

The Fiscal Effects of Private School Choice Programs

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LET'S GET
FISCAL



- Context to inform the fiscal question
- How analysts (should) estimate fiscal effects of private school choice programs
- Fiscal effects of private school choice on state and local taxpayers

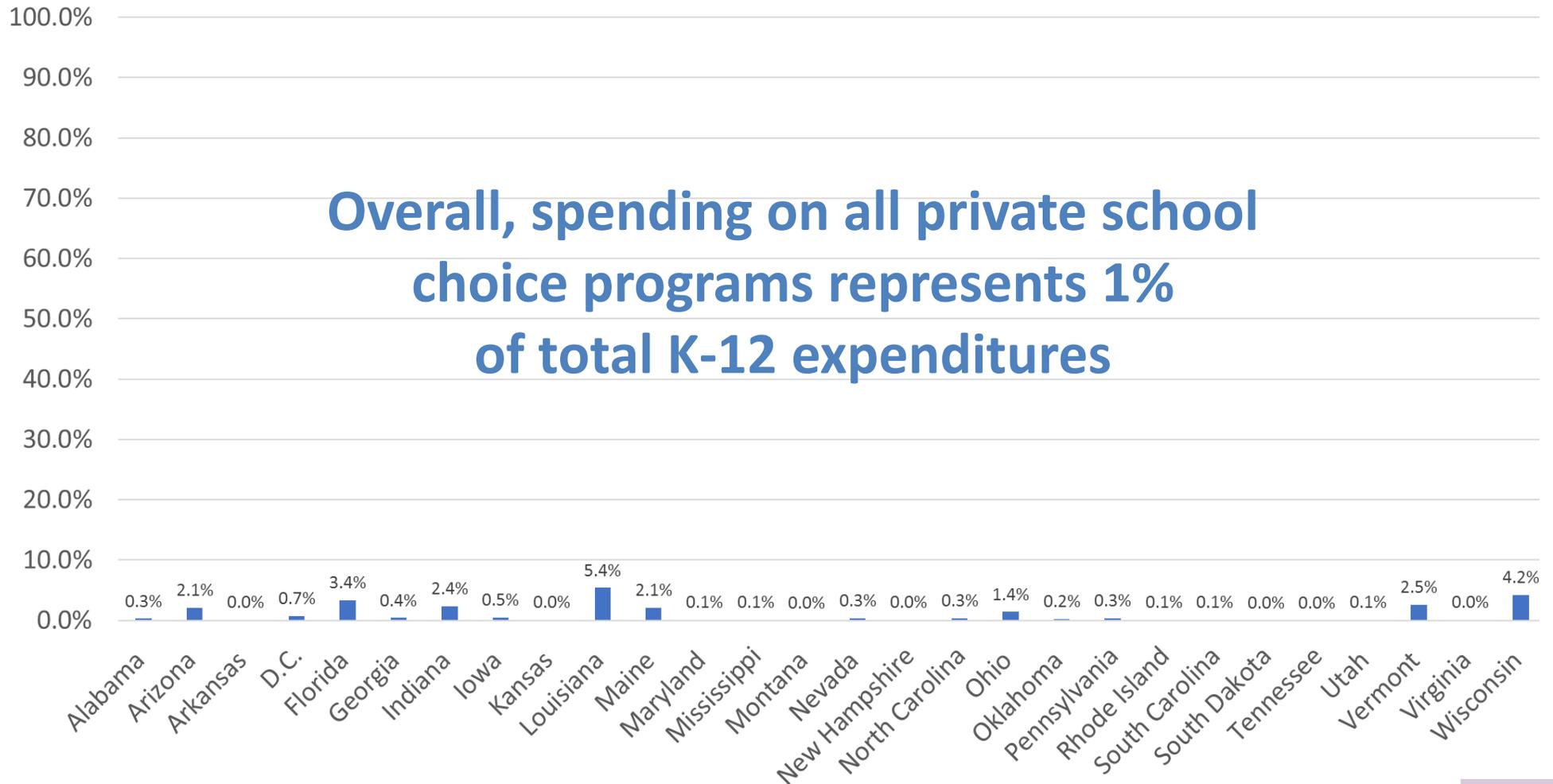
School choice critics argue that programs
“**siphon**” or “**drain**” resources and
harm students

School choice advocates use **the savings
potential** of choice programs as a positive
selling point for policymakers

Context is helpful for
evaluating such claims.

Private School Choice Spending as Percent of Total K-12 Public School Spending By State

(Programs include education savings accounts, vouchers, tax-credit scholarships, and tax credits/deductions)



Fiscal Effects of School Choice on **State and Local Taxpayers**

Previous Fiscal Analyses

- 52 analyses on fiscal effects of private school choice programs
 - ✓ 47 findings of positive fiscal effect
 - ✓ 4 findings of programs being revenue neutral
 - ✓ 1 finding of a small negative fiscal effect

