
THE SCHOOL VOUCHER AUDIT

Do Publicly Funded Private School Choice
Programs Save Money?

Jeff **Spalding**

SEPTEMBER **2014**

The Friedman Foundation
for Educational Choice
edchoice.org 

About the Friedman Foundation for Educational Choice

The Friedman Foundation for Educational Choice is a 501(c)(3) nonprofit and nonpartisan organization, solely dedicated to advancing Milton and Rose Friedman's vision of school choice for all children. First established as the Milton and Rose D. Friedman Foundation in 1996, the Foundation promotes school choice as the most effective and equitable way to improve the quality of K-12 education in America. The Friedman Foundation is dedicated to research, education, and outreach on the vital issues and implications related to school choice.

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Executive Summary

One of the pillars of Dr. Milton Friedman’s school voucher idea was that it not only would expand personal freedom and improve student achievement but also save money.

To see if that is indeed the case, this paper presents a cautious, rational estimate of the overall fiscal effects of school voucher programs that have been established over the past 24 years. It is not to lay claim that this analysis is a definitive, to-the-penny calculation of the fiscal impact incurred by every state government and local public school district where those voucher programs are in effect. That arduous undertaking would take too long and add too little value to the broader public policy debate to justify the immense effort and cost. That’s a task best addressed at the individual state level.¹

For the 10 school vouchers programs examined in this report, a cumulative total savings of at least \$1.7 billion has been realized since 1990-91, the first year of the historic Milwaukee Parental Choice Program (MPCP), through 2010-11, the end of this paper’s review period (see Table 1, next page).² During that same timeframe, participation in school voucher programs grew from 300 students to nearly 70,000, an increase of over 230 times.

Most of those cumulative savings, \$1.3 billion, have accrued since the April 2007 release of the Friedman Foundation for Educational Choice’s last such analysis, *Education by the Numbers: The Fiscal Effect of School Choice Programs, 1990-2006*. This is due, in part, to the fact that four of the school voucher programs analyzed in this report are too new to have been included in the previous version; the cumulative savings from those four programs totals \$239 million. The remainder is the additional savings from the six pre-existing school voucher programs that have since accrued. For the overlapping early time period covered by both reports, this report estimates those six programs generated a cumulative savings of \$418.1 million, which is \$178.1 million more than previously reported.³

Beyond just calculating the cumulative savings realized from school vouchers, this report strives to substantially

elevate the reader’s understanding of how school choice savings are measured. The most relevant relationship in calculating the fiscal impact of school choice is the difference between: (1) the amount of financial assistance (i.e., the voucher amount) provided to participants and (2) the current cost of educating those students in the public school system. If the average voucher amount is less than the average per-student educational cost, a savings is realized for those students that use a voucher to leave a public school to enroll in a private school. It’s that simple!

What can complicate the task of calculating potential voucher savings are other factors that can affect the results:

- First and foremost, eligibility for a voucher program may include some students who would have enrolled in a private school even without the vouchers’ financial assistance. This “private school propensity” effect is an incremental public cost that must be taken into account.
- Second, the voucher amount typically varies among students, requiring an *average* voucher amount be calculated to generate a reasonable savings estimate.
- Finally, the many nuances and complexities of the K-12 federal-aid allocation formulas and each state’s school finance laws and policies often cause confusion about school choice savings. But they really shouldn’t. Although this complex web of formulas, laws, and policies determine whether the savings are captured or reallocated and precisely how the finances of the federal government, state government, and local public schools are affected by school choice, it does not change the total amount saved by school vouchers. That key point is addressed in depth in the pages to follow.

Frequently, a state’s school finance laws are written in a way that results in much of the savings from a school voucher program being passively reallocated back to the public schools. A common example is provisions

TABLE 1 Cumulative Savings for 10 School Voucher Programs from Inception through 2010-11

Program Name	State or Jurisdiction	Started	Cumulative Voucher Count from Inception through 2010-11	Cumulative Savings from Inception through 2010-11
Opportunity Scholarship Program	Washington, D.C.	2004-05	10,531	\$21,653,621
John M. McKay Scholarships for Students with Disabilities Program	Florida	1999-00	163,843	\$836,477,010
Opportunity Scholarship Program*	Florida	1999-00	2,848	\$2,898,032
Georgia Special Needs Scholarship Program	Georgia	2007-08	7,092	\$51,030,401
Student Scholarships for Educational Excellence Program	Louisiana	2008-09	3,496	\$12,656,527
Cleveland Scholarship Program	Ohio	1996-97	72,120	\$308,085,383
Autism Scholarship Program	Ohio	2004-05	7,614	\$57,349,913
Educational Choice Scholarship Program	Ohio	2006-07	45,602	\$172,190,490
Carson Smith Special Needs Scholarship Program	Utah	2005-06	2,803	\$3,035,158
Milwaukee Parental Choice Program	Wisconsin	1990-91	188,916	\$238,487,986
Total			504,865	\$1,703,864,521

*Private school choice component ended after 2005-06 school year by court order.

Sources: Author’s calculations; The Friedman Foundation for Educational Choice, National Catalogue of School Choice Programs; Patrick J. Wolf, Babette Gutmann, Michael Puma, Brian Kisida, Lou Rizzo, Nada Eisaa, and Matthew Carr, *Evaluation of the D.C. Opportunity Scholarship Program: Final Report*, NCEE 2010-4018 (Washington, DC: US Dept. of Education, Institute of Education Sciences, National Center for Education Evaluation and Regional Assistance, 2010), table 2-4, p. 27, <http://ies.ed.gov/ncee/pubs/20104018/pdf/20104018.pdf>; Ohio Dept. of Education; Utah State Office of Education, Dept. of Special Education Services; Robert M. Costrell, *The Fiscal Impact of the Milwaukee Parental Choice Program in Milwaukee and Wisconsin, 1993 – 2008*, SCDP Milwaukee Evaluation Report 2 (Fayetteville: Univ. of Ark., Dept. of Education Reform, School Choice Demonstration Project, 2008), http://www.uark.edu/ua/der/SCDP/Milwaukee_Eval/Report_2.pdf; US Census Bureau Publications Database (file name ELSEC School District Finance Data FY 1987-91.zip; accessed Mar. 14, 2014), <http://www2.census.gov/pub/outgoing/govs/special60>; Common Core of Data (CCD), “Local Education Agency (School District) Universe Survey,” 2010-11 v.2a, “Survey of Local Government Finances, School Systems (F-33),” 1996-97 (FY 1997) v.1a, 1997-98 (FY 1998) v.1e, 1998-99 (FY 1999) v.1c, 1999-00 (FY 2000) v.1d, 2000-01 (FY 2001) v.1d, 2001-02 (FY 2002) v.1c, 2002-03 (FY 2003) v.1b, 2003-04 (FY 2004) v.1b, 2004-05 (FY 2005) v.1c, 2005-06 (FY 2006) v.1a, 2006-07 (FY 2007) v.1a, 2007-08 (FY 2008) v.1a, 2008-09 (FY 2009) v.1a, 2009-10 (FY 2010) v.1a, 2010-11 (FY 2011) v.1a, “National Public Education Financial Survey (State Fiscal),” 1999-00 (FY 2000) v.1b, 2000-01 (FY 2001) v.1b, 2001-02 (FY 2002) v.1c, 2002-03 (FY 2003) v.1b, 2003-04 (FY 2004) v.1b, 2004-05 (FY 2005) v.1b, 2005-06 (FY 2006) v.1b, 2006-07 (FY 2007) v.1b, 2007-08 (FY 2008) v.1b, 2008-09 (FY 2009) v.1b, 2009-10 (FY 2010) v.1a, 2010-11 (FY 2011) v.1a, “State Nonfiscal Public Elementary/Secondary Education Survey,” 2010-11 v.1a via ELSI tableGenerator, <http://nces.ed.gov/ccd/elsi/tableGenerator.aspx>.



that protect public schools’ revenues amid declining enrollment. In other words, a public school’s funding remains constant, or nearly so, even as their cost burden for educating students is reduced. Opponents of school choice, then, often claim that no savings ever occurred. That is simply not true. The financial fact is that the savings were automatically distributed back to the public school that the voucher recipient left. That is, the public schools are still paid for students they no longer serve. So, instead of taxpayers receiving those savings, or the government spending them to improve, say, roads or parks, the public school system keeps the savings.

It was Dr. Friedman’s view that, by expanding school choice, the basic economic principle of competition

would work to temper cost growth over time. Today, private school tuition is typically much less than the amount spent to educate a student in public school.⁴ Granted, that is true, in part, because of private schools’ extensive fundraising efforts. It’s also hard to predict how broader private school choice, facilitated by taxpayer funding, would impact both giving to private schools and tuition levels in the future. But what is certain is that, with more parental choice, spending for all schooling will move more quickly toward its proper level. Whether that level is more or less than what the current system generates is unknown. However, what is known is that the current government-sanctioned monopoly tends to drive up overall spending while under-rewarding excellence.

Introduction

A Brief History of School Choice

In 1955, Dr. Milton Friedman proposed a simple idea that eventually sparked a national movement: Government could pay for a child's education without providing it directly.⁵ By giving families the financial means to educate their children, but letting them choose the school, Dr. Friedman's idea has the promise to empower parents and spark unimaginable innovation in America's K-12 education system.⁶ For many years, however, the education establishment has resisted this idea.

For well over a century, children have been assigned a public school based on where they live, and the government has both financed and operated those schools. In the beginning, public schools were aligned closely with each town and operated locally with substantial parental involvement. Over time, socioeconomic shifts and a belief that larger schools with broader curriculum choices would enhance student achievement produced waves of school consolidations that have left the country in a position where most public schools are now part of a large, corporate-like school district.⁷ Those large school districts have government-sanctioned monopoly power in their authorized service area, much like a public utility. Consequently, the administration of many local public schools has become more detached from parents and more influenced by other, more-organized stakeholders—namely teachers' unions.

Dr. Friedman's idea was his best answer for returning the balance of influence over schooling back to parents. At the same time, it would create an education marketplace that shifts the incentives toward more robust schooling options for children and higher pay for outstanding teachers—both widely viewed as desirable outcomes.⁸ The only "losers" under Friedman's approach are those whose control over the administration of public schools would be diminished—namely teachers' unions.

It has taken decades for Friedman's idea to catch on. The American public initially resisted it, as they do many reforms that strike at the root of what is comfortable and familiar. But, even once public sentiment turns, it is often still quite a while before political will shifts. Elected officials are hesitant to get out in front of public opinion, so they generally lag well behind it. Furthermore, the opponents of any major policy reform work the political class very heavily to protect the status quo.

As recognized by Dr. Friedman, primitive versions of school choice have existed in the United States since the late 1880s—in Vermont and Maine. In those two states, children living in a town without a local public school are provided public funds to attend a private school or a public school in another town. That voucher-like system is commonly referred to as "town tuitioning."

But the breakthrough moment for modern school choice occurred in 1990, 35 years after Dr. Friedman first proposed the idea. Frustrated by years of failure in the public schools, Milwaukee parents were able to convince Wisconsin state lawmakers to approve a voucher program, enabling low-income parents to enroll their children in a private school of their choice. The Milwaukee Parental Choice Program (MPCP) has survived and thrived since then, now providing educational opportunity to more than 25,000 school children.⁹

Milwaukee's success inspired imitators, but progress was relatively slow—until very recently.

Through 2007, 19 school choice programs had been created. In 2011, a year the *Wall Street Journal* dubbed "The Year of School Choice," school choice exploded across the nation, adding or expanding 19 programs, including the nation's broadest statewide voucher program, to date, in Indiana.¹⁰

Types of School Choice Programs

America's private school choice programs are as diverse as the families using them. Currently there

are four main types of private school choice programs operating in states:

- Vouchers
- Tax-Credit Scholarships
- Individual Tax Credits/Deductions
- Education Savings Accounts

Direct voucher programs, Dr. Friedman’s original idea, delink the government funding of schools from the government operation of schools. Vouchers provide families with public, taxpayer dollars to attend a school of their choice, shifting the balance of power back to the “consumers” of educational services.

Tax-credit scholarship programs encourage individuals or businesses to fund private school scholarships by granting a state income tax credit for such donations. Those programs developed primarily in response to a unique legal barrier faced by voucher programs in many states. In 37 states, there are provisions in the state constitutions explicitly prohibiting the direct flow of public funds to religiously affiliated institutions. To be clear, those state provisions do not simply mirror the more general “establishment clause” of the U.S. Constitution. Rather, they are more rigid, with a genesis in anti-immigrant and anti-Catholic sentiment prevalent in the late 19th century. Commonly referred to as “Blaine Amendments,” named for the movement’s leader, James G. Blaine, their underlying purpose was to quell the growth of Catholic-affiliated schools opening in response to the influx of immigrants from across Europe.¹¹

Individual tax deductions and credits for educational expenses provide some tax relief to families who choose to send their children to private school. Although that relief may help promote school choice, such tax benefits exist principally as a tax policy decision. Their primary purpose is to mitigate the inequity for families that pay taxes to fund public schools and then pay private school tuition, thus relieving the state of the financial burden of providing schooling to their children. Only if the tax credit amount is set high enough, to approximate the full cost of private school tuition or per-pupil spending in public schools, might such a program function as a

meaningful school choice enabler.

And finally, education savings accounts (ESAs) mirror the voucher concept, but with an important twist. With ESAs, parents have more flexibility over how to use the public funds they are provided for their children’s education. Unlike a voucher, participating families need not limit their options just to offsetting private school tuition costs. They also can use the ESA funds to pay for private school tuition and/or use it to purchase tutoring lessons, therapeutic services, online learning courses, homeschool materials, or even save it to pay for future college expenses.¹² A key policy goal served by the ESA, as compared with a direct voucher, is that by giving parents more flexibility in use of the monies—particularly the ability to save unused funds—they will bring more price pressure to bear on private school tuition.¹³

To date, most school choice programs enacted have been targeted at giving more options to low-income children or students with disabilities. The children enrolled in school choice programs are also diverse, with studies revealing that school choice has increased racial integration.¹⁴ That outcome is in sharp contrast to the conventional wisdom that school choice exacerbates segregation. There also is new evidence school choice is helping to close the “achievement gap” between white students and non-white students. For example, a recent study reported that African-American children, in New York City, were 24 percent more likely to attend college if they had participated in a (privately funded) voucher program.¹⁵

As school choice expands, the debate over its best form and structure is as heated as ever. Some suggest school choice is about leveling the playing field for those without the ability to pay for private school tuition. Although the Friedman Foundation happily shares common cause with those who hold that belief, its true rationale is even simpler: freedom. Parents should have the freedom to choose where their children go to school. That is consistent with the principle of liberty on which the United States was founded. And that simple idea continues to gain ground as evidenced by the rapid expansion and the growing popularity of school choice

programs.¹⁶ Perhaps paradoxically, freedom for all to choose schools will lead to greater benefits for those on the lower rungs of the socioeconomic ladder. As Dr. Friedman so eloquently explained, “A society that puts equality before freedom will get neither. A society that puts freedom before equality will get a high degree of both.”

The Fiscal Effects of School Choice

An area of frequent debate on school choice is its fiscal effects on state and local government.

Basic education is a core governmental responsibility, as stipulated in each state constitution. State governments, in particular, have increased their control over education spending since the 1970s.¹⁷ At the same time, dependence on local taxes has diminished because of (1) efforts by state legislatures to slow property tax growth and (2) growing involvement of the federal government, particularly with regard to funding for disadvantaged and disable students. Figure 1 shows that funding reliance shift.

In some states, K-12 education now accounts for more than 50 percent of the state’s total general fund spending, meaning state lawmakers are acutely interested in how any school financing program impacts the state’s budget. That is especially true in the wake of the Great Recession, which devastated state budgets and from which many states are still

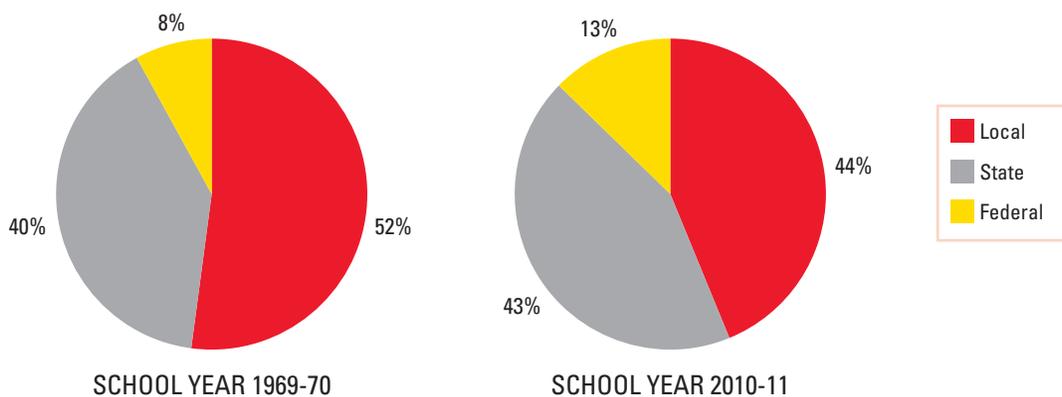
recovering.¹⁸ All this means school choice programs have a strong opportunity to move forward if they can be shown to be neutral to a state’s finances or, even better, save money.

Opponents claim, simplistically, that school choice drains money from the public school system. That rhetoric obscures an important fact: A public school is also relieved of a cost burden for any student switching to private school. By not acknowledging such variable cost savings, opponents implicitly argue that all public school costs are “fixed.” By extension, they then conclude that the loss of funding for a student using a voucher to transfer to a private school harms all the remaining students at the affected public school. But that argument strains credulity: If there were no savings when a public school’s enrollment declines, logic dictates there would be no additional costs for schools when their enrollment grows.

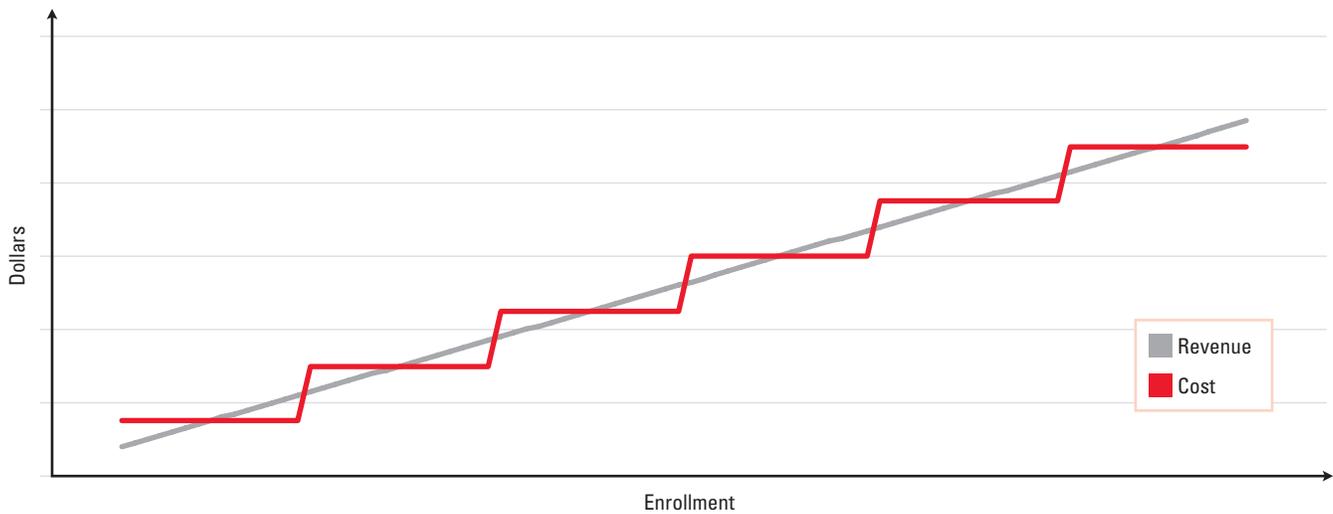
The truth, of course, is that *both* school revenue and expenses move with changes in enrollment. They just don’t move precisely in unison.

Understanding that relationship is important when examining the fiscal effects of school choice programs. Figure 2, next page, provides a simple illustrative example of the relationship between school variable revenue and costs as enrollment changes. It shows that both revenue and costs are positively correlated with enrollment and generally move together over a wide range of enrollment levels.

FIGURE 1 Realignment of K-12 Education Funding Since 1970



Sources: Thomas D. Snyder and Sally A. Dillow, *Digest of Education Statistics 2012*, NCES 2014-015 (Washington, DC: US Dept. of Education, Institute of Education Sciences, National Center for Educational Statistics, 2013), p. 281-82, table 202, <http://nces.ed.gov/pubs2014/2014015.pdf>.

