate and World Bank consultant.

Might take me a second to find a way to state my question, but it occurs to me that the ability to compete is not necessarily the same as the ability to teach. Sort of like cereals: Quaker Oats are healthier for you, but maybe Frosted Flakes are more popular.

And in talking about the school navigator, it seems that would support both supply and demand. And I wonder how with the competitive grants for federal money there might be a way to perhaps link it to the school navigator or there might -- we might be able to freelance a little bit on ideas of how to support supply, especially for those schools in low-income areas that are investing all of their resources in really doing excellent work with students. And there are a number of them. Karen Chenoweth just published a book called How It's Being Done that talks about a number of those schools.

So, any thoughts you have on that would be appreciated.

MR. PETERSON: Well, there is a study that is ongoing in our organization that looks at parents' evaluation of their local school. And we asked them to grade the school on the scale of A to F and then we linked that to the actual performance of the school. And the correlation is strong. In other words, parents are able to identify whether or not the school that their children are going to -- how well it stands up to other schools. And that's true for people in general, but it's much more true for parents.

MR. LOVELESS: Brian Jacob of the University of Michigan did some studies of that as well. And he looked at parents as predictors of teacher quality compared to school principals as predictors of teacher quality and found that both of them are pretty good at discriminating the top quartile -- the really good teachers -- and the bottom quartile, but in the middle things were a little dicey. So, differentiating quality in the middle might be a problem. But at least based on his work, parents have a pretty good idea who the good teachers are and they're pretty good judges of it.

MR. MACLEOD: Yeah, I just had one point which I think is relevant in the sense that students are -- students and parents are rational and in the sense it's great to have these programs sort of very specific area. But if you're being tagged as being underachieving, you sort of will key off that. And so one of the things we're proposing is by having more open enrollment, you have more heterogeneous populations in these schools. And the heterogeneity is extremely important because then the kids will have alternative role models.

So instead of just being, you know -- my kid actually goes to school in Harlem, so I've been to Harlem schools. If you're from, you know, an underperforming school in Harlem you simply don't have much hope. I mean, you simply know you've been tagged already and so you sort of rationally give up.

By having more heterogeneous population at these schools, you both have more hope -- because I think that you see more people are succeeding -- and you have alternative role models. And I think everybody understands that. It's just it's very hard to achieve it under the current -- so, it's great to have these systems help these kids. But you're just telling them over and over again, you're a problem, you've got problems rather than just treating -- they just want to be treated like any other kid, go to school, have a good life. And by constantly saying you've got problems, you've got problems, you're sending sort of the wrong message.

And so, in a sense, our open enrollment recommendation is to try to have just like regular schools, it's regular kids and they're all mixed up. Some of them do well, some of them won't do well, and they're not going to be tagged at the start of their life as being a failure. And I think one of the problems -- one of -- that's where we are right now. And we want to move to a system where everybody has hope, everybody feels they got a fair shake in life and they can move forward, instead of constantly being told you've got a problem. And, you know -- and I think that's sort of -- so these schools are helpful. But you want to get them out of that mindset into just being -- we all

have a shot at having good life and I think that's important to have.

MR. WHITEHURST: Okay, in the middle here. Yes. Sort of the middle.

MR. DANCES: Jerome Dances , I'm a retired mathematics professor.

I'd like to suggest a modification of the -- let's see -- the Simon's Rock of Baird College model. Simon's Rock is a four-year college which starts with students who have just completed 10th grade and these are -- and their average SATs are comparable to average SATs. It's not for honors students.

Now, of course, I'm not for sending 16-year-olds away to college, but it would be -- there's spirit of choice. It would be reasonable if the community colleges would set up a section designed for 16-year-olds who want to escape from their local high school. Okay, it might be the better half or quarter of the students, but, be that as it may, it would provide such a choice.

MR. WHITEHURST: Thank you, thank you.

Co-enrollment programs are growing quite substantially. Another piece of our report we haven't emphasized today is interdistrict choice. One of the interesting aspects of the state of California's application to the Race to the Top fund was new legislation that allows students from the lowest 1,000 performing -- the lowest performing 1,000 schools in California to transfer across district lines, a way of increasing choice.