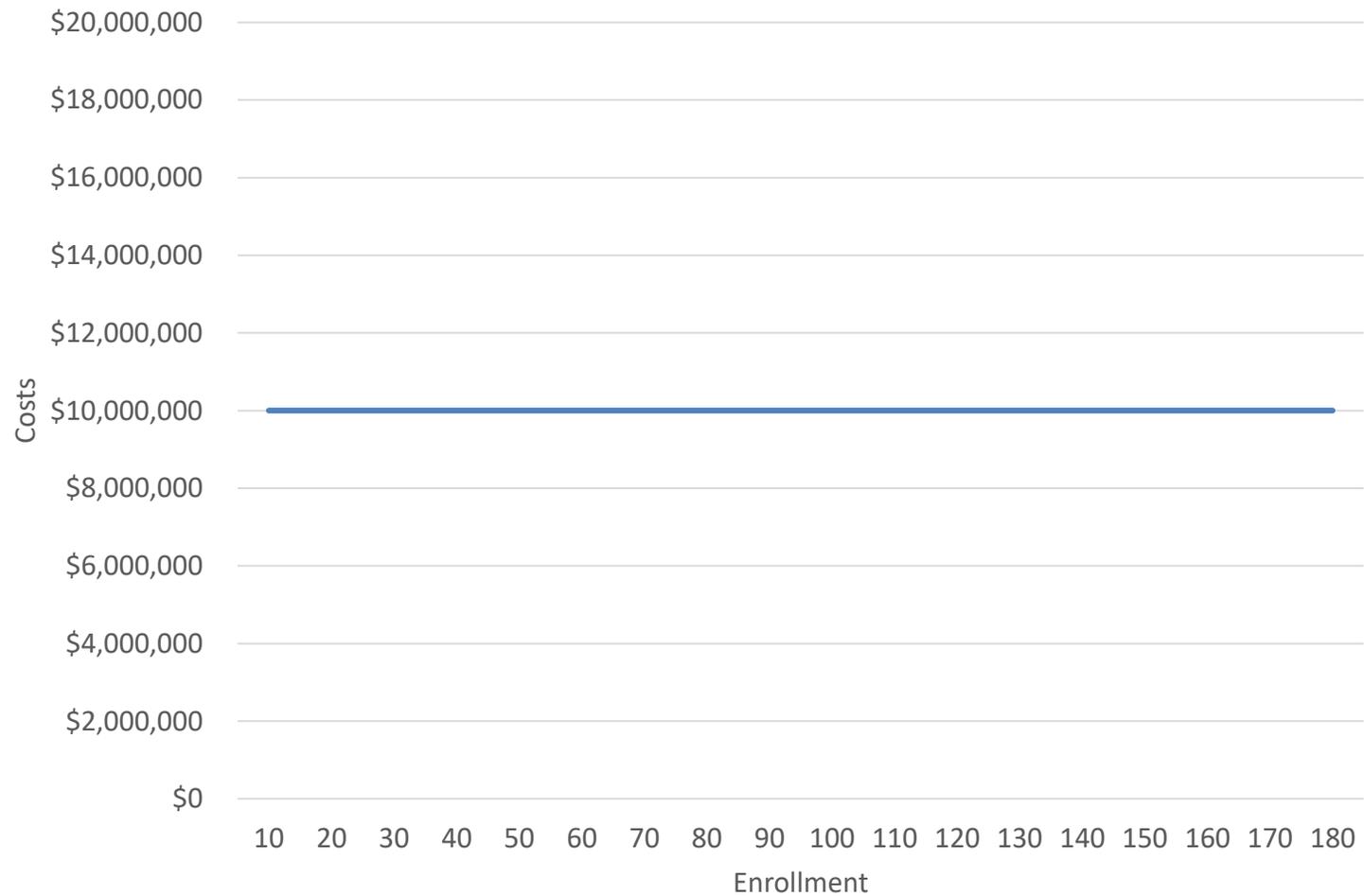
Measuring Fiscal Impact

Key factors in analysis:

- **Variable Costs** (costs that vary directly with enrollment)
- **Switchers** (students who would have attended public schools without the financial assistance from the private school choice program)

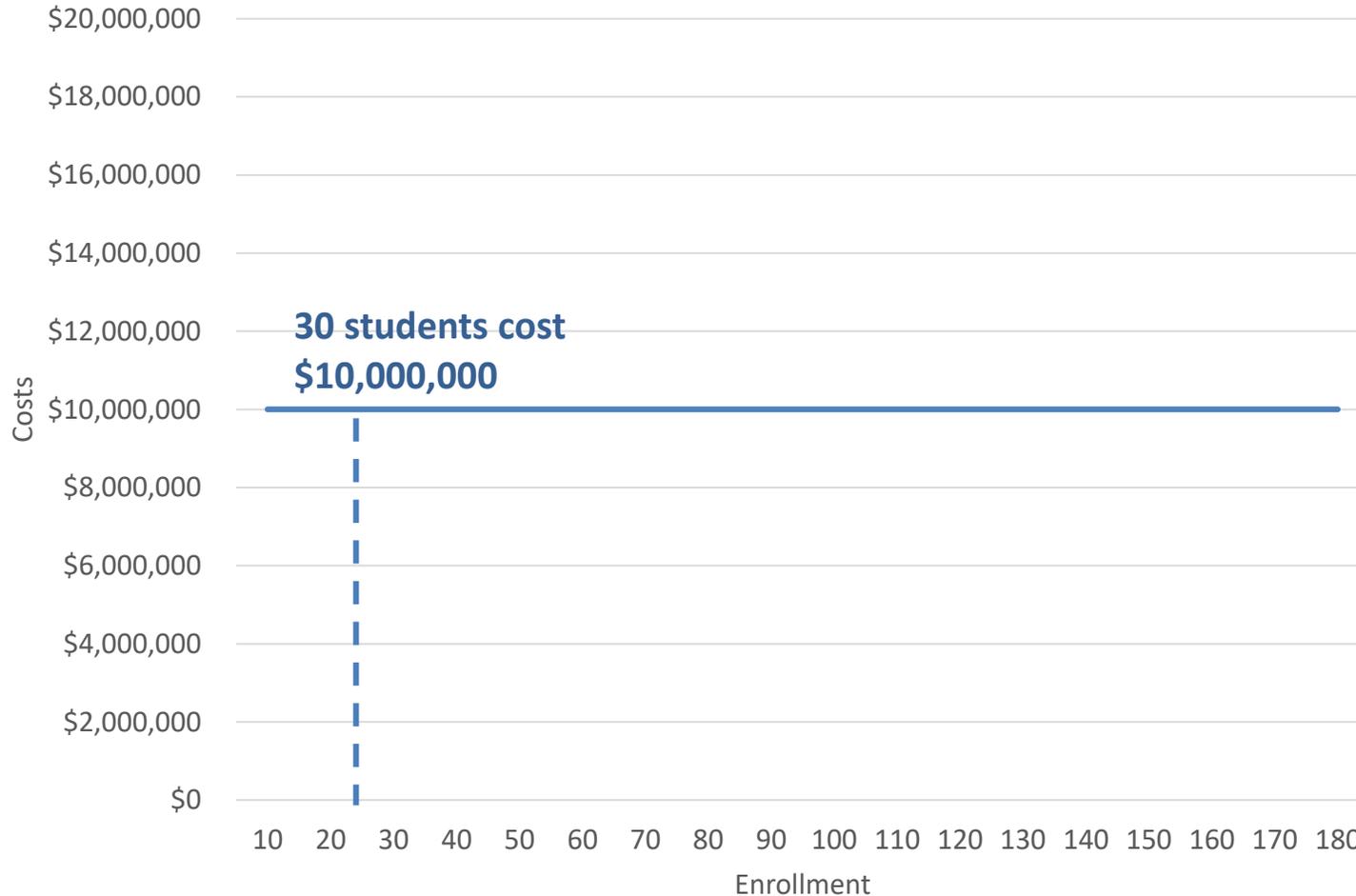
If all costs are fixed...

