

# Funding Education Opportunity

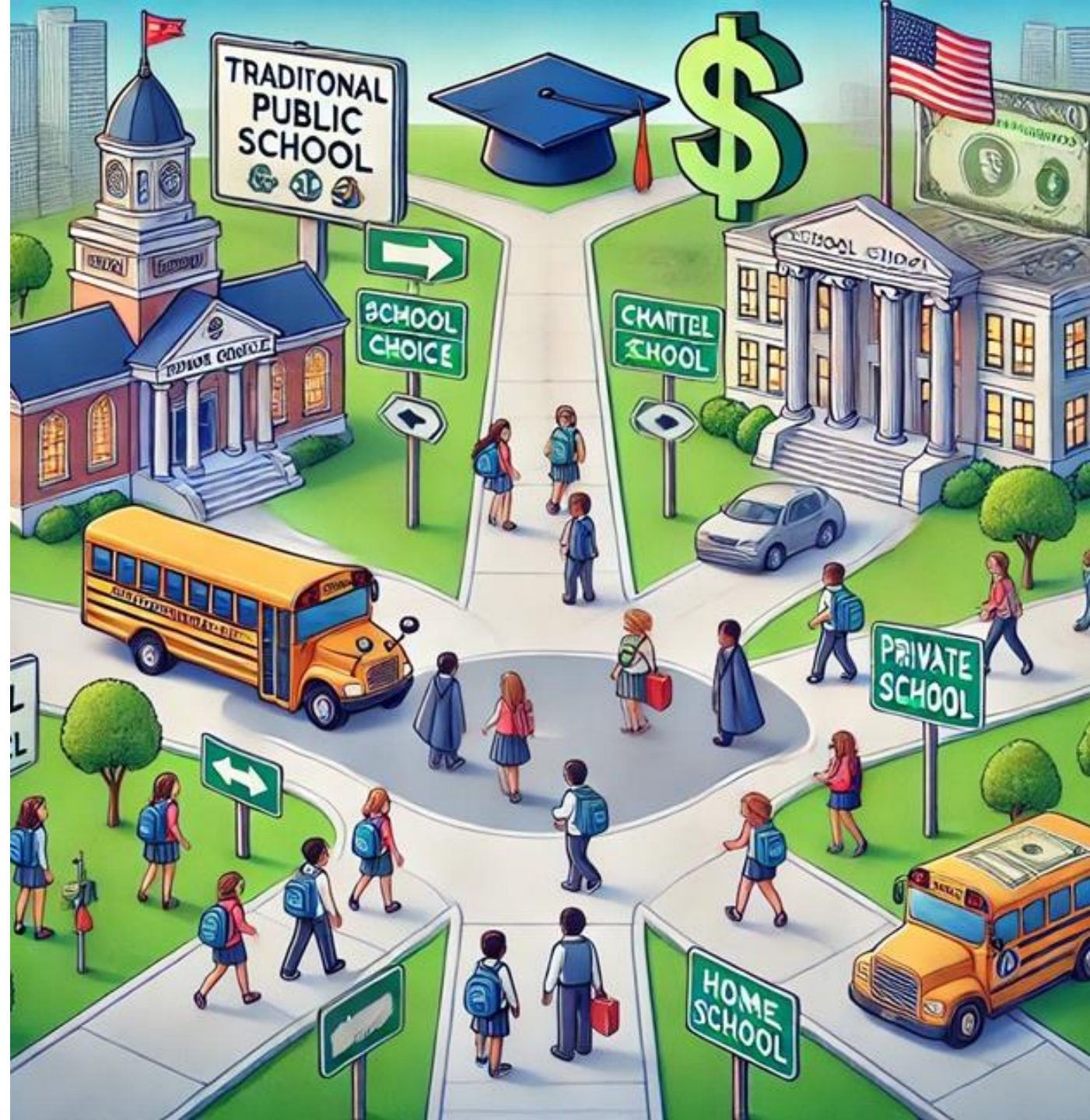
## Fiscal Effects on State and Local Taxpayers and Basic Facts


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*Fiscal Research  
& Education Center*  
By EdChoice






**Claim: Choice drains  
resources from public  
schools by leading to a  
mass exodus of students**





# Some states have funding protections, districts receive funding for “ghost” students:

- “Hold harmless” or “funding guarantees” provide districts same level of funding it received during some prior year
  - Funding based on average enrollment over multiple years
  - Phase in funding decreases over a period of years
  - Emergency or supplemental aid
- 



How many states have funding protections in place?

