

## Public Money for Private Schools: Education Savings Accounts Can Grow Costly While Doing Little to Improve Education

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January 2019

### Overview and Key Findings

West Virginia legislators are considering enacting voucher-like programs to transfer tax-payer money to private schools. This week they introduced a proposal to create Education Savings Accounts (ESAs) as part of the omnibus education reform bill, SB 451, which would set public money aside for educational services, including private school tuition, textbooks and curriculum materials, private tutoring and contributions to a college savings plan.

ESAs serve the same function as traditional school vouchers in transferring public money to private schools. And while ESAs and other voucher-like programs are increasing in popularity among lawmakers across the country, research shows academic achievement does not improve for the students who use them. ESAs are also described by supporters as a way to improve educational options for low-income and minority students, but, in practice, the students are often unable to meaningfully participate in the programs.

The cost of an ESA program can escalate quickly as eligibility is adjusted. As originally proposed in SB 451, an ESA program could cost the state at least \$37 million in 2032, just counting children who enroll in the program as kindergarteners. The cumulative cost of the program from 2020 through 2032 could be as high as \$310 million.

### Vouchers vs Education Savings Accounts

Traditional vouchers and the newer Education Savings Accounts (ESAs) both give families public money to attend private schools, however they do so in different ways. With traditional vouchers, families are given tuition certificates that can be used at participating private schools. The amount of the voucher can vary, and does not typically cover the full cost of private school tuition. The vouchers are redeemed through state funding transferred directly from the state to the private schools.

Education Savings Accounts expand on the voucher idea, by providing parents who opt out of the public school system with public funds to purchase private education services, such as private school tuition, tutors, and supplies. The primary difference between ESAs and traditional vouchers is that with ESAs the public funds go directly to the family of the student, rather than the private school, and can be used for almost any educational services and supplies, with less oversight than with vouchers.

15 states currently have some form of voucher system, while only five states - Arizona, Florida, Mississippi, North Carolina, and Tennessee - have active ESA programs. Nevada also has an ESA program, but it is not active due to court challenges.<sup>1</sup>

Arizona has the oldest ESA program, which began in 2011; however, it initially was limited to students with special needs. It has since been expanded to include students who are in the foster care system, who have active-duty military parents, and who are in poorly performing school districts.<sup>2</sup>

If passed, SB 451 would establish an ESA program as part of the comprehensive education reform bill. In addition, HB 2002 was introduced in the House to create an Education Savings Account Program for West Virginia students with disabilities.<sup>3</sup>

## **Research Shows No Positive Impact from Vouchers on Student Achievement**

Because existing ESA programs are so new and in limited use, there is very little data available to judge their effect on student achievement. However, considering that existing ESA funds are primarily used to pay private school tuition<sup>4</sup>, they function essentially the same as traditional vouchers, and should have the same effects on students.

Research on the traditional voucher programs found little evidence for a positive impact on student achievement. A review of empirical evidence published in the annual Review of Economics found only small achievement gains for students in voucher programs, most of which were not statistically significant from zero, nor was there strong evidence that competition from voucher programs improved outcomes in public schools. There is also a lack of empirical research on the long-run impact of vouchers on outcomes like graduation rates, college enrollment, and future wages.<sup>5</sup>

For example, the majority of research on the Milwaukee Parental Choice (MPC) program, the longest-running voucher program in the country, finds that students in the public school system perform the same or better than students in the MPC program.<sup>6</sup> A recent evaluation of the MPC program found students in Milwaukee public schools performing better in 13 of 14 available measures across subject areas and grades.<sup>7</sup> Similar results are seen in the second-longest-running voucher program, the Cleveland Scholarship and Tutoring Program, with a recent analysis showing students in public schools outperforming voucher recipients in 10 out of 14 proficiency measures.<sup>8</sup> In addition, competition from both the Milwaukee and Cleveland voucher programs failed to improve outcomes in their respective public school districts.<sup>9</sup>

## **Low-Income Students Lack Access**

Supporters of vouchers and voucher-like programs like ESAs argue that the programs increase choices and opportunities for low-income students. Existing programs have failed to effectively target low-income students, however, instead largely benefiting families who would have sent their children to private schools even without a tax-payer-funded subsidy. The ESA program proposed in SB 451 would also present obstacles for low-income and rural students, including a lack of private schools in much of the state, and affordability.