So, we don't endorse -- though we all, I think, are enthused about the potential of virtual education, we're not here to endorse any particular form of schooling. What we're saying is that there should be more choice. And we're enthusiastic about all responsible avenues of expanding choice, including interdistrict choice and the continued growth of charters and home-schooling and other options that are out there.

Next question? Let's take in the back of the room. Yes.

MR. BUSSEY: Yeah, Lawrence Bussey, Alliance for Equity and Diversity. I have three questions.

The first question is on the navigator warehouse. Why couldn't that be a commercial enterprise not run by the federal government? Dun & Bradstreet have SchoolMatters. It seems to me it would make sense to continue that particular model. So, that's the first question.

Second question is a political question. How do you deal with the handshake between the school boards and the unions in limiting local competition? So, in most states, the school board has the authority to grant charter schools and whatever. How are you going to deal with that whole issue of the handshake between the unions and the school board with respect to limiting competition?

The third question is with respect to the information. Unlike the health profession, in education you have two groups that are interested in the information. One, you have the consumer, which are the parents who is concerned about the quality of the schools, and also you have folks like

myself, the investors. That is, I'm a resident of a community, I don't have any children in school, but I'm very much interested in information. So how are you going to deal with that aspect?

And the last part on the information question is that taking a snapshot of the quality of the school is different than looking at the production function of the school. So the whole notion about the growth model, value added, seems to me is very important. I'm more concerned about where did the schools start with the children, how far did they take them, as opposed to looking at a snapshot of children who may be born on the third base and think they've got a hit.

And I'm making a point. The point is that, you know, students come with certain assets and schools take credit for that. So, why can't we look at those schools that have a very strong production function that are taking students a long way down the path with respect to their performance?

So, again, three questions. I hope you can -- just wanted to -- thank you.

MR. WHITEHURST: Sure. I'll respond to the first of your questions.

We're very explicit in the report that the school navigator site, we think, should be instituted by the feds as a model of comprehensiveness. But we expect that data warehouse to be employed by others who may well do a better job than the federal government can do or provide innovations in the delivery of information that will prove more attractive to parents.

The same thing exists now in postsecondary. College Navigator is the U.S. Department of Education website. Every other website out there -- U.S. News and World Report, Peterson's -- draws on the same federal data to construct its website.

So, we think it would be a mistake for the federal government to have it and not make it available, but we think others should and would get involved in that space once they have additional data at the federal level to use.

Anybody want to take other questions here?

MR. PETERSON: I just had one point on the data stuff. There is an issue, at least -- you know, I do sort of empirical research with education data. Getting high quality data is very difficult. So there is a role for the federal government because a lot of data is very sensitive, and we face this constantly when we're trying to do labor market studies because in the U.S. there's a lot of privacy concerns. And if you want to measure value out, you want to follow a student over time and that's very sensitive data. And so we don't really have a solution to that. It's partly a political solution.

Other countries have much better data system than we have in the U.S. I'm currently working with the Colombian data, which I (inaudible) I cannot do in the U.S. because the data's not available. So, we'd like to have private entry, but there has to be some solution on the sort of data security side.

And we'd like to have higher quality data. If you have low-

quality data that's very beautiful, you'll still get very bad decisions. So you have to be very cautious that if you -- commercial entities can come in, but then you also have to make sure there's some way to evaluate that the data's actually useful and actually measures what it claims to be measuring.

And certainly, as we see with health report cards, for example, one of the failings is -- the concept is good, but if you make some mistakes in the quality of those measures, then you can get sort of unexpected kinds of results. So, quality -- data quality is a hard problem and we -- it's a sort of -- there is a federal government role in ensuring that we have the right type of data and that we respect privacy concerns while, at the same time, being able to measure student qualities is hard, but.

MR. GREENE: You know, states have been putting together data warehouses for students in 3rd through 8th grade since No Child Left Behind has come into place. And it is possible to track students through these schools and that data does now exist in quite a number of states. So it's possible to move to this growth model that you're talking about. And I think basically our report is support of your notion that we want to have useful information provided to parents. And it's useful to know how much kids have actually learned at that school, not how much do they know. I mean, learning is a different concept than how much they know at a particular -- did they learn something last year, not what do they know today. They might have learned that three years ago in some completely different setting.