FIGURE 2 Relationship Between School Enrollment, Variable Revenue, and Variable Costs

The figure above also illustrates that there are, indeed, small ranges of enrollment changes in which a school may incur a revenue loss while its variable costs remain essentially flat (the tread or horizontal part of each step). That phenomenon reflects the reality that schools must fund classrooms, not students. Teacher pay and other classroom expenses are not easily adjustable on a per-student basis.

That minor discontinuity between revenue and cost changes as “customer” demand fluctuates is not unique to schools. Nearly all service businesses face the same type of operational challenge. Furthermore, managing a school’s finances is a standard part of what school officials must routinely handle, whether enrollment is declining because students are leaving to attend a private school or transferring to another public school because their family has moved. That is not meant to dismiss the real challenges facing school officials when their revenue declines. In fact, this very real struggle is discussed more on page 11 of this report. The main point is it’s not a problem uniquely linked to school choice. If one is opposed to school choice because of its effect on the finances of local public schools, does it not also follow that he or she should favor prohibiting families from moving among public school districts?

The Scope of This Report

A key tenet of Dr. Friedman’s original idea was that school choice would save money, in the long run, by opening up the delivery of K-12 education to competition and innovation. The focus of this report is on estimating savings that school voucher programs have already accrued, even in the short run before any systemic shifts in the broader K-12 education marketplace have occurred.

In 2007, when Susan Aud authored *Education by the Numbers: The Fiscal Effect of School Choice Programs, 1990 – 2006*, the Friedman Foundation’s first look at the overall fiscal effects of school choice, she calculated a cumulative state and local fiscal impact for many of the 19 school choice programs, both vouchers and tax-credit scholarships, in existence at that time. This report builds on her original work, updating some of her results with more current data and refining her methodology in ways discussed further in the appendix.

The scope of this report was narrowed to include *only school voucher programs*. This was done, primarily, because the key data required to zero in on the fiscal effects of school voucher programs is more readily available than for the other forms of school choice.

For tax-credit scholarship programs, the other most common alternative for school choice, it is often much more difficult to secure all the data required to produce a high-quality fiscal impact analysis.¹⁹ As those data reporting gaps are resolved, the Friedman Foundation similarly will update Aud’s past work on the fiscal effects of tax-credit scholarship programs.

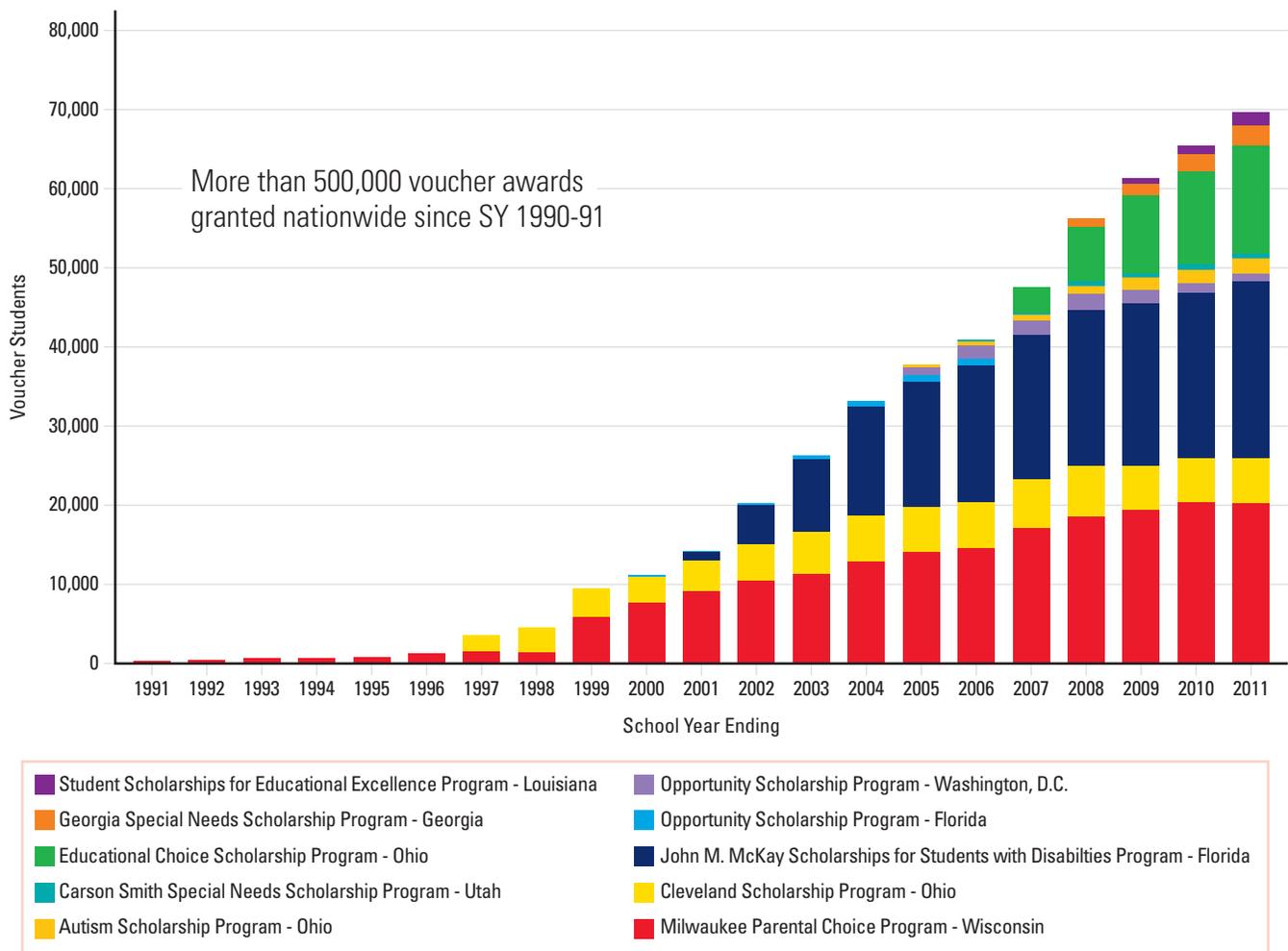
In selecting the school voucher programs to include in this report, two time parameters were set:

1. a review period that ends with the 2010-11 school year (to allow for time lags in data reporting and corrections); and

2. a voucher program must have been in place for the 2008-09 school year or earlier (on the principle that a minimum three years of data are needed to reveal a program’s recurring fiscal impact).

As of the 2010-11 school year (SY), the cutoff date, there were a total of 10 school voucher programs operating in six states plus the District of Columbia.²⁰ Only one of those, Oklahoma’s Lindsey Nicole Henry Scholarships for Students with Disabilities, was not analyzed because it did not meet the second time parameter, leaving nine *active* school voucher programs, as of SY 2010-11, plus one *inactive* school voucher program, Florida’s Opportunity Scholarships (ended after the 2005-06 school year), included in this report.

FIGURE 3 Participation in School Voucher Programs, School Year (SY) 1990-91 to SY 2010-11



Source: Author’s calculations; The Friedman Foundation for Educational Choice, National Catalogue of School Choice Programs.

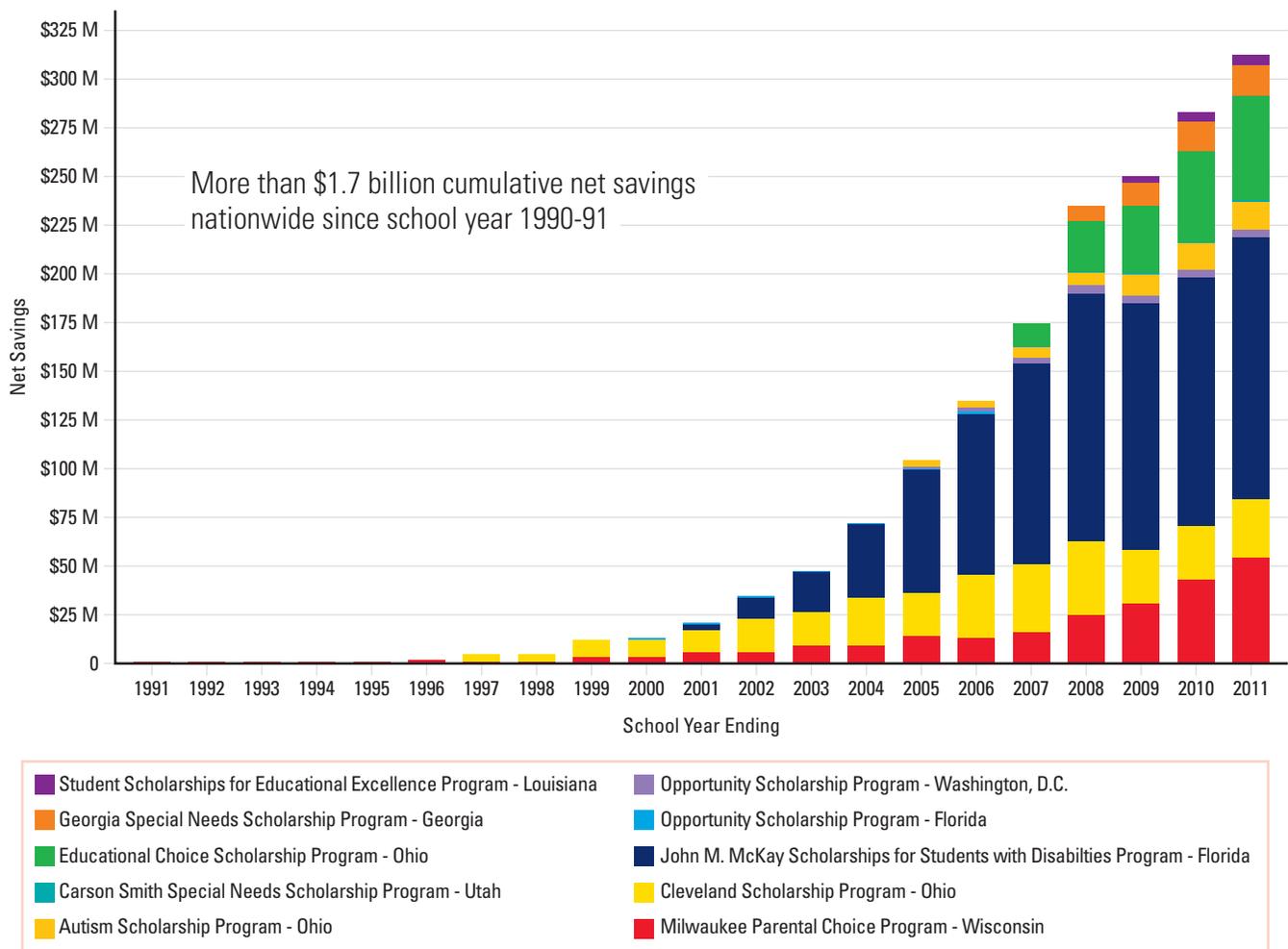
Participation in School Voucher Programs

Figure 3 shows the growth in student participation, for this report’s selected school voucher programs. Throughout most of the 1990s participation was relatively stagnant. Only two programs existed then—the nation’s first modern school voucher program in Milwaukee, Wisconsin (MPCP) followed, in 1996, by the next in Cleveland, Ohio. In 1998, however, student participation began to grow steadily as the MPCP was expanded and then more school voucher programs were subsequently enacted in other states. For the programs analyzed herein, nearly 70,000 students were using public funding to attend a private school

of their choice by 2011.²¹ That represents a 231-fold increase since 1990. Despite the intentional omission of Oklahoma’s Lindsey Nicole Henry Scholarships, Figure 3 still lists 10 voucher programs. This is because Florida’s Opportunity Scholarships, now defunct, are also included in these participation totals.²²

Like Figure 3, Figure 4 presents the historic growth in school voucher programs but from a financial angle. From inception through 2011, the school voucher programs examined here have yielded at least \$1.7 billion in cumulative net savings. The pace of voucher savings growth has been even more rapid than student participation growth—rising 675-fold since 1990. A

FIGURE 4 Savings from School Voucher Programs, School Year (SY) 1990-91 to SY 2010-11



Sources: Author’s calculations; The Friedman Foundation for Educational Choice, National Catalogue of School Choice Programs; Patrick J. Wolf, Babette Gutmann, Michael Puma, Brian Kisida, Lou Rizzo, Nada Eisaa, and Matthew Carr, *Evaluation of the D.C. Opportunity Scholarship Program*, NCEE 2010-4018, table 2-4, p. 27; Ohio Dept. of Education; Utah State Office of Education, Dept. of Special Education Services; Robert M. Costrell, *The Fiscal Impact of the Milwaukee Parental Choice Program in Milwaukee and Wisconsin, 1993 – 2008*, SCDP Milwaukee Evaluation Report 2 (Fayetteville: Univ. of Ark., Dept. of Education Reform, School Choice Demonstration Project, 2008), http://www.uark.edu/ua/der/SCDP/Milwaukee_Eval/Report_2.pdf; National Center for Education Statistics (NCES), Common Core of Data (CCD) via ELSI tableGenerator, <http://nces.ed.gov/ccd/elsi/tableGenerator.aspx>.

quick comparison of Figure 4 to Figure 3 shows the savings from each program is not always proportional to the number of participating students, revealing another important fact: that the savings per student vary widely between voucher programs because of differences in design. For example, the MPCP provides both a high voucher amount and is open to students already enrolled in private schools. Thus, the average savings generated by each MPCP student is relatively low. For each school voucher program examined in this report, details on the average savings per student generated annually is also presented.

Since 2011, the pace of growth in school voucher programs has accelerated. Five more school voucher programs were launched or enacted in 2011, just after this report's cut-off window. Those five programs were enacted in five states, including two states not represented by the voucher programs analyzed here. So, in just the first year after SY 2010-11, the count of enacted and operating school voucher programs jumped from 10 to 15 and the number of states represented rose from six to eight plus the District of Columbia.²³

Fiscal Analysis Overview

Fiscal Impact Methodology

Funding Sources for Public Schools

Before examining how to calculate the fiscal effects of school vouchers, one must first understand how K-12 public schools are funded. There are three main governmental sources of K-12 public school funding: local, state, and federal.

Initially, most public schools were funded solely from local taxes, almost exclusively property taxes. Subsequently, state legislatures started to augment those local taxes with two primary goals in mind: (1) to increase funding for classroom instruction without increasing local property taxes and (2) to equalize

school funding across areas with differences in property wealth.

Typically, today state monies flow mostly to classroom instruction and school administration. Local monies still support all school costs in most states. Over time, however, the local burden has shifted more toward facility and transportation costs as state monies have grown to cover more of the instructional and administrative cost burden. In fact, some states have almost completely shifted the responsibility for funding instructional and administrative costs to the state budget.²⁴ Understanding the relationship between the role of state funds and local funds in public school finance is important to understanding the fiscal effects of school choice.

The federal government also provides school funds, mainly through Title I, which is the shorthand reference to Title I of the Elementary and Secondary Education Act of 1965. Title I funds are provided by Congress for “improving the academic achievement of the disadvantaged” and are targeted at assisting low-income students.²⁵ Federal monies also flow to public schools through the Individuals with Disabilities Education Act (IDEA) of 2004, which is the latest iteration of the Education for All Handicapped Children Act of 1975. As the name implies, IDEA funds are intended to help schools educate students with disabilities.²⁶

Although the federal funds are significant in total—more than \$26 billion annually—the vast majority of public school funding is provided still by state and local government, as shown in Figure 1 on page five. Local and state funds provide the bulk of the resources for classroom instruction, school facilities, student transportation, and school administration.

Measuring and Reporting the Fiscal Effects of School Choice

The total fiscal effect of school vouchers is *completely* defined by the difference between:



- the public cost of the financial aid to families/ students attending a school of choice (i.e., the value of the voucher) versus
- the cost burden relieved from the public school system (i.e., the per-student variable cost of education).

The calculation is rather straightforward: If the public cost of a voucher, used by a student to leave a public school to enroll in a private school, is less than the cost of continuing to educate the student in the public school, then a fiscal savings results.

The simple equation above reflects the true financial effect of a school voucher for all voucher students diverted from public schools.

In practice, however, the latter equation can get complicated by other such factors as a voucher program’s design and the existing laws governing how public schools are funded. One common complicating factor is student eligibility. If a voucher program allows students already enrolled in a private school to qualify, then those students do not directly relieve the public school system of any costs. Thus, there is a new public cost incurred for the vouchers provided to those students, but no corresponding savings for the public school system. Anytime voucher eligibility extends to students not currently enrolled in a public school, the net savings calculation *must* include that complicating factor.

A concept, hereafter referred to as the “private school propensity” effect, is essential in calculating the fiscal effect of any school voucher program offering eligibility to students not currently enrolled in a public school. It is a measure of the likelihood that some voucher students would have still enrolled in a private school even without the voucher’s financial assistance. The magnitude will differ based on the eligibility requirements set for each school voucher program.²⁷ This additional cost is one of the most common arguments used against a “universal” voucher program (i.e., opening eligibility to all students).²⁸

The other major complicating factors are a result of each state’s unique public school finance laws and the impact of those laws on state and/or local funding for schools. Although federal funding does play a role in K-12 education, it is somewhat detached from the state and local funds, which are often tightly intertwined. In practice, the fiscal effect of any school choice program presents itself most directly in two subcomponents:

1. the fiscal effect on state government, and
2. the fiscal effect on local public schools.

Setting the federal funding aside, the combined total of the fiscal effects on state government plus local public schools *must* equal the same amount defined by the relationship between the costs removed from public schools and voucher costs. The equation presented on the next page illustrates this equivalency.





Typically, policymakers want to know how a school choice program affects state government and public schools separately. However, accurately allocating the fiscal effects across those two groups is rather complicated. It is very difficult and time consuming to sort out all of the required K-12 education funding details for each state. Thus, calculating the subcomponent fiscal effects for the state government and the local public schools is a task best suited for an in-depth analysis of a single school voucher program. This report, with its broader scope, purposefully avoids getting bogged down in those complexities by focusing solely on the combined overall fiscal impact (i.e., the true overall financial effect) of each studied school voucher program.

Focus on Variable Costs

First, all schools costs are variable in the long run—period. If there were no students, there would be no school expenditures for teachers, principals, janitors, utilities, buildings, or buses. That is a very important principle often ignored by school choice opponents.

However, to be fair, that fact does not change the practical reality that public school officials manage an array of costs ranging from freely variable in the short term (e.g., classroom supplies) to rigidly fixed over several years (e.g., debt obligations) as enrollment levels change. To simply assume that, as enrollment declines, a school’s cost burden will proportionally decrease by its average total expenditures per student would be naïve and misleading. Instead, this paper’s analysis attempts to isolate the portion of school costs that are variable in the short term, offering a better measure of a public school’s capacity to quickly adjust its spending in response to enrollment changes. It also carries the passive benefit of cautiously understating the total net savings that would be realized from a

sustained, systemic realignment of enrollment share between public schools and private schools achieved through an ongoing commitment to expanded private school choice.

Cost cutting, for any enterprise, is not a purely mathematical exercise. School officials face many other obstacles—legal, practical, and emotional—to adjusting their costs as enrollment declines. Also, it is difficult to predict how the political system will respond. Thus, this report attempts only to provide useful financial information to inform policymakers about the overall fiscal effects of school choice programs.

The key question for this cost analysis is thus, “Which school costs *can* be adjusted in the short term?” Not, “Which school costs *will* be adjusted?”

To answer that question, this report relies heavily on data from the National Center for Education Statistics (NCES), a division of the U.S. Department of Education, which compiles and maintains a Common Core of Data (CCD) for public schools across the country. The CCD is a primary resource for many education researchers and analysts; it includes public school financial information at the state level and the school district level, but not by individual school. The CCD also groups public school expenditures into 12 categories, which is useful in differentiating variable costs from fixed costs.

In his March 2012 report on calculating the fiscal effects of school choice, Benjamin Scafidi addressed this issue using the school expenditure categories tracked in the CCD.²⁹ Scafidi identified the following expenditure categories as a “cautious” estimate of a school’s short-term variable costs:

- Instruction
- Instructional Support
- Student Support

- Enterprise Operations
- Food Service

It is noteworthy that even administrative overhead cost categories, such as General Administration and School Administration, were excluded by Scafidi as short-term variable costs despite the fact most service delivery enterprises first seek to cut administrative overhead when faced with a drop in revenue from a loss of customers.

But this study actually takes Scafidi's bias toward caution one step further. With regard to calculating the expense effects of an enrollment decline, this paper's methodology counts only instruction, instructional support, and student support expenditures as variable in the short term. Enterprise operation (e.g., school bookstore, interscholastic athletics, etc.) and food service costs are omitted—although variable with enrollment, they also generate their own corresponding dedicated revenue streams. Thus, as those costs rise or drop with enrollment, their associated revenue typically changes proportionally leaving no net fiscal difference.

