

Funding Education Opportunity

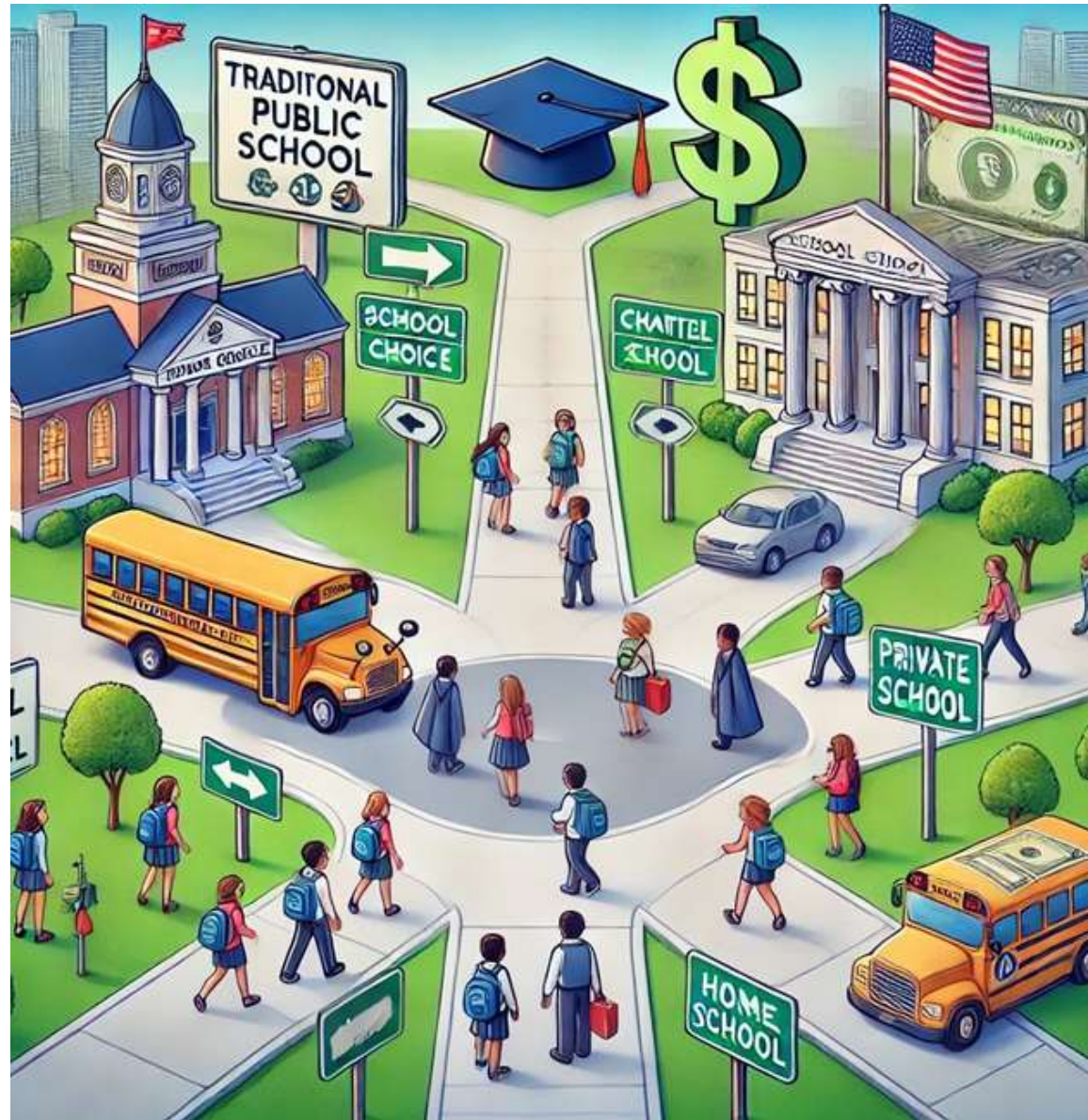
Fiscal Effects on State and Local Taxpayers and Basic Facts


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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**