15



Less than 10



10-24



25-39



40 or more







# Participation Rates: Pre-Universal Era

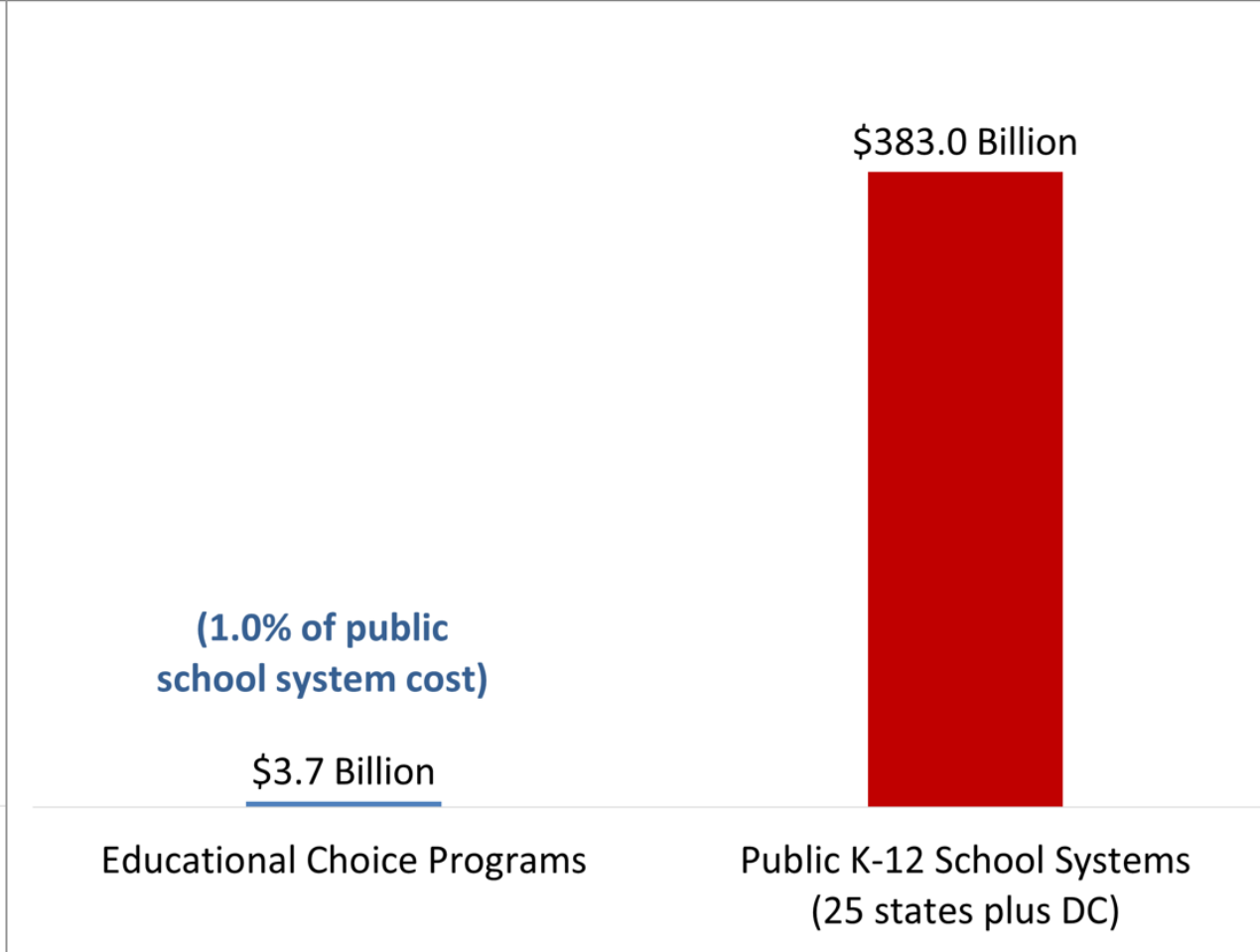
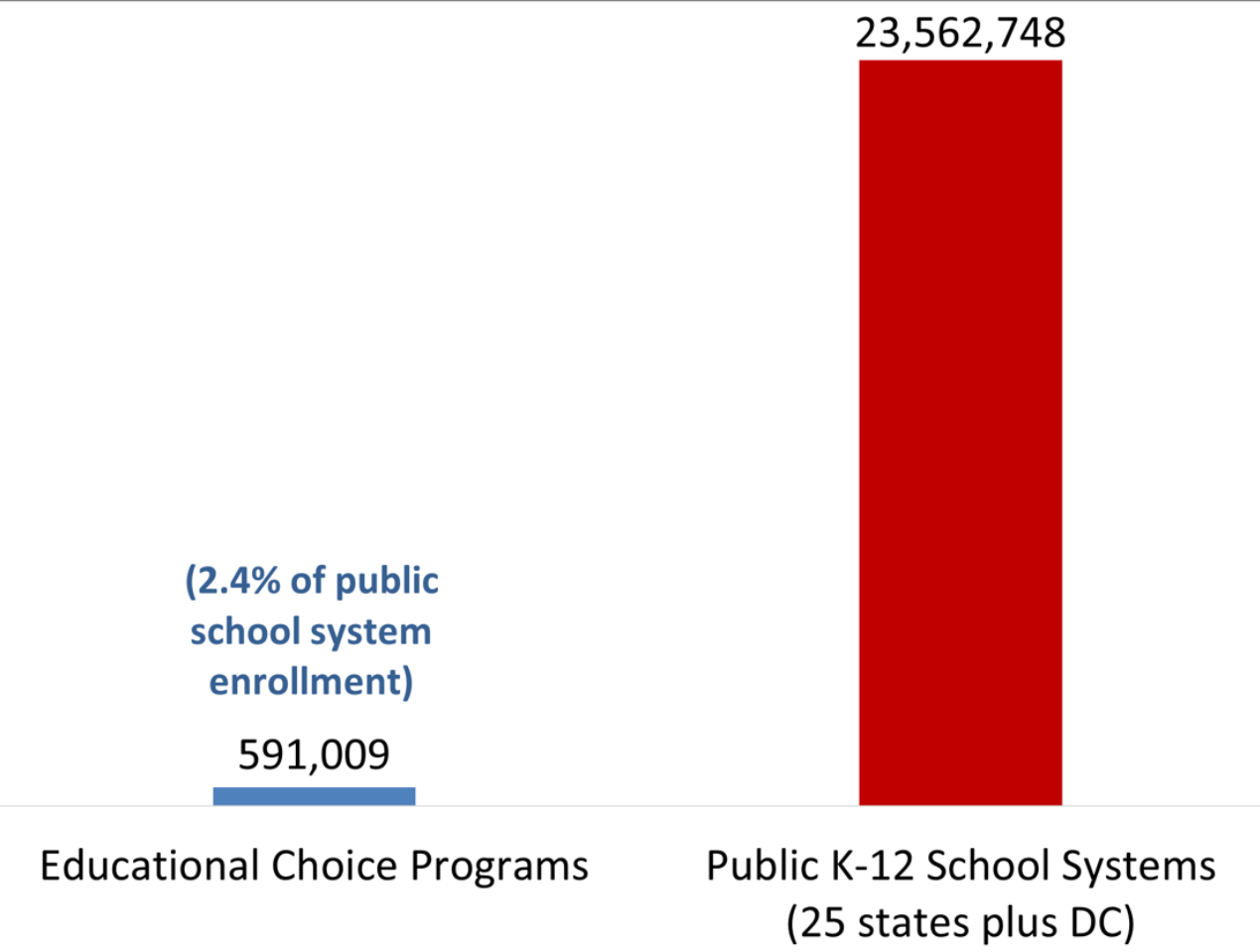
Overall Take-Up Rates By Program Type, 1990-2021 (47 programs in 25 states & D.C.)					
	Year 1	Year 2	Year 3	Year 4	Year 5
All programs	0.46%	0.86%	1.12%	1.44%	1.68%
ESA	0.25%	0.66%	1.07%	1.72%	2.16%
Tax Credit	0.35%	0.59%	0.87%	1.10%	1.23%
Voucher	0.70%	1.36%	1.77%	2.12%	2.51%