Cost Differential for Students with Disabilities

A good deal of action in the school choice movement has been focused on students with disabilities and special needs. They represent a subset of the K-12 student population whose educational needs are clearly in need of individualization. It's no surprise then the demand for more options among those children's parents has been very strong. Four of the 10 school voucher programs analyzed in this report are tailored to students with special needs. As of 2013, 13 of 40 voucher, voucher-like, and tax-credit scholarship programs in place are aimed at serving students with special needs.

Educating students with special needs is more expensive than educating other students. Students with disabilities, such as mental illness or developmental deficiencies, typically have smaller class sizes, more

highly trained and highly paid teachers and specialists, extra classroom aides, and special equipment or instructional materials. Unfortunately—and surprisingly—states typically don't track and regularly report their average cost differential for special-needs students versus general education students. Thus, when calculating the fiscal effects of the school voucher programs targeting students with disabilities a simplifying assumption was employed—that special-needs students cost schools twice as much, on average, as other students. To arrive at that cost differential, research from the Center for Special Education Finance (CSEF) at the American Institutes for Research (AIR) was leveraged. Their definitive work, as part of the Special Education Expenditure Project (SEEP), is still widely cited in studies and analyses by school finance experts nationwide.³⁰ Unfortunately, AIR's work has not been updated since 2004, but it is still the most extensive examination of the issue available on a national scale.

What Happens to School Choice Savings

Frequently, the complexity that accompanies a detailed fiscal impact analysis masks the true economic savings of a school choice program. In truth, there are only three things that can happen with the savings. They are either:

1. captured by the federal government,
2. captured by the state government, or
3. retained by the public schools.

In practice, the design of school choice programs often results in the overall savings being *shared* between the state government and the public schools. Under current federal laws, very little of the savings from school choice programs flows to the federal treasury—because the allocation formulas for the two biggest federal aid programs, Title I and IDEA, are not tightly aligned with public school enrollment. Instead, those formulas rely heavily on state and/or local community demographics as well as fixed “hold harmless” provisions. Consequently, most of the savings that might have been captured by the federal treasury, as reduced federal spending, is instead retained by the



public schools.³¹ That illustrates the point previously raised, in the Measuring and Reporting the Fiscal Effects of School Choice section, that the federal funding for K-12 education flows independently from the state and local funds.

Savings Captured by the State Government

Typically, because of policy design, the state government bears the full direct cost of school vouchers. Conversely, the state also realizes an offsetting savings, through a reduction in its distributions to public schools. State funding for public schools is, to a large degree, linked to enrollment. When vouchers are used by public school students to attend a private school, the state’s enrollment-based distributions to the public schools decline. Generally, the offsetting savings exceed the cost of the vouchers, generating a net savings for the state government.

The state government then has an array of options available for how it “uses” those savings. It may:

- return the money to public schools,
- reallocate the money to other such priorities as parks or law enforcement, and/or
- lower total state spending (and build reserves and/or lower taxes).

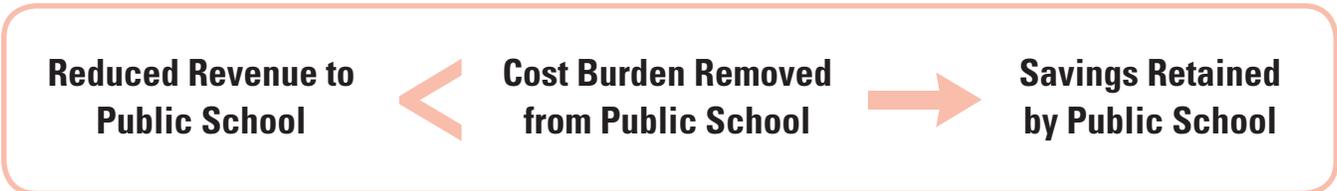
In other words, any savings captured by the state government either can be held or re-spent. If it’s re-

spent, it can be allocated in any number of ways, including returning the money to the public schools via additional distributions. But here’s a key point: Even if the money is re-spent *that does not mean it was never saved.*

There are only three circumstances in which the state government might not realize an immediate savings from a school voucher program: (1) The voucher amount is set precisely equal to the amount of state aid that would have been distributed to the public school (a breakeven result); (2) the voucher program is open to students already enrolled in private schools (i.e., private school propensity costs); and (3) the state school funding formula protects public school revenue as enrollment declines. Often times, more than one of those three factors may be in play at the same time. In fact, the third scenario is quite common. Thus, state legislatures must take those factors into consideration when crafting school choice programs.

Savings Captured by Public Schools

Beyond any direct return of state savings back to the public schools, the public schools often realize some “quiet” savings from school choice. Frequently, a school’s revenue loss incurred as enrollment declines is less than the variable cost burden relieved for its departing students. If that is the case, a portion of the overall savings from school choice is retained by the public school. That quiet savings often reveals itself in



the form of higher per-student funding for the school's remaining students even if the school's total revenue drops slightly. Now here's another key point: If public school spending per student rises in response to school choice *that does not mean the quiet savings didn't exist.*

School choice opponents—namely teachers' unions—will argue vehemently that *any* reduction in revenue harms a public school's financial capacity to educate its remaining students. That argument does not square with basic logic. As illustrated in Figure 2, on page six, both school costs and revenue vary with enrollment changes.

To be fair, it is easy to understand why public school officials don't acknowledge such savings. They are typically still facing a decline in total revenue, which may require some action on their part to adjust current spending levels. However, the only circumstance under which a public school's financial position weakens, on a per-student basis, is if the revenue loss from declining enrollment exceeds the associated variable cost burden relief. To be clear, variable cost burden relief is a measure of the variable costs associated with students departing the school. That relationship holds whether or not the school actually takes action to reduce its spending in proportion to the enrollment loss.

Importantly, the financial impact of an enrollment loss on a public school is the same whether the enrollment loss is caused by students leaving to enroll in a private school or another public school. Therefore, it is technically improper to link that fiscal effect solely to *private* school choice.

Why Understanding School Choice Savings is So Confusing

Most of the confusion around calculating the fiscal effects of school choice arises because the savings are typically reallocated to other spending, either directly or indirectly, as explained previously. When that occurs, it is common for school choice opponents to claim there were no savings at all.

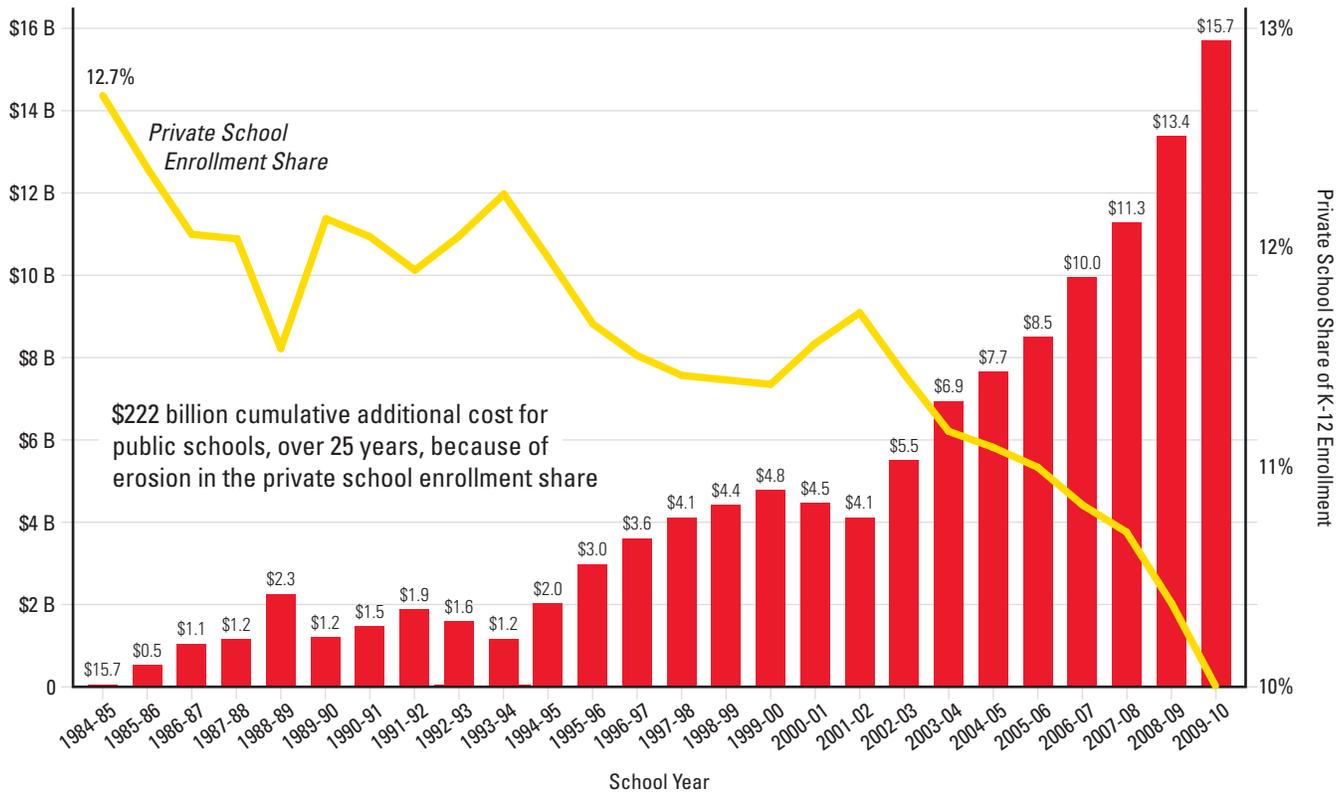
Existing laws on public school finance, both state and federal, and each state's school choice program laws influence both the overall amount of savings and where they flow. Many factors that drive how school choice savings are allocated are buried in the details of the federal-aid allocation formulas and each state's school funding formula. Thus, they are not obvious to citizens and frequently not well understood by legislators.

The only circumstance under which a school choice program might cost more in public funds than is being spent currently is if a very large share of the tuition assistance is awarded to students already enrolled in a private school without public aid (the private school propensity effect). However, even in that case, there may be a sound fiscal policy rationale to support such a design. If state officials felt at risk of a large shift of students going from private schools to public schools, they might find aiding continued enrollment in private schools a fiscally wise approach. Frankly, that scenario is not so far-fetched. Through 2010, the share of all K-12 students attending private schools had already dropped by nearly three percentage points (a 21 percent drop in overall private school enrollment share) from its 1985 peak level of 12.7 percent. The U.S. Department of Education currently projects that enrollment shift, if unabated, will continue—falling from 10 percent in 2010 to 9.1 percent in 2020.³²

Consequently, the public schools have had to absorb that shift, which has generated a substantial net additional fiscal cost that is rarely acknowledged. In fact, if the private school share in 2010 had held steady at the 1985 level, about 1.5 million fewer students would have been enrolled in the public schools. Figure 5, next page, shows with a national average spending per student of \$10,652 for public school students in 2010, taxpayers would have saved \$15.7 billion in 2010 alone.³³ That's the equivalent of the total annual economic activity of a medium-sized city, like Green Bay (Wisconsin), Lincoln (Nebraska), or Montgomery (Alabama), with 250,000 to 350,000 residents.³⁴

In fact, if the private school enrollment share had held steady at 12.7 percent throughout the entire 25-year period, from 1985 through 2010, spending on the K-12

FIGURE 5 Additional Cost of Total U.S. Enrollment Shift to Public Schools



Sources: Author's calculations; Thomas D. Snyder and Sally A. Dillow, *Digest of Education Statistics 2011*, NCES 2012-001 (Washington, DC: US Dept. of Education, Institute of Education Sciences, National Center for Education Statistics, 2012), pp. 17-18, table 3, <http://nces.ed.gov/pubs2012/2012001.pdf>; *Digest of Education Statistics 2012*, NCSE 2014-015 (Washington, DC: US Dept. of Education, Institute of Education Sciences, National Center for Education Statistics, 2013), p. 297, table 213, <http://nces.ed.gov/pubs2014/2014015.pdf>.

public schools across the United States could have been as much as \$222 billion less.

Over that time span, private school enrollment was under pressure from (1) rising taxes for public schools, leaving families less able to afford tuition, (2) rising labor costs as retiring nuns and priests were replaced with layman staff, and more recently (3) the expansion of charter schools providing more families with a “free” alternative to traditional public school. Now, imagine, in hindsight, if a different set of policy options had been pursued that might have stemmed such an enrollment shift. For example, a very limited and targeted school voucher program, phased in one cohort of students annually starting with kindergarten in 1986, would have likely been more than sufficient to maintain the 1985 private school enrollment share.³⁵ At a theoretical voucher amount of 50 percent of the public school average spending per student, awarded to just enough

students each year to maintain a 12.7 percent private school enrollment share, taxpayers could have saved as much as \$111 billion, through 2010, by “spending” on a new school voucher program.

STATE BY STATE RESULTS

For each analyzed voucher program, the cumulative net savings has been calculated from inception through the 2010-11 school year. Additionally, the incremental growth in cumulative net savings, since the 2005-06 school year, was also isolated to show how much additional financial benefit has accrued from these programs since they were last examined by Susan Aud in April 2007. The data on the incremental net savings accumulated since the 2007 analysis are presented in the appendix.

It must be noted that the methodology employed in the present study is a departure from that used by Aud. Consequently, the savings reported for the period from 1990 through 2006 differ from the results previously reported by Aud. Details on these methodological differences are also provided in the appendix.

Provided in the pages to follow, starting with Washington, D.C., then in alphabetical order by state, are the updated results for each school voucher program included in the scope of this analysis.

OPPORTUNITY SCHOLARSHIP PROGRAM | WASHINGTON, D.C.

Cumulative Net Savings from Inception (2004-05) to 2010-11: **\$21.7 million**

The District of Columbia’s Opportunity Scholarship Program (OSP) provides vouchers to low-income students and is the nation’s only federally funded school choice program. The OSP was authorized by Congress in 2004 and re-authorized in 2011. From 2004 to 2011, it provided a maximum voucher of up to \$7,500 per student.³⁶ Because the D.C. public schools are among the most costly in the United States, despite this relatively high maximum voucher amount, the OSP still generates a substantial net fiscal savings for each student that uses the program to enroll in a private school instead of a D.C. public school. To be eligible, a student must be from a family that qualifies for the federal Supplemental Nutrition Assistance Program (SNAP) or has family income below 185 percent of the federal poverty level, about \$41,000 for a family of four in 2010. This poverty threshold also coincides with eligibility for the federal reduced-price school lunch program. There is no requirement that students had been previously enrolled in a D.C. public school.

TABLE 2 Opportunity Scholarship Program
Overall Fiscal Effect

School Year Ending	Added Voucher Cost			Reduced Cost Burden on Public Schools				Total Net Savings
	Voucher Students	Maximum Voucher Cost Per Student	Total Maximum Voucher Cost (Federal Gov't)	Percent Share of Voucher Students Not Diverted from Public School	Voucher Students Diverted from Public School	Average Variable Costs Per Student (D.C. Schools)	Total Variable Cost Relief (D.C. Schools)	
2005	1,027	\$7,500	\$7,702,500	12%	904	\$9,371	\$8,469,135	\$766,635
2006	1,716	\$7,500	\$12,870,000	12%	1,510	\$10,116	\$15,275,969	\$2,405,969
2007	1,805	\$7,500	\$13,537,500	12%	1,588	\$10,677	\$16,959,347	\$3,421,847
2008	1,930	\$7,500	\$14,475,000	12%	1,698	\$11,006	\$18,692,590	\$4,217,590
2009	1,714	\$7,500	\$12,855,000	12%	1,508	\$10,652	\$16,066,625	\$3,211,625
2010	1,322	\$7,500	\$9,915,000	12%	1,163	\$12,157	\$14,142,968	\$4,227,968
2011	1,017	\$7,500	\$7,627,500	12%	895	\$12,324	\$11,029,487	\$3,401,987
Cumulative Total							\$21,653,621	

Sources: Author’s calculations; The Friedman Foundation for Educational Choice, National Catalogue of School Choice Programs; Wolf et al., Evaluation of the D.C. Opportunity Scholarship Program, NCEE 2010-4018; National Center for Education Statistics (NCES), Common Core of Data (CCD) via EISI tableGenerator, <http://nces.ed.gov/ccd/elis/tableGenerator.aspx>.

Because eligibility for the OSP is not restricted solely to students previously enrolled in a public school—although a vast majority were by virtue of the income limit—a proper fiscal analysis must account for the cost of vouchers provided to students that were not diverted from the public school system. Thus, an adjustment for voucher recipients who likely would have still enrolled in a private school without the voucher’s financial assistance is necessary; this is the private school propensity effect referenced on page 10 in the Fiscal Impact Methodology section of this report.

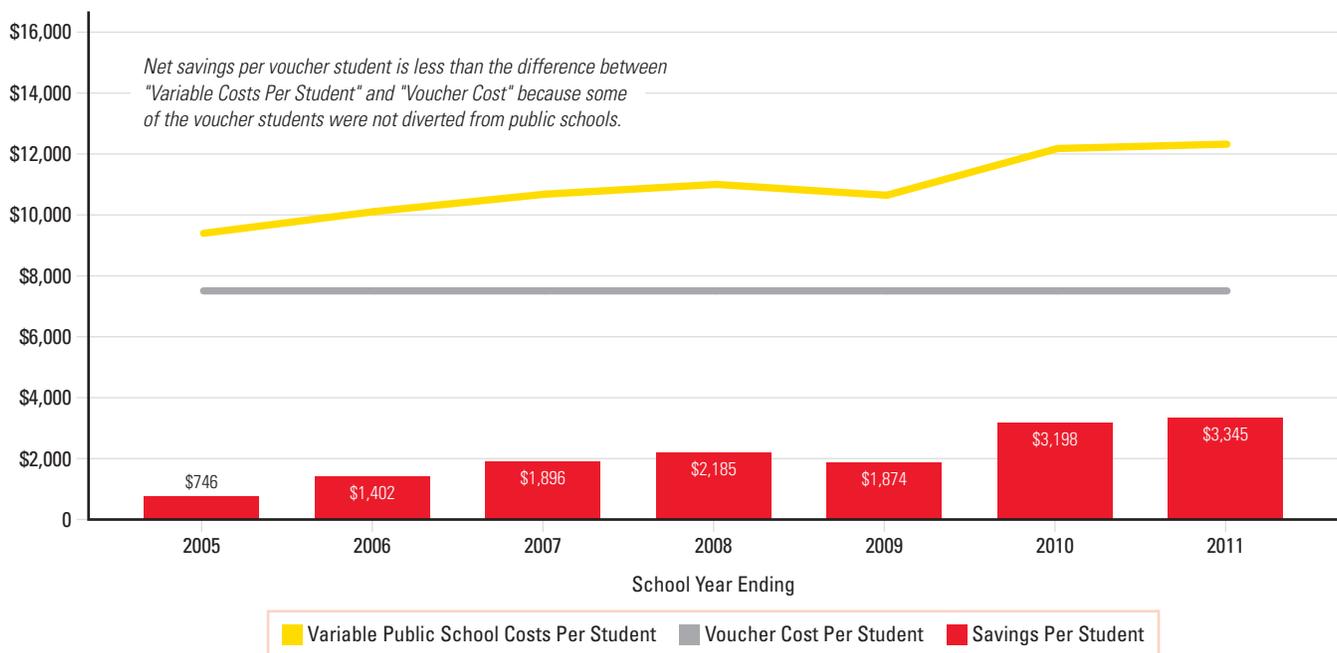
Though the D.C. Children and Youth Investment Trust Corporation, the program administrator, does not compile and track prior enrollment status data for OSP recipients, another credible source for this information was available.

Upon enacting the program, Congress mandated that the OSP be formally evaluated by the National Center for Education Evaluation and Regional Assistance (a division of the Institute for Education Sciences within the U.S. Department of Education).

This fiscal analysis applies a 12 percent private school propensity rate for OSP participants drawn from the sixth and final OSP evaluation report submitted to Congress in June 2010.³⁷

After strong initial growth, nearly doubling over the first four years, participation in the OSP then dropped off dramatically. By the 2010-11 school year, participation had fallen back to the initial 2004-05 level. There were several contributing factors: A growing number of charter schools, offering families another alternative, and some sense that the D.C. public schools were starting to improve may have played a role. However, political uncertainty was the overriding factor affecting OSP participation after 2008. The Obama administration has consistently opposed the program and advocated defunding it. But, most significantly, Congress enacted a moratorium on new OSP awards from March 2009 through April 2011, driving down participation—students that left the program were not replaced with new awardees. Since the moratorium was lifted, participation has risen back up to about 1,600 students and is currently capped.

FIGURE 6 Opportunity Scholarship Program
Average Costs and Savings Per Voucher Student



Sources: Author's calculations; The Friedman Foundation for Educational Choice, National Catalogue of School Choice Programs; National Center for Education Statistics (NCES), Common Core of Data (CCD) via EISI tableGenerator, <http://nces.ed.gov/cct/elsi/tableGenerator.aspx>.

