# What to look for in a fiscal note

When evaluating your legislative bureau's fiscal note on a school choice bill, you should ask the following questions:

1. **Does the fiscal note consider the reduction in funds from the state formula?**

    a. When students switch from public school to a private school, the enrollment count for next period decreases, which decreases the amount of funding for state aid to public schools

2. **Does the fiscal note assume that all school costs as fixed?**

    a. If this were <u>really</u> true, then your state should not be funding enrollment growth. Funds that would otherwise go to public school enrollment growth could be used to fund the school choice program. Surely, no one really believes most public school costs are fixed. If they do, they are advocating the elimination of enrollment growth funding, as most public school costs are fixed.

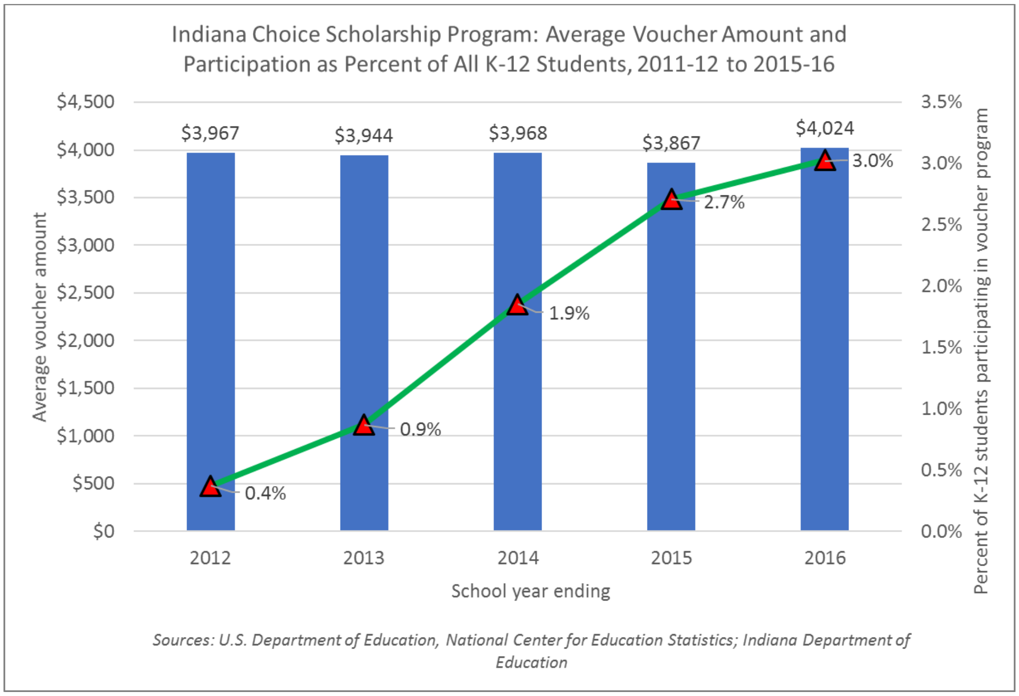
    b. Of course, this is not true, and the fiscal issues session from the first EdChoice conference you attended should have covered this. *If not, or if you want a refresher, ask us about it!*

    c. Some costs are fixed, but some costs are variable. See accompanying handout "On Educational Costs: Fixed, Quasi-fixed, and Variable Costs" for overview of education costs.

    d. Also note that most districts will receive funds such as local revenue and some federal revenue for students who leave for *any* reason. The amount that districts receive for students they no longer must educate can be substantial. As a result, <u>per-pupil revenue tends to increase as enrollment decreases</u>.

3. **Does the fiscal note assume a reasonable switcher rate? Switchers are students who were previously enrolled in a public school or would have otherwise attended a public school without a voucher, ESA, or scholarship.**

    a. Not all students will use the program, and not all students will be switchers from public schools to private schools.




b. Even if a child was not enrolled in a public school in a prior year, he or she may be a switcher if they would have been enrolled in a public school in the current year.

c. Some guidelines and economic principles can help forecast the cost or savings of a program:

    i. For example, the larger the scholarship amount, the higher the overall take-up rate

    ii. Prior public school attendance requirements—of say a semester or 100 days—will lead to more switchers.

    iii. Program type also will likely play a role

        1. For example, under tax-credit scholarship programs, SGOs may favor low-income students and switchers

d. Private schools will want switchers to fill empty seats. Between 1994-1995 and 2012-2013, private school enrollment declined by 9 percent while public school enrollment during the same period increased by 13 percent.[1] Thus, private schools have a financial incentive for limited scholarship dollars to go to switchers.

e. Data on switchers are very limited, no data on broad-eligibility programs. The best data that EdChoice has on this topic come from Florida's Tax-Credit Scholarship Program. We obtained data on first-year program participants from Step Up for Students. The table below shows where these students came from prior to participating in the choice program.

**Where first-year participants in Florida's Tax Credit Scholarship Program were enrolled**

| School year ending | Total number of scholarship students | Number of first-year students in program | % est. from nonpublic | % est. from public |
|---|---|---|---|---|
| 2012 | 40,248 | 14,152 | 13% | 87% |
| 2013 | 51,075 | 19,905 | 19% | 81% |
| 2014 | 59,822 | 20,898 | 19% | 81% |
| 2015 | 69,950 | 24,462 | 24% | 76% |
| 2016 | 78,664 | 24,282 | 30% | 70% |

*Source: Step Up for Students*

Between 2012 and 2016, the percent of first-year program participants that came from non-public school environments were between 13 percent and 30 percent. As the program expanded, the switcher rate has increased, though most students come from public schools. The program is income based, with priority given to students eligible for FRL (free or reduced price lunch).

## Example of how one of our fiscal analyses was impactful

Earlier this year in Georgia during a House floor debate on HB 217 (a bill to increase the annual cap on tax credits under Georgia's Education Expense Credit program), House Ways and Means Chairman Jay Powell highlighted the switcher rate and break-even rates from an addendum to an EdChoice report on tax-credit scholarships and publicly

[1] Snyder, T.D., de Brey, C., and Dillow, S.A. (2016). *Digest of Education Statistics 2015* (NCES 2016-014). National Center for Education Statistics, Institute of Education Sciences, U.S. Department of Education. Washington, DC.; U.S. Department of Education, National Center for Education Statistics, Common Core of Data (CCD), "State Nonfiscal Public Elementary/Secondary Education Survey", 1994-95 v.1b, 2012-13 v.1a; "State Nonfiscal Public Elementary/Secondary Education Survey Directory Data", 2014-15 v.1a.

announced that the program did not take money away from public schools. This was a reversal of his previous position that students in the program would have enrolled in private schools even without the scholarships.

While this instance was not based on a fiscal note, the information contained in the memo cited by Chairman Powell is the same info that we base all EdChoice fiscal notes on. And it is info that should be incorporated into fiscal notes produced by states' legislative fiscal bureaus.