



# VOUCHERS ARE COSTLY AND DRAIN MONEY FROM PUBLIC SCHOOLS

*When students leave public schools using voucher programs, they free up more money for the students who remain. Taking a student out of public school removes the cost of educating that student. Most of these savings remain in local school budgets where they benefit other students; the rest of the savings go into state budgets. States and cities with school choice programs have all increased their per-student instructional spending in the years since the programs began.*

## **The Myth: Vouchers Cost Big, Drain Money from Public Schools**

Opponents claim that vouchers cost taxpayers money. Vouchers use tax funds to pay for private schooling, and some assert that this creates a negative fiscal effect on state governments.

More important, many are concerned that public schools are harmed as vouchers divert their funding as well as their students to private schools. As enrollment shrinks because of vouchers, public schools lose the portion of revenue that is dependent on enrollment. Opponents argue that public schools are unable to sufficiently reduce their spending when students leave with vouchers.

## **The Facts: Vouchers Benefit State and Public School Budgets**

State budgets typically save money when students use vouchers to attend private schools. Vouchers usually redirect state education spending from school districts to parents. If the vouchers are not worth the entire amount of state education spending, as is generally the case, then the state saves money on the difference. For example, if a state spends \$6,000 per student annually in public schools, and offers a \$5,000 voucher, the state saves \$1,000 each year for each participating student. In some cases, the voucher is worth the same amount the state spends on public school students, making the program fiscally neutral.

At the same time, school districts typically receive a big financial benefit because their costs are reduced much further than their revenues. When a student uses vouchers, the local school district only loses some of the revenue associated with that student—a large portion of school revenues come from property taxes and other sources that don't change with enrollment levels. However, the district loses the entire cost of educating the student. This frees up more money for school budgets and helps increase per-student public school spending.

School districts do have some “fixed costs” that aren't reduced when students leave, such as the cost of keeping the lights on in the building. However, studies have repeatedly found that the savings from school choice are much larger than the fixed costs left behind in schools.

## **The Evidence: Studies Highlight Savings from Voucher Programs**

Susan Aud conducted the largest study on the fiscal effects of school choice. She examined the fiscal effects of all existing voucher and tax-credit scholarship programs in the United States from 1990 through 2006. To ensure that the study accounted for fixed costs, she only included public school cost reductions in the category of “instructional expenditures,” which excludes transportation, lunch programs, administration, and many other non-instructional

expenditures. As a result, the savings calculated in the study reflect a conservative estimate of the real cost reductions from school choice programs.

Aud found that no school choice program had a negative overall fiscal impact, and most of them saved significant amounts of money. Her results showed that school choice programs saved a net total of \$22 million for state budgets and \$422 million for local school districts between 1990 and 2006, a grand total fiscal benefit of \$444 million.<sup>1</sup>

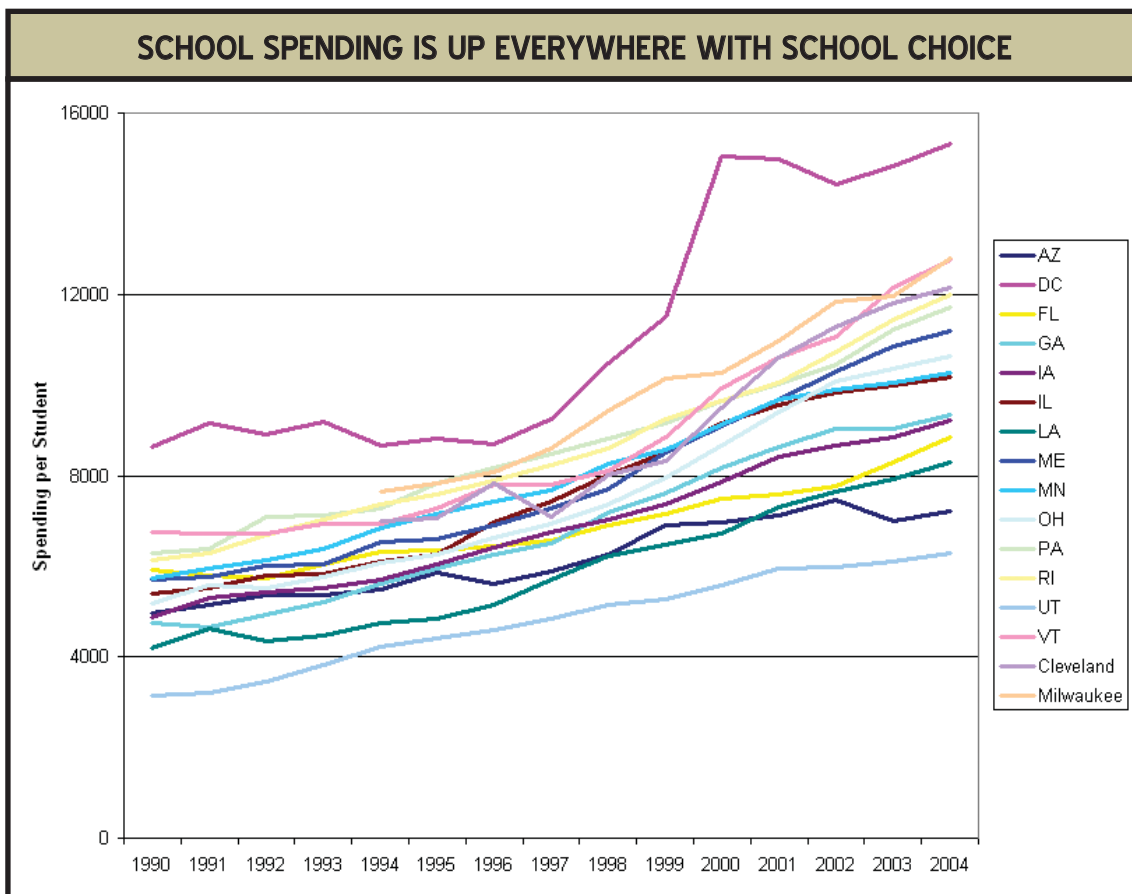
Aud also found that every city and state with a school choice program had seen instructional spending per student rise since the enactment of the program. Data from the U.S. Department of Education confirm that the same holds true for total education spending (see graph).<sup>2</sup>

Many other studies have confirmed that school choice programs save money for state budgets and local school districts, even after fixed costs are taken into account. A large number of these studies are available in the research archive on the Friedman Foundation's website, [www.friedmanfoundation.org](http://www.friedmanfoundation.org)

## The Bottom Line

Vouchers save money for state budgets because private schools provide a better education for a much lower cost, and they also have a positive fiscal effect on public schools because school district costs are reduced much further than their expenses.

FISCAL IMPACT OF SCHOOL CHOICE PROGRAMS, 1990-2006		
State Budgets	Local School Districts	Total
+ \$22,000,000	+ \$422,000,000	+ \$444,000,000



<sup>1</sup> Susan Aud, "Education by the Numbers: The Fiscal Effect of School Choice Programs, 1990-2006," Friedman Foundation for Educational Choice, April 2007.

<sup>2</sup> Data obtained from the U.S. Department of Education's Common Core of Data.