All Costs Are Fixed



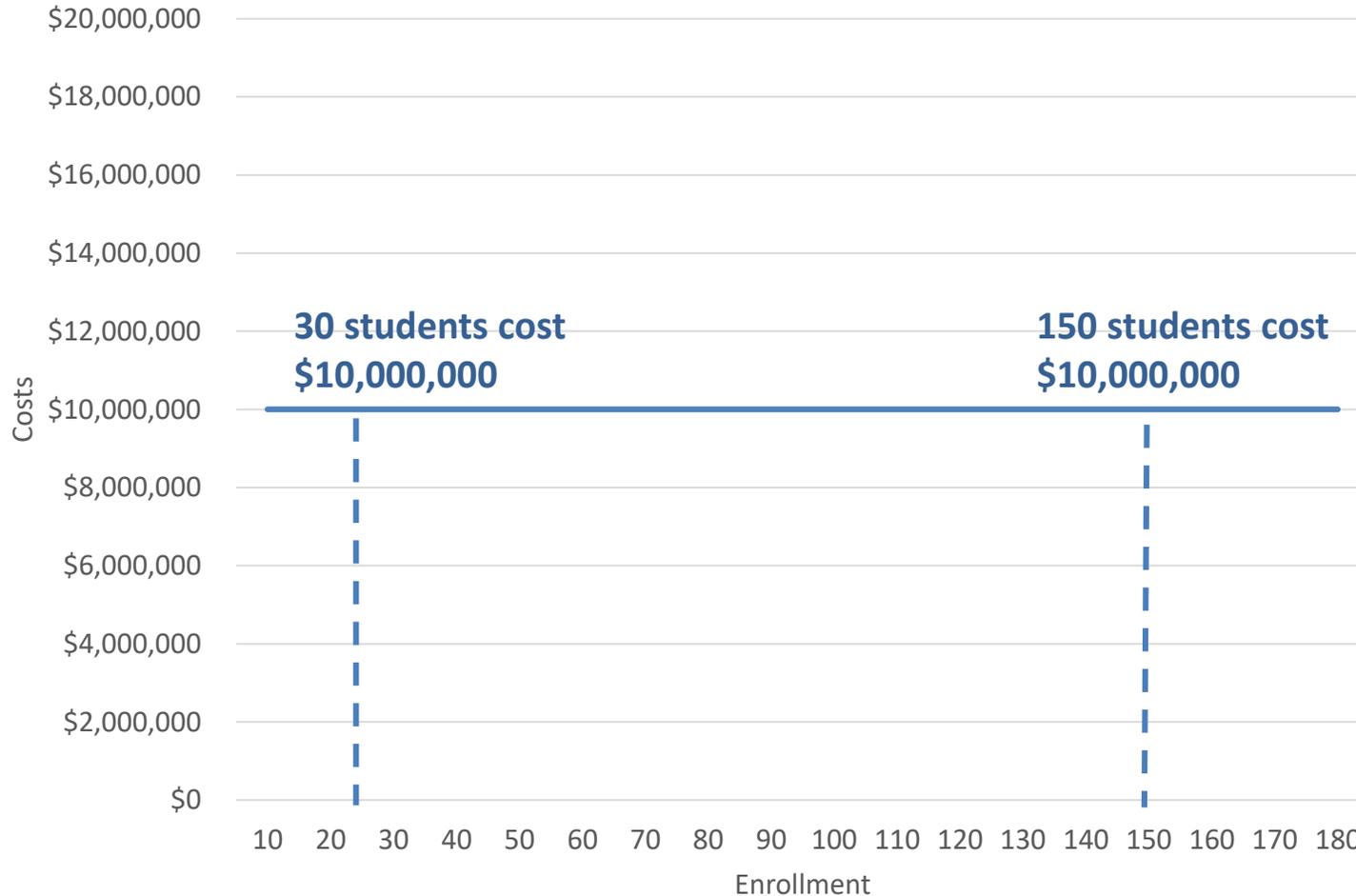
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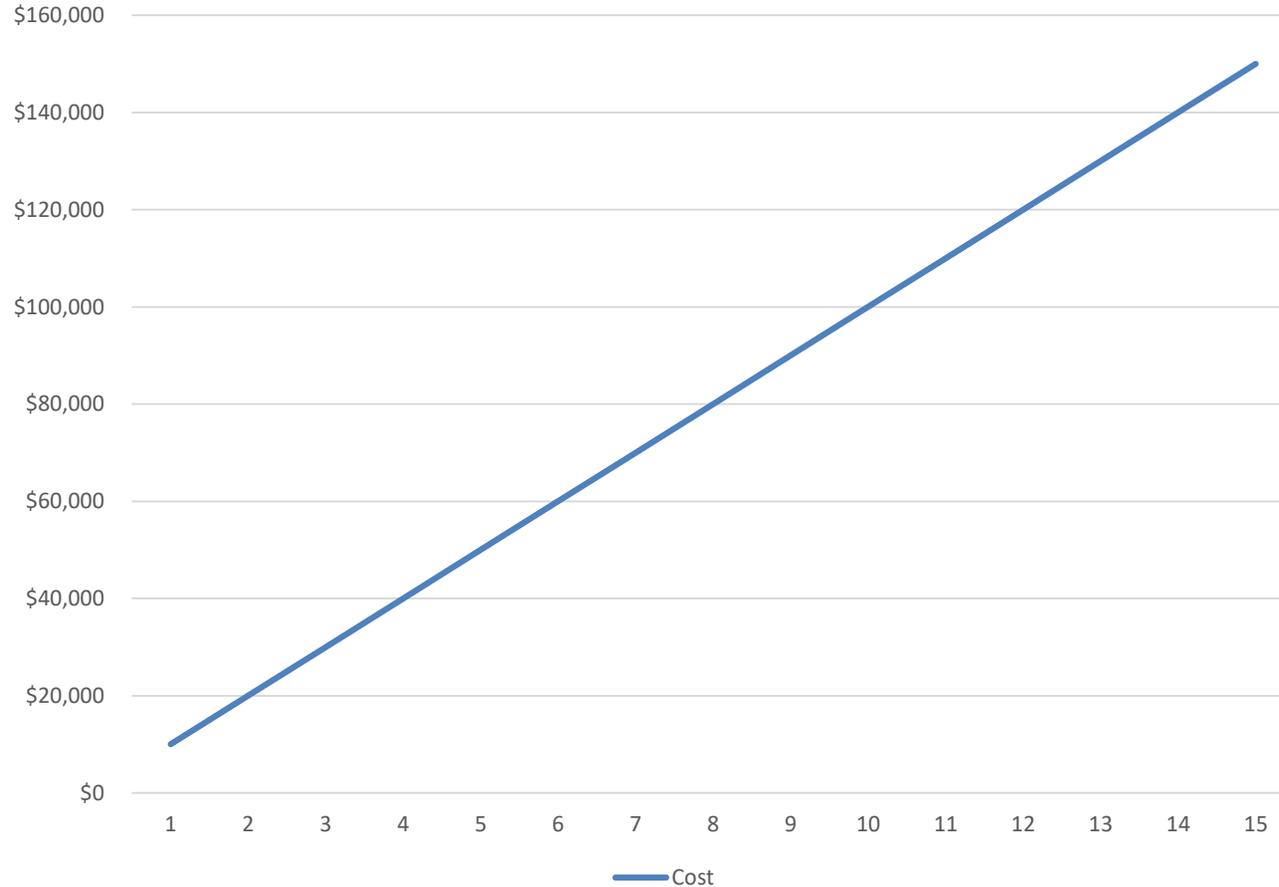
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If all costs are variable...