Take-up rate = participants / eligible students

→ These rates reflect mostly targeted choice programs and programs with public school prior enrollment requirements.

# Participation Rates: Universal Programs

Overall Take-Up Rates for Universal and Near-Universal Education Choice Programs, By Year in Operation as a Universal Program			
State	Program	Year 1	Year 2
AZ	Empowerment Scholarships	5.2%	6.1%
FL	Family Empowerment Scholarships	7.8%	
IN	Choice Scholarship Program	6.1%	
NC	Opportunity Scholarships	1.8%	
OH	EdChoice Expansion Scholarships	4.5%	
WV	Hope Scholarship	1.0%	2.4%
<b>Total</b>		<b>4.5%</b>	<b>5.5%</b>



### Basic Fact #1:

Students in choice programs comprise 2.4% of publicly funded K-12 students nationally.

### Basic Fact #2:

Public spending on choice programs represents 1% of total public spending on public K-12.



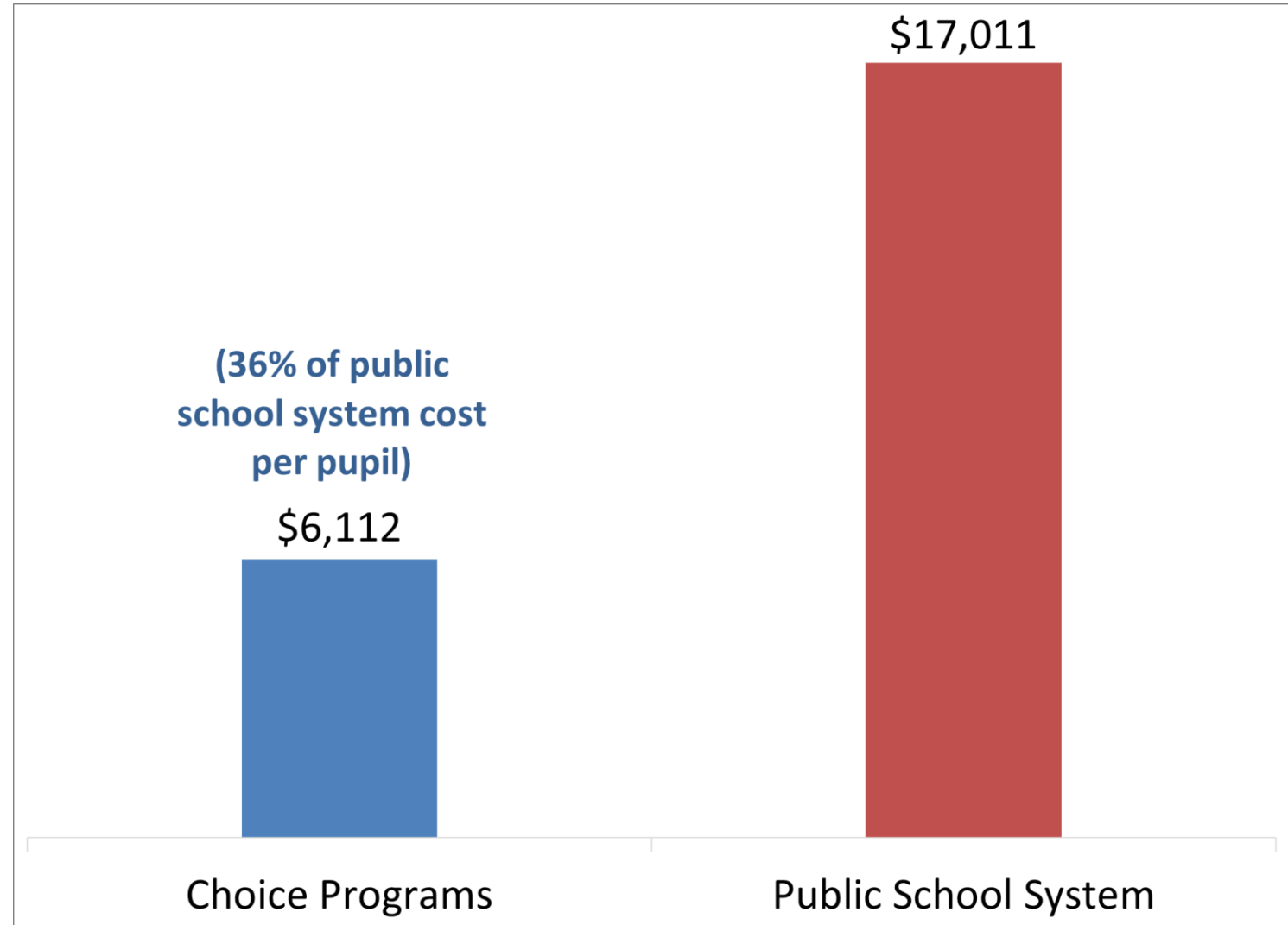
# Choice Share of Students and Funding in Your States