Every time a student uses an OSP voucher to attend private school, the full cost is borne by the federal government. There is no cost to the D.C. local government or the D.C. public schools. Thus, although the overall fiscal effect has been a cumulative net savings of \$21.7 million across all governmental units, the net savings for *only* the D.C. government and D.C. public schools combined is measured in the “Total Variable Cost Relief” column of Table 2. This is a cumulative savings of \$100.6 million since the program’s inception. Much of these savings have been plowed back in to the D.C. public schools. The 30 percent increase in variable spending per student for the D.C. public schools, since the program’s inception, reflects that fact.

JOHN M. MCKAY SCHOLARSHIPS FOR STUDENTS WITH DISABILITIES PROGRAM | FLORIDA

Cumulative Net Savings from Inception (1999-00) to 2010-11: **\$836.5 million**

The John M. McKay Scholarships for Students with Disabilities Program was started as a pilot program in 1999 for parents of students with special needs dissatisfied with their local public school. The voucher amount is equal to what the public school would have received for educating the child, but it cannot exceed the cost of tuition and fees at a family’s chosen private school.

Participation growth has been rapid, rising from about 5,000 students receiving vouchers in the 2001-02 school year to more than 20,000 students in the 2008-09 school year. With some 27,000 students participating in the 2013-14 school year, the McKay Scholarships program is the largest voucher program in the nation.

TABLE 3 John M. McKay Scholarships for Students with Disabilities Program
Overall Fiscal Effect

School Year Ending	Added Voucher Cost			Reduced Cost Burden on Public Schools			Total Net Savings
	Voucher Students	Average Voucher Cost Per Student	Total Voucher Cost (FL Schools)	Voucher Students Diverted from Public School	Average Variable Costs Per Special Needs Student (FL Schools)	Total Variable Cost Relief (FL Schools)	
2000	2	\$1,763	\$3,526	2	\$2,023	\$4,046	\$520
2001	970	\$6,066	\$5,884,020	970	\$8,586	\$8,328,420	\$2,444,400
2002	5,013	\$6,634	\$33,256,242	5,013	\$8,715	\$43,688,295	\$10,432,053
2003	9,130	\$6,769	\$61,800,970	9,130	\$9,015	\$82,306,950	\$20,505,980
2004	13,739	\$6,814	\$93,617,546	13,739	\$9,552	\$131,234,928	\$37,617,382
2005	15,910	\$6,114	\$97,276,718	15,910	\$10,107	\$160,802,370	\$63,525,652
2006	17,300	\$6,225	\$107,686,252	17,300	\$11,028	\$190,784,400	\$83,098,148
2007	18,273	\$6,517	\$119,092,632	18,273	\$12,159	\$222,181,407	\$103,088,775
2008	19,852	\$6,613	\$131,285,300	19,852	\$12,994	\$257,956,888	\$126,671,588
2009	20,530	\$6,519	\$133,837,941	20,530	\$12,699	\$260,710,470	\$126,872,529
2010	20,926	\$6,627	\$138,680,128	20,926	\$12,705	\$265,864,830	\$127,184,702
2011	22,198	\$6,693	\$148,566,368	22,198	\$12,776	\$283,601,648	\$135,035,280
						Cumulative Total	\$836,477,010

Sources: Author’s calculations; The Friedman Foundation for Educational Choice, National Catalogue of School Choice Programs; National Center for Education Statistics (NCES), Common Core of Data (CCD) via ELSI tableGenerator, <http://nces.ed.gov/ccd/elsi/tableGenerator.aspx>.

School choice programs targeting students with special needs present an unusual problem when calculating their fiscal effects. In contrast to the general student body, the educational costs for special-needs students vary widely depending on the severity of their disabilities. Thus, the average variable cost for any group of students using special-needs vouchers is unique to that group. That average may vary, by a little or a lot, from the statewide average variable cost for all special-

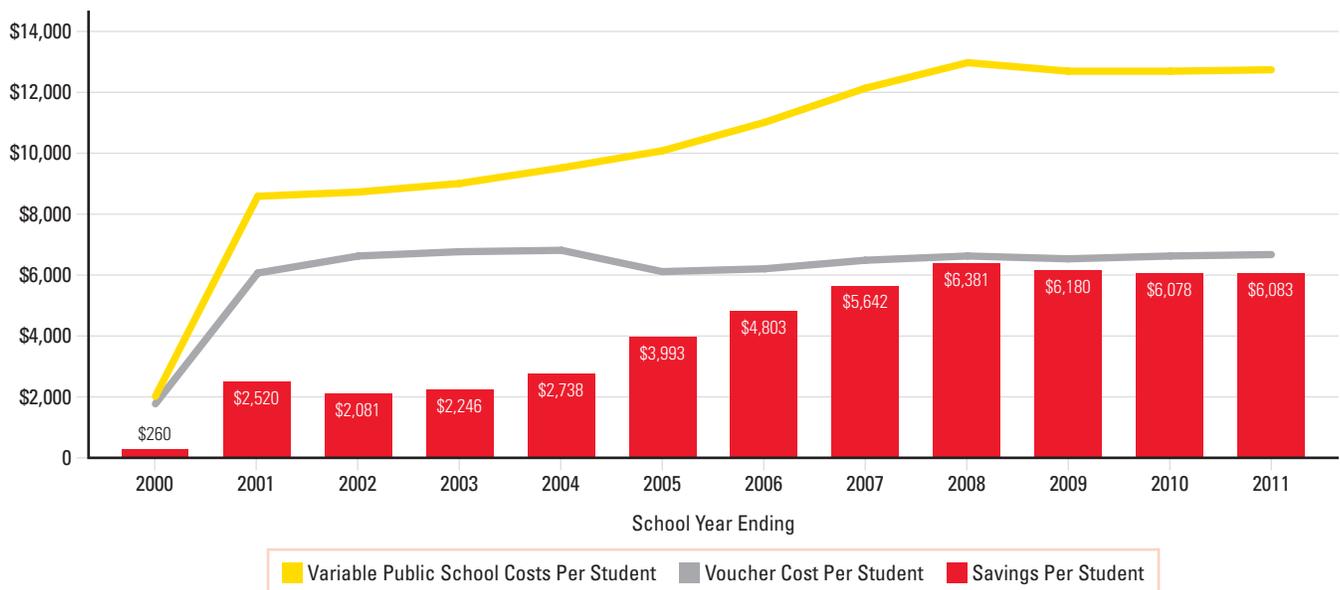
needs students. Wisely, the McKay Scholarships program is designed so that the voucher amounts and the variable costs per student vary in unison. Students with severe disabilities and higher costs are eligible for larger voucher awards. So as voucher costs rise, the cost burden relieved from the public school system rises proportionally. Nevertheless, for this analysis, a single standard must be employed for approximating the “Average Variable Costs Per Special Needs Student” when calculating the fiscal effects.

As explained on page 12 in the Fiscal Impact Methodology section, this report assumes students with special needs cost twice as much as general education students. That factor is applied here.

To be clear, this analysis cannot precisely capture the exact fiscal effects of a special-needs voucher program. The primary risk is that the disability mix of students using vouchers differs substantially from the overall population of students with special needs. Detail on the disability makeup of McKay participants is not readily available. Because of that uncertainty, the most reasonable assumption to make is that their disability profile mirrors the state’s overall population of students with special needs.³⁸ This report’s methodology sets the per-student cost at the statewide average for students with special needs. If the disability mix of students using vouchers skews substantially more severe, thus more expensive, then the savings are underestimated. Conversely, if voucher students are typically less disabled, thus less expensive, the savings are overestimated.

McKay Scholarships are ingeniously designed so that there is no fiscal impact on the state government. Here’s how: The resident public school district continues to count the voucher recipient in its enrollment and receive state funding for the student through the school funding formula. The public school district then pays the voucher amounts to the private schools chosen by the McKay Scholarship participants. Thus, the entire net fiscal effect of the program is isolated within the Florida public schools, as measured by the difference between their reduced variable costs versus their cost of voucher payments (see Table 3). This analysis reveals that Florida’s McKay Scholarships program has generated a staggering \$836.5 million in cumulative net savings since its inception. Both the high cost of educating students with special needs in public schools and the size of the program together explain why the savings are now accumulating so rapidly (now more than \$100 million per year).

FIGURE 7 John M. McKay Scholarships for Students with Disabilities Program
Average Costs and Savings Per Voucher Student



Sources: Author’s calculations; The Friedman Foundation for Educational Choice, National Catalogue of School Choice Programs; National Center for Education Statistics (NCES), Common Core of Data (CCD) via EISI tableGenerator, <http://nces.ed.gov/ccd/elsi/tableGenerator.aspx>.

OPPORTUNITY SCHOLARSHIP PROGRAM | FLORIDA

Cumulative Net Savings from Inception (1999-00) to Court Termination (2006): **\$2.9 million**

The Opportunity Scholarship Program (OSP) was started in 1999 to better enable students to leave chronically underperforming public schools. Through the OSP, an eligible student could either receive a voucher to enroll in a private school or enroll in another public school. An underperforming school must either have been graded F (via results from the Florida Comprehensive Assessment Test) or have been graded D for three consecutive years.³⁹

TABLE 4 Opportunity Scholarship Program
Overall Fiscal Effect

School Year Ending	Added Voucher Cost			Reduced Cost Burden on Public Schools			Total Net Savings
	Voucher Students	Average Voucher Cost Per Student	Total Voucher Cost (FL Gov't)	Voucher Students Diverted from Public School	Average Variable Costs Per Student (FL Schools)	Total Variable Cost Relief (FL Schools)	
2000	57	\$3,074	\$175,205	57	\$4,046	\$230,622	\$55,417
2001	51	\$3,469	\$176,900	51	\$4,293	\$218,943	\$42,043
2002	47	\$3,308	\$155,494	47	\$4,357	\$204,779	\$49,285
2003	556	\$3,703	\$2,058,600	556	\$4,508	\$2,506,448	\$447,848
2004	640	\$3,979	\$2,546,850	640	\$4,776	\$3,056,640	\$509,790
2005	763	\$4,098	\$3,126,618	763	\$5,053	\$3,855,439	\$728,821
2006	734	\$4,063	\$2,982,448	734	\$5,514	\$4,047,276	\$1,064,828
						Cumulative Total	\$2,898,032

Sources: Author's calculations; The Friedman Foundation for Educational Choice, National Catalogue of School Choice Programs; National Center for Education Statistics (NCES), Common Core of Data (CCD) via EISI tableGenerator, <http://nces.ed.gov/ccd/elsi/tableGenerator.aspx>.

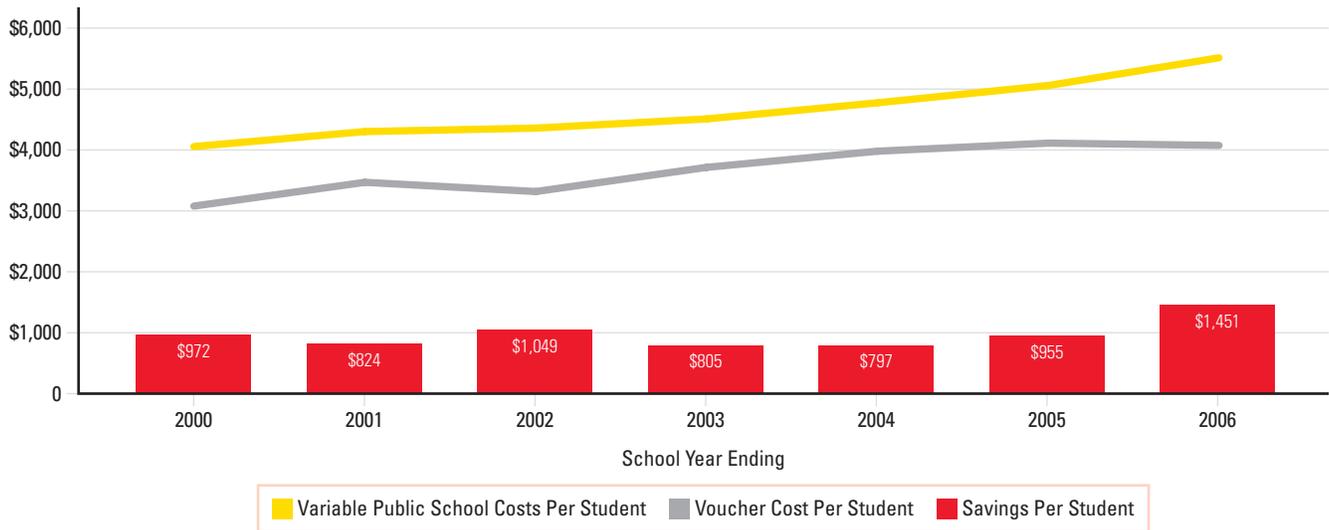
The OSP's participation spike in the 2002-03 school year was the natural result of many more public schools being designated as "failing" during the prior year. After this voucher program was enacted in 1999, there was some lag before the new school grading criteria, used in defining eligibility, was fully implemented and persistently poor-performing schools were captured in the results.

The OSP's private school choice option was ended in 2006 when the Florida Supreme Court ruled it unconstitutional. Thus, it was rendered only a public school choice program, no longer a full-fledged voucher program. To ease the adverse impact on the affected families, the Florida legislature made children using this voucher program eligible for the state's tax-credit scholarship program. The tax-credit scholarship program, targeted at students from low-income families, has different eligibility criteria than did the OSP. So the action of the legislature ensured that those families could continue to access assistance to cover their children's private school tuition costs.

The funding structure for this program differs slightly from the McKay Scholarships. Instead of the voucher payments being made by the school district, as is the case for the McKay voucher program, OSP vouchers were

paid by the state treasury. In turn, the state assistance to the affected public schools was reduced by the amount of the voucher payments. Conceptually, the effect on public school finances was the same as it was for the McKay vouchers, only the mechanism was different. Nevertheless, the public schools still realized more savings—in the form of more variable cost relief—than the loss in state assistance.

FIGURE 8 Opportunity Scholarship Program
Average Costs and Savings Per Voucher Student



Sources: Author's calculations; The Friedman Foundation for Educational Choice, National Catalogue of School Choice Programs; National Center for Education Statistics (NCES), Common Core of Data (CCD) via EISI tableGenerator, <http://nces.ed.gov/ccd/elsi/tableGenerator.aspx>.

Although Florida's Opportunity Scholarship Program is still operating, removing the private school option ended the possibility for the program to generate any additional fiscal savings.

GEORGIA SPECIAL NEEDS SCHOLARSHIP PROGRAM | GEORGIA

Cumulative Net Savings from Inception (2007-08) to 2010-11: **\$51 million**

The Georgia Special Needs Scholarship Program (GSNS) offers vouchers to all parents of children with special needs who are dissatisfied with their assigned public school. There is no family income limit on eligibility. The voucher is equal to the full amount of the school formula funding their assigned public school district would have received to educate the child, but it may not exceed the cost of the selected private school’s tuition and fees.⁴⁰ Students must attend public school for at least one year and have an Individualized Education Plan (IEP) to be eligible.

TABLE 5 Georgia Special Needs Scholarship Program
Overall Fiscal Effect

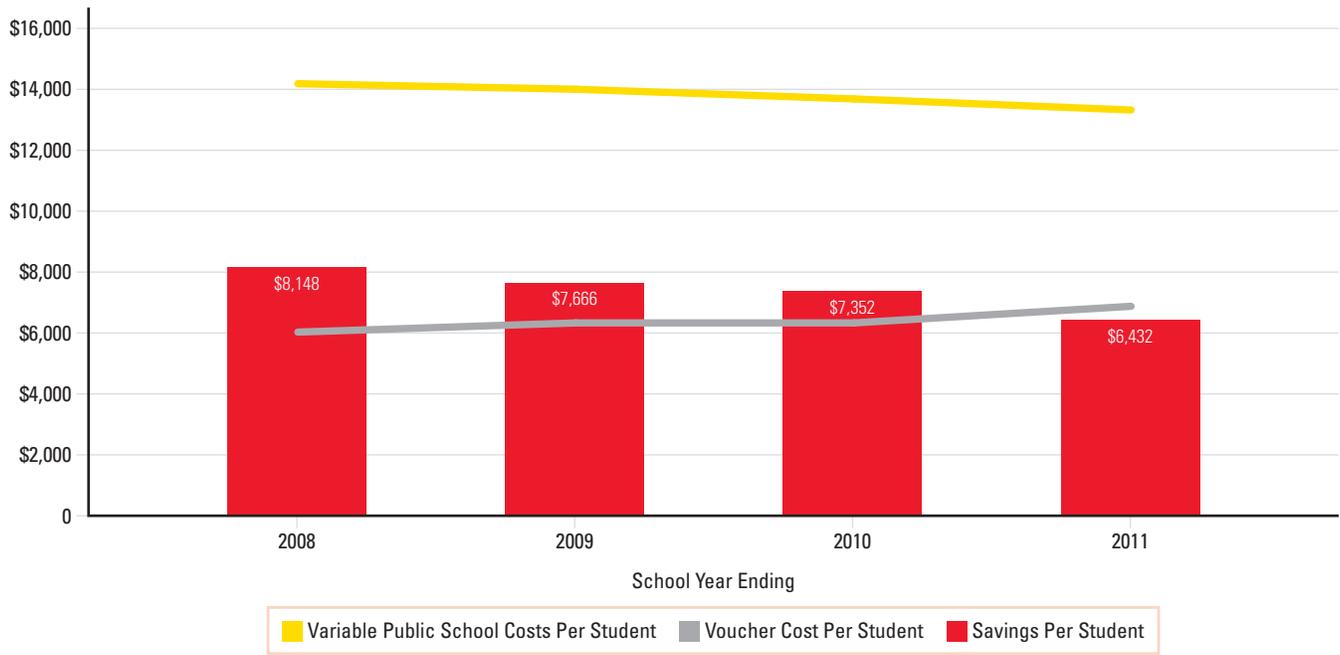
School Year Ending	Added Voucher Cost			Reduced Cost Burden on Public Schools			Total Net Savings
	Voucher Students	Average Voucher Cost Per Student	Total Voucher Cost (GA Gov't)	Voucher Students Diverted from Public School	Average Variable Costs Per Special Needs Student (GA Schools)	Total Variable Cost Relief (GA Schools)	
2008	899	\$6,026	\$5,417,425	899	\$14,174	\$12,742,426	\$7,325,001
2009	1,596	\$6,331	\$10,104,276	1,596	\$13,997	\$22,339,212	\$12,234,936
2010	2,068	\$6,342	\$13,115,256	2,068	\$13,694	\$28,319,192	\$15,203,936
2011	2,529	\$6,860	\$17,348,940	2,529	\$13,292	\$33,615,468	\$16,266,528
Cumulative Total						\$51,030,401	

Sources: Author’s calculations; The Friedman Foundation for Educational Choice, National Catalogue of School Choice Programs; National Center for Education Statistics (NCES), Common Core of Data (CCD) via ELSI tableGenerator, <http://nces.ed.gov/ccd/elsi/tableGenerator.aspx>.

The GSNS program has a typical design with the voucher costs paid from the state treasury. In turn, the resident public school neither counts the students in its enrollment nor receives the associated funding. The public school is, however, relieved of the cost burden for those students.

With a special-needs voucher program, calculating the fiscal effects of the GSNS requires an adjustment to Georgia’s standard per-student funding amount. To approximate the “Average Variable Costs Per Special Needs Student,” a double-cost factor was applied to the state’s “Average Variable Costs Per Student,” as explained on page 12 in the Fiscal Impact Methodology section. The primary associated risk, however, is if the disability mix of students using vouchers differs substantially from the overall population of students with special needs. This report’s methodology sets the per-student cost at the statewide average for students with special needs. If the disability mix of the voucher students skews substantially more severe, thus more expensive, then the estimate net savings are understated. Conversely, if the voucher students’ disabilities are typically less severe, thus less expensive, the net savings are overstated. Because of the uncertainty over the actual disability mix of GSNS recipients, the most reasonable assumption to make is that their disability profile mirrors the state’s overall population of students with special needs.⁴¹

FIGURE 9 Georgia Special Needs Scholarship Program
Average Costs and Savings Per Voucher Student



Sources: Author's calculations; The Friedman Foundation for Educational Choice, National Catalogue of School Choice Programs; National Center for Education Statistics (NCES), Common Core of Data (CCD) via EISI tableGenerator, <http://nces.ed.gov/ccd/elsi/tableGenerator.aspx>.

This analysis estimates that the GSNS program has now generated \$51 million in cumulative net savings since its inception (see Table 5).