All Costs Are Variable



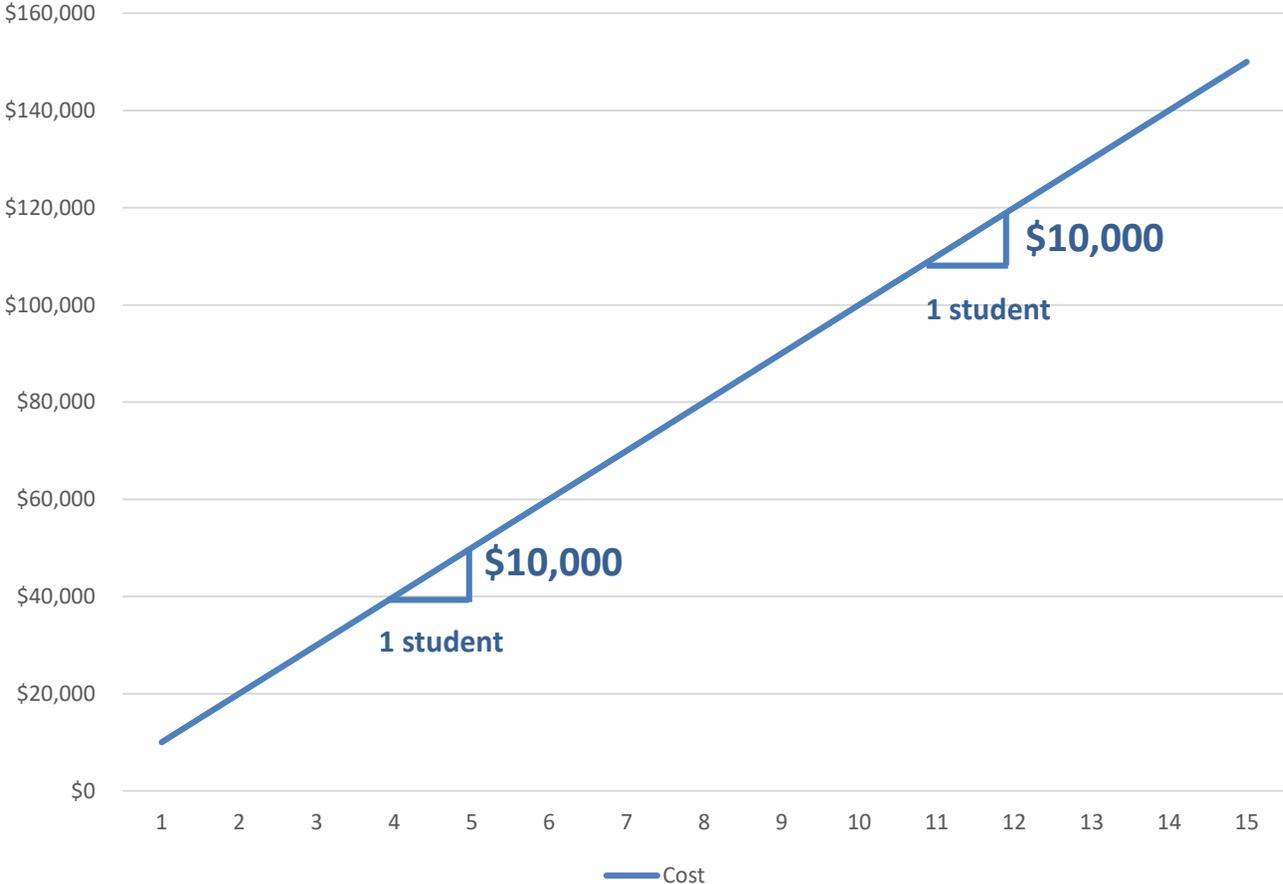
If all costs are variable...

