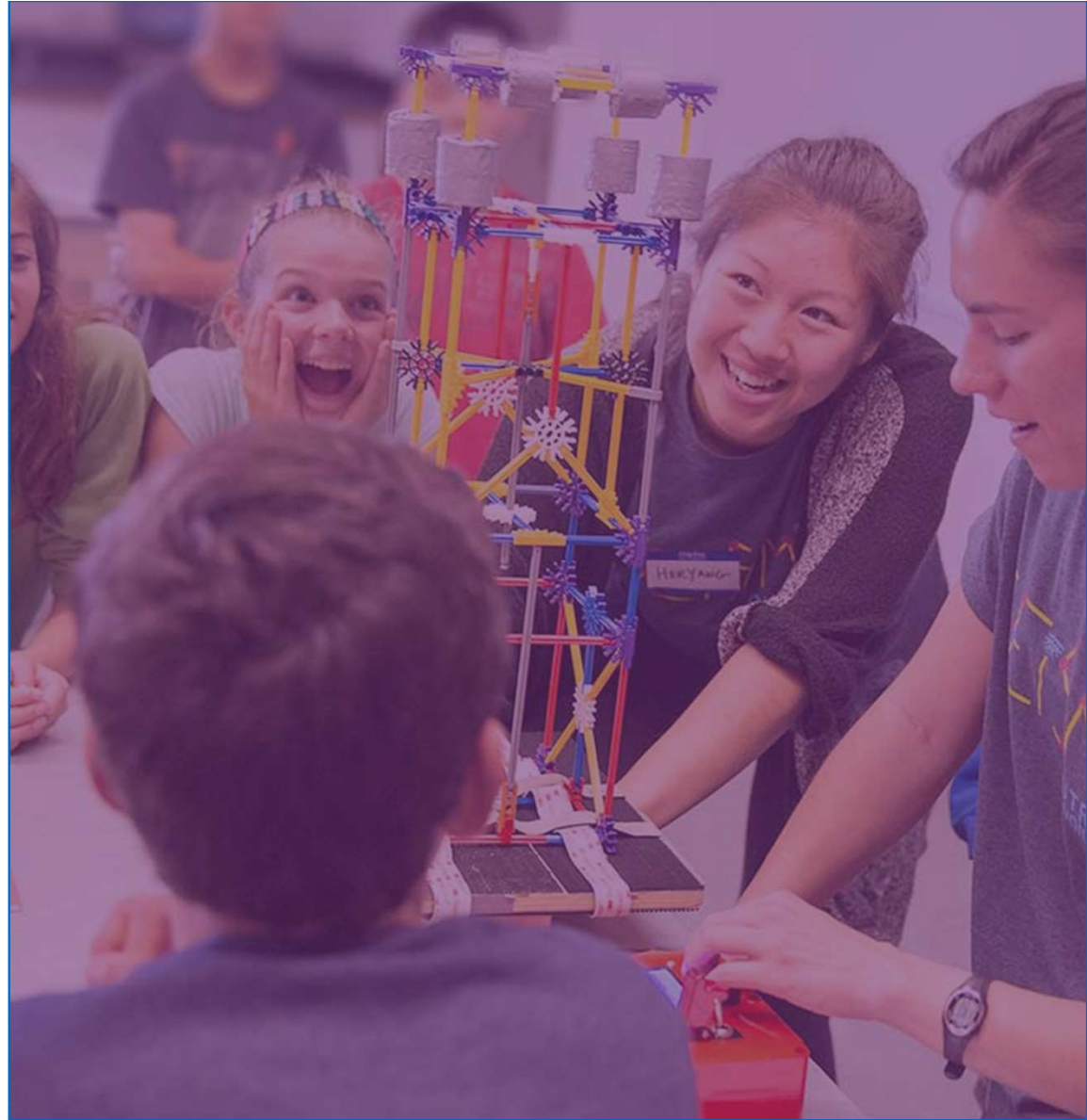


# Challenges in ESA Implementation



“ I am so unbelievably grateful for this scholarship. I know there’s been a lot of unknown, but this has been the most amazing blessing for our family. Thank you to all those who made this possible for us! ”

— Utah Parent

**“ We are not a wealthy family, we own a small business; because of the WV Hope Scholarship, we can purchase all necessary things for them to succeed. Not only the necessary items, but extra courses that fuel their creativity or curiosity are available to us now where they would never have been accessible before. ”**

**— West Virginia Parent**

“As a low-income family, we’ve been able to make our dream of homeschooling a reality without the financial strain that would otherwise come with it. [The] ESA allows us to afford essential supplies and curriculums, giving our daughter the opportunity to explore her passions in horsemanship and theatre. Most importantly, the program has enriched our family life by allowing us to spend more time together.”