MR. WHITEHURST: Yes, we make a particular point that it's what you're calling the production function information, which would be much more, we think, a rational basis for choice by many parents than the end of the year status test scores. It's one of the things we highlight is the area in which the evidence that's currently given to the public on school report cards can be quite misleading and needs to be replaced with more relevant and useful information.

On the school board handshake issue and competition, I mean, that's a very -- as you know, a very complicated topic. Our take on it in the report is that in the reauthorization of ESEA, that federal government should pay particular attention to districts that are low performing and are not providing choice to parents. And one can imagine some combination of carrots and sticks to get those districts in particular to provide a richer choice environment for kids.

And for good or ill, we've seen that Washington has considerable power to move individual school districts through the money that's made -- that's been made available through the Stimulus Act and, as well, through the sanctions that were previously available in No Child Left Behind.

So, we think there's a particular federal role in changing a kind of status quo that exists in the kind of districts you're referring to.

Next question, did you have one?

MS. DELASKI: I wanted to -- Kathleen deLaski from the

Walton Family Foundation. I wanted to probe on this question of the portals and the information and the -- really, to what extent parents will use the information. What we've seen in the examples so far of the portals, like, for instance, GreatSchools.net has -- one, is that the parents that are using it are usually parents who are trying to make a decision about what house to buy, so your residential choice. And I don't mean to generalize, but that tends to be the user audience. So how do you -- you know, the parents that need the information the most are probably the least likely to access it.

And Meredith, you made a reference to the -- a decision support system and having a robust one? How do you scale that, though? Because that's something that we're struggling with in -- even in a city -- in Washington, GreatSchools.net has come and is doing outreach now on the ground. But, you know, what does that need to look like to make this work more broadly?

MR. WHITEHURST: Our recommendation is that school districts would be required or incentivized to link their own choice system to an external school navigator site, at least one -- it could be the federal one, it could be several -- and that there be no default for school assignment, so that the system that you presently describe now in which most affluent parents or parents are considering a house purchase are the only ones who are taking a careful look at school quality would be changed because now every parent would have to consider aspects of schools in the context of making a choice.

And again, that information would be provided independently so that the district itself is not able to serve its needs, for example, by reducing its transportation budget by weighting choices so that it ends up having fewer bus miles to drive. That serves its interest; it may not serve the parent's interest.

So, you know, I think we were -- we've been very sensitive to the issue you've raised and view these independent web portals as required links to school -- to individual school district choice systems. And the lack of a default being the answer to the fact that only affluent, mobile parents are currently using the school information sites.

One more question, yes?

MS. MITCHELL: Thank you. My name is Susan Mitchell. I'm from School Choice Wisconsin in Milwaukee. And my question goes back to online learning.

You mentioned chartering accredited organizations on a national scale. What impediments have you seen to expansion of virtual learning at the state level and, conversely, what incentives if you were trying to open up state statutes to virtual learning, what kinds of things would you do?

MR. PETERSON: Well, the best model out there that I've encountered is the one in Florida. There may be others that are equally good. But what's interesting about Florida is you have a state school called Florida Virtual School and anybody in the state can take a course from this

school and the local school district will not receive the funding for that course. Instead, the funding goes to Florida Virtual.

So, let us say the student takes half their courses online, half the courses at their local district. Well, then half of the state aid goes to Florida Virtual and the other half goes to the local district. So they are now placed in a very competitive position vis-à-vis one another.

Now, the challenge there is that Florida Virtual is becoming a monopolist on the virtual side and the districts are now thinking of creating their own virtual programs. I'm not so sure I'm enthusiastic about the creation of district-run virtuals. I'd rather see more statewide providers competing with the one that's in place at the present time. But something like that is desirable.

Now I know in Wisconsin there was an attempt to set up some statewide programming and there was a lot of political opposition to that. And so, therefore, nothing -- I don't know, maybe they've come back with some kind of a compromise so they're going to be able to move forward there, I haven't kept up with the latest developments, but there is definitely tremendous resistance from existing school districts.