Voucher programs often offer compensation that is smaller than the cost of private schooling, leaving out low-income families who are unable to make up the difference. Instead, wealthier families are more likely to use vouchers, receiving a tax-payer money to reduce the private school tuition that they would have otherwise paid in full.

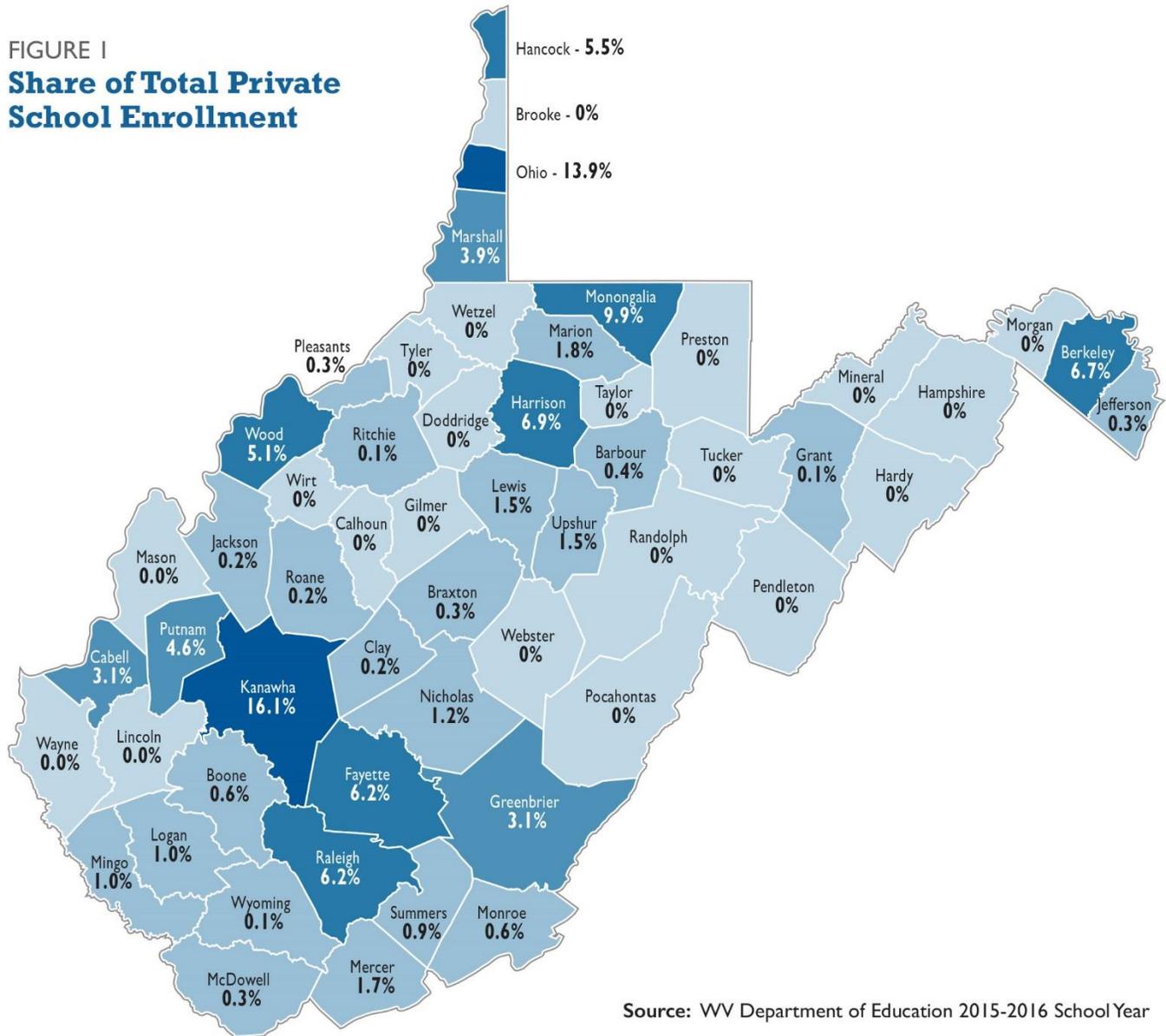
The ESA program proposed for West Virginia shares the same flaw. SB 451 proposes funding ESAs in West Virginia at 75 percent of the state's share of per pupil spending through the school aid formula, which would be equal to \$3,172 for the 2018-19 school year.<sup>10</sup> That amount falls short of tuition and other costs of many private schools in the state. For example, \$3,172 would only cover 22 percent of middle school and only 21 percent of high school tuition at the Linsly School, the state's biggest private school by enrollment, leaving families to come up with over \$15,000 to cover the rest of tuition.<sup>11</sup> According to [www.privateschoolreview.com](http://www.privateschoolreview.com), the average