— Arizona Parent

HELP!



“ Public school failed my son so I was grateful that this was an option. However, if I cannot use the funds that are in his account for curriculum, materials, etc. that he needs, then the ESA is failing my son as well. ”

“ How are we supposed to pay for stuff? I certainly don't have any extra funds in my budget to pay for anything. I don't want to put anything on a credit card and have to pay interest. If we are getting this scholarship because we are low income, how do they expect us to be able to use any of this money if we have to put our money on the line first? I feel as though I've been given a great opportunity that I can't actually use because I don't have any extra funds to put down first. ”

“ My wife and I decided to homeschool, and with the ESA, that has become possible. However, the delays associated with ordering through [the digital wallet] have made it challenging... we have had to wait over a month for nearly every order we have placed... Homeschooling families like ours are at risk of falling behind their peers that attend public school or private school. ”



# Challenges Families Face



## LONG APPROVAL WINDOWS

Average approvals take anywhere from 1-21 days. Families have reported losing their spot in an education program for their child while waiting.



## SLOW REIMBURSEMENTS

It can take 7-30 days depending on the state to receive a reimbursement. This is particularly hard on lower income families.



## HIGHER COSTS OF GOODS & SERVICES

Parents have reported the costs of goods inside the closed marketplace are sometimes more expensive than regular retail.



## HIGH TRANSACTION FEES

In some situations, families are losing 2.5% on transactions that could cost \$0.15. For an \$8,000 scholarship, that is \$200 lost.



## POOR CUSTOMER SERVICE

Whether it is a response from the administrator or the digital wallet vendor, families have reported poor customer service.

---

# EFFECTIVE ESA IMPLEMENTATION

Helping stakeholders create family-centric  
programs that work

---



# Design Considerations

- ESA programs should offer diverse and plentiful educational opportunities, so that each family who uses the ESA program can design an education that meets the needs of each of their children.
- ESA programs should be easy to sign up for, easy to use, and fully meet the educational demands of families.
- Parents should be able to easily find and research the variety of options.
- Parents should be able to easily pay for educational goods and services with the funds that government has allocated for their children's education.