So this is why I think a federal intervention and why we recommend here federal program that would accredit providers on a national basis in order to create an atmosphere where it's much more difficult for districts to block the introduction of new technologies.

MR. WHITEHURST: This will be the last question. And I'll

take the woman in the red jacket there. Yes, thanks.

SPEAKER: Hi. I actually had several questions and I'll have to think about which one is the most pertinent.

I am struck that school is not only a place where students learn information, but they also have relationships -- relationships with each other, with teachers -- and there's a character formation, hopefully, that happens in the schools. And I am -- so, my mind has been racing on several different fronts. If students are taking virtual classes, do they do that in a school building? If they take half their classes, is there a room that they go to? Or are they at home half the day and in a school building half the day? How does that work with sports teams and students' involvement with extracurricular activities?

So, anyway, I don't -- and one other thing, as we're talking about measures of outcomes and the emphasis has been on math and reading scores, I presume, I have concerns with kind of long-term outcomes for students in terms of are they productive citizens at the end. As well, we have obviously the gang and dropout problems at the lower end, but we also at the upper ends we have this whole group of emerging adults who don't take adult responsibility in some cases until they're 30. So, you know, is there any way to give parents choice in terms of schools that really instill respect and responsibility?

So anyway, those are kind of free association -- several questions, but.

MR. LOVELESS: Well, you're quite right, schools are social organizations and the kids learn more than just academic material at schools. I suppose the best evidence we have from that -- and it's not great empirical sort of scientific evidence, but it's anecdotal, and that comes from home-schoolers. You know, we've had home-schoolers for a long time. Most home-schoolers have formed associations, so they have a mix of -- especially the online component, where at least of the portion of the day they're putting kids together in the local community to do things, sports and what have you.

So, I think parents are aware of that issue and educators certainly are as well. And there's a way to have a mix of both virtual and real-life schooling so that both things can be served.

MR. NECHYBA: I think one of the interesting things about unleashing some competition is that we can't predict precisely what form this will take once people actually experiment with it, so we tend to think of these polar extremes, virtual versus brick and mortar. But there's no particular reason that the schools couldn't work, you know, with virtual education providers to provide a better physics course and assist the students in the classroom to work through problems and so forth. As you mentioned, home-schoolers have figured out all sorts of ways to overcome the socialization issues.

So, I don't think we want to think of things as extreme as zero-one, but there's a lot in between. And that, we suspect, will emerge.

MR. WHITEHURST: And on your question about caring about outcomes in addition to math and language scores, that's a shared sense among the panelists that we need a richer set of variables on school performance that would be available to parents. Some of the things you mentioned -- responsibility, for example -- are a little more ephemeral to measure.

But there really is nothing lacking now except the will to do it, to have information on labor market and postsecondary outcomes linked with particular high schools, and I think that would be extremely valuable information. Schools would, for the first time, have to think about their accountability not only for their graduating rate, but their college going rate and their persistence rate and what it looks like for jobs 10 years out. So, we're very much in favor of providing much more information in the broad areas you're referring to than is presently available.

Our intention with this report has been to start a conversation on a topic that I think has been, until recently, heavily politicized with -- when you mention the word "choice," if I mention the word "choice," what would you think of? You would think of vouchers and charter schools. We think that it is time for a conversation about expanding choice in all its realms and see particular opportunities for the expansion of choice and competition within the traditional public school system.

We believe that the reauthorization of ESEA is an opportunity for Congress and the administration and general voting public to think about

what our school systems are going to look like 10, 15, and 20 years from now. And we believe a conversation -- a thoughtful conversation -- about the role of choice in that emerging and changing nation school system is something that we are due to engage in.

Thank you very much for your attention today.

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CERTIFICATE OF NOTARY PUBLIC

I, Carleton J. Anderson, III do hereby certify that the forgoing electronic file when originally transmitted was reduced to text at my direction; that said transcript is a true record of the proceedings therein referenced; that I am neither counsel for, related to, nor employed by any of the parties to the action in which these proceedings were taken; and, furthermore, that I am neither a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of this action.

/s/Carleton J. Anderson, III

Notary Public in and for the Commonwealth of Virginia

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Expires: November 30, 2012