**Table: Total Cost and Participation of Currently Operating Private School Choice Programs as Shares of Total Public School Revenue and Enrollment, FY 2022 By State (\$ in Millions)**

State / Jurisdiction	Participation			Cost		
	Students in choice programs	Students in K-12 public schools	Choice Student Share (% of Students in Public Schools and Choice Programs)	Total public funding for choice programs	Total public funding for K-12 public schools, all sources	Choice Cost Share (% of Total Costs for Public Schools and Choice Programs)
Alabama	2,611	748,274	0.3%	\$20.2 Million	\$10.8 Billion	0.2%
Arizona	86,713	1,116,643	7.2%	\$450.4 Million	\$14.7 Billion	3.0%
Louisiana	8,421	683,216	1.2%	\$48.8 Million	\$11.6 Billion	0.4%
Nevada	1,497	486,524	0.3%	\$11.4 Million	\$6.7 Billion	0.2%
New Hampshire	1,443	165,071	0.9%	\$3.0 Million	\$3.6 Billion	0.1%
North Carolina	23,270	1,525,223	1.5%	\$96.9 Million	\$19.8 Billion	0.5%
Oklahoma	3,913	698,696	0.6%	\$16.4 Million	\$8.9 Billion	0.2%
South Carolina	1,365	780,878	0.2%	\$2.5 Million	\$13.5 Billion	0.02%
Virginia	4,843	1,249,815	0.4%	\$11.4 Million	\$21.0 Billion	0.05%
<b>National Total</b>	<b>591,009</b>	<b>23,562,748</b>	<b>2.4%</b>	<b>\$3.7 Billion</b>	<b>\$383.0 Billion</b>	<b>1.0%</b>

# Basic Fact #3:

Choice programs receive 64% less per student than what public schools receive.





In states with choice programs, what percentage of state budgets combined is used to fund education choice programs?