STUDENT SCHOLARSHIPS FOR EDUCATIONAL EXCELLENCE PROGRAM | LOUISIANA

Cumulative Net Savings from Inception (2008-09) to 2010-11: **\$12.7 million**

Recently, the Louisiana General Assembly expanded and renamed the Student Scholarships for Educational Excellent (SSEE) program, now known as the Louisiana Scholarship Program (LSP). Beginning with the 2012-13 school year, all students in low-performing school districts across Louisiana became eligible for vouchers to attend private school.⁴² However, during the review period of this report, the prior SSEE program was limited to a pilot program encompassing only Jefferson Parish and Orleans Parish. Eligibility in the program was also means-tested, available only to students in families with incomes less than 250 percent of the federal poverty level (just more than \$55,000 for a family of four in 2010).

During the review period, the voucher limit was set at 90 percent of the full school formula funding the resident public school district would have received to educate the student or the chosen private school’s tuition and fees, whichever was less.⁴³ With the recent statewide expansion of the program, the voucher limit was also increased to 100 percent of full school formula funding.

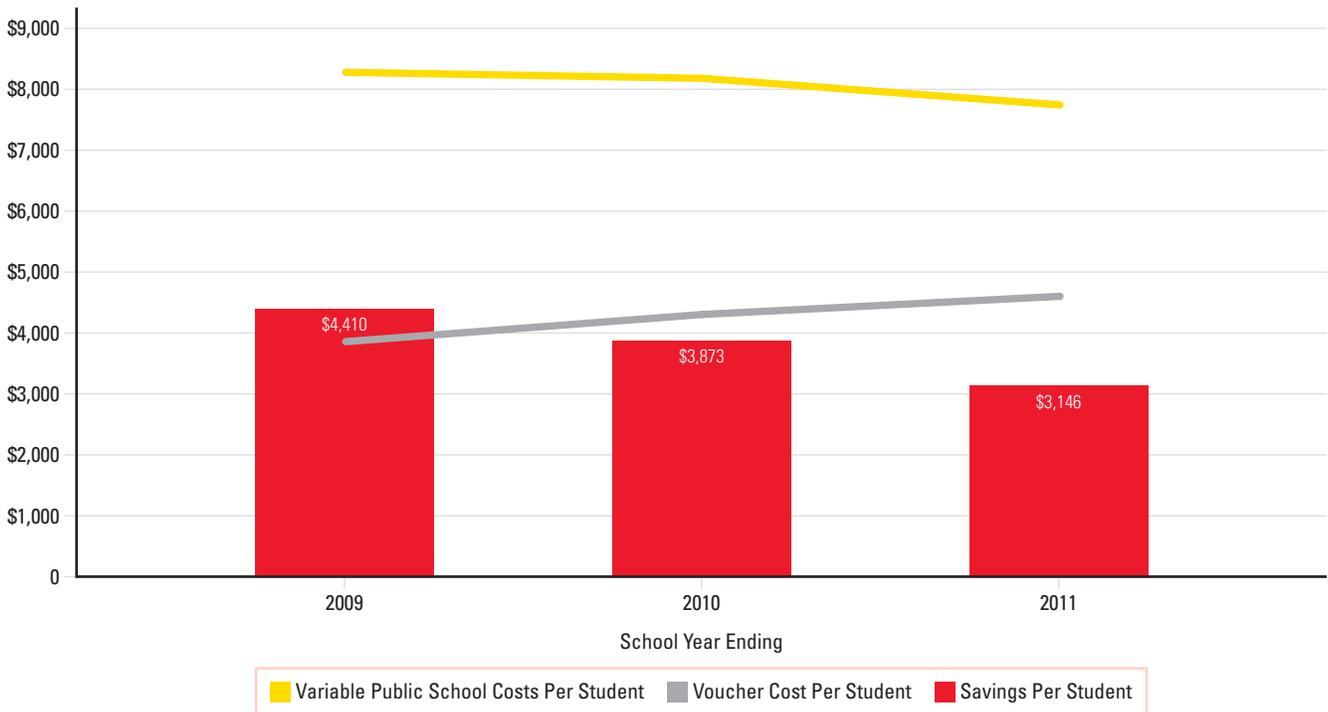
TABLE 6 Student Scholarships for Educational Excellence Program
Overall Fiscal Effect

School Year Ending	Added Voucher Cost			Reduced Cost Burden on Public Schools			Total Net Savings
	Voucher Students	Average Voucher Cost Per Student	Total Voucher Cost (LA Gov't)	Voucher Students Diverted from Public School	Average Variable Costs Per Student (LA Schools - Two Parishes)	Total Variable Cost Relief (LA Schools - Two Parishes)	
2009	624	\$3,856	\$2,406,144	624	\$8,266	\$5,158,235	\$2,752,091
2010	1,194	\$4,300	\$5,134,200	1,194	\$8,173	\$9,758,844	\$4,624,644
2011	1,678	\$4,593	\$7,707,054	1,678	\$7,739	\$12,986,846	\$5,279,792
Cumulative Total						\$12,656,527	

Sources: Author's calculations; The Friedman Foundation for Educational Choice, National Catalogue of School Choice Programs; National Center for Education Statistics (NCES), Common Core of Data (CCD) via EISI tableGenerator, <http://nces.ed.gov/ccd/elsi/tableGenerator.aspx>.

The SSEE program was designed such that the state government incurs some additional net costs. Under both the SSEE program and its successor LSP, the state bears the entire cost of each voucher award, which can be as much as 90 percent of the total Minimum Foundation Program (MPF) funding per student; yet the state saves only its share of the MFP funding per student for the assigned public school when a student uses a voucher to enroll in a private school. For the two parishes covered by the SSEE program, the average state share is about only 45 percent of their total MFP funding.⁴⁴ Conversely, the local public schools losing voucher students realize substantial fiscal relief. Those schools are relieved of the entire cost burden for the departing students but incur only a partial loss of the revenue associated with those students.

FIGURE 10 Student Scholarships for Educational Excellence Program
Average Costs and Savings Per Voucher Student



Sources: Author's calculations; The Friedman Foundation for Educational Choice, National Catalogue of School Choice Programs; National Center for Education Statistics (NCES), Common Core of Data (CCD) via EISI tableGenerator, <http://nces.ed.gov/ccd/elsi/tableGenerator.aspx>.

As explained in the Fiscal Impact Methodology section on page 11, this analysis does not attempt to isolate the separate fiscal effects on the Louisiana state treasury and the local public schools. Doing so is too complicated and time consuming. Overall, this report concludes the SSEE program generated \$12.7 million in cumulative net savings since its inception (see Table 6).

CLEVELAND SCHOLARSHIP PROGRAM | OHIO

Cumulative Net Savings from Inception (1996-97) to 2010-11: **\$308.1 million**

All children in the Cleveland Municipal School District are eligible for vouchers to attend a private school of their parents' choice under the Cleveland Scholarship Program (CSP). The CSP is the voucher component of the broader Cleveland Scholarship & Tutoring Program, which also provides grants to families of public school students that need extra instruction. Although the CSP has no hard income eligibility cap, by law priority must be given to students from families with incomes less than 200 percent of the federal poverty level (about \$44,000 per year for a family of four in 2010), and no more than half the total new voucher awards each year may go to children already enrolled in private school without a voucher. Historically, the share of vouchers awarded to private school students has been well below that legal limit, typically less than 25 percent.⁴⁵

TABLE 7 Cleveland Scholarship Program
Overall Fiscal Effect

School Year Ending	Added Voucher Cost			Reduced Cost Burden on Public Schools				Total Net Savings
	Voucher Students	Average Voucher Cost Per Student	Total Voucher Cost (OH Gov't and Cleveland Schools)	Percent Share of Voucher Students Not Diverted from Public School	Voucher Students Diverted from Public School	Average Variable Costs Per Student (Cleveland Schools)	Total Variable Cost Relief (Cleveland Schools)	
1997	1,994	\$2,192	\$4,370,078	25%	1,496	\$5,357	\$8,011,394	\$3,641,316
1998	2,914	\$2,043	\$5,953,254	25%	2,186	\$4,411	\$9,640,241	\$3,686,987
1999	3,674	\$1,559	\$5,729,438	25%	2,756	\$5,214	\$14,367,177	\$8,637,739
2000	3,404	\$1,663	\$5,660,535	18%	2,791	\$5,311	\$14,824,488	\$9,163,953
2001	3,797	\$1,687	\$6,403,773	18%	3,114	\$5,948	\$18,519,336	\$12,115,563
2002	4,523	\$1,839	\$8,317,682	15%	3,845	\$6,736	\$25,896,889	\$17,579,207
2003	5,281	\$3,042	\$16,067,155	14%	4,542	\$7,186	\$32,636,369	\$16,569,214
2004	5,887	\$2,314	\$13,623,453	14%	5,063	\$7,536	\$38,153,412	\$24,529,959
2005	5,710	\$2,512	\$14,341,867	12%	5,025	\$7,360	\$36,982,528	\$22,640,661
2006	5,813	\$2,853	\$16,584,560	11%	5,174	\$9,369	\$48,471,177	\$31,886,617
2007	6,116	\$2,870	\$17,555,293	14%	5,260	\$9,774	\$51,408,894	\$33,853,602
2008	6,272	\$2,801	\$17,570,533	16%	5,268	\$10,722	\$56,488,643	\$38,918,110
2009	5,562	\$3,236	\$18,000,424	16%	4,672	\$9,751	\$45,557,452	\$27,557,028
2010	5,476	\$3,027	\$16,576,189	20%	4,381	\$10,140	\$44,421,312	\$27,845,123
2011	5,697	\$3,103	\$17,678,951	20%	4,558	\$10,343	\$47,139,257	\$29,460,306
Cumulative Total							\$308,085,383	

Sources: Author's calculations; The Friedman Foundation for Educational Choice, National Catalogue of School Choice Programs; Ohio Dept. of Education; National Center for Education Statistics (NCES), Common Core of Data (CCD) via EISI tableGenerator, <http://nces.ed.gov/ccd/elsi/tableGenerator.aspx>.

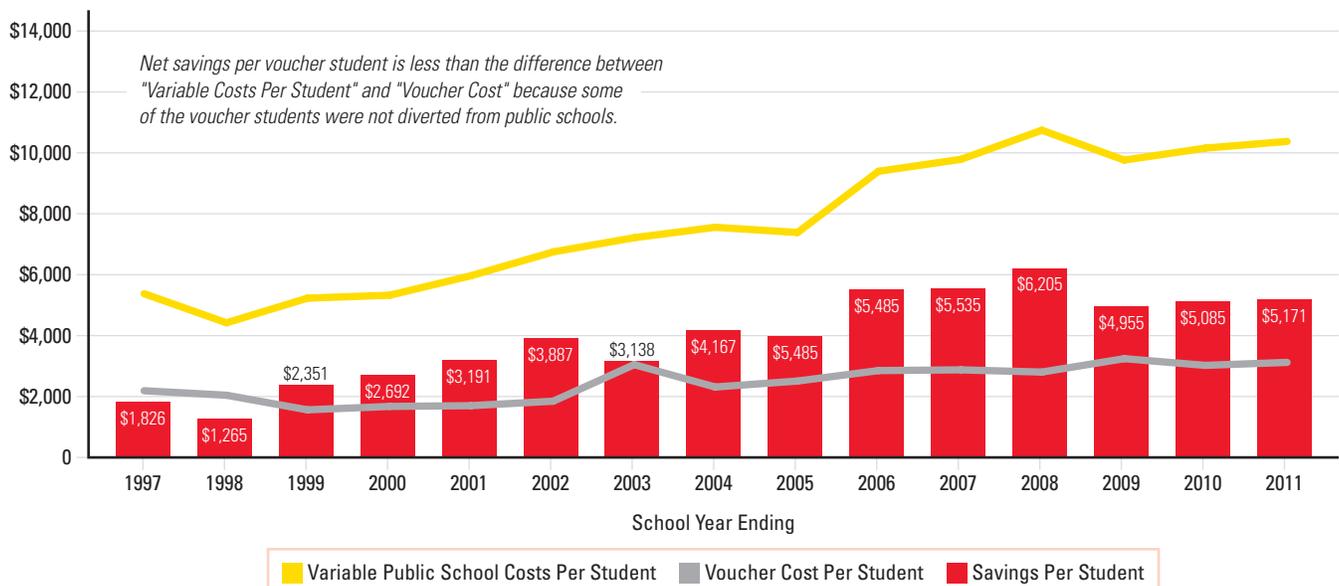
Through 2011, the period covered in this report, the maximum voucher amount was \$3,450. Individual voucher awards varied based on family income—the poorest families, those below 200 percent of the federal poverty level, received a voucher worth 90 percent of their private school tuition whereas those less poor got a voucher worth

only 75 percent of tuition. Parents had to cover any funding gap between the tuition rate and the voucher amount but were allowed to do so by contributing their time and talent to schools instead of paying cash. In 2012, for the 2012-13 school year, the maximum voucher amount was raised to \$4,250 for K-8 and \$5,000 for high school, and the 90 percent and 75 percent of tuition limits were removed. Those limits were replaced, instead, by a guarantee that participating private schools must accept the voucher amount as tuition in full for students from families with incomes below the 200 percent of federal poverty level threshold. Participating families above that poverty threshold are still required to cover any remaining tuition gap. Despite no hard income cap on the CSP, because students from the poorest families have priority and current funding is not sufficient to cover all applicants, the 200 percent of federal poverty level priority threshold is effectively functioning as an income eligibility cap.

Since the 2003-04 school year, participation in the CSP has hit a plateau. Even though the CSP is not officially set up as an entitlement, historically its funding has been sufficient to cover all applicants until very recently. With no hard income cap restricting student eligibility, this more recent leveling-off of participation indicates the program has fully matured in its current form. There could be any number of factors at play affecting demand: low voucher amounts/high parental copays, limited availability of seats at private schools, stagnant or declining population in Cleveland, more charter school alternatives, and/or higher satisfaction with the public schools. Also, for a time, the Ohio Department of Education was actively excluding all students with family incomes above the 200 percent federal poverty level threshold, but that practice has since stopped.⁴⁶ Whatever the reasons, it appears a change or changes to the program are necessary to trigger continued growth, assuming the current funding constraint is eventually lifted.

Since its inception, the CSP has generated \$308.1 million in savings (see Table 7). This net savings calculation includes the cost for vouchers awarded to students already enrolled in a private school without a voucher. Excluding those costs of approximately \$30.2 million, the CSP has generated \$338.3 million in gross savings from students using a voucher to leave the public school system to enroll in a private school.

FIGURE 11 Cleveland Scholarship Program
Average Costs and Savings Per Voucher Student



Sources: Author's calculations; The Friedman Foundation for Educational Choice, National Catalogue of School Choice Programs; National Center for Education Statistics (NCES), Common Core of Data (CCD) via ELSI tableGenerator, <http://nces.ed.gov/ccd/elsi/tableGenerator.aspx>.

AUTISM SCHOLARSHIP PROGRAM | OHIO

Cumulative Net Savings from Inception (2004-05) to 2010-11: **\$57.3 million**

In Ohio, all students with autism are eligible for vouchers to offset the costs for education services from a private provider, including a private school. The voucher amount can be as high as \$20,000, depending on the severity of the student’s disability. To qualify, the student must first register for special education services at his or her assigned public school. The Autism Scholarship Program (ASP) is rather different from other voucher programs in several ways: Not only does it target a very specific subgroup of disabled students, it is also available for students ranging from ages three to 21.

TABLE 8 Autism Scholarship Program
Overall Fiscal Effect

School Year Ending	Added Voucher Cost			Reduced Cost Burden on Public Schools			Total Net Savings
	Voucher Students	Average Voucher Cost Per Student	Total Voucher Cost (OH Gov't)	Voucher Students Diverted from Public School	Average Variable Costs Per Student with Autism (OH Schools)	Total Variable Cost Relief (OH Schools)	
2005	300	\$9,211	\$2,763,264	300	\$19,466	\$5,839,800	\$3,076,536
2006	475	\$13,225	\$6,281,805	475	\$20,266	\$9,626,350	\$3,344,545
2007	734	\$13,395	\$9,832,186	734	\$20,782	\$15,253,988	\$5,421,802
2008	1,000	\$14,948	\$14,948,045	1,000	\$21,566	\$21,566,000	\$6,617,955
2009	1,461	\$14,903	\$21,773,767	1,461	\$22,271	\$32,537,931	\$10,764,164
2010	1,666	\$15,565	\$25,932,119	1,666	\$23,572	\$39,270,952	\$13,338,833
2011	1,978	\$15,853	\$31,356,706	1,978	\$23,328	\$46,142,784	\$14,786,078
Cumulative Total						\$57,349,913	

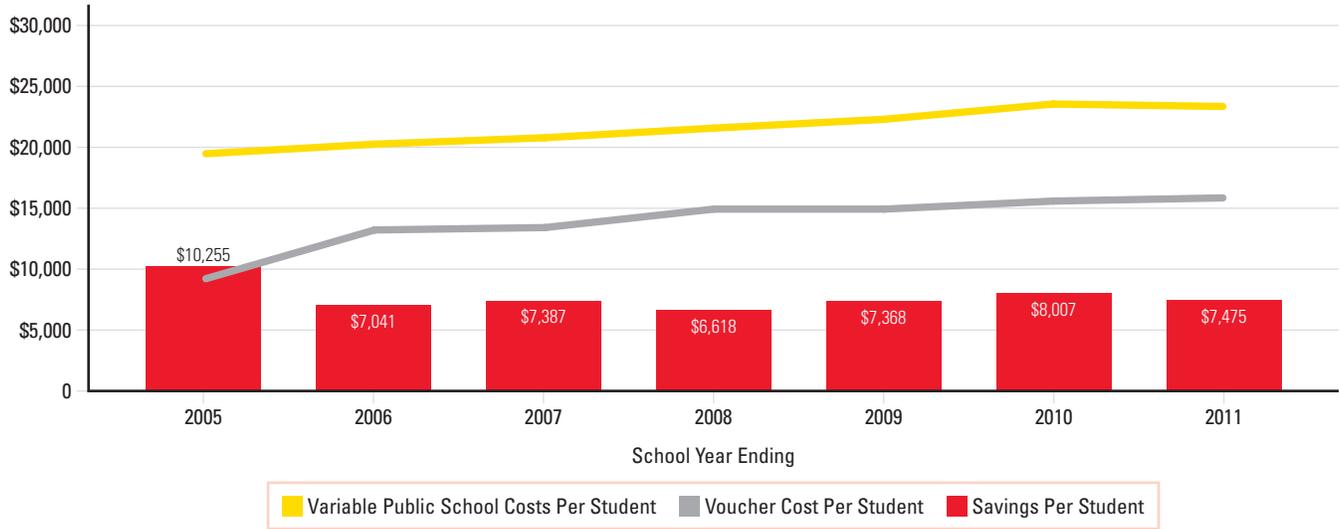
Sources: Author’s calculations; The Friedman Foundation for Educational Choice, National Catalogue of School Choice Programs; National Center for Education Statistics (NCES), Common Core of Data (CCD) via ELSI tableGenerator, <http://nces.ed.gov/ccd/elsi/tableGenerator.aspx>.

Although ASP eligibility requires participants to register with his or her assigned public school district, it does not exclude students who were not previously enrolled in a public school. No data are readily available on the number of ASP recipients previously enrolled in a private school without a voucher, so no attempt has been made to incorporate that circumstance into this report’s calculations. Though it is safe to assume two things about such students: (1) Their number is rather small; and (2) without the voucher, it is highly likely they would enroll in a public school. Typically, such students are diagnosed as having autism *after* their families chose to enroll them in a private school. Thus, they were not receiving autism services before being awarded the voucher and, likely, could not continue at their private school without this additional funding to cover the extra costs of their special services.

This analysis estimates the ASP has generated \$57.3 million in savings since its inception (see Table 8). This calculation employs a cost differential factor of three times to approximate the “Average Variable Costs Per Student with

Autism” as compared with Ohio’s average variable spending for general education students. This cost differential factor for students with autism is also taken from the Special Education Expenditure Project (SEEP) referenced on page 12 in the Fiscal Impact Methodology section.⁴⁷

FIGURE 12 Autism Scholarship Program
Average Costs and Savings Per Voucher Student



Sources: Author's calculations; The Friedman Foundation for Educational Choice, National Catalogue of School Choice Programs; National Center for Education Statistics (NCES), Common Core of Data (CCD) via EISI tableGenerator, <http://nces.ed.gov/ccd/elsi/tableGenerator.aspx>.

EDUCATIONAL CHOICE SCHOLARSHIP PROGRAM | OHIO

Cumulative Net Savings from Inception (2006-07) to 2010-11: **\$172.2 million**

The original purpose of the Educational Choice Scholarship Program (EdChoice) was to better enable students to leave Ohio’s underperforming public schools by giving them the ability to enroll in a private school of their parents’ choice. Students already attending private schools, but residing in neighborhoods served by an underperforming public school, were not eligible. The program was later modified to allow all low-income students statewide entering or enrolled in kindergarten to participate. Thus, EdChoice’s purpose is now two-fold: (1) helping students escape “bad” public schools, and (2) leveling access to private schools for low-income families, regardless of the quality of their assigned public school.