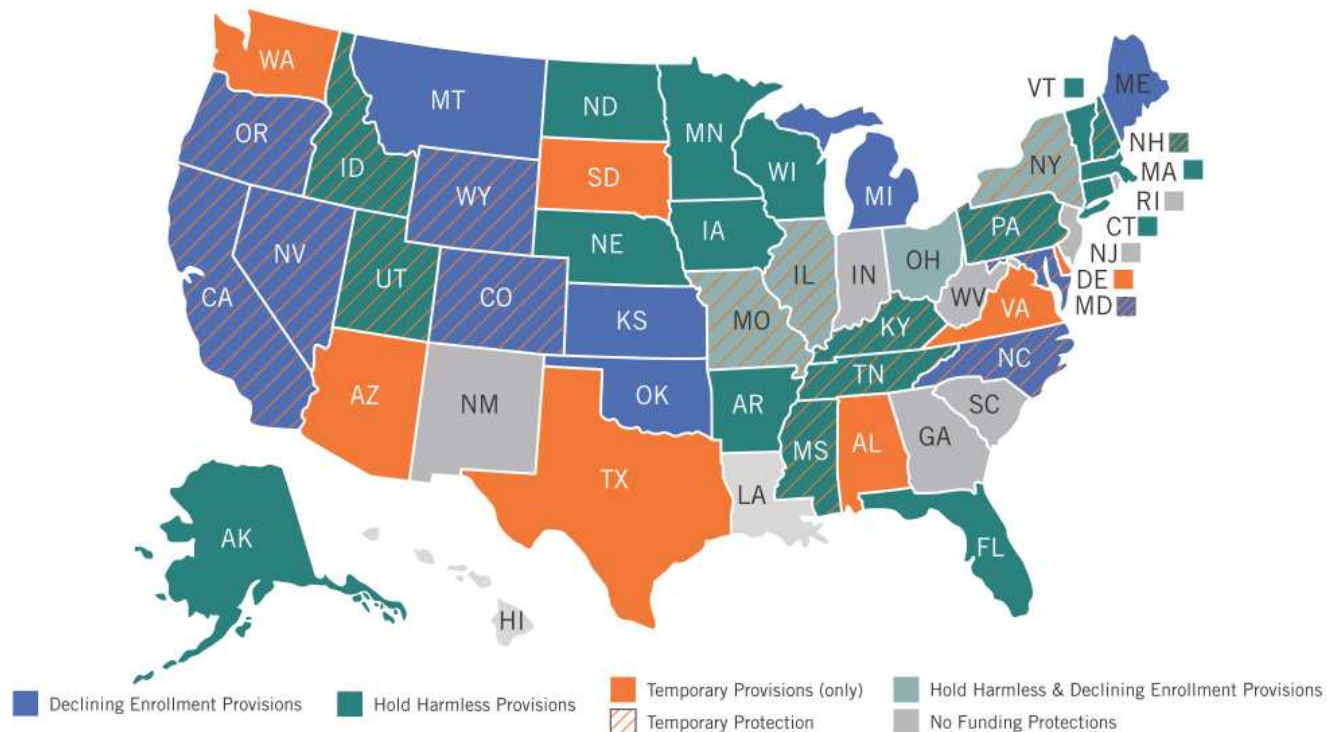
Some states have funding protections, districts receive funding for “ghost” students:

- “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
- 

34 states have some form of funding protection, excluding states with temporary provisions.

FIGURE 7

States with Permanent and Temporary (Pandemic) Funding Protections



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.