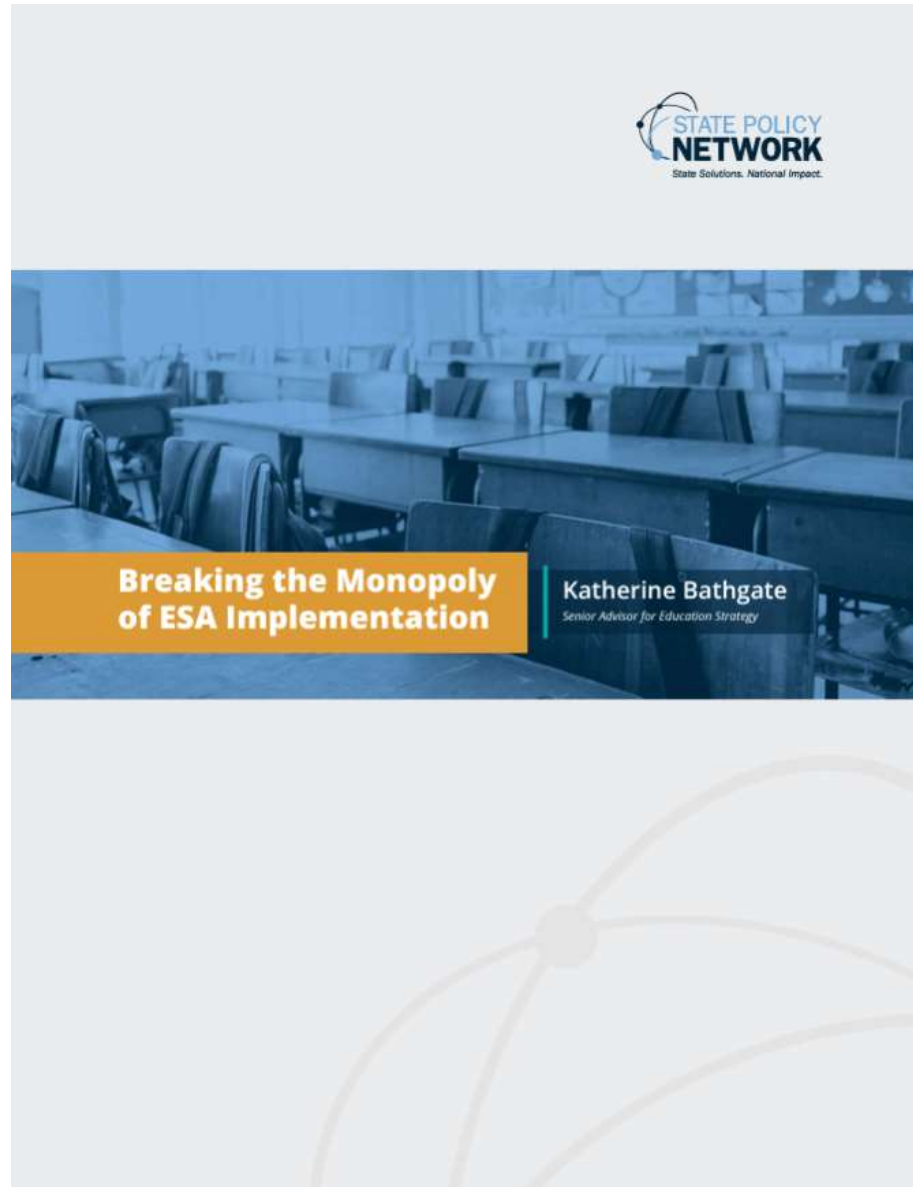
# Meeting Needs of Lawmakers

- **Transparency.** State agencies occasionally default to assuming that busy legislators are not all that interested in ESA implementation, unless there is bad news. State agents, working through their legislative and government liaisons, should have a plan to keep legislators apprised of progress.
- **Program Integrity.** All agencies have an obligation to protect government resources from waste, fraud, and abuse. Because of a small number of bad actors, this obligation becomes an ongoing struggle for every government program in existence, including traditional public schools. Lawmakers often have a specific interest in how agencies are maintaining program integrity.
- **Participation Rates.** Key metrics for the success of an ESA program are, on one hand, the number and portion of eligible students who enroll and then purchase educational goods and services, and, on the other, the number and portion of eligible providers who enroll and are then used by students. Not only is it helpful to manage against such metrics, but it is also productive to provide a dashboard of such metrics to key policymakers. This information will inform their approach as they periodically adjust laws and regulations to meet family needs, keep up with shifting educational landscapes, and respond to unforeseen issues that arise during implementation.

## Katherine Bathgate

- Senior Advisor for Education Strategy, State Policy Network
- CEO, *SchoolForward*

school  
*forward*



# POLICY OPTIONS



## Policy #1

Allow all vendors meeting certain qualification to be a vendor.



## Policy #2

Require administrators of the program to work with a minimum number of vendors.



## Policy #3

Make it permissible for administrators to work with multiple vendors.