private school tuition in West Virginia is \$4,761. Even with an ESA, most eligible students would still owe more than \$1,500.

Research has shown that student performance in private schools is strongly related to the amount the schools charge in tuition.<sup>12</sup> Low-income families who lack thousands of dollars to spend on tuition would still lack access to high-performing private schools even with the use of an ESA.

In addition to cost barriers, low-income families also face geographic barriers in accessing private schools through an ESA program. According to the National Center for Education Statistics, there are 106 private schools in West Virginia. However, over half of the state's 10,405 private-school students attends school in one of five counties (Figure 1).

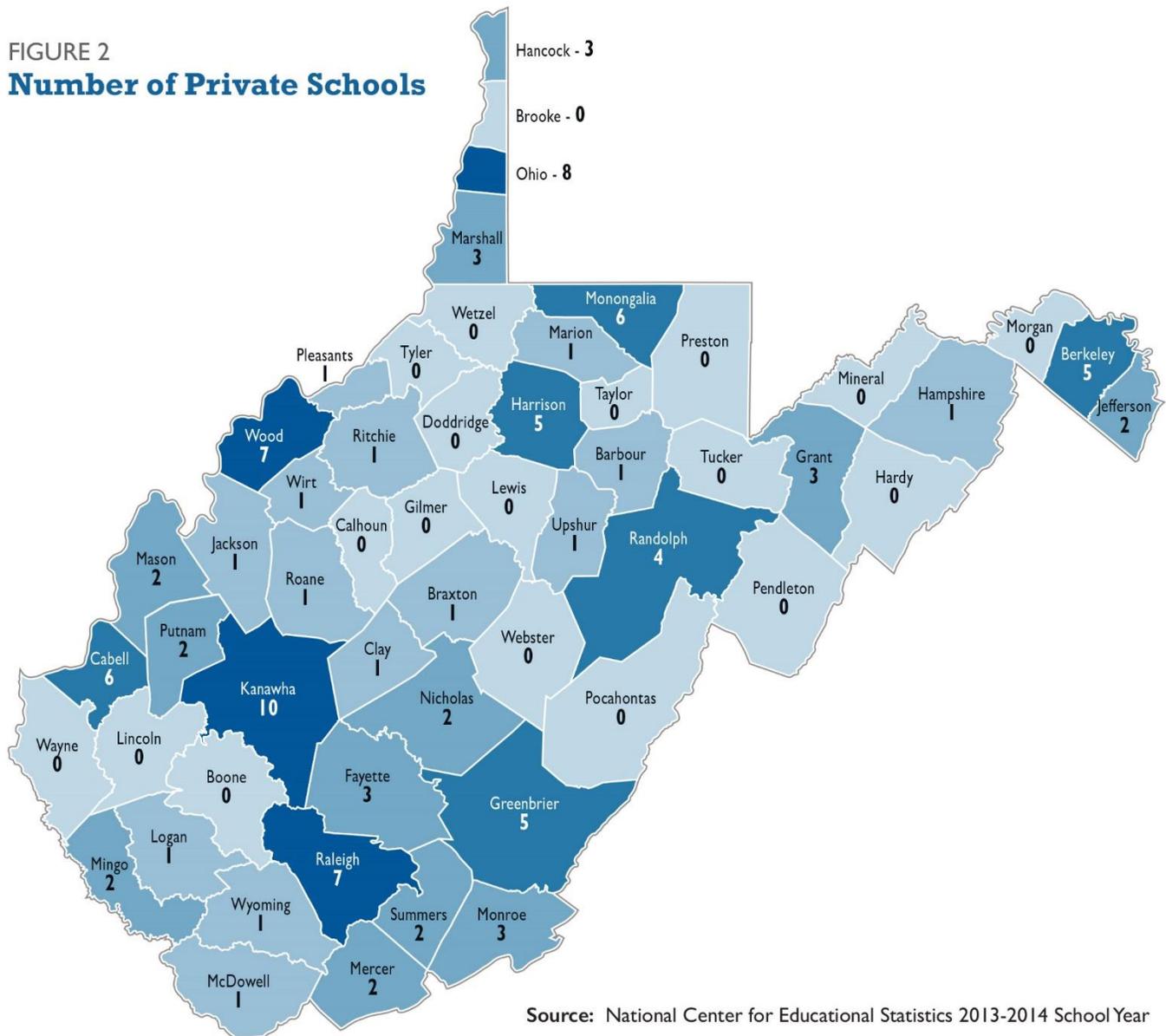
**FIGURE 1**  
**Share of Total Private School Enrollment**