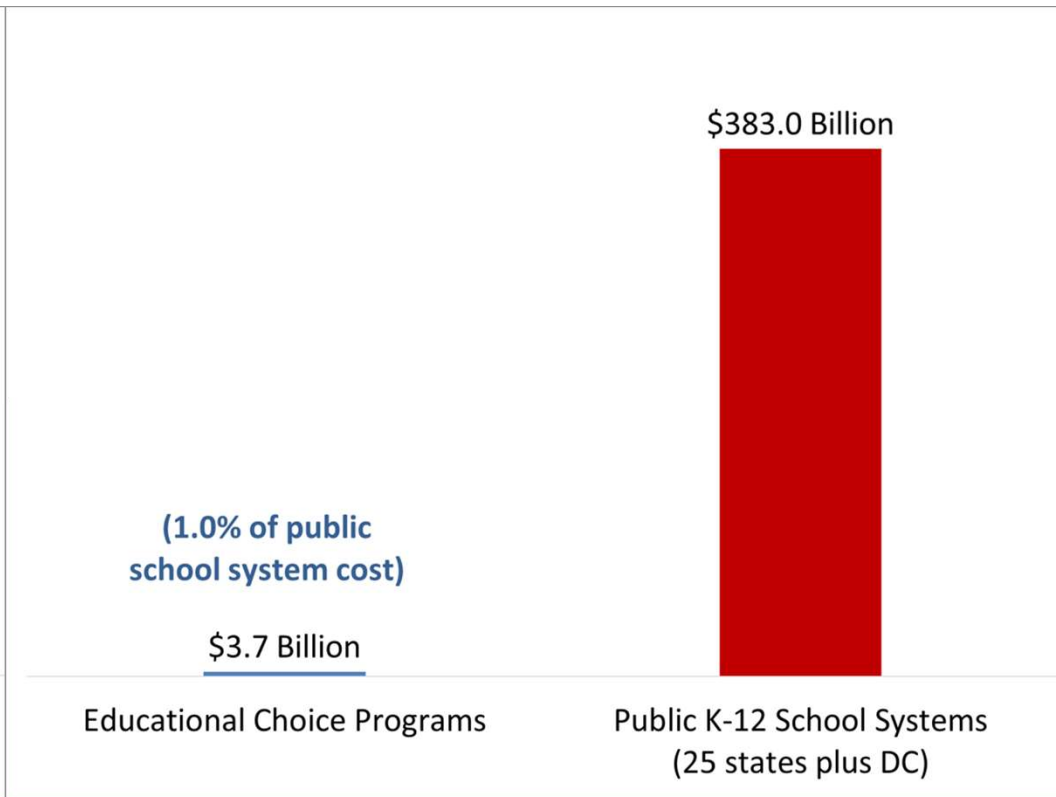
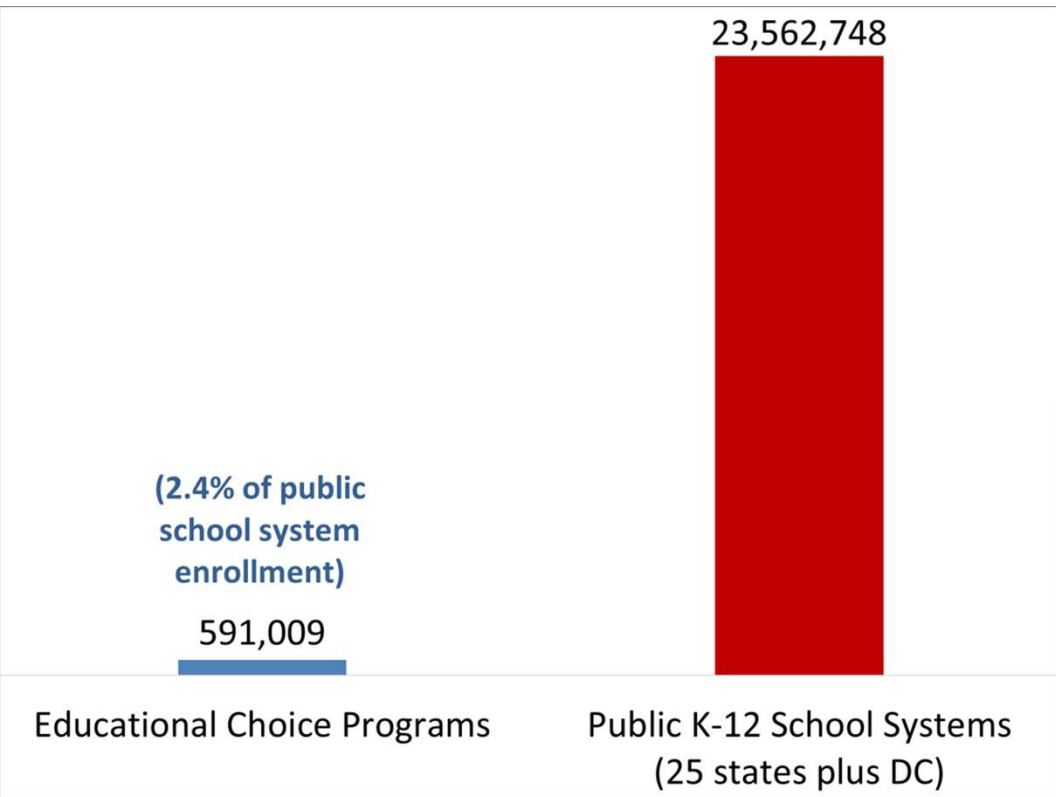