The EdChoice voucher is worth \$4,250 in grades K-8 and \$5,000 in grades 9-12. Private schools that participate in the program may charge additional tuition above the voucher amount to students whose family incomes exceed 200 percent of the federal poverty level (just over \$44,000 per year for a family of four in 2010). The EdChoice voucher limits match those of the Cleveland Scholarship Program.

TABLE 9 Educational Choice Scholarship Program
Overall Fiscal Effect

School Year Ending	Added Voucher Cost			Reduced Cost Burden on Public Schools			Total Net Savings
	Voucher Students	Average Voucher Cost Per Student	Total Voucher Cost (OH Gov't)	Voucher Students Diverted from Public School	Average Variable Costs Per Student (OH Schools)	Total Variable Cost Relief (OH Schools)	
2007	3,169	\$3,272	\$10,368,839	3,169	\$6,927	\$21,952,340	\$11,583,501
2008	7,144	\$3,564	\$25,462,824	7,144	\$7,189	\$51,354,811	\$25,891,987
2009	9,772	\$3,914	\$38,244,389	9,772	\$7,424	\$72,542,615	\$34,298,226
2010	11,784	\$3,905	\$46,018,260	11,784	\$7,857	\$92,590,901	\$46,572,640
2011	13,733	\$3,855	\$52,943,672	13,733	\$7,776	\$106,787,808	\$53,844,136
						Cumulative Total	\$172,190,490

Sources: Author’s calculations; The Friedman Foundation for Educational Choice, National Catalogue of School Choice Programs; National Center for Education Statistics (NCES), Common Core of Data (CCD) via EISi tableGenerator, <http://nces.ed.gov/ccd/elsi/tableGenerator.aspx>.

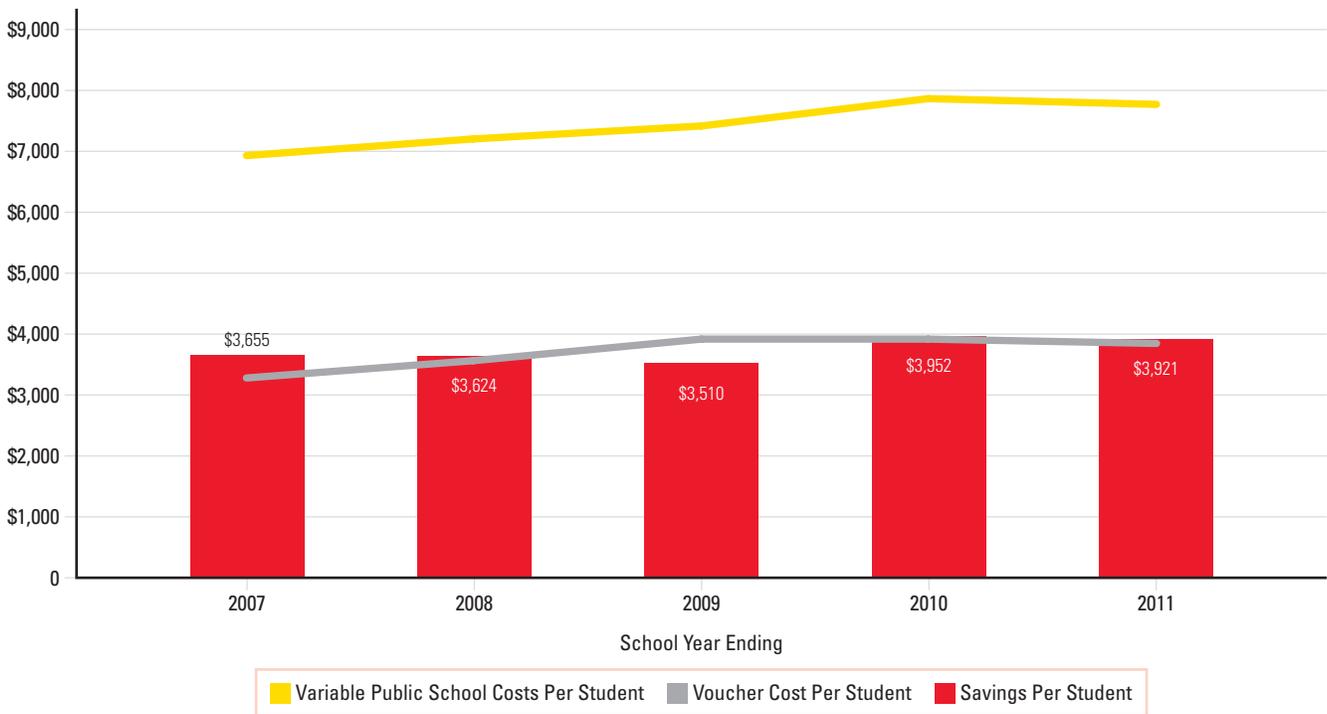
With its now dual purpose, EdChoice’s eligibility criteria has become a bit complex. The current eligibility pathways are as follows:

1. students attending a low-performing public school,
2. students attending a charter school (known as community schools in Ohio) though assigned to a low-performing public school,
3. students entering kindergarten (i.e., not previously enrolled in any K-12 school) and assigned to a low-performing school,
4. students moving to Ohio and assigned to a low-performing school, or
5. all students entering or enrolled in kindergarten with family incomes less than 200 percent of the federal poverty level.

In the case of charter school students, they still generate cost burden relief to the public school system if they use the EdChoice voucher to enroll in a private school. For low-income students entering or enrolling in kindergarten, it is impossible to know the true number that would have still enrolled in a private school without their EdChoice voucher. Furthermore, it is reasonable to presume the count would be very small given that most of those families would not have the means to attend a private school without a voucher. For those reasons, this analysis does not attempt to incorporate an adjustment for the private school propensity effect into the EdChoice program savings calculation.

Participation growth in EdChoice has been strong, rising from more than 3,000 students in the 2006-07 school year to nearly 14,000 students in the 2010-11 school year. EdChoice is now one of the largest voucher programs in the nation, behind only Florida’s McKay vouchers and the Milwaukee Parental Choice Program, both of which had been in place for many years when the EdChoice program was launched.

FIGURE 13 Educational Choice Scholarship Program
Average Costs and Savings Per Voucher Student



Sources: Author’s calculations; The Friedman Foundation for Educational Choice, National Catalogue of School Choice Programs; National Center for Education Statistics (NCES), Common Core of Data (CCD) via EISI tableGenerator, <http://nces.ed.gov/ccd/elsi/tableGenerator.aspx>.

Ohio’s EdChoice program has already accumulated an astounding \$172.2 million in savings in just five years since its inception in the 2006-07 school year (see Table 9).

CARSON SMITH SPECIAL NEEDS SCHOLARSHIP PROGRAM | UTAH

Cumulative Net Savings from Inception (2005-06) to 2010-11: **\$3 million**

The Carson Smith Special Needs Scholarship Program provides vouchers to all Utah parents of children with special needs. All special-needs students ranging from ages five to 21 are eligible without regard to family income or prior enrollment status. The most significant access restrictions are caused by private school licensing requirements and available state funding. Students must enroll in a private school that has secured state authorization to serve special-needs students. Currently, only about 40 private schools in Utah are so authorized.⁴⁸

The maximum voucher award is based on the state’s foundation funding amount per student adjusted for the severity of each student’s disability. For students with disabilities requiring less than three hours of specialized services per day, the adjustment is 1.5 times the state foundation amount. For students with more severe disabilities requiring more than three hours of specialized services per day, the adjustment is 2.5 times the state foundation amount. Though in no case may the voucher amount exceed the actual cost of the selected private school’s tuition and fees.

TABLE 10 Carson Smith Special Needs Scholarship Program
Overall Fiscal Effect

School Year Ending	Added Voucher Cost			Reduced Cost Burden on Public Schools				Total Net Savings
	Voucher Students	Average Voucher Cost Per Student	Total Voucher Cost (UT Gov't)	Percent Share of Voucher Students Not Diverted from Public School	Voucher Students Diverted from Public School	Average Variable Costs Per Special Needs Student (UT Schools)	Total Variable Cost Relief (UT Schools)	
2006	107	\$5,648	\$604,354	37%	67	\$7,823	\$524,141	(\$80,213)
2007	340	\$4,217	\$1,433,612	37%	214	\$8,147	\$1,743,458	\$309,846
2008	548	\$4,115	\$2,255,213	38%	338	\$8,723	\$2,948,374	\$693,161
2009	582	\$4,264	\$2,481,484	37%	366	\$9,627	\$3,522,814	\$1,041,331
2010	602	\$4,436	\$2,670,195	39%	365	\$9,330	\$3,401,599	\$731,404
2011	624	\$4,893	\$3,053,276	39%	382	\$8,878	\$3,392,904	\$339,628
Cumulative Total								\$3,035,158

Sources: Author’s calculations; The Friedman Foundation for Educational Choice, National Catalogue of School Choice Programs; Utah State Office of Education, Dept. of Special Education Services; National Center for Education Statistics (NCES), Common Core of Data (CCD) via ELSI tableGenerator, <http://nces.ed.gov/ccd/elsi/tableGenerator.aspx>.

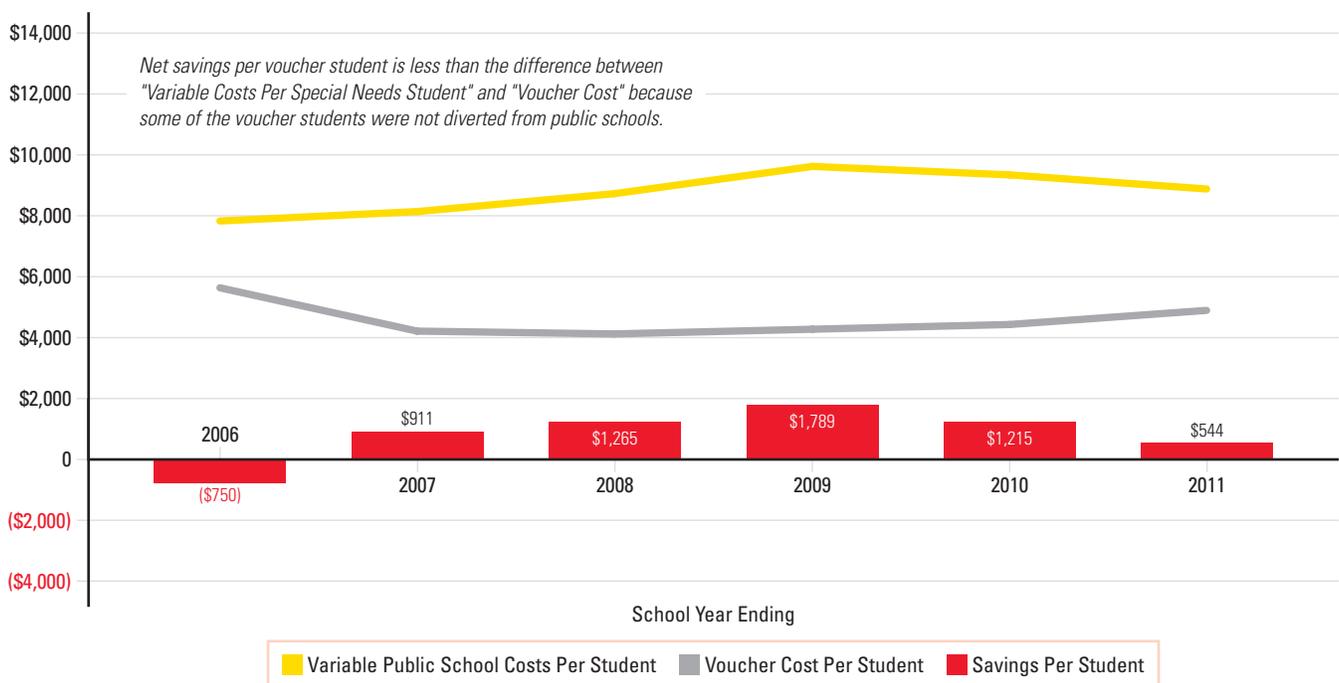
Participation growth in the Carson Smith program has been steady, though not spectacular, because of the limited supply of approved private schools and the amount of funding appropriated for the program by the Utah legislature. For any substantial growth to occur, legislative changes will be necessary on both fronts.

As a special-needs voucher program, calculating the fiscal effects of the Carson Smith Scholarships requires an adjustment to Utah’s standard per-student funding amount. To approximate the “Average Variable Costs Per

Special Needs Student,” a double-cost factor was applied to the state’s “Average Variable Costs Per Student,” as explained on page 12 in the Fiscal Impact Methodology section.

The primary risk in using this simplifying assumption is that the disability mix of students using vouchers may differ substantially from the state’s overall population of special-needs students. If the disability mix of these voucher students skews substantially more severe, thus more expensive, then the savings here are understated. Conversely, if these voucher students’ disabilities are typically less severe, thus less expensive, the savings here are overstated. Because of the uncertainty over the actual disability mix of Carson Smith voucher recipients, the most reasonable assumption to make is that their disability profiles mirror the state’s overall population of students with special needs.⁴⁹

FIGURE 14 Carson Smith Special Needs Scholarship Program
Average Costs and Savings Per Voucher Student



Sources: Author’s calculations; The Friedman Foundation for Educational Choice, National Catalogue of School Choice Programs; National Center for Education Statistics (NCES), Common Core of Data (CCD) via EISI tableGenerator, <http://nces.ed.gov/ccd/elsi/tableGenerator.aspx>.

Even despite the limited supply of state-authorized private providers, this special-needs voucher program has yielded \$3 million in savings since its inception in the 2005-06 school year (see Table 10). This net savings calculation includes the cost for vouchers awarded to students previously enrolled in a private school without a voucher. Excluding those costs of approximately \$4.7 million, the Carson Smith program has generated \$7.7 million in gross savings from special-needs students using vouchers to leave the public school system to enroll in a private school.

MILWAUKEE PARENTAL CHOICE PROGRAM | WISCONSIN

Cumulative Net Savings from Inception (1990-91) to 2010-11: **\$238.5 million**

As the nation’s first modern school voucher program, the Milwaukee Parental Choice Program (MPCP) has been the test case for all school choice programs since. As such, it has been heavily scrutinized and undergone numerous modifications over time. For the period of this analysis, the MPCP was available to all low-income families residing within in the Milwaukee school district. The participation growth revealed here is a result, in large part, of a series of program modifications, each expanding eligibility further. A major change, subsequently enacted in 2011, raised the family income limit up to 300 percent of the federal poverty level (more than \$66,000 per year for a family of four in 2010) extending MPCP eligibility into the middle class. However, that expansion occurred after the time period analyzed here and is not reflected in these results.

TABLE 11 Milwaukee Parental Choice Program
Overall Fiscal Effect

School Year Ending	Added Voucher Cost			Reduced Cost Burden on Public Schools				Total Net Savings
	Voucher Students	Average Voucher Cost Per Student	Total Voucher Cost (WI Gov't and Milwaukee Schools)	Percent Share of Voucher Students Not Diverted from Public School	Voucher Students Diverted from Public School	Average Variable Costs Per Student (Milwaukee Schools)	Total Variable Cost Relief (Milwaukee Schools)	
1991	300	\$2,446	\$733,800	10%	270	\$4,442	\$1,199,340	\$465,540
1992	512	\$2,643	\$1,353,216	10%	461	\$4,376	\$2,016,461	\$663,245
1993	594	\$2,745	\$1,630,530	10%	535	\$4,767	\$2,548,438	\$917,908
1994	704	\$2,985	\$2,101,440	10%	634	\$4,958	\$3,141,389	\$1,039,949
1995	771	\$3,209	\$2,474,139	10%	694	\$4,963	\$3,443,826	\$969,687
1996	1,288	\$3,667	\$4,723,096	10%	1,159	\$5,191	\$6,017,407	\$1,294,311
1997	1,616	\$4,373	\$7,066,768	10%	1,454	\$5,356	\$7,789,766	\$722,998
1998	1,497	\$4,696	\$7,029,912	10%	1,347	\$5,756	\$7,755,059	\$725,147
1999	5,761	\$4,894	\$28,194,334	10%	5,185	\$6,085	\$31,550,117	\$3,355,783
2000	7,575	\$5,106	\$38,677,950	10%	6,818	\$6,107	\$41,634,473	\$2,956,523
2001	9,238	\$5,326	\$49,201,588	10%	8,314	\$6,539	\$54,366,554	\$5,164,966
2002	10,497	\$5,553	\$58,289,008	10%	9,447	\$6,779	\$64,042,332	\$5,753,323
2003	11,304	\$5,783	\$65,369,875	10%	10,173	\$7,357	\$74,845,851	\$9,475,976
2004	12,882	\$5,882	\$75,771,924	10%	11,594	\$7,332	\$85,005,742	\$9,233,818
2005	14,071	\$5,943	\$83,620,982	10%	12,663	\$7,672	\$97,153,988	\$13,533,007
2006	14,604	\$6,351	\$92,752,227	10%	13,144	\$8,056	\$105,887,379	\$13,135,152
2007	17,088	\$6,501	\$111,090,713	10%	15,379	\$8,295	\$127,572,330	\$16,481,617
2008	18,558	\$6,501	\$120,642,633	10%	16,702	\$8,672	\$144,837,966	\$24,195,334
2009	19,428	\$6,607	\$128,363,439	10%	17,486	\$9,113	\$159,345,908	\$30,982,469
2010	20,372	\$6,442	\$131,237,390	10%	18,335	\$9,496	\$174,108,543	\$42,871,152
2011	20,256	\$6,442	\$130,490,763	10%	18,231	\$10,150	\$185,040,844	\$54,550,081
Cumulative Total							\$238,487,986	

Sources: Author's calculations; The Friedman Foundation for Educational Choice, National Catalogue of School Choice Programs; Robert M. Costrell, *The Fiscal Impact of the Milwaukee Parental Choice Program in Milwaukee and Wisconsin, 1993 – 2008*, SCDP Milwaukee Evaluation Report 2 (Fayetteville: Univ. of Ark., Dept. of Education Reform, School Choice Demonstration Project, 2008), http://www.uark.edu/ua/der/SCDP/Milwaukee_Eval/Report_2.pdf; US Census Bureau Publications Database (file name ELSEC School District Finance Data FY 1987-91.zip; accessed Mar. 14, 2014), <http://www2.census.gov/pub/outgoing/govs/special60>; National Center for Education Statistics (NCES), Common Core of Data (CCD) via EISI tableGenerator, <http://nces.ed.gov/ccd/elsi/tableGenerator.aspx>.

A closer look at the past changes to the MPCP reveals eligibility expansion on several fronts. Initially, the family income limit was set at 175 percent of the federal poverty level. That income limit was raised, in 2004, to 220 percent of the federal poverty level. It now stands at 300 percent of the federal poverty level, by virtue of a 2011 change. Clearly, the program has generated substantial public support or the Wisconsin legislature would not have been so inclined to act.

Also, throughout this report's analysis period, participation in the MPCP was restricted by other legal limits on: (1) the total number of vouchers awarded, (2) the share of a private school's enrollment from voucher recipients, and (3) the types of private schools authorized to receive voucher funds. When first enacted, no more than 1 percent of Milwaukee students could be awarded vouchers. Only non-sectarian (i.e., not religiously affiliated) private schools could accept voucher funds. Finally, a participating private school could not have more than 49 percent of its total enrollment be composed of voucher students. Over time, each of those restrictions was loosened, then eliminated. In 1993, the total voucher limit was raised (to 1.5 percent of all Milwaukee students) and the maximum share of private school voucher enrollment was raised (to 65 percent). In 1995, the total voucher limit was again raised (to 15 percent of all Milwaukee students) and the ban on sectarian private schools was lifted. Though, it should be noted, lifting that ban was then litigated, and the eligibility of church-affiliated private schools was not affirmed by the Wisconsin Supreme Court until 1998. In 2011, the total voucher limit was removed at the same time the family income limit was raised to 300 percent of the federal poverty level.

Further complicating matters, MPCP's funding structure—one of the most unique among school voucher programs—was also in flux. In fact, in recent years, the program's funding structure has generated more controversy and political unrest than has parental choice.