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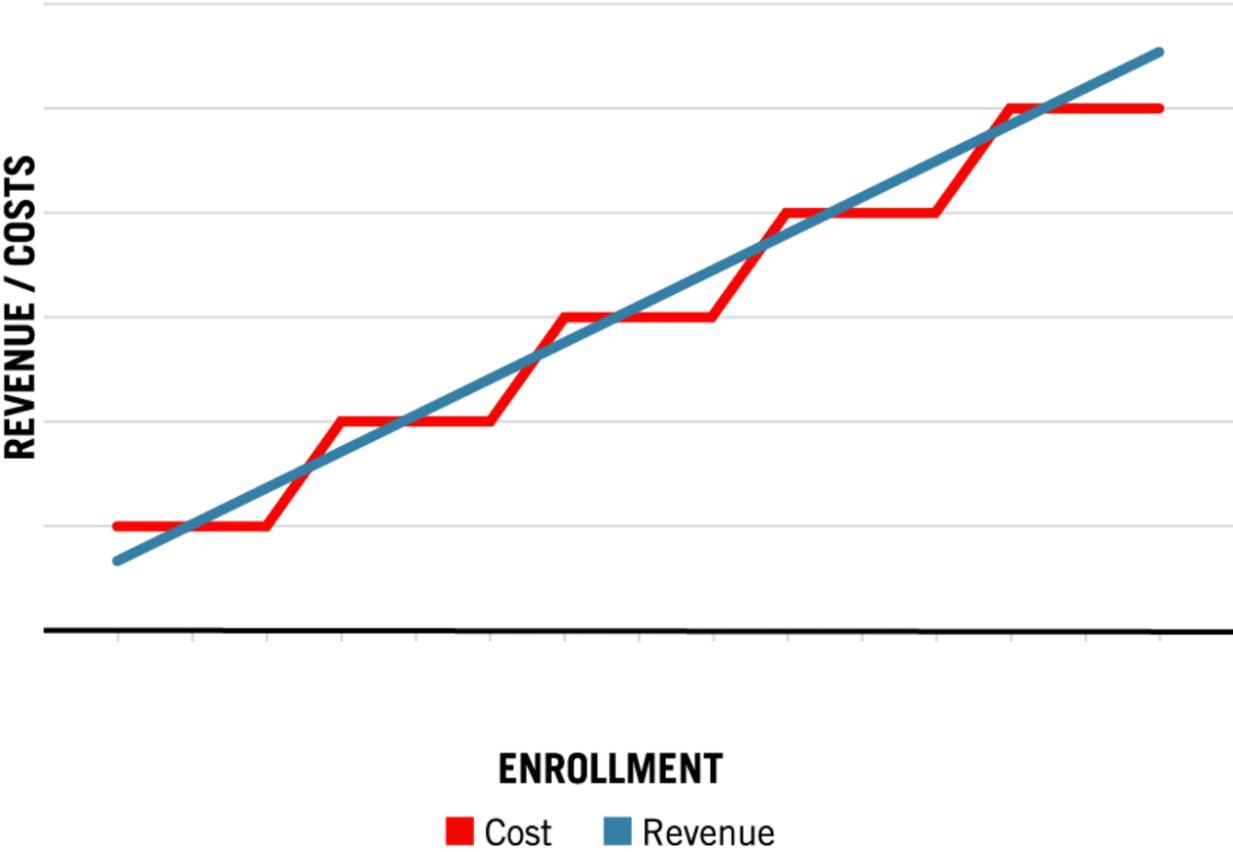
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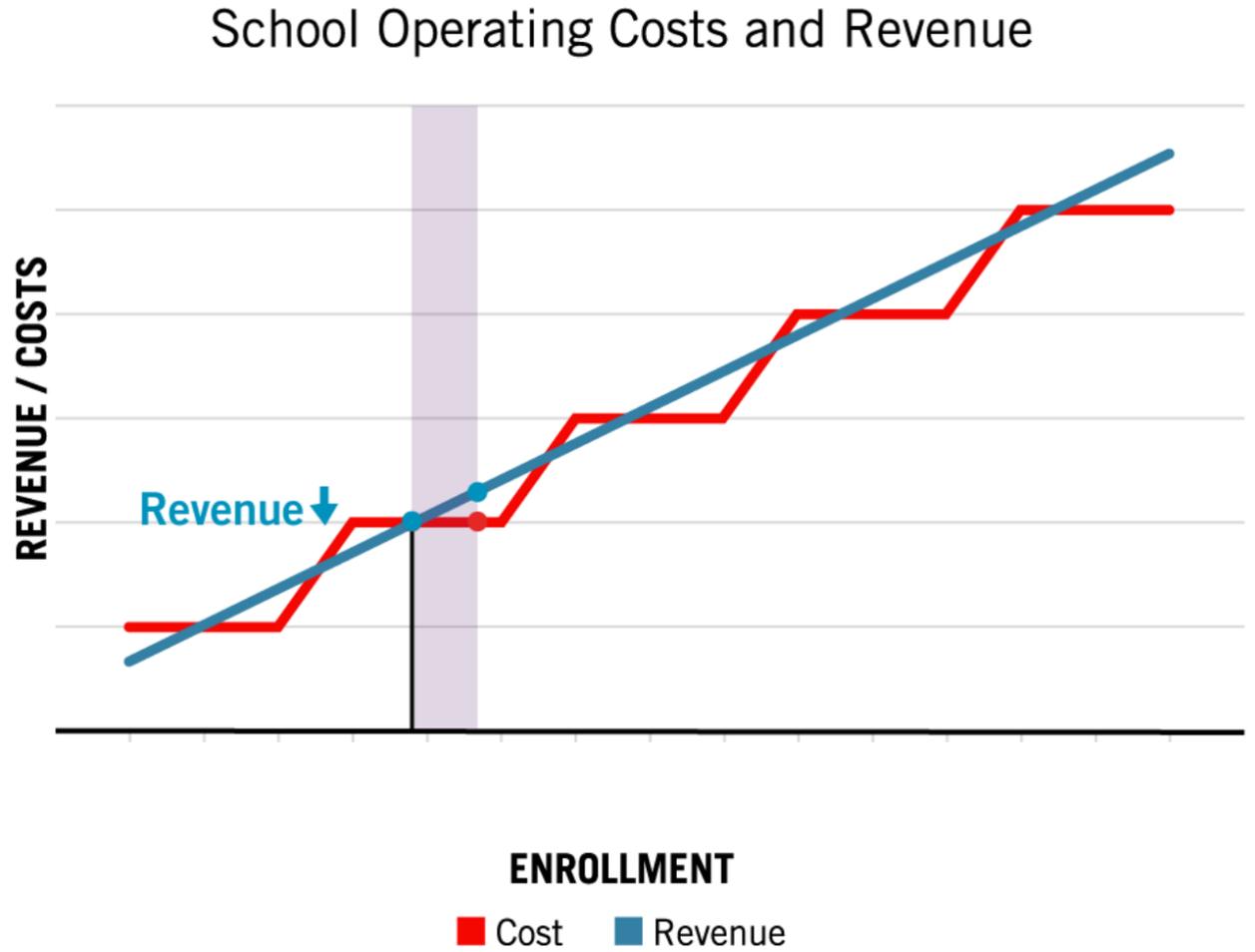
Of course, **that's not the case.**
Some costs are fixed.
Some costs are variable.
And some costs are quasi-fixed.

School Operating Costs and Revenue

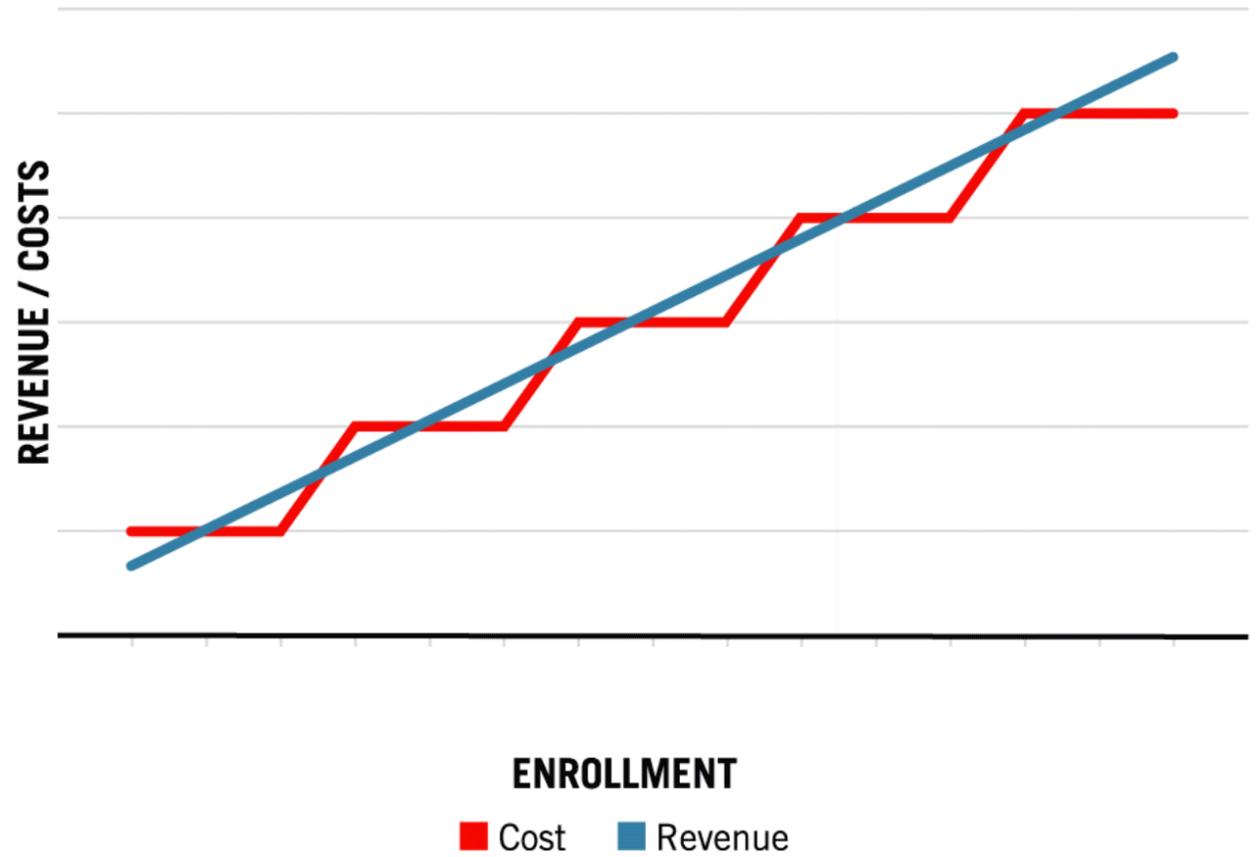


Small change in enrollment change

- Few opportunities to reduce costs in short run
- Small change in revenue
- Most of budget remains intact
- *Districts face this on a routinely*
 - Natural part of K-12 landscape, not a problem unique to choice
 - Also an operational challenge that all other enterprises face