Participation Rates: Universal Programs



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%
Total		4.5%	5.5%





Basic Fact #1:

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

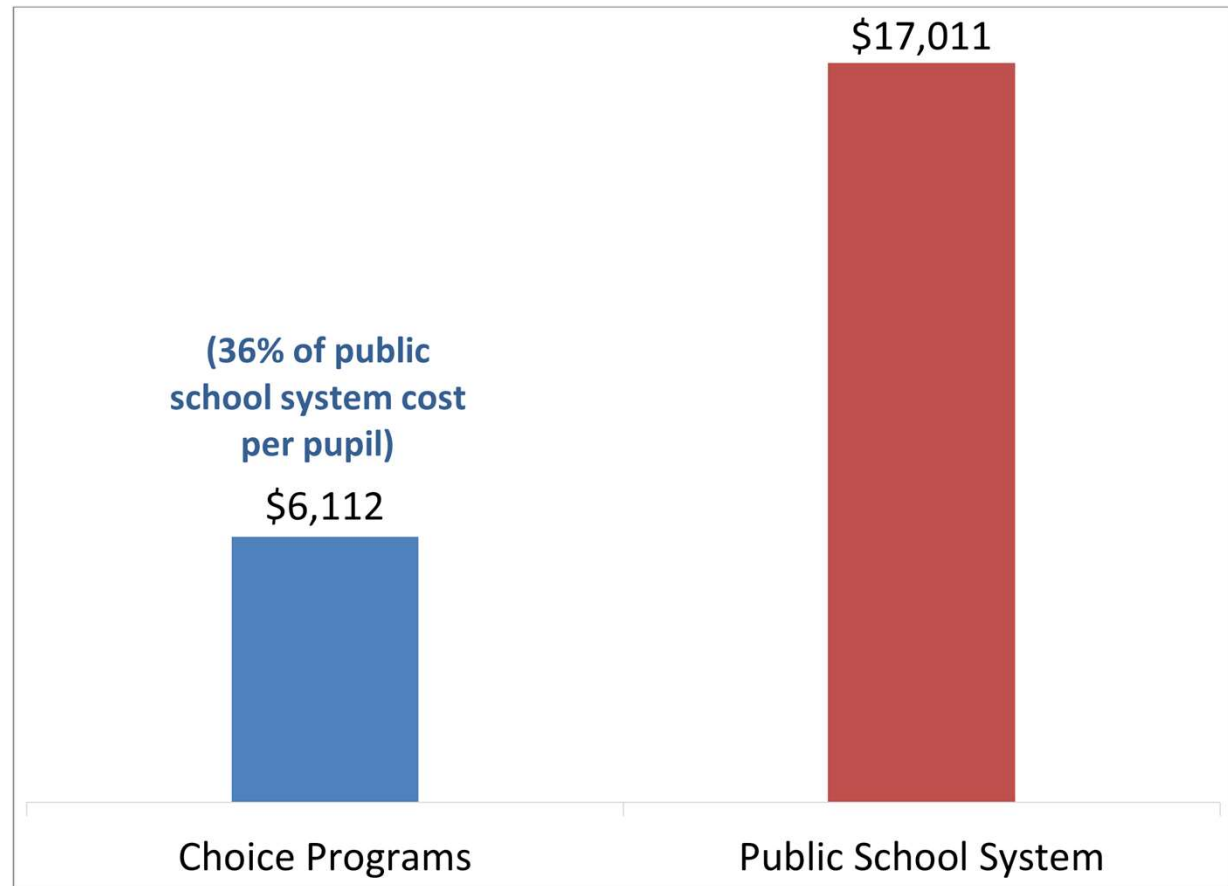
Basic Fact #2:

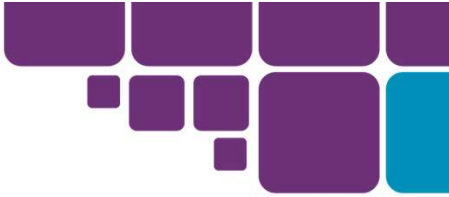
Public spending on choice programs represents 1% of total public spending on public K-12.




Basic Fact #3:

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



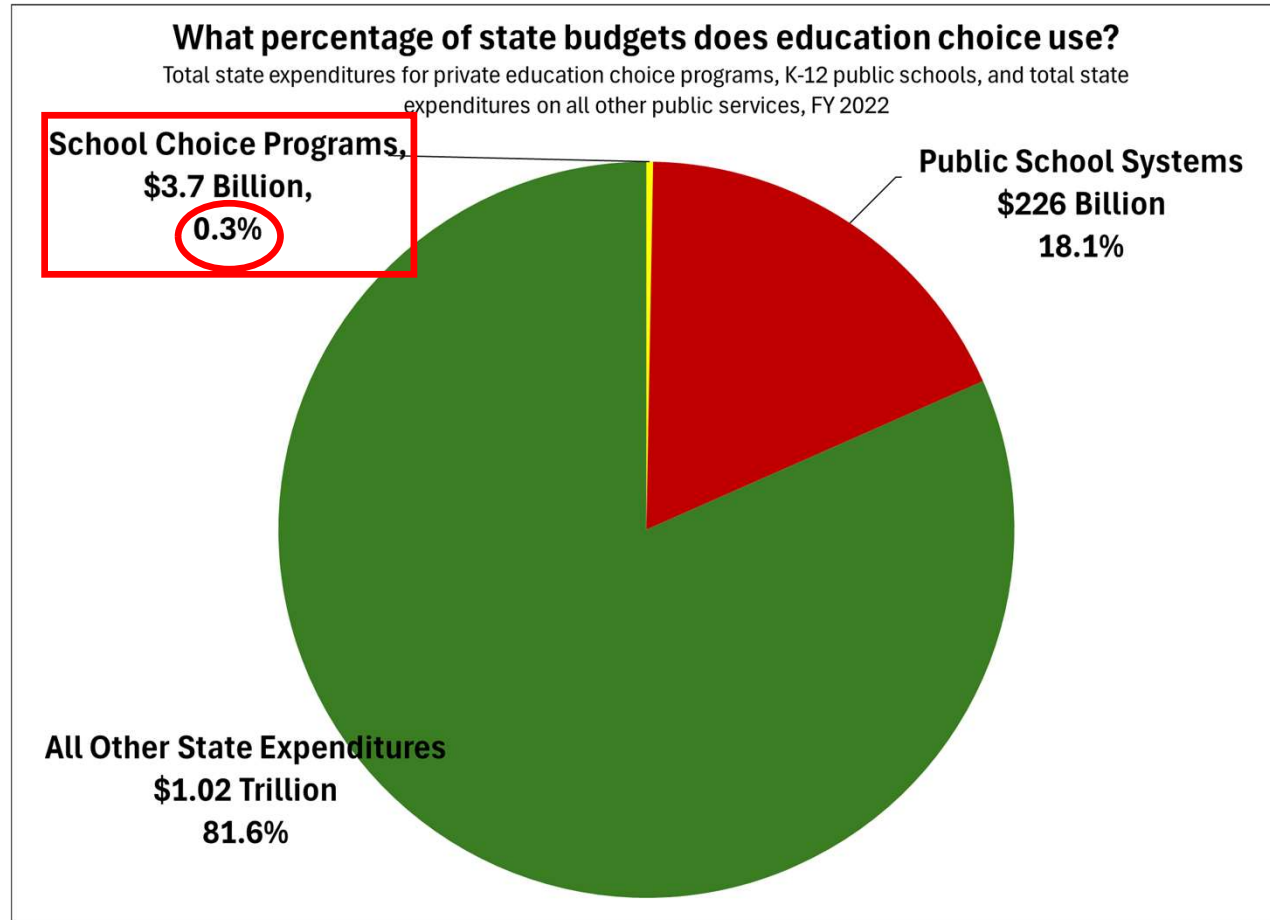


Claim: Education choice programs will “blow a hole” in state budgets



Basic Fact #4:

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

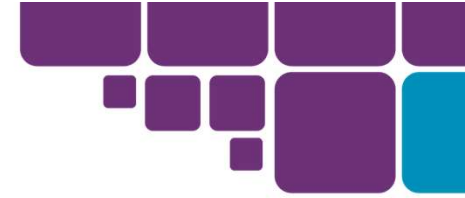




**Claims: 70% to 90% of ESA
students in universal
programs “were already
in private schools”**



Arizona Universal ESA Program



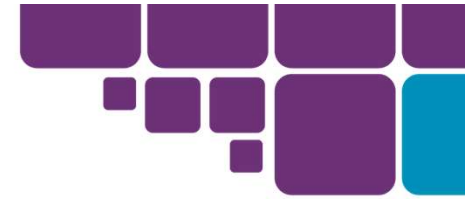
Claim: 80% of ESA students came from private schools, per AZ DOE data

Table 2: Number and percent of students who attended a public school immediately prior to enrolling in ESA program¹
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



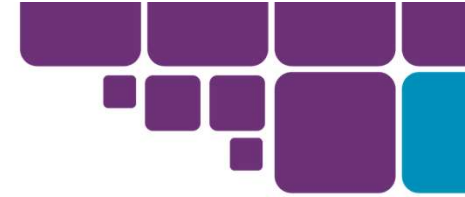
One major problem with this claim: AZ also has operated four tax-credit scholarship programs for decades