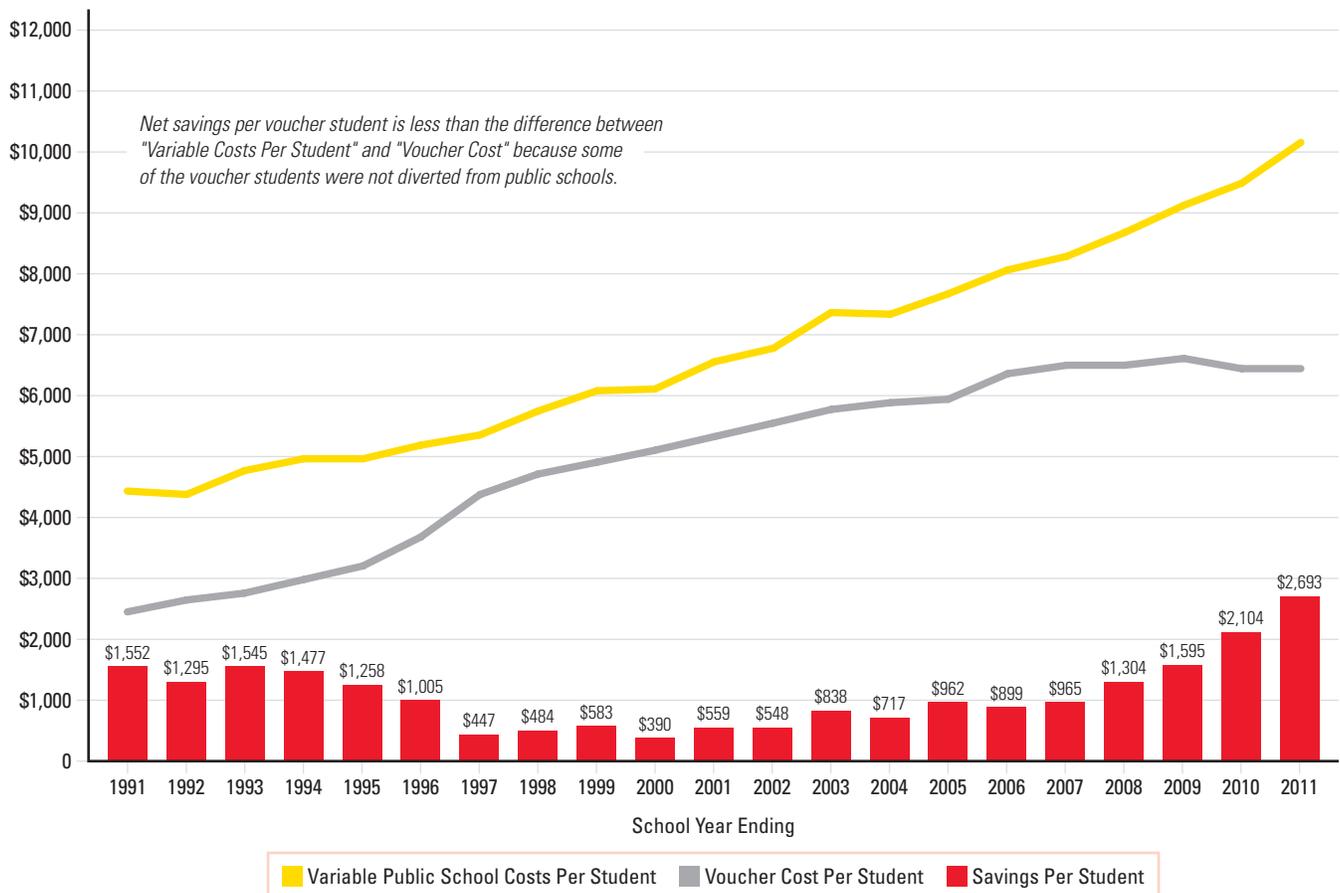
From the 1990-91 school year through the 1997-98 school year, the MPCP funding structure was rather conventional. The state treasury bore the direct cost of the vouchers and state aid to the Milwaukee Public Schools (MPS) was reduced by a corresponding amount. That setup continued while program eligibility was still tight and participation was fewer than 1,500 students. As participation surged, after the Wisconsin Supreme Court decision affirming the eligibility of church-affiliated schools, the legislature modified the MPCP funding structure. That funding change did not meaningfully affect student participation levels, but it dramatically altered the fiscal effects on Milwaukee's public schools and property taxpayers within the city. Rather than the state treasury covering the full voucher cost, the fiscal burden is now being shared, with 45 percent of the voucher cost being paid with local funds. As a result, the state now realizes a substantial fiscal savings for each student using an MPCP voucher to leave MPS and enroll in a private school. The state's savings are so large because the enrollment shift lowers the state's costs through the school funding formula by its full per-student obligation; yet the state bears only 55 percent of the cost of the voucher.

Because eligibility for the MPCP is not limited to students previously enrolled in MPS—although the vast majority were by virtue of the income limit—a proper fiscal analysis must account for the cost of vouchers awarded to students who would have still enrolled in a private school even without the vouchers' financial assistance; this is the private school propensity effect referenced on page 10 in the Fiscal Impact Methodology section. Those students are a net fiscal cost because they generate no direct expense burden relief for the public schools.

Unfortunately, the Wisconsin Department of Public Instruction does not compile and track prior enrollment status data for MPCP participants. Therefore, another approach must be taken to account for that factor. Accordingly, this report uses a 10 percent private school propensity rate for all MPCP participants. This ratio is drawn from work done by the School Choice Demonstration Project, an education research initiative based within the University of

Arkansas' Department of Education Reform, which has produced a series of reports on the academic and fiscal effects of the MPCP.⁵⁰

FIGURE 15 Milwaukee Parental Choice Program
Average Costs and Savings Per Voucher Student



Sources: Author's calculations; The Friedman Foundation for Educational Choice, National Catalogue of School Choice Programs; National Center for Education Statistics (NCES), Common Core of Data (CCD) via EISI tableGenerator, <http://nces.ed.gov/ccd/elsi/tableGenerator.aspx>.

Based on this report's analysis, the Milwaukee Parental Choice Program has generated \$238.5 million in savings since its inception (see Table 11). It is also noteworthy that this savings calculation includes a cost estimate of \$114.1 million for the private school propensity effect. Excluding those costs, the MPCP has generated a remarkable \$352.6 million in savings from students using vouchers to leave the public school system to enroll in a private school.

Conclusion

School choice not only benefits parents and students, it also can save money—which benefits taxpayers.

There are two main ways savings are derived from school choice: (1) by tapping into the private school market, which is generally charging families less than the current amount spent to educate a student in public schools, and (2) by fostering more competition in the education marketplace, which tends to restrain cost growth for all schools.

Admittedly, part of the reason for the relatively lower tuition rates at many private schools is philanthropic support. Although it is hard to predict precisely how broader school choice might eventually affect giving to private schools, it is also reasonable to presume a more robust school choice marketplace will work to temper cost growth across the board.

What is certain is that the cost of schooling will move more quickly toward its proper, equilibrium

level—whether that is more or less than is currently being spent. In contrast, the current K-12 education delivery system, a government-sanctioned monopoly, simultaneously works to drive up overall costs while under-rewarding excellence.

Between 1990 and 2011, the 10 voucher programs analyzed in this report generated \$1.7 billion in fiscal benefits. On a per-student basis, with nearly 505,000 students served on a full-time equivalent (FTE) basis, that equals about \$3,400 saved per voucher student per year—freeing up dollars for additional spending on public school students, school choice, health care, public safety, social services, tax relief, or whatever priorities state lawmakers may have.

For the first iteration of this study, authored by Susan Aud, only six of these voucher programs were examined. The cumulative savings for those programs was about \$240 million from 1990 to 2006. This study adds five years and four new voucher programs to the analysis and finds the cumulative savings have escalated to more than \$1.7 billion.

TABLE 12 Recently Enacted School Voucher Programs Not Analyzed

State	Program Name	Year Enacted
CO	Douglas County Choice Scholarship Pilot Program	2011
IN	Choice Scholarship Program	2011
LA	School Choice Program for Certain Students with Exceptionalities	2010
MS	Mississippi Dyslexia Therapy Scholarship for Students with Dyslexia Program	2012
MS	Nate Rogers Scholarship for Students with Disabilities Program	2013
NC	Special Education Scholarship Grants for Children with Disabilities	2013
NC	Opportunity Scholarships	2013
OH	Jon Peterson Special Needs Scholarship Program	2011
OH	Income-Based Scholarship Program	2013
OK	Lindsey Nicole Henry Scholarships for Students with Disabilities	2010
WI	Parental Private School Choice Program (Racine)	2011
WI	Parental Choice Program (Statewide)	2013

Source: Friedman Foundation for Educational Choice, National Catalogue of School Choice Programs.

Interest in school choice continues to accelerate across the nation, now at an even faster pace than during the time period covered in this report. Altogether, today there are 21 school voucher programs in place across 11 states and the District of Columbia.⁵¹ Some states have more than one school voucher program because their legislature has decided to take a multifaceted approach, designing unique programs for targeted student populations (typically students with disabilities) or certain geographic regions. In addition, since 2011, Alabama and Arizona have enacted school choice programs that are similar to school vouchers, in core concept, but deviate in actual design. Table 12 provides a summary of all of the recently enacted school voucher programs not analyzed in this report.

In addition to all of those voucher programs, there are now 17 tax-credit scholarship programs in place across 13 states, and seven more states have some form of tax deduction or credit for education expenses. Finally, added to this mix are the town tuitioning laws in Maine and Vermont, dating back to the late 19th century, which are forerunners of the modern school voucher concept.⁵² In all, as of 2014, there were 51 distinct school choice programs serving families and students across 24 states and the District of Columbia.⁵³

With school choice reforms now exploding across the nation, the fiscal benefits will only continue to grow, making the next iteration of this report much thicker and the returns for taxpayers, governments, public schools, and, most important, for families, more plentiful.

Appendix

Comparison to 2007 Report

In April 2007, the Friedman Foundation for Educational Choice published its first estimate of the cumulative net savings from school choice programs. In that report, *Education by the Numbers: The Fiscal Effect of School Choice Programs, 1990 – 2006*, prepared by Susan Aud, nine school choice programs were examined—six voucher programs and three tax-credit scholarship programs. At that time, Aud reported a cumulative net savings of \$444 million for all nine school choice programs—\$240 million attributed to the voucher programs examined and \$204 million attributed to the tax-credit scholarship programs.

In this new report, only school voucher programs are included. In total, the voucher savings estimates from this new report exceed Aud’s original estimates by about a whopping \$1.5 billion. That total difference is the sum of two components: (1) a \$178.1 million increase in estimated savings for the same school voucher programs and time period covered by both reports, and (2) a \$1.3 billion additional net savings that have accrued since the time period examined by Aud.

For the time period overlapping with Aud’s study, this new study reports a cumulative net savings of \$418.1 million as compared with the previously estimated \$240 million net savings for the same six voucher programs. Slight differences in methodology appear to explain most of that \$178.1 million difference. The three notable variations in methodology between this study and Aud’s are:

1. This new study defines public school variable costs slightly more broadly than did Aud’s, who included only costs for direct instruction in her calculations;
2. this new study relies almost exclusively on the National Center for Education Statistics (NCES) for comparable data on public school spending,⁵⁴ whereas Aud used public school spending data solicited from each state’s education agency⁵⁵; and
3. this new study does not attempt to disaggregate the fiscal effects of school choice between the effects on the state treasury and the effects on public schools, whereas Aud’s report attempted to make that distinction.⁵⁶

TABLE A Cumulative Savings for 10 School Voucher Programs since 2007 Report

Program Name	State or Jurisdiction	Started	Cumulative Savings Difference vs. 2007 Report for Overlapping Period	Cumulative Voucher Count since 2007 Report	Cumulative Savings since 2007 Report
Opportunity Scholarship Program	Washington, D.C.	2004-05	(\$4,594,610)	7,788	\$18,481,016
John M. McKay Scholarships for Students with Disabilities Program	Florida	1999-00	\$78,931,292	101,779	\$618,852,875
Opportunity Scholarship Program*	Florida	1999-00	(\$71,496)	N/A	N/A
Georgia Special Needs Scholarship Program	Georgia	2007-08	N/A	7,092	\$51,030,401
Student Scholarships for Educational Excellence Program	Louisiana	2008-09	N/A	3,496	\$12,656,527
Cleveland Scholarship Program	Ohio	1996-97	\$57,321,010	34,936	\$189,520,785
Autism Scholarship Program	Ohio	2004-05	\$5,408,111	6,839	\$50,928,832
Educational Choice Scholarship Program	Ohio	2006-07	N/A	45,602	\$172,190,490
Carson Smith Special Needs Scholarship Program	Utah	2005-06	N/A	2,803	\$3,035,158
Milwaukee Parental Choice Program	Wisconsin	1990-91	\$41,058,832	95,703	\$169,080,654
		Total	\$178,053,139	306,038	\$1,285,776,739

*Private school choice component ended after 2005-06 school year by court order.

Sources: Author’s calculations; The Friedman Foundation for Educational Choice, National Catalogue of School Choice Programs; Ohio Dept. of Education; Utah State Office of Education, Dept. of Special Education Services; Robert M. Costrell, *The Fiscal Impact of the Milwaukee Parental Choice Program in Milwaukee and Wisconsin, 1993 – 2008*, SCDP Milwaukee Evaluation Report 2 (Fayetteville: Univ. of Ark., Dept. of Education Reform, School Choice Demonstration Project, 2008), http://www.uark.edu/ua/der/SCDP/Milwaukee_Eval/Report_2.pdf; National Center for Education Statistics (NCES), Common Core of Data (CCD) via EISi tableGenerator, <http://nces.ed.gov/ccd/elsi/tableGenerator.aspx>.

The first methodological difference is the most significant since, in theory, the two other differences should not generate any variance. However, in practice, it appears they do. Considering only the different variable cost parameters, the new net savings estimates for the overlapping period should *always* be higher. Indeed, the overall comparative results are consistent with that hypothesis. However, it isn't true for every comparison of school voucher programs examined in both studies. So it seems some of the other factors are also affecting the comparative results.

The nearly \$1.3 million in additional net savings accrued from school voucher programs since the time period examined by Aud also has two subcomponents. Four of the voucher programs examined in this study are too new to have been included in Aud's report. The cumulative net savings accrued from those four newer programs totals \$239 million. The rest—nearly \$1.1 billion—is the additional net savings accrued from the six pre-existing school voucher programs since Aud completed her analysis.

In Table A, all of the differences in school voucher net savings between Aud's April 2007 report and this new study are summarized. A brief explanation of those differences is provided for each school voucher program examined:

Opportunity Scholarship Program (OSP) | Washington, D.C.

In her April 2007 report, Aud estimated an overall cumulative net savings of \$7.8 million for the first two years of the OSP, 2005 and 2006. This analysis resets the savings for that period at \$3.2 million, with an additional \$18.5 million in cumulative net savings accrued through 2011. That the updated savings estimate for the overlapping period is substantially lower, not higher, than Aud's original estimate is surprising given the broader measure of variable cost savings used for calculating the new savings estimate. Digging a bit deeper reveals that the instructional spending per student amounts used by Aud were slightly higher than the total variable costs per student amounts used here, though logically they should not have been. However, alone this factor is not sufficient

to explain the very large gap between the original and new savings estimates. This unexpected result is primarily explained by an oversight in Aud's analysis—she did not include an adjustment for OSP vouchers awarded to students not diverted from the public school system. Because this program does not require applicants to have been previously enrolled in a D.C. public school, such an adjustment is necessary.

John M. McKay Scholarships for Students with Disabilities Program | Florida

In her 2007 report, Aud estimated an overall cumulative net savings of \$138.7 million for the first seven years of the McKay Scholarships, 2000 through 2006. This analysis resets the savings for that period at \$217.6 million, with an additional \$618.9 million in cumulative net savings accrued through 2011, as participation continued to accelerate. As expected, the new net savings estimate for the overlapping period is higher, consistent with the difference between these two studies in measuring the variable cost savings for public schools.

Opportunity Scholarship Program (OSP) | Florida

In her 2007 report, Aud estimated an overall cumulative net savings of \$3 million for the first seven years of this program, 2000 through 2006. This analysis resets the savings for that period at \$2.9 million, with no additional cumulative net savings accrued because the private school voucher portion was ended after the 2005-06 school year. Though only a small difference, this new slightly lower savings estimate for the overlapping period is unexpected given the broader measure total variable costs savings used in the new analysis. This unexpected comparative difference is due to a minor flaw in Aud's original savings estimate. She inadvertently overstated the savings by including a savings for the state treasury. Instead, the OSP was designed to be fiscally neutral for the state government, just like the McKay voucher program. The error made by Aud illustrates the added complexity of attempting to disaggregate the fiscal savings generated by a voucher program between the state government and the local public schools.

Georgia Special Needs Scholarship Program | Georgia

This voucher program was not yet enacted at the time Aud compiled her 2007 report.

Student Scholarships for Educational Excellence Program | Louisiana

This voucher program was not yet enacted at the time Aud compiled her 2007 report.

Cleveland Scholarship Program (CSP) | Ohio

In her 2007 report, Aud estimated an overall cumulative net savings of \$61.2 million for the first nine years of the CSP, 1997 through 2005. This analysis resets the savings for that period at \$118.6 million, with an additional \$189.5 million in cumulative net savings accrued through 2011. As expected, the new net savings estimate for the overlapping period is higher, consistent with the difference between these two studies in measuring the variable cost savings for public schools.

Autism Scholarship Program (ASP) | Ohio

In her 2007 report, Aud estimated an overall cumulative net savings of \$1 million for the first two years of the ASP, 2005 and 2006. It should be noted she cited 2005-06 and 2006-07 as the program's first two years in her 2007 report. However, because this program was operational for the 2004-05 school year, those date references very well could have been a typo. This analysis resets the savings for those first two years at \$6.4 million, with an additional \$50.9 million in cumulative net savings accrued through 2011. The new net savings estimate, for the overlapping period, is higher than the original estimate as expected, but not for only the expected reason—greater per student variable cost savings used in the new estimate. A large six-fold jump in the new savings estimate versus the old estimate was not expected.

Two other differentiating factors between the new

and old savings estimates were also identified and appear to account for much of the unexpectedly large comparative difference in ASP savings estimates. The first, and likely most significant, is that Aud's original savings estimate for the ASP included only the net savings to Ohio's state treasury whereas the new estimate captures the program's full net savings. Aud cited the unavailability of disaggregated costs for students with autism as her reason for omitting the fiscal effects on local school districts. This new estimate overcomes that data problem by using a simpler and more holistic savings calculation; one that doesn't rely on the ability to produce separate savings estimates for the state treasury and the local public schools. The second key factor is that Aud presumed the average ASP voucher award was equal to its \$20,000 maximum level. The new savings estimate, instead, uses the actual average ASP voucher amounts for each year, as reported by the Ohio Department of Education, which were much lower overall. This difference also contributed to the new savings estimate being greater than Aud's original estimate.

Educational Choice Scholarship Program | Ohio

This voucher program was not yet operational at the time Aud compiled her 2007 report.

Carson Smith Special Needs Scholarship Program | Utah

Citing both the newness of the program and an inability to secure data on the educational cost for students with special needs in Utah, Aud did not attempt to generate a savings estimate for the Carson Smith Scholarships even though it was operational at the time she produced her 2007 report.

Milwaukee Parental Choice Program (MPCP) | Wisconsin

In her 2007 report, Aud estimated an overall cumulative net savings of just \$28.3 million for the first 16 years of the MPCP, from 1991 through 2006. This analysis resets the savings estimate for the overlapping period at a much larger \$69.4 million,

with an additional \$169.1 million in cumulative net savings accrued through 2011. The new net savings estimate, for the overlapping period, is higher than the original estimate as expected, but not for only the expected reason—greater-per student variable cost savings used in the new estimate. It is difficult to deconstruct Aud’s methodology to fully isolate every factor contributing to actual comparative difference. The main difference in methodology explains only a 15 percent to 20 percent increase in comparative net savings. So, the large 150 percent actual comparative increase indicates more factors are affecting this comparison than meets the eye. Conflicting factors also add to the confusion. Aud omitted the private school propensity effect from her original calculation, an omission that alone inflates her net savings result. Yet her original savings estimate was still well below the new savings estimate presented in this report.