18



Less than 1%



1% to 5%




5% to 10%




More than 10%



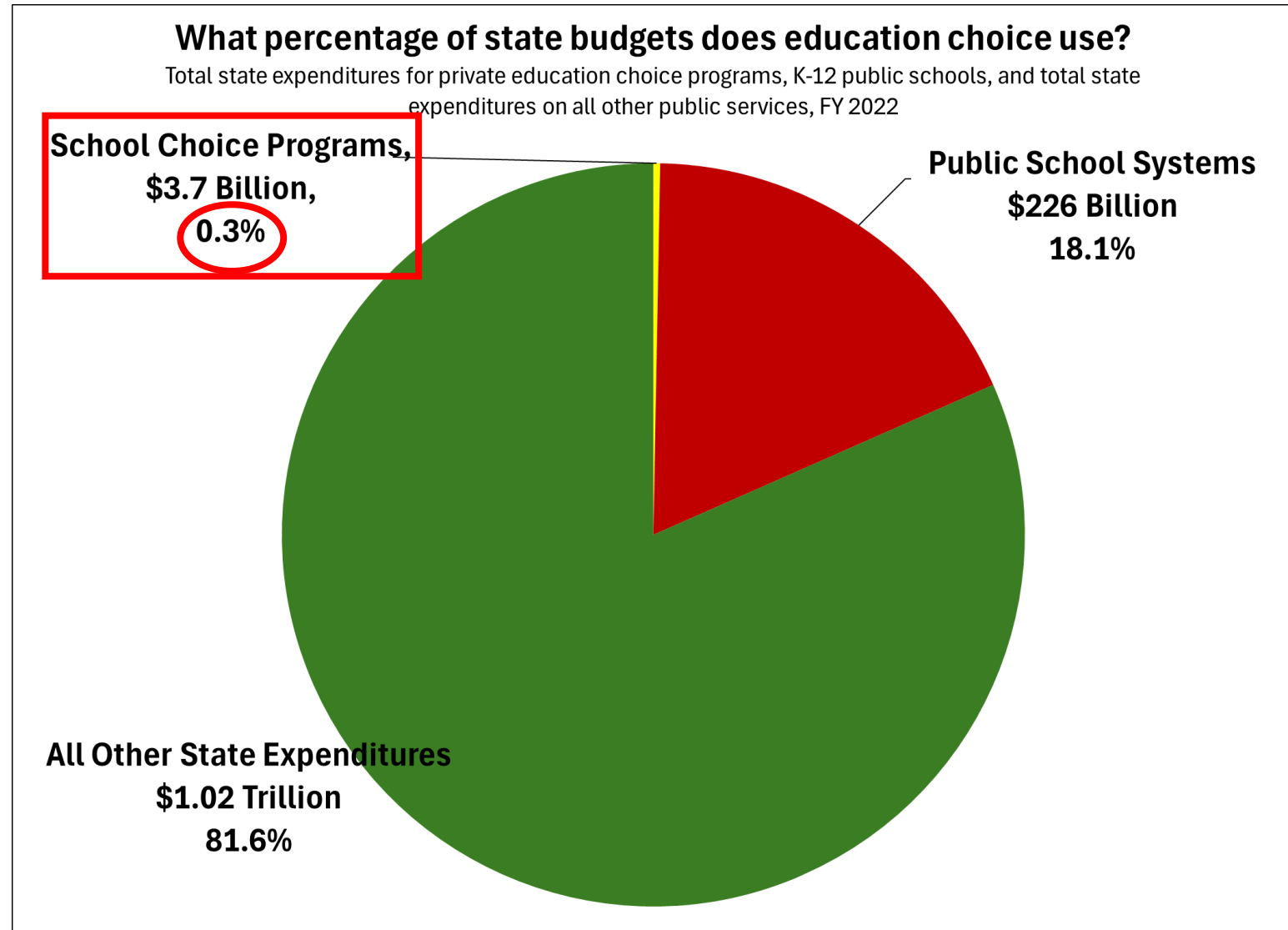


**Claim: Education choice programs will “blow a hole” in state budgets**



# Basic Fact #4:

The cost of choice programs represents 0.3% of states' budgets for all public services.



# Choice Cost as Percent of State's Budget

Table: Comparing state's cost for private education choice programs with state total expenditures for all public services (FY 2022)

State / Jurisdiction	Total Cost of All Choice Programs within State	State Total Spending on Public Services	Choice cost as % of state's total expenditures
Alabama	\$20.2 Million	\$37.9 Billion	0.1%
Arizona	\$450.4 Million	\$80.5 Billion	0.6%
Louisiana	\$48.8 Million	\$39.7 Billion	0.1%
Nevada	\$11.4 Million	\$20.1 Billion	0.1%
New Hampshire	\$3.0 Million	\$7.8 Billion	0.04%
North Carolina	\$96.9 Million	\$59.0 Billion	0.2%
Oklahoma	\$16.4 Million	\$27.1 Billion	0.1%
South Carolina	\$2.5 Million	\$32.3 Billion	0.01%
Virginia	\$11.4 Million	\$74.9 Billion	0.02%
All States w/ Choice Programs	\$3.7 Billion	\$1.25 Trillion	0.3%





**Claims: 70% to 90% of ESA  
students in universal  
programs “were already  
in private schools”**



# Arizona Universal ESA Program



**Claim: 80% of ESA students came from private schools, per AZ DOE data**

**Table 2: Number and percent of students who attended a public school immediately prior to enrolling in ESA program<sup>1</sup>**  
Fiscal Years 2023 and 2024

ESA program enrollment year	Number of students in public school immediately before ESA enrollment	Total students entering ESA program	Percent of students in public school immediately before ESA enrollment
FY 2023	6,157	29,176	21%



# Arizona Universal ESA Program



One major problem with this claim: AZ also has operated four tax-credit scholarship programs for decades

**Table 2: Number and percent of students who attended a public school immediately prior to enrolling in ESA program<sup>1</sup>**  
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# Arizona Universal ESA Program



Opponents still claim 80% of ESA students came from private schools, even though we have Year 2 (2024) data

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Fiscal Years 2023 and 2024



ESA program enrollment year	Number of students in public school immediately before ESA enrollment	Total students entering ESA program	Percent of students in public school immediately before ESA enrollment
FY 2023	6,157	29,176	21%
FY 2024 <sup>2</sup>	11,845	19,252	61.5%



# Take-up rates: New Universal Choice Programs

Participation by year in operation for Iowa and New Hampshire ESA programs

	Iowa ESA	New Hampshire EFA		
	Year 1 (2023-24)	Year 1 (2021-22)	Year 2 (2022-23)	Year 3 (2023-24)
% of eligible public school students who use ESAs	2.5%	1.7%	3.0%	2.8%
% of eligible non-public school students who use ESAs	22.7%	19.1%	32.3%	29.6%
Program participation rate (% of all eligible students who participate in program)	3.3%	3.3%	5.8%	5.4%
Est. switcher rate claimed by critics	33%	10%	10%	10%
Est. switcher rate based on more complete data	70%	45%	45%	45%



# Net Fiscal Effects of Education Choice Programs





# Fiscal Effects Studies

These studies examine the fiscal effect that private school choice programs have on taxpayers, state budgets and public school districts.