Table 2: Number and percent of students who attended a public school immediately prior to enrolling in ESA program¹
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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

Table 2: Number and percent of students who attended a public school immediately prior to enrolling in ESA program¹
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 ²	11,845	19,252	61.5%

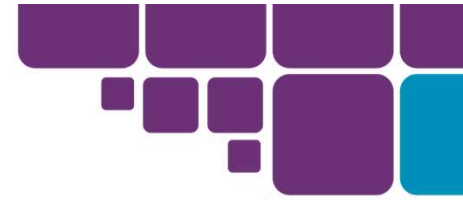


Take-up rates: New Universal Choice Programs

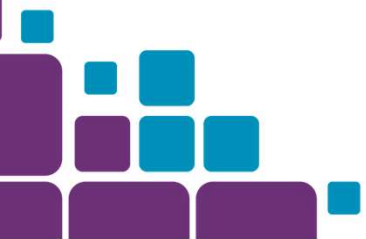


Participation by year in operation for Iowa and New Hampshire ESA programs				
	Iowa ESA	New Hampshire EFA		
	Year 1 (2023-24)	Year 1 (2021-22)	Year 2 (2022-23)	Year 3 (2023-24)
% of eligible public school students who use ESAs	2.5%	1.7%	3.0%	2.8%
% of eligible non-public school students who use ESAs	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.

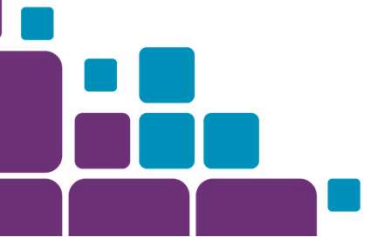
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Cost-neutral