Notes

1. The structure of K-12 school finance, while sharing many similarities across the country, is uniquely different in each state. In fact, it is so unique and complex, that each state government has its own legislative and bureaucratic infrastructure dedicated to K-12 school finance – their own school finance experts. To precisely calculate the fiscal effects of each school choice program each year would require extensive modeling and would be cost prohibitive. Adding yet another layer of complexity is the fact that school finance laws often change over time, so the fiscal effect of 10 students using vouchers to leave public school A to attend private school B may differ from one year to the next.
2. This savings estimate considers only a very narrow definition of variable spending by schools. As explained under the subsection Focus on Variable Costs, in the Fiscal Impact Methodology section, starting on p. 11, this narrow definition excludes spending for administrative overhead, school buildings and equipment, and student transportation. Any savings realized from reductions in these costs, over time, are not included in our savings calculations.
3. A few methodological differences between our approach and that of the author of *Education by the Numbers*, Susan Aud, account for this difference. The most basic methodological difference was with regard to the measure of per student spending used when estimating variable costs burden relief. Aud limited the savings accrued from an enrollment decline to only the reduced instructional spending burden. Instructional spending is the major component of total variable costs, but does not include both instructional support and student support spending which are also captured in the broader total variable costs measure. For each of the six school voucher programs that we reset the original savings estimate made by Aud we have provided additional notations highlighting what we believe to be the primary reason(s) for the difference. See Susan L. Aud, *Education by the Numbers: The Fiscal Effect of School Choice Programs, 1990-2006*, School Choice Issues in Depth (Indianapolis: Milton and Rose D. Friedman Foundation for Educational Choice, 2007), <http://www.edchoice.org/Research/Reports/Education-by-the-Numbers--The-Fiscal-Effect-of-School-Choice-Programs--1990-2006.aspx>.
4. Every four years, the National Center for Education Statistics (NCES) generates a *Schools and Staffing Survey (SASS)* of both public and private schools, including private school tuition rates. The most recent tuition data, for the 2007-08 school year, shows an average private school tuition rate of \$8,549 for all grades K-12. For the same school year, the average per pupil spending in K-12 public schools across the United States was \$11,965, as compiled in NCES's *Common Core of Data (CCD)*. Though per pupil expenditures in public schools are not differentiated by grade level, private school tuition data is collected and compiled separately for elementary and secondary grades. Private high school tuitions rates are typically about 60 percent higher than elementary tuition rates and tuition rates at non-sectarian schools are nearly triple the amount charged by religiously-affiliated schools. While the much higher tuition rates at non-sectarian schools drive up the overall average private school tuition rate, these schools represent only about 20 percent of all private school enrollment in the United States. So, the private school tuition rate paid by the vast majority of families is only about 75 percent of the calculated overall average. See "Table 64. Private Elementary and Secondary Enrollment, Number of Schools, and Average Tuition, by School Level, Orientation, and Tuition: 1999-2000, 2003-04, and 2007-08," National Center for Education Statistics, last modified Oct. 2009, http://nces.ed.gov/programs/digest/d10/tables/dt10_063.asp.
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14. Brian Gill, *What Do We Know About Vouchers and Charter Schools? Separating the Rhetoric from the Reality* (Santa Monica, CA: RAND, 2001), http://www.rand.org/pubs/research_briefs/RB8018/index1.html.
15. Matthew M. Chingos and Paul E. Peterson, *The Effects of School Vouchers on College Enrollment: Experimental Evidence from New York City* (Washington, DC: Brookings Institution, Brown Center on Education Policy; Cambridge, MA: Harvard Kennedy School, Harvard Program on Education Policy and Governance, 2012), http://www.hks.harvard.edu/pepg/PDF/Impacts_of_School_Vouchers_FINAL.pdf.
16. A recent national survey indicated that publically funded school vouchers had well over 50 percent support from the general public, rising to 60 percent support when respondents are first provided a brief definition. See Paul DiPerna, *Schooling in America Survey: What Do Mothers Say About K-12 Education?*, Polling Papers 15 (Indianapolis: Friedman Foundation for Educational Choice, 2013), <http://www.edchoice.org/CMSModules/EdChoice/FileLibrary/1000/Schooling-in-America-Survey.pdf>.

17. “Today, states play a large and increasing role in education funding, a trend that emerged in the 1970’s when state spending first overtook education spending by local governments.” “School Finance: Federal, State, and Local K-12 School Finance Overview,” Federal Education Budget Project, ¶3, last modified Apr. 21, 2014, <http://febfp.newamerica.net/background-analysis/school-finance>.
18. Tracy Gordon, “State and Local Budgets and the Great Recession,” Brookings Institution, Dec. 2012, <http://www.brookings.edu/research/articles/2012/12/state-local-budgets-gordon>.
19. Examples of data collection challenges for tax credit scholarship programs include: a) no summarized tracking/reporting of prior enrollment status of scholarship recipients; b) in states with many separate authorized scholarship granting organizations (SGOs) there is often no centralized repository of SGO fiscal data, complicating the data collection task; and c) most SGOs are small, thinly staffed operations with accounting systems that are narrowly designed to meet only technical financial and operational audit demands, not broader fiscal policy analysis needs.
20. Paul DiPerna, ed., *2012 ABCs of School Choice: Rising Tide* (Indianapolis: Friedman Foundation for Educational Choice, 2012), <http://www.edchoice.org/Foundation-Services/Publications/ABCs-of-School-Choice-3.aspx>.
21. Author’s calculations based on DiPerna, *2012 ABCs of School Choice*.
22. On Jan. 5, 2006, the Fla. Supreme Court upheld a 2004 ruling of Fla.’s 1st District Court of Appeal striking down the Opportunity Scholarships on grounds that the program violates the state Constitution’s “no aid” to religion clause. Interestingly, similar lawsuits in other states have failed because those courts found that the school choice “aid” was provided to parents, not directly to religiously-affiliated schools. Thus, the monies were deemed private funds that the parents could choose to spend as they wish. See *Bush v. Holmes*, 919 So. 2d 392 (Fla. 2006).
23. See note 20 above.
24. For example, in 2008, the Ind. General Assembly enacted a major property tax reform law (HEA1001-2008) which eliminated local public school general fund property tax levies and shifted the entire burden for all public school instructional and administrative costs to the State General Fund. Local property taxes were left to fund only school buildings, school buses, and supplemental instructional funding, if the local community passes a referendum to do so.
25. For more information on federal Title I funding see, “Improving Basic Programs Operated by Local Educational Agencies (Title I, Part A)”, US Dept. of Education, last modified June 4, 2014, <http://www2.ed.gov/programs/titleiparta/index.html>.
26. For more information on federal funding provided through the Individuals with Disabilities Education Act (IDEA) of 2004, see “Building the Legacy: IDEA 2004,” US Dept. of Education, <http://idea.ed.gov>.
27. For example, the “private school propensity” for voucher students enrolled in a private school before receiving a voucher is assumed to be 100 percent, except in a very unusual case. Typically, the eligibility criteria for a school voucher program will include some students that were not previously enrolled in the state’s public school system (e.g., incoming kindergarten students or students moving in from out-of-state), even if students already enrolled in private schools are explicitly excluded. Any accurate calculation of the net savings from a voucher program must include an estimate of many those incoming students would have still enrolled in their private school with the voucher’s financial assistance.
28. School choice opponents typically argue that extending eligibility to students already enrolled in a private school will drive up government spending and “waste” money. The other oft-cited opposing argument is that wealthy families don’t deserve to benefit from public funds for school choice. Though that reasoning overlooks the obvious fact that wealthy families have long benefitted from public funding of their children’s educations in public schools.
29. Benjamin Scafidi, *The Fiscal Effects of School Choice Programs on Public School Districts* (Indianapolis: Friedman Foundation for Educational Choice, 2012), <http://www.edchoice.org/Research/Reports/The-Fiscal-Effects-of-School-Choice-Programs-on-Public-School-Districts.aspx>.
30. The Special Education Expenditure Project (SEEP) was funded by the US Dept. of Education, Office of Special Education Programs (OSEP). For more information, see “About SEEP,” American Institutes for Research, http://www.csef-air.org/about_seep.php.
31. It must be noted that these savings may not be fully retained by the same schools losing the students. Decisions at either the school district or state level will affect how the retained federal monies are allocated going forward.
32. Thomas D. Snyder and Sally A. Dillow, *Digest of Education Statistics 2011*, NCES 2012-001 (Washington, DC: US Dept. of Education, Institute of Education Sciences, National Center for Education Statistics, 2012), pp. 17-18, table 3, <http://nces.ed.gov/pubs2012/2012001.pdf>.
33. Represents only “Current Expenditures,” as defined by the US Dept. of Education, which include instruction, instruction-related, and support services, but exclude expenditures on capital outlay, other programs, and interest on long-term debt. For historical data on national average spending per public student, see Thomas D. Snyder and Sally A. Dillow, *Digest of Education Statistics 2012*, NCES 2014-015 (Washington, DC: US Dept. of Education, Institute of Education Sciences, National Center for Educational Statistics, 2013), p. 297, table 213, <http://nces.ed.gov/pubs2014/2014015.pdf>.
34. IHS Global Insight, *Outlook – Gross Metropolitan Product, with Metro Employment Projections, Including International and State Comparisons*, US Metro Economies, special report prepared at the request of The United States Conference of Mayors and the Council on Metro Economies and the New American City, Nov. 2013, <http://www.usmayors.org/metroeconomies/2013/201311-report.pdf>.
35. Frankly, it would be difficult to design a nationwide school voucher program so tightly restricted that it would only offset the relatively slow erosion in private school enrollment share (approximately one-tenth of 1 percent or 50,000 students per year). Since each new cohort is about 4 million students, any such program, even if tightly restricted and phased in by cohort, would likely attract more participants than required just to offset the erosion rate. Alternatively, the sporadic expansion of school choice options, on a state-by-state basis, has served as a form of phase-in. However, the pace of this phase-in has, thus far, been too slow to fully offset the erosion.
36. In 2011, when Congress reauthorized the program, it also raised the maximum voucher amounts to \$8,000 for students in grades K-8 and \$12,000 for students in grades 9-12. See Scholarships for Opportunity

and Results Act, H.R. 471, 112th Cong. (2011), <https://beta.congress.gov/112/bills/hr471/BILLS-112hr471pcs.pdf>.

37. In evaluating the Opportunity Scholarship Program (OSP), the review team examined outcomes for all students that applied for scholarships—both those that were chosen through the lottery and those that applied but were not chosen. In doing so, this provided the reviewers an unbiased basis for comparison since the only meaningful difference between these two groups of students was that some had received scholarships and others had not. In all other respects, these two student groups can be deemed similar because all were eligible and applied for the OSP. The students awarded scholarships are designated as the “treatment” group (as they received the treatment of winning the lottery). The students not awarded scholarships are designated as the “control” group (as they represent a baseline control against which the results for the treatment group can be compared). The review team found, for the 2008-09 school year, 12 percent of students in the control group had enrolled in a private school. This provides a clear indication of the propensity for OSP-eligible students to attend a private school even without the OSP’s financial assistance. Thus, it’s a reasonable proxy for estimating the share of OSP recipients (i.e., members of the treatment group) that were not diverted from the public school system. See Patrick J. Wolf, Babette Gutmann, Michael Puma, Brian Kisida, Lou Rizzo, Nada Eisaa, and Matthew Carr, *Evaluation of the D.C. Opportunity Scholarship Program: Final Report*, NCEE 2010-4018 (Washington, DC: US Dept. of Education, Institute of Education Sciences, National Center for Education Evaluation and Regional Assistance, 2010), table 2-4, p. 27, <http://ies.ed.gov/ncee/pubs/20104018/pdf/20104018.pdf>.

38. Two countervailing factors make it difficult to strictly reason whether the disability profile of McKay Scholarship students skews more or less severe than the state’s overall special needs student population. First, the higher voucher awards for students with more severe disabilities could entice more of these students to participate. This could lead to the McKay Scholarship students having more severe disabilities than average. Second, the public schools generally have more capacity and resources to serve students with severe disabilities than do private schools. This suggests that the McKay Scholarship students enrolled in private schools may have less severe disabilities than average.

39. This is the criteria for designation as a chronically failing school under Florida’s Opportunity Scholarship Program at the time of publishing for this report. This criterion has changed some over time. See “OSP Eligibility Requirements,” Fla. Dept. of Education, <http://www.floridaschoolchoice.org/Information/OSP/eligibility.asp>.

40. In Ga., this amount is known as the Quality Basic Education (QBE) earnings. It defines the total state and local funds available to each public school district for current operating costs. QBE earnings are funded partially by a local property tax levy set at a fixed rate, with the gap filled by state funds. School districts also have independent authority to levy additional property taxes outside the QBE calculation, and, thus, are not factored into the voucher amount.

41. Two countervailing factors make it difficult to strictly reason whether the disability profile of GSNS students skews more or less severe than the state’s overall special needs student population. First, the higher voucher awards for students with more severe disabilities could entice more of these students to participate. This could lead to the GSNS students having more severe disabilities than average. Second, the public schools generally have more capacity and resources to serve students with severe disabilities than do private schools. This suggests that the GSNS students may have less severe disabilities than average.

42. Schools receiving a performance grade of C, D, or F by the La. State Board of Elementary and Secondary Education.

43. In La., this amount is known as the Minimum Foundation Program (MFP) funding. It defines the total state and local funds available to each public school district for current operating costs. As is typical, it also defines the split between state and local funding. A minimum expected amount of local sales and property tax revenue is calculated for each school district, then state funds fill the gap to provide the full MFP funding total.

44. Data detail on funding by school district is available in the *MFP Handbook* produced annually by the La. Dept. of Education. See “MFP Handbook,” La. Dept. of Education, <https://www.louisianabelieves.com/resources/library/minimum-foundation-program>.

45. Data on the percentage share of vouchers awarded to students already enrolled in a private school without a voucher was provided by the Ohio Dept. of Education (ODE), Office of Quality School Choice; Erin Whitt, e-mail message to author, Nov. 18, 2013. For 1997, 1998, and 1999, exact data on the percentage share of vouchers awarded to students already enrolled in a private school was not available. However, during those years, ODE set a policy to limit this percentage share to 25 percent.

46. This statement about past ODE exclusion of applicants from families with income above 200 percent of federal poverty level was offered by staff at School Choice Ohio in a telephone conversation with the author when asked for their insights into possible reasons why participation in the Cleveland Scholarship & Tutoring Program (CSTP) has leveled off.

47. In SEEP Report 5, separate cost differential factors by disability type, including autism, were isolated. See Jay G. Chambers, Jamie Shkolnik, and María Pérez, *Total Expenditures for Students with Disabilities, 1999-2000: Spending Variation by Disability*, Special Education Expenditure Project Report 5 (Washington, DC: American Institutes for Research, 2003), http://www.csef-air.org/publications/seep/national/Final_SEEP_Report_5.PDF.

48. “The Carson Smith Special Needs Scholarship Eligible Private Schools,” Parents for Choice in Education, <http://www.choiceineducation.org/policy-and-innovations/the-carson-smith-scholarship/578-eligible-private-schools>.

49. Two countervailing factors make it difficult to strictly reason whether the disability profile of Carson Smith Scholarship students skews more or less severe than the state’s overall special needs student population. First, the higher voucher awards for more severely disabled students could entice more of these students to participate. This would lead to the Carson Smith Scholarship students being more severely disabled than average. Second, the public schools generally have more capacity and resources to serve severely disabled students than do private schools. This suggests that the Carson Smith Scholarship students may be less severely disabled than average.

50. The School Choice Demonstration Project (SCDP) researchers reviewed results from past studies of several random assignment voucher programs that examined the enrollment patterns of students that were not awarded vouchers in a lottery selection process. From this review, they selected 10 percent as the most reasonable proxy for estimating the share of MPCP recipients that would have still enrolled in a private school with the voucher. See Robert M. Costrell, *The Fiscal Impact of the Milwaukee Parental Choice Program in Milwaukee and Wisconsin, 1993 – 2008*, SCDP Milwaukee Evaluation Report 2

(Fayetteville: Univ. of Ark., Dept. of Education Reform, School Choice Demonstration Project, 2008), pp. 11-13, http://www.uark.edu/uader/SCDP/Milwaukee_Eval/Report_2.pdf.

51. This count excludes town tuitioning laws in Maine and Vt.

52. Under these laws, students living in towns that do not have a local public school are provided public funds to attend either a private school or a public school in another, nearby, town.

53. See note 9 above.

54. For the period from the 1997-98 school year through the 2010-11 school year, all public school spending data is from Common Core of Data (CCD), “Public Elementary/Secondary School Universe Survey,” via Elementary/Secondary Education Information System (ELSI) Table Generator, <http://nces.ed.gov/ccd/elsi>. CSTP and MPCP both pre-date the 1997-98 school year. For the period from the 1994-95 school year through the 1996-97 school year, spending data for the Cleveland Municipal School District and the Milwaukee Public Schools is from CCD Build A Table, <http://nces.ed.gov/ccd/bat>. The MPCP also pre-dates the 1994-95 school year. For these earlier years, spending data for the Milwaukee Public Schools is from US Bureau of the Census, “Public Education Finances,” *1992 Census of Governments 4*, no. 1, GC92(4)-1 (Washington, DC: US Bureau of the Census, 1995), <http://www.census.gov/prod/1/gov/gc924x1.pdf>; US Bureau of the Census, *Public Education Finances: 1992-93*, GF/93-10 (Washington, DC: US Bureau of the Census, 1997), <http://www.census.gov/prod/2/gov/gf92-93/gf-9310.pdf>; US Bureau of the Census, *Public Elementary-Secondary Education Finances 1993-94* (Washington, DC: US Bureau of the Census, n.d.), http://www.census.gov/govs/school/historical_data_1994.html. For the 1990-91 school year, spending data for the Milwaukee Public Schools was pulled from US Census Bureau Publications Database (file name ELSEC School District Finance Data FY 1987-91.zip; accessed Mar. 14, 2014), <http://www2.census.gov/pub/outgoing/govs/special60>.

55. The NCES demands state education agencies report school spending data in a specific and consistent way that is directly comparable across states. In fact, the NCES staff reviews all data submissions and strives to resolve any apparent reporting anomalies. Conversely, public school spending data are often reported differently by state education agencies for consumption by policymakers in their own state. Thus, even though the various expenditure data sets for a state may come from the same original source, the public school spending totals often differ based on which data set is used in the analysis. This is a frequent source of confusion—and even distrust. But analysts familiar with public school spending data have become used to seeing such discrepancies.

56. As explained on p. 11, in the Fiscal Impact Methodology section, any attempt to disaggregate the fiscal effects of a school voucher program into its state and local subcomponents adds substantial complexity and requires more assumptions. Clearly, that accounts for some of the difference between Aud’s results and those reported for the same school voucher programs during the same time period in this new study.

About the Author



Jeff Spalding serves as the Director of Fiscal Policy and Analysis at the Friedman Foundation for Educational Choice. In this role, Jeff provides direct analytical support to the Foundation’s staff and partners as they engage state policymakers seeking to establish or expand school choice opportunities in their state. The purpose of this fiscal analysis work is to clarify and elevate the understanding of the financial impacts of school choice initiatives on state and local governments, public school corporations, taxpayers, and families of school-age children.

In May 2013, Jeff resigned from his position as Controller/Chief Financial Officer (CFO) for the City of Indianapolis for the opportunity to join the Foundation staff. In that role, Jeff administered the \$1 billion annual budget for the combined operations of the City of Indianapolis and Marion County – most recently managing the city’s finances through the sharp revenue downturn resulting from the “Great Recession” of 2008 without across-the-board layoffs, furloughs, pay cuts, or closures that can impair delivery of core public services (e.g., police protection, fire protection, etc.) and undermine both public confidence and economic development efforts. Jeff was most proud of maintaining the city’s AAA credit rating through this period and executing dramatic improvements to revenue forecasting, budget tracking, and financial reporting processes.

Prior to serving as the city’s Controller/CFO, Jeff had a long and varied career in financial management and analysis, mostly in public sector finance – the longest stretch, 13 years, serving as the Senior Fiscal Analyst for the Republican Caucus of the Indiana House of Representatives. There, Jeff was a senior advisor and technical expert to the Speaker of the House and the Chairman of the Ways & Means Committee. His work focused heavily on public policy choices related to tax structure, education funding, economic development strategy, and government spending control. Jeff also has notable experience in transportation finance, working in various financial management and policy roles at the Indiana Department of Transportation for 10 years, served over two stints. Jeff graduated magna cum laude from Hanover College in 1982 with a degree in economics. He credits Milton Friedman for his decision to study that discipline as Dr. Friedman’s public notoriety was at its peak as Jeff was reaching the “age of reason” in the arc of his own life. Subsequently, he attained a Master of Business Administration (MBA) degree from Washington University – St. Louis with a concentration in finance.

Jeff is, essentially, a lifelong resident of Indianapolis with the exception of short stints living elsewhere for schooling or jobs. He graduated from Warren Central High School in 1978. He has been actively involved in the local community, in many capacities, over the years, including once serving as President of the Irvington Development Organization. Currently, Jeff proudly serves as an Executive Committee member for the Indiana Council for Economic Education. This organization, based at Purdue University, has a mission of elevating the economic literacy of students and teachers in elementary and secondary education.

Jeff lives in Indianapolis’s Meridian-Kessler neighborhood with his daughter, who attends the Immaculate Heart of Mary Catholic School. Jeff is an avid sports fan whose college sports allegiance is primarily to Purdue University. Outside the major sports, he also enjoys watching professional tennis and professional cycling. As a parent, he can also now frequently be found attending youth sporting events. Jeff’s other interests include public policy and classic movies.

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The author welcomes any and all questions related to methods and findings.



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