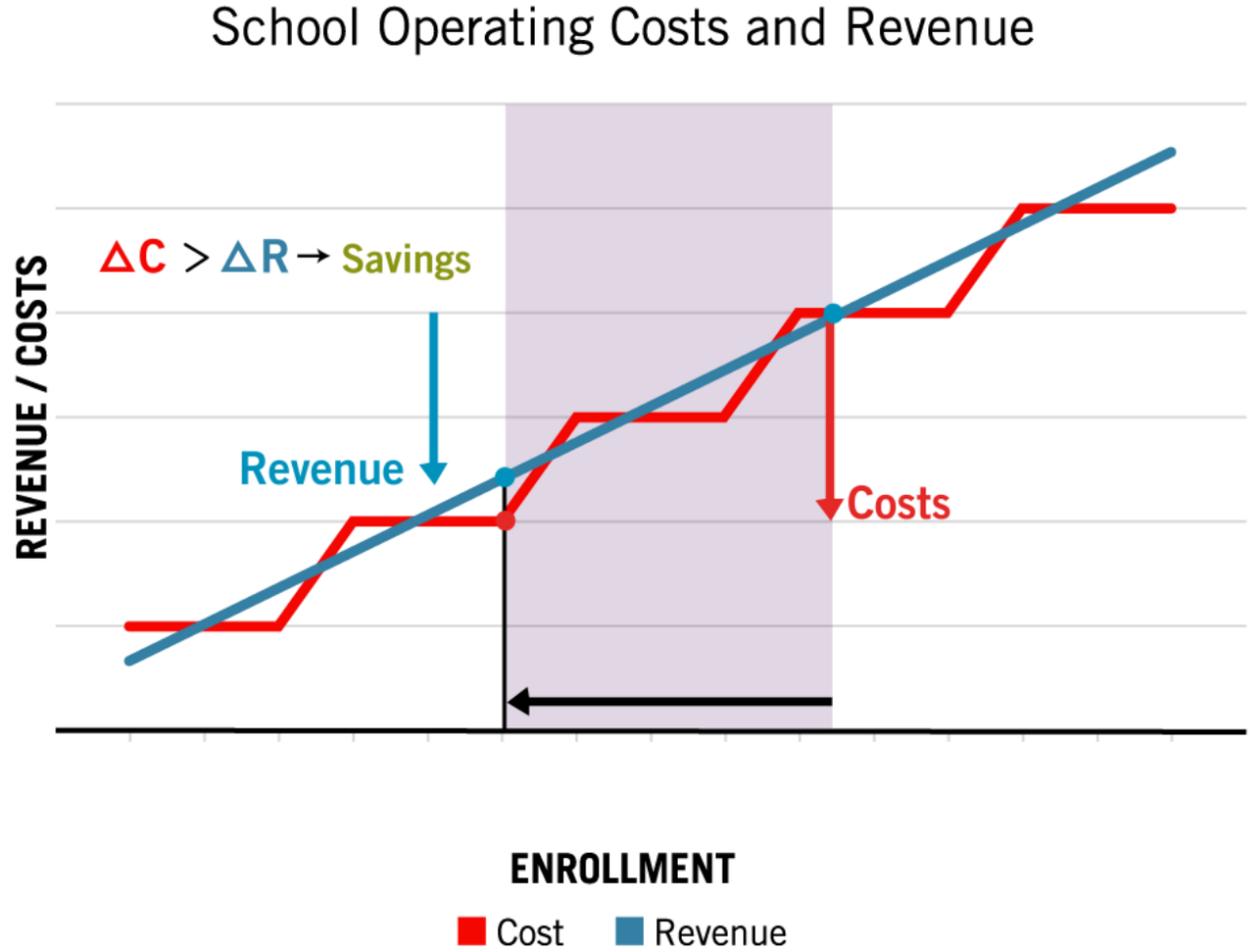


School Operating Costs and Revenue



Large change in enrollment change

- Larger reduction in revenue
- Also more opportunities to reduce costs in short-run (variable costs)
- Should not dismiss this challenging reality
- But should also acknowledge it is a reality faced everywhere (K-12, higher ed, hospitals, etc.)
- Our education system should be built for kids, not to protect adults from difficult decisions



These relationships work in the
opposite direction as well

Both revenue and costs increase
when enrollment grows

Indeed, school officials will argue in front of their state's appropriations committee for more funding when their enrollment increases.

Switchers

Switchers are students who would have enrolled in public schools without financial assistance from the choice program

They represent savings that offset costs of choice program

Summary of Findings About Switchers from Random Assignment Studies				
Study	Location	Type of Program	Year	Switcher Rate
Mills and Wolf (2019)	Louisiana (4-year longitudinal evaluation, completed)	V	Year 1 (2012-13)	92%
			Year 2 (2013-14)	84%
			Year 3 (2014-15)	87%
			Year 4 (2015-16)	89%
Abdulkadiroglu et al. (2018)	Louisiana	V	Year 1 (2012-13)	95%
Webber et al. (2019)	Washington, D.C. (Longitudinal evaluation of DCOSP after 2011 reauthorization, ongoing)	V	Year 3 (2012-2014 cohorts)	89%
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Bettinger and Slonim (2006)	Toledo, OH	P	3 to 4 years after application	79%
Howell, Wolf, Campbel, and Peterson (2002); Howell & Peterson (2002)	New York City, NY	P	1st year	95%
			both years	97%
			first three consecutive years	98%
	Dayton, OH	P	1st year	82%
			both years	90%
	Washington, D.C.	P	1st year	89%
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Overall average (weighted by sample in control group)				91%
Median switcher rate				89%