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

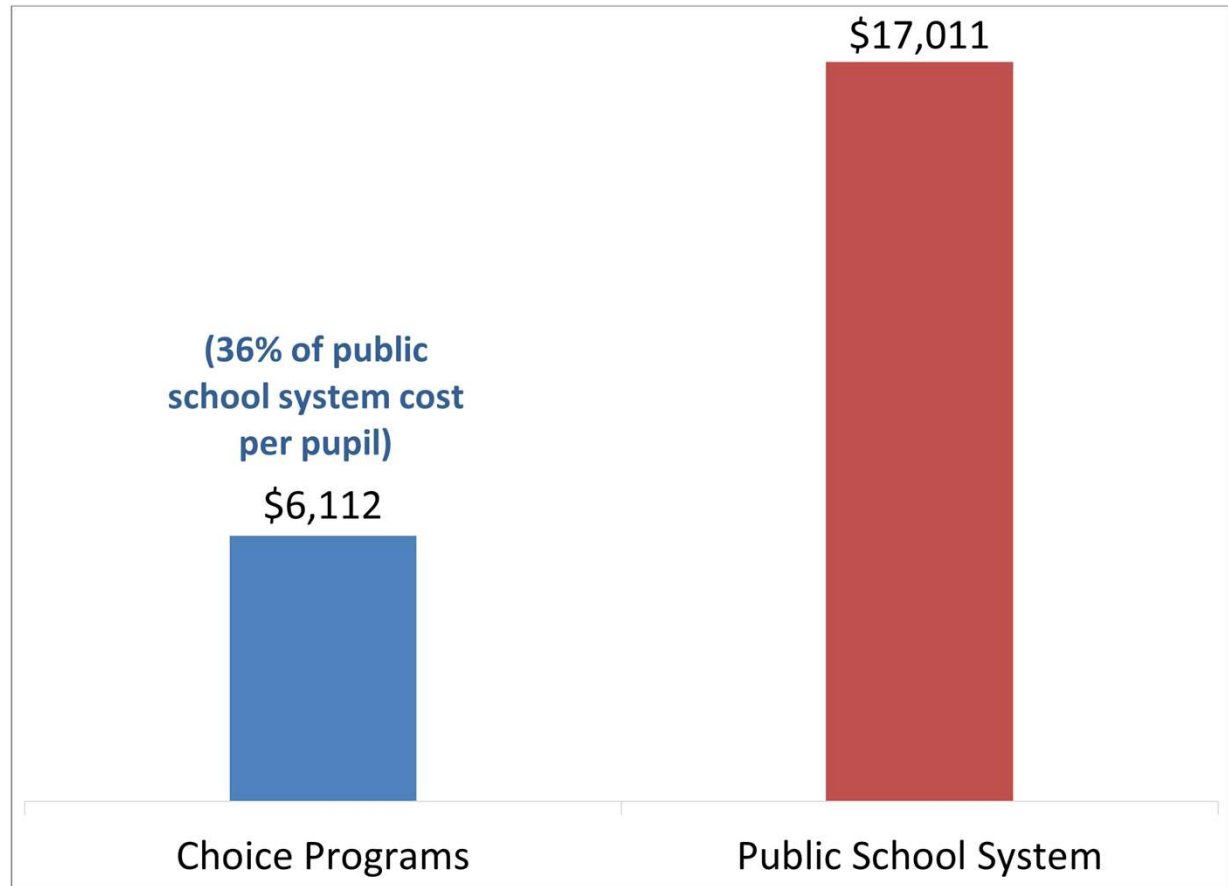
Overall net fiscal effect (NFE) on state and local taxpayers

NFE = [Short-run variable savings from switchers] – [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

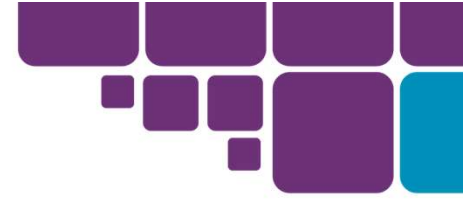
Fundamental economic principal: in the long run, all costs are variable.

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

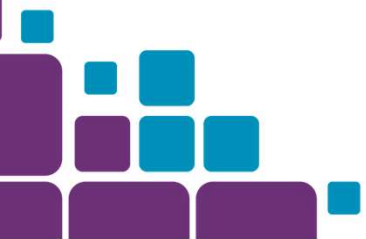
Fiscal study of 48 education choice programs in the U.S. through FY 2022

- 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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