# OTHER SOLUTIONS



## SETTING ALLOWABLE IMPROPER PAYMENT RATES

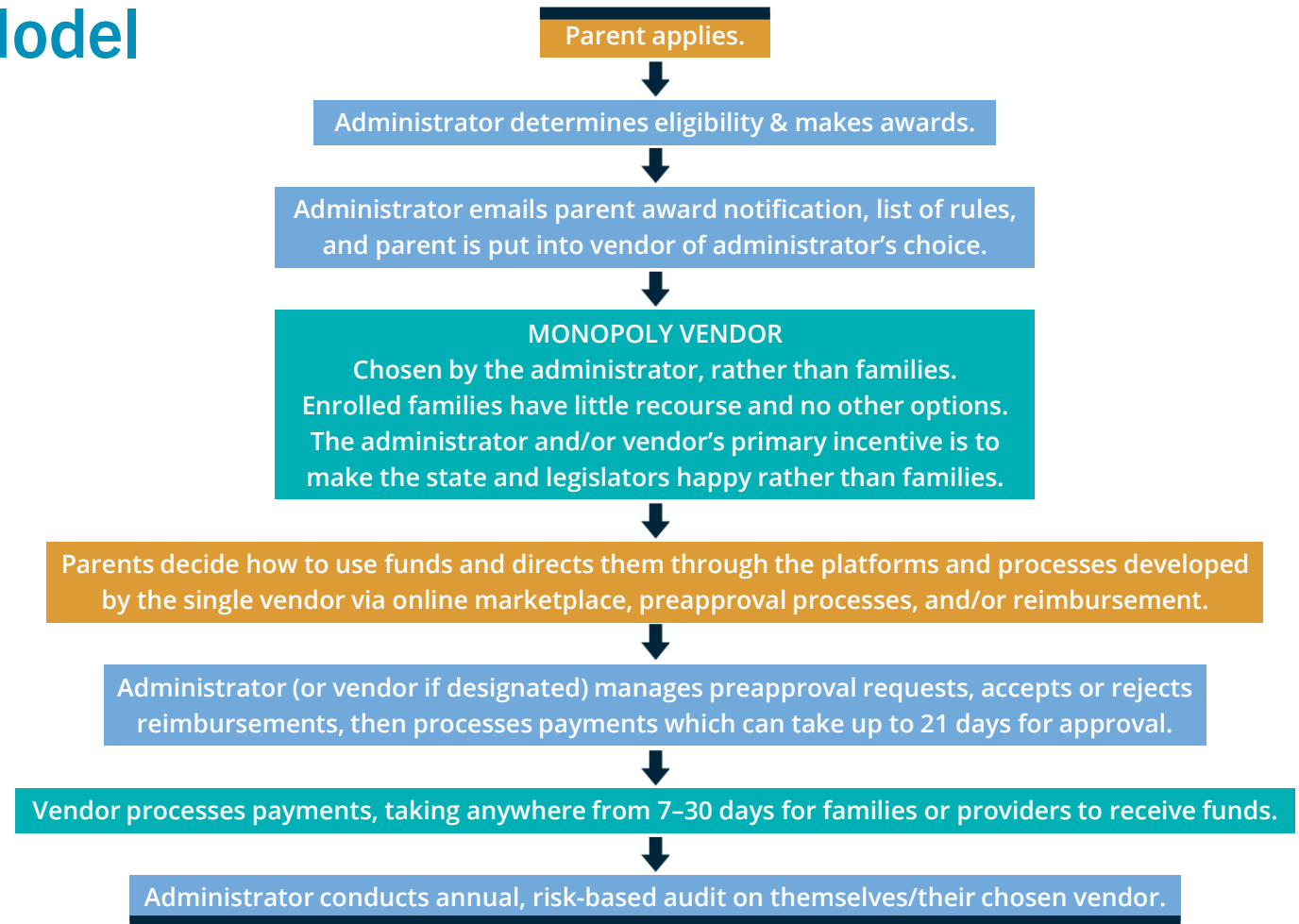
Many government programs have high “improper payment” rates. Medicaid stands at 15% and unemployment benefits stand at 22%. While we shouldn’t let these numbers run wild, ESAs have achieved near 0% rates, but at very high administrative cost and significant burden to families using the ESAs.