There have been **75 fiscal studies** of choice programs that account for both costs and savings from these programs.

**69\***

**Net fiscal benefits**

\*This includes 4 studies which reported net costs in the short run and net benefits in the long run.

**5**

**Cost-neutral**

**5\***

**Net costs**

\*This includes 4 studies which reported net costs in the short run and net benefits in the long run.



# Short-Run Fiscal Effects

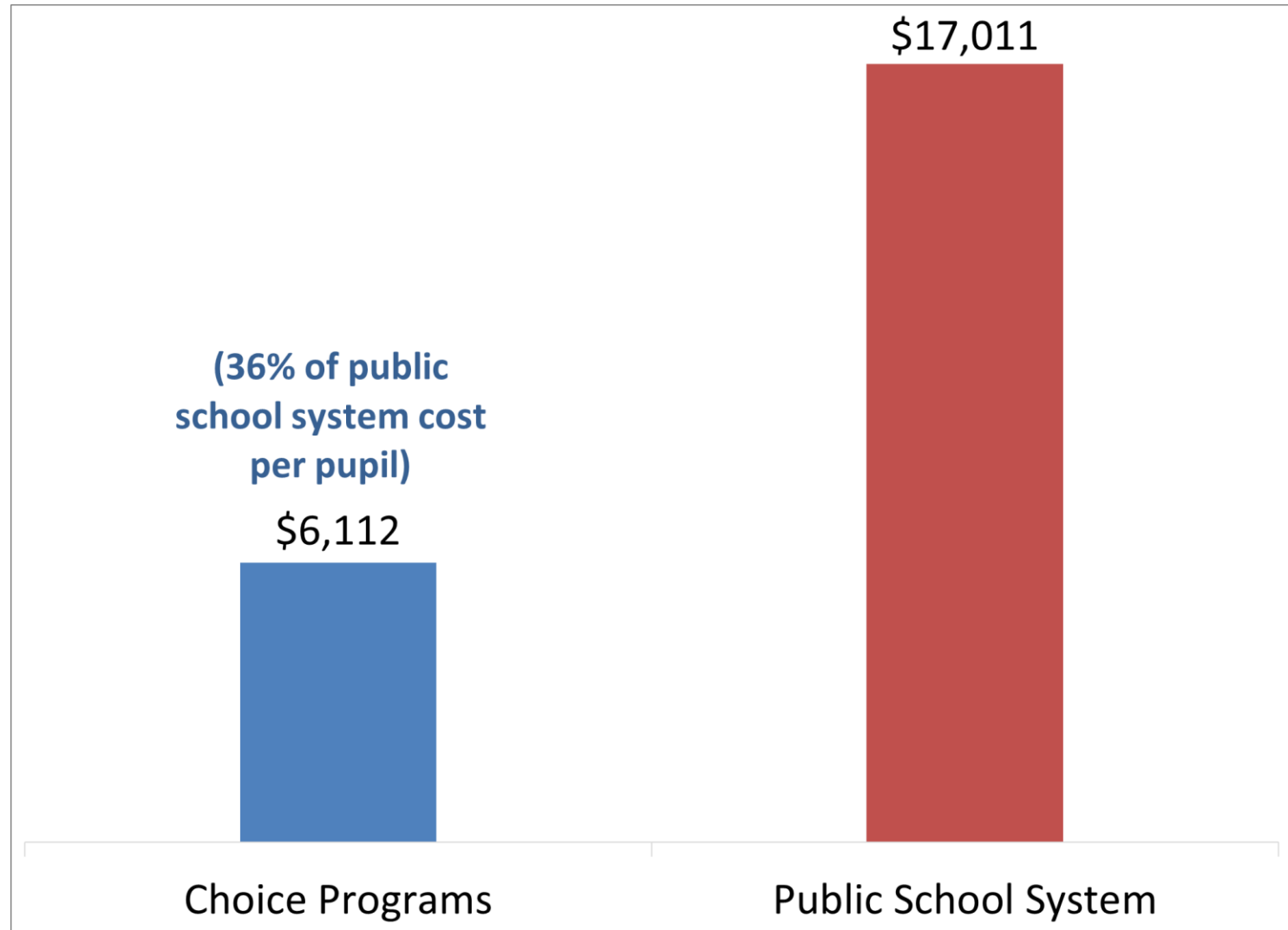
*Overall net fiscal effect (NFE) on state and local taxpayers*

$$\text{NFE} = [\text{Short-run variable savings from switchers}] - [\text{Cost of ESA Program}]$$

# Fiscal alignment for a school choice program to result in savings:



**This funding gap suggests significant savings in the long run when students switch out of the public school system**



# Long-Run Fiscal Effects

Fundamental economic principal: in the long run, all costs are variable.