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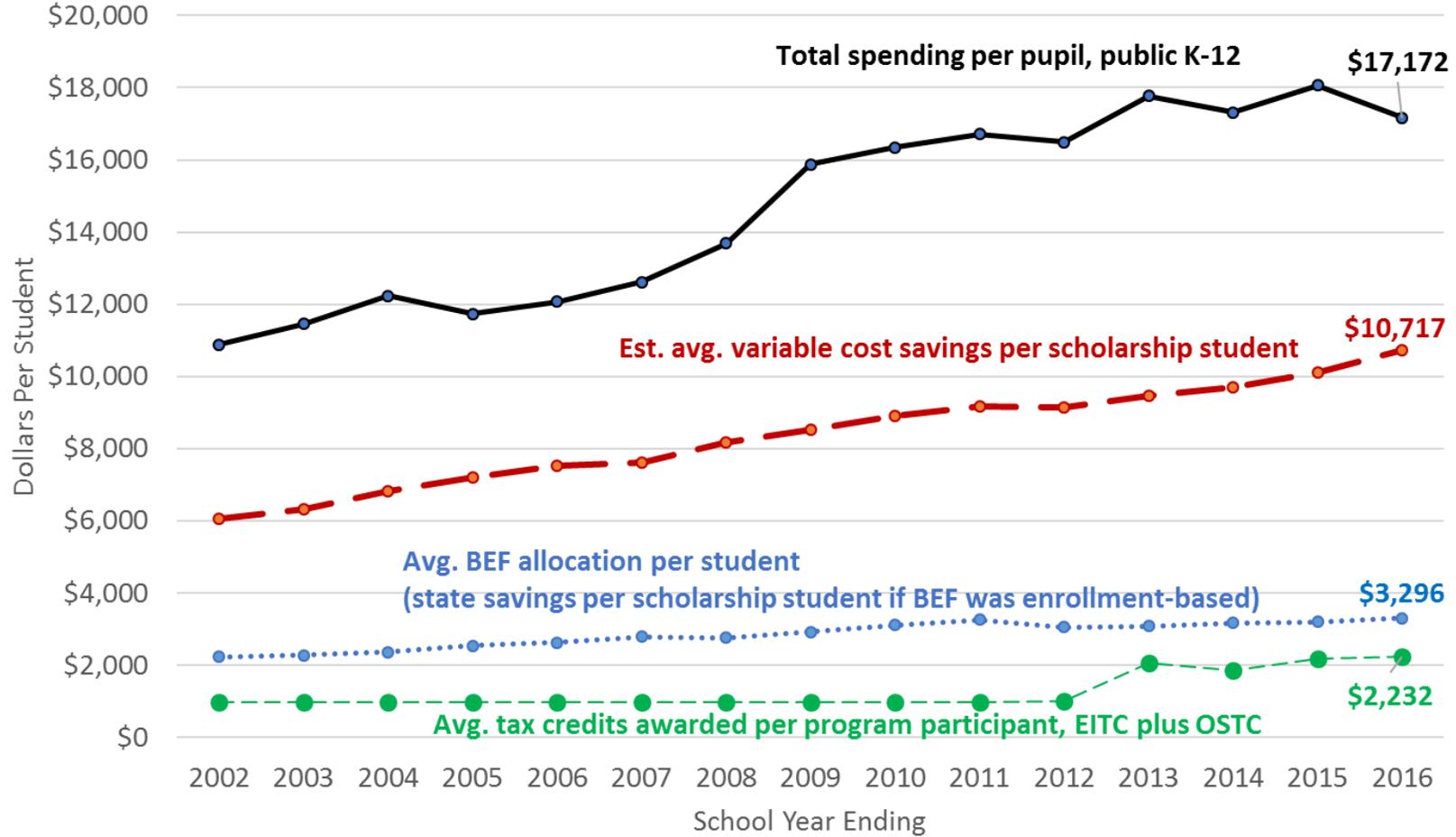
Minority Student Switchers From Random Assignment Studies			
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Average switcher rate for minority students			93%
Median switcher rate for minority students			94%

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Average switcher rate for minority students			93%
Median switcher rate for minority students			94%

Fiscal alignment for a school choice program to result in savings:



Fiscal Alignment of Public K-12 and Tax-Credit Scholarship Programs in Pennsylvania, SY 2001-02 to SY 2015-16



- Total Spending per Pupil
- Average Variable Costs per Pupil
- Avg. BEF Allocation Per Student
- Avg. tax credits awarded to taxpayers per scholarship

Fiscal Effects

Voucher Programs through FY 2015

- 16 programs in 10 states (incl. D.C.)
- Cumulative est. savings: \$3.2 billion, or \$3,400 per voucher awarded

Tax-credit scholarship programs through FY 2014

- 10 programs in 7 states
- Cumulative est. savings: \$1.7 billion to \$3.4 billion, or \$1,650 to \$3,000 per scholarship student

Combined: between \$4.9b and \$6.6b in net savings (over \$3,100 per scholarship and voucher awarded)

Savings

State officials face choices about where savings are directed:

- reinvest in public schools;
- invest in other priorities such as law enforcement or healthcare;
- lower total state spending, build reserves, and/or lower taxes;
- pay off debt (e.g. pensions); or
- any combination of the above.

By-Products of Educational Choice

Upside when states expand educational opportunity to families:

- More opportunity to make better matches between students and education;
- Better matches between students and teachers;
- Lower class sizes when students choose to leave;
- Amount of resources on per-pupil basis increase.