Source: WV Department of Education 2015-2016 School Year

In fact, over half of those 106 private schools are located in just eight counties. 14 counties in the state have only one private school, while 19 have no private schools at all (Figure 2).

**FIGURE 2**  
**Number of Private Schools**



The committee substitute for SB 45I also limits the number of active ESA's to 2,500, further undercutting the arguments for increasing access. That means in a given year, less than one percent of public school students in West Virginia would have a chance to receive an ESA.

### High Public Costs to Pay for Private Education

Providing an ESA for students who would not have attended private school without an ESA would theoretically not create additional costs, since the state would otherwise provide funding for those students to attend public school. However, ESAs can quickly become costly for the state when families that would otherwise send their students to private schools or home school use an ESA to have the state pay part of the costs.

The limit of 2,500 accounts, as proposed in the committee substitute for SB 451, would help keep costs of the ESA program down. At the current rate of \$3,172, the total cost of the ESA program would be held to \$7.9 million.

Previous versions of SB 451 and proposals from previous years did not have this cap, and programs in other states are also open to newly enrolled kindergarteners. In this form, an ESA program would cost West Virginia at least \$36 million in the 2031-2032 school year, just counting children who enrolled in the program as kindergarteners. The cumulative cost of the program could be as much as \$310 million from 2020 through 2032 (Table 1).

**Table 1**

Estimated Minimum Cost of ESA Program in West Virginia for Newly Enrolled Kindergartners, with no Cap

Year	Private School Enrollment with ESA	Estimated Cost
2020	1,557	\$4,937,852
2021	2,958	\$9,382,871
2022	4,219	\$13,383,388
2023	5,354	\$16,983,853
2024	6,376	\$20,224,272
2025	7,295	\$23,140,649
2026	8,123	\$25,765,388
2027	8,867	\$28,127,653
2028	9,538	\$30,253,692
2029	10,141	\$32,167,127
2030	10,684	\$33,889,218
2031	11,172	\$35,439,100
2032	11,612	\$36,833,994

Source: WVCBP estimates based on SB 451, National Center for Education Statistics, and West Virginia Department of education data. See appendix for full description of calculations.

Note: Assumes kindergarten students stay in private school until high school graduation.

The cost calculation focuses on kindergarteners because they are typically automatically eligible for ESA programs, while potential use of ESA's by older students is uncertain. Data from the National Center for Education Statistics and the West Virginia Department of Education show that there are approximately 2,000 kindergarten students already attending private school or home school annually in West Virginia without the motivation of an ESA. The same number of children is expected to enroll in private schools through the 2032 school year. The total estimated cost is likely understating the state's eventual actual costs, since it is more difficult to make assumptions about older students (see appendix).

The current version of SB 451 restricts enrollment in an ESA to students who attended a public school in West Virginia in the prior year. However, previous versions of the proposal did not have that restriction, which would allow students already attending private school to enroll in an ESA. Students currently in a private school electing to use an ESA, would increase the program's cost dramatically. If 75 percent of West Virginia's 10,405 private school students enroll in an ESA, it would cost the state nearly \$24 million per year, just for those students who are already attending private school.