Long run NFE is measured by comparing cost of the choice program with the total cost to educate participants in the public school system.

# Fiscal study of 48 education choice programs in the U.S. through FY 2022

- **Estimated cumulative net fiscal savings for state and local taxpayers were \$19.4 billion to \$45.6 billion, or up to \$7,800 per student participant**
- **Put another way, for each dollar spent on choice programs, taxpayers experienced between \$1.70 and \$2.64 in fiscal benefits**

**\*\*\* All programs in the study have been in operation for at least 5 years, suggesting that fiscal effects are closer to the long-run estimates**





**Claims: Choice programs  
harm public school  
students**



# Effects on Public School Students

These studies examine whether a private school choice program affects the academic outcomes of students who remain in public schools

There have been **29 competitive effects studies** of educational choice programs.

**26**

Positive Effects

**1**

No Detected  
Effect

**2**

Negative Effects

# Do Educational Choice Programs Harm Public School Students? (1)

A 2019 meta-analysis (statistical analysis for a “study of studies”) concluded:

*“In general, competition resulting from school-choice policies does have a small positive effect on student achievement. The lack of an overall negative impact on student outcomes might ease critics’ concerns that competition will hurt those students ‘left behind’ due to school-choice policies.”*

- Jabbar et al. (2019), The Competitive Effects of School Choice on Student Achievement: A Systematic Review, *Education Policy*

# Do Educational Choice Programs Harm Public School Students? (2)

When choice programs expand funding and eligibility, students who remain in public schools:

- Improve student learning
- Lower absenteeism
- Lower suspension rates

- David N. Figlio, Cassandra M. D. Hart, and Krzysztof Karbownik (2023), Effects of Maturing Private School Choice Programs on Public School Students, *American Economic Journal: Economic Policy*, 15(4), pp. 255-294, <https://doi.org/10.1257/pol.20210710>

**Thank you!**

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# The K-12 School Choice Calculator



**Fiscal Research  
& Education Center**  
By EdChoice

[schoolchoicecalculator.com](http://schoolchoicecalculator.com)

The screenshot shows the website interface for the K-12 School Choice Calculator. At the top, there are logos for the Reason Foundation, EdChoice, and FREC (Fiscal Research & Education Center by EdChoice). Navigation links for 'Calculator', 'About', and 'Methodology' are in the top right. A sidebar on the left contains 'Inputs', 'Key Figures', 'Comparison', and 'Fiscal Effects Math'. The main heading is 'K-12 School Choice Calculator' with the subtitle 'A tool that estimates the fiscal effects of school choice for your state.' The first step, '1. Select State', features a dropdown menu with 'Alabama' selected and a map of the United States where Alabama is highlighted in orange. The second step, '2. Select Program Inputs', includes a form with the following values: 'Select Plan Type' set to 'Universal', 'Take-Up Rate Public' set to '1%', 'ESA amount' set to '\$ 7000', and 'Take-Up Rate Non-Public' set to '20%'. Below the form, a summary text states: 'Based on your inputs, this Alabama ESA program would generate **\$120,224,868** in short-run net fiscal costs and **\$87,322,740** in long-run net fiscal costs. This range represents between a **\$4,885** cost and a **\$3,548** cost per student.'

“It will only drain resources from our schools.”