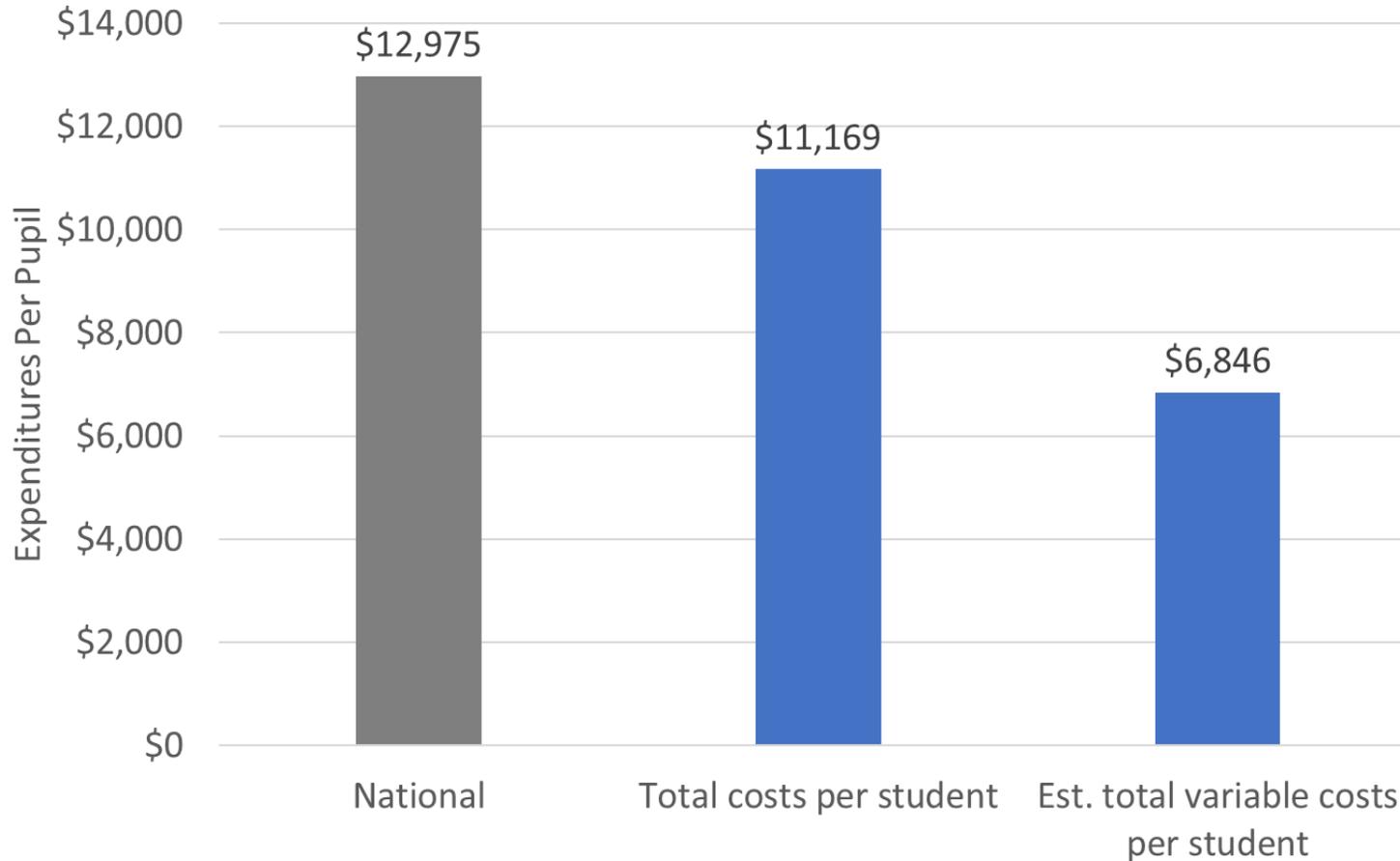
Research on Students Who Remain in Public Schools

- 26 studies on competitive effects of private school choice programs
 - ✓ 24 studies found students experience modest test score gains
 - ✓ 1 study could not detect a visible effect
 - ✓ 1 study found students experienced decrease in test scores

What does this mean for
your state?

Arkansas Public Schools Costs

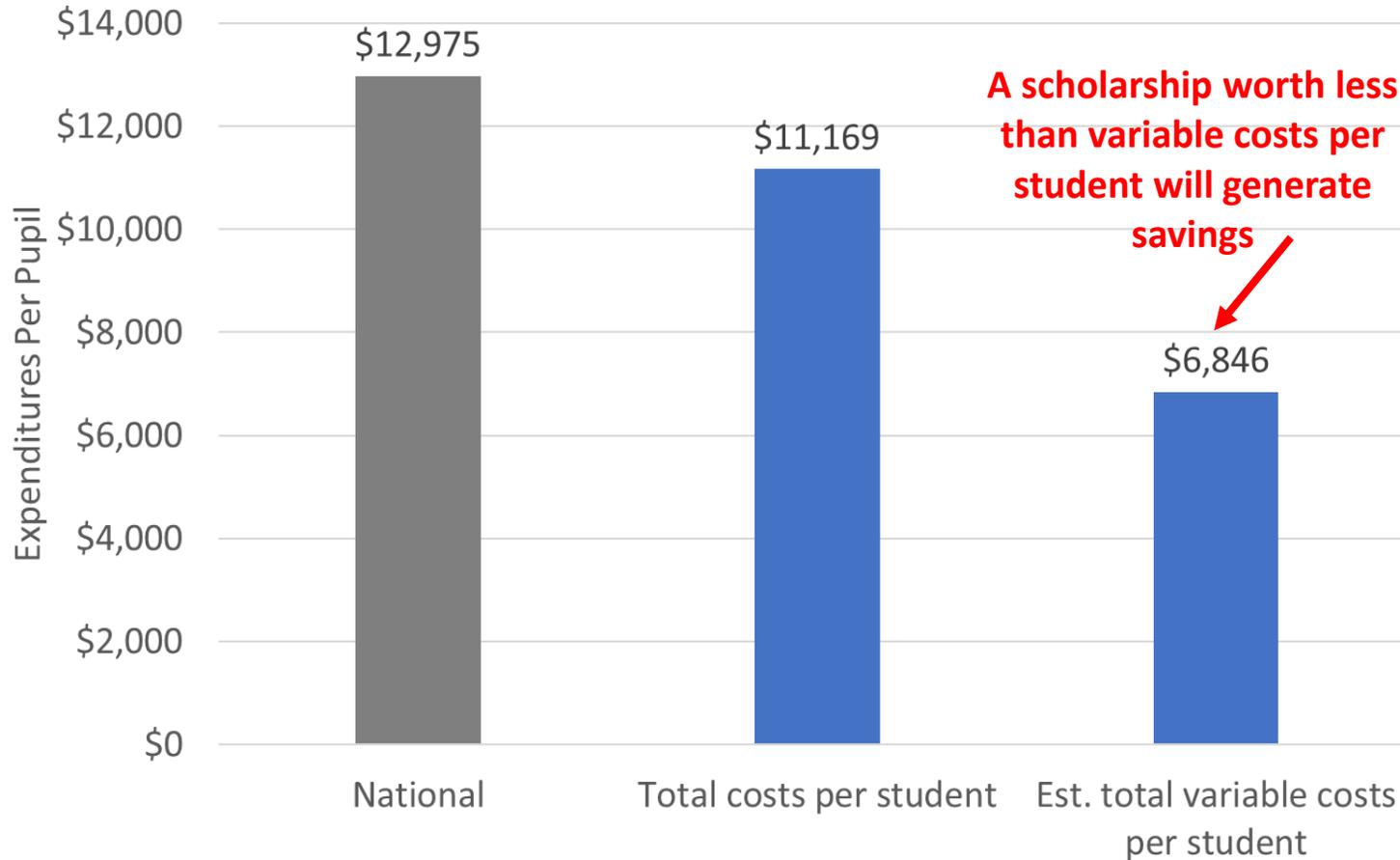
Spending Per Student in Public Schools in Arkansas, FY 2015



Source: National Center for Education Statistics, U.S. Dept. of Education

Arkansas Public Schools Costs

Spending Per Student in Public Schools in Arkansas, FY 2015



Source: National Center for Education Statistics, U.S. Dept. of Education

Parting words...

Fiscal effects are a happy by-product of expanding educational choice

Parting words...

The purpose of educational choice should not be to generate a fiscal return for the state

Parting words...

True purpose is expanding educational
opportunity...

to allow all families to pursue what they
judge to be a better education for
their child

Thank you!

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