## **Conclusion**

An Educational Savings Account program in West Virginia could ultimately cost tax payers tens of millions of dollars per year, while doing little to improve the educational outcomes of the state's students. These programs are also ineffective at providing more options to low-income students, who are often unable to participate due to financial and geographic barriers. Instead, the program would help those families whose students are already heading to private schools.

To improve educational outcomes for West Virginia's students, lawmakers need to enact policies with proven track records of success such as high- quality early childhood and pre-k programs, better teacher pay and strengthened training programs and early college courses.

# Appendix

The \$44.2 million cost in the 2032 school year assumes that 11,612 students will enroll in private schools as kindergarteners in 2020, and that they would do so even without having an ESA. The estimated average annual amount of state dollars each student would receive through an ESA is \$3,172.

## *Estimated Annual ESA Contribution*

The amount of state funding each student would receive is based on SB 451 which set the amount at 75 percent of the state's per student funding. This is equal to \$3,172 for the 2018-2019 school year.

## *Students Included in Analysis*

There are two types of students that influence the potential costs of an ESA. There can be students who are attending private school or home school only because the ESA is available, or who would have attended private school or home school whether or not an ESA is available. The first group of students would theoretically not cost the state additional money, since the state provides funding for them in the public school system without an ESA. The second group of students would increase costs for the state.

For this second group, calculating the cost of the ESA program for students at all grade levels who would enroll in private or home schools under the proposed program is difficult. For example, data on the number and percentage of students by grade level who move from public schools to private or home schools is not readily available. Given the uncertainty about mobility among first through 12th graders across school types, this report's cost estimate is based solely on the number of kindergarten students who would enroll in private schools without an ESA.

According to the U.S. Department of Education, 10,757 students were enrolled in k-12 private school in West Virginia during the 2013-2014 school year, the most recent year available. Of these, 1,023, or 9.5 percent, were enrolled in kindergarten. In addition, according to the West Virginia Department of Education, there were 11,080 k-12 students attending home school. Assuming the grade distribution for home-school students is the same as private-school students, there were an estimated 1,053 home school kindergarten students. This makes the total number of estimated private school or home school kindergarten students to be 2,076.

## *Calculating Cost Estimate*

All private and home school kindergartners, an estimated 2,076, would be eligible to establish an ESA from their first year of school onward. This report assumes that 75 percent, or 1,557, would do so each year.

The analysis also assumes that 10 percent of the students would leave the program each year, but does not assume why (for example, to attend a public school, move out of the state, etc.).

The annual cost from the 2020 school year to the 2032 school year assumes that 1,557 new kindergarteners enroll in the ESA each year. This number is added to the previous year's enrollment after the 10 percent attrition is accounted for.

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<sup>1</sup> <https://www.edchoice.org/resource-hub/fast-facts/>

<sup>2</sup> [http://www.arizonaschoolchoice.com/EDU\\_ESA.html](http://www.arizonaschoolchoice.com/EDU_ESA.html)

<sup>3</sup> [http://www.wvlegislature.gov/Bill\\_Status/Bills\\_history.cfm?input=2002&year=2019&sessiontype=RS&btype=bill](http://www.wvlegislature.gov/Bill_Status/Bills_history.cfm?input=2002&year=2019&sessiontype=RS&btype=bill)

<sup>4</sup> The ABCs of School Choice, A Comprehensive Guide to Every School Choice Program in America, The Friedman Foundation 2013

<sup>5</sup> Rouse, Cecilia Elena and Lisa Barrow, School Vouchers and Student Achievement: Recent Evidence, Remaining Questions, Annual Review of Economics, Volume 1, 2009

<sup>6</sup> Ibid.

<sup>7</sup> Public Policy Forum, Research Brief: Choice Schools Have Much in Common with MPS, Including Student Performance, 2013.

<sup>8</sup> Rouse 2009.

<sup>9</sup> NAEP Trial Urban District Assessments in Math and Reading, 2011

<sup>10</sup> EdChoice Fiscal Impact Statement

<sup>11</sup> <http://www.linsly.org/page/admissions/affording-linsly>

<sup>12</sup> Lubienski, Christopher, Charter, Private, Public Schools and Academic Achievement: New Evidence from NAEP Mathematics, National Center for the Study of Privatization of Education, Teachers College, Columbia University, 2006

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