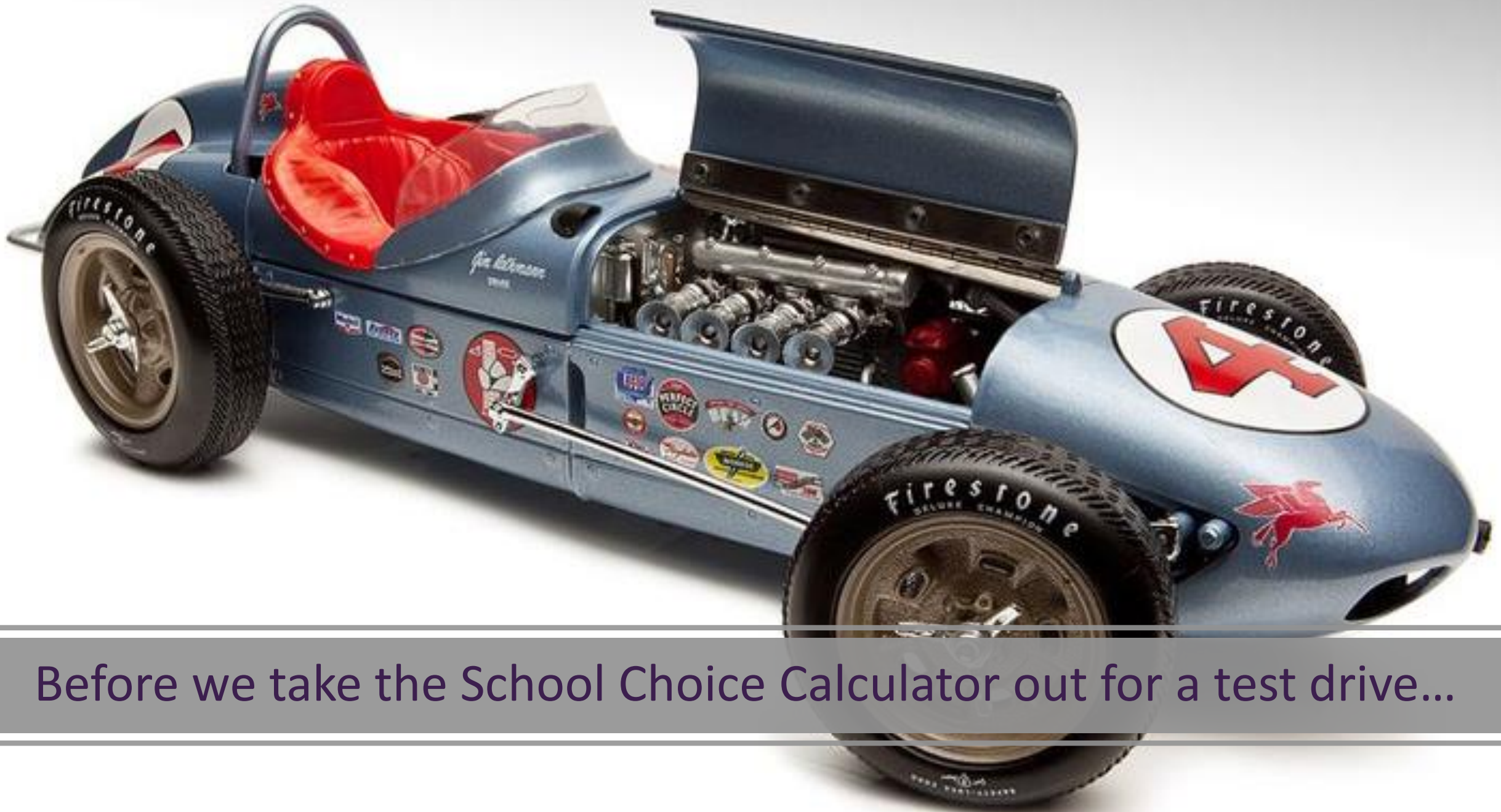
...vouchers would contribute to the deterioration of schools.”

## Why this tool?

“I think it’s an attempt to strip the public schools of the resources that they have, and the resources we have are not enough.”

“This will kill public education...”

“I think vouchers would weaken and, in some cases, destroy public schools.”



Before we take the School Choice Calculator out for a test drive...



# K-12 School Choice Calculator



**What the SCC does:** The SCC generates a range of estimates for the fiscal effects of educational choice programs that accrue to state and local taxpayers combined. It provides an overall fiscal effect.

**What the SCC does not do:** The SCC does not track dollar flows which demonstrate a budgetary effect. It is *not* a fiscal note.



The SCC uses the same methodology as those used in EdChoice's fiscal effects report.



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# FISCAL EFFECTS OF SCHOOL CHOICE

Analyzing the costs and savings of private school choice programs in America

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**Martin F. Lueken**

Director, Fiscal Research and Education Center



# Fiscal Effects

What is the fiscal impact on state and local taxpayers?

## *Overall net fiscal effect (NFE)*

$$\text{NFE} = [\text{Savings from switchers}] - [\text{Cost of ESA Program}]$$

Switchers are students who would have attended public schools without the financial assistance from the educational choice program

→ Switchers generate fiscal benefits

Non-switchers represent pure cost and can eat into savings

# Fiscal Effects: Key Components

- ESA, voucher, or scholarship amount
- Number of students who participate
  - Key: “switchers” vs. “non-switchers”
- Variable costs of public school system (short-run and long-run)

# Claims about participation in choice programs

All or most eligible students will use a choice program (after all, it's "free money," so why wouldn't someone use it?)

70-90% of ESA students were already in private schools (implies a 10-30% switcher rate)

- AZ DOE: 79% of ESA students "in public school immediately before ESA enrollment" during the first year
- IA DOE: 12.7% of ESA students previously attended public school

*\*\* Be careful relying on media reports, government reports, or others for information about switchers. These reports are unreliable and inaccurate*

# Take-up rates: New Universal Choice Programs

Switcher rates by year in operation for Iowa and New Hampshire ESA programs				
	Iowa ESA	New Hampshire EFA		
	Year 1 (2023-24)	Year 1 (2021-22)	Year 2 (2022-23)	Year 3 (2023-24)
Public TUR (switchers)	2.5%	1.7%	3.0%	2.8%
Nonpublic TUR (non-switchers)	22.7%	19.1%	32.3%	29.6%
Program TUR (overall)	3.3%	3.3%	5.8%	5.4%

***Key inputs for the SCC:*** take-up among eligible public school students (“switchers”) and take-up among eligible nonpublic school students (“non-switchers”)

# Variable Costs

- Variable costs refer to costs that change proportionally with enrollment (e.g., textbooks, software licenses, personnel costs).
  - Fixed costs are those that do not change with enrollment (e.g., debt service, building costs, and utilities).
  - In the short run, some costs are fixed, other costs are variable.
  - In the long run, all costs are variable (over time, districts can fully adjust their operations for a given change in enrollment).
- \*\* You don't have to worry about variable costs, the SCC takes care of this for you!**

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