## ENCOURAGING DEBIT CARDS

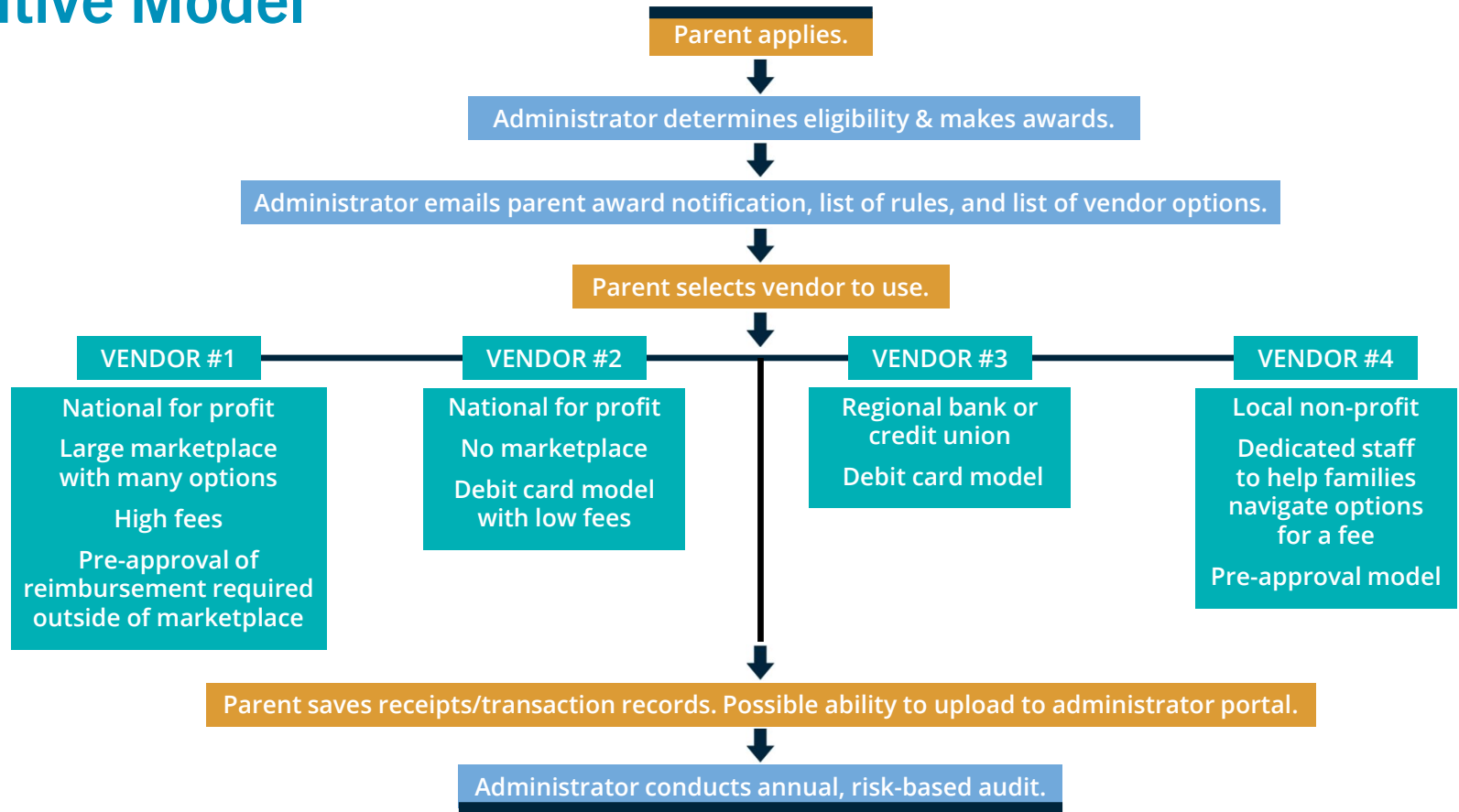
Families – especially low-income families – do not always have the resources to pay for items up front and wait for reimbursement. Debit cards would allow them to pay for allowed K-12 expenses directly, instead of jumping through hoops or waiting on reimbursement. In addition, some have argued debit cards are more secure and less prone to fraud because transactions are more easily tracked.

# The Monopoly Model





# The Competitive Model



# Monopoly vs. Competitive Model

	MONOPOLY	COMPETITIVE
<b>Client</b>	The State	Families/Students
<b>Number of Vendors</b>	Allows only one vendor. Winner takes all.	Allows multiple vendors, creating competition for market share among enrolled families.
<b>General vs. Specialized</b>	Single vendor inevitably must be one size fits all and serve homeschoolers, online, private, and microschool families alike.	Vendors can specialize to meet specific needs of segments of the market. For example, a non-profit who becomes a vendor might choose to serve English Language Learner families.
<b>Auditing</b>	Administrator selects and is responsible for auditing the vendor/themselves.	Administrator must conduct audit on full program and is not auditing themselves, but rather the program as a whole, which includes multiple vendors.
<b>Maximizing Freedom</b>	Families are locked into whatever payment options the single administrator/vendor chooses. For example, only direct pay, no debit cards.	Multiple models can be employed, including marketplace and debit card options, providing more freedom to families.
<b>Provider Experience</b>	Providers are forced into one vendor and have little recourse if payments are slow, complicated, etc.	Providers can choose which vendors to partner with, improving their options and overall experience
<b>Price Transparency</b>	Vendors run exclusive marketplaces and can mark-up costs to families with no ability for families to seek cheaper goods or services elsewhere. Sole vendors can also impose unavoidable transaction fees.	Families can select both vendors and providers with the lowest cost items, services, and transaction fees.