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THE FISCAL EFFECTS OF EXPANDING MISSISSIPPI'S EDUCATION SAVINGS ACCOUNTS

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EdChoice is a 501(c)(3) nonprofit, nonpartisan organization. Our mission is to advance educational freedom and choice for all as a pathway to successful lives and a stronger society. We are committed to understanding and pursuing a K–12 education ecosystem that empowers every family to choose the learning environment that fits their children’s needs best. EdChoice is the intellectual legacy of Milton and Rose D. Friedman, who founded the organization in 1996 as the Friedman Foundation for Educational Choice.

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KEY FINDINGS

We propose four options for the state of Mississippi to have universal Education Savings Accounts. The four options and estimates of their fiscal effects on Mississippi taxpayers are as follows.

- **Proposal #1.** If all public school students in Mississippi are eligible to apply for an education savings account (ESA) that is equal to 100 percent of the statewide per student average of the state portion of Mississippi Adequate Education Program (MAEP) spending, we project that the ESA program would cause a net cost to state taxpayers of \$600,050. The accounts would save local taxpayers over \$2.3 million. Overall, this proposal would save Mississippi taxpayers approximately \$1.76 million in the first year of this ESA program.
- **Proposal #2.** Under a proposal that made all public school students eligible to apply for an ESA that is equal to 90 percent of the statewide per student average of the state portion of MAEP funding, we project that the accounts would result in a net cost to state taxpayers of \$0 and save local taxpayers about \$2.35 million. Overall, this proposal would save Mississippi taxpayers approximately \$2.35 million in the first year of this ESA program.
- **Proposal #3.** If lawmakers adopt a policy that allows all students who are eligible to enroll in a public school in Mississippi to be eligible to apply for an ESA, including children currently attending a private school or homeschool and the award amount is equal to 100 percent of the statewide per student average of the state portion of MAEP funding, we project that proposal would cause a net cost to state taxpayers of \$74.7 million and save local taxpayers \$2.35 million in the first year of this program. Overall, this proposal would result in additional taxpayer expenditures of \$72.3 million in the program's first year.
- **Proposal #4.** Under a proposal in which all students eligible to enroll in a public school in Mississippi would be eligible to apply for an ESA, including children currently attending a private school or homeschool and the award amount is equal to 90 percent of the statewide per student average of the state portion of MAEP funding, we project this proposal would result in a net cost to state taxpayers of \$67.2 million and save local taxpayers \$2.35 million, with an overall cost to taxpayers of \$64.8 million in the program's first year.

Based on the research evidence from education choice programs in other states, policymakers and taxpayers should anticipate that an ESA program made available to every K-12 student in Mississippi would at least correlate with improved student achievement and lower crime rates among students who access ESAs and also correlate with better academic outcomes for students who remain in Mississippi public schools.

Introduction

Historically, Mississippi has ranked well below the national average in taxpayer spending per pupil in K-12 public schools. Lawmakers have increased taxpayer spending on K-12 schools in recent years, though, and the increases in taxpayer spending have resulted in

- a) Increases in public school employment, especially in administration, despite a decline in student enrollment;
- b) Increases in public school compensation—53 percent per full-time equivalent (FTE) employee between 1994 and 2021—that are greater than the increase in the cost of living during this period. The increase in compensation is also larger than the increase employers provided to U.S. private sector workers (32 percent) over this period.
- c) Increases in unspent end-of-year fund balances, which means that public school districts in the state have significant unspent taxpayer resources.

Under these conditions, how can lawmakers provide more education options to students and give every child a better chance to succeed in school and in life? State officials should consider expanding the K-12 educational choices available to Mississippi families. As detailed later in this report, research finds that education choice programs:

- a) increase test scores among students who exercise education choice;
- b) increase educational attainment (i.e. increases the highest level of education completed) among students who exercise education choice;
- c) increase test scores among students who remain in public schools;
- d) and reduce crime among young adults who exercised education choice during their K-12 educational careers.

In this report, we estimate the fiscal effects of four different education savings account policies for Mississippi:

Under proposal #1, all public school students would be eligible to apply for an Education Savings Account (ESA) that is equal to 100 percent of the statewide per student average of MAEP (Mississippi Adequate Education Program) funding. We project that proposal #1 would result in a net cost to state taxpayers of \$600,050 and save local taxpayers over \$2.3 million. Overall, proposal #1 would save Mississippi taxpayers approximately \$1.76 million in the first year of this ESA program.

Under proposal #2, all public school students would be eligible to apply for an ESA that is equal to 90 percent of the statewide per student average of MAEP funding. We project that proposal #2 would result in a net cost to state taxpayers of \$0 and save local taxpayers over \$2.3 million.

Overall, proposal #2 would save Mississippi taxpayers approximately \$2.35 million in the first year of this ESA program.

Under proposal #3, all students eligible to enroll in a public school in Mississippi would be eligible to apply for an ESA, including children currently attending a private school or homeschool. The award amount is equal to 100 percent of the statewide per student average of MAEP funding. We project that proposal #3 would cause a net cost to state taxpayers of \$74.7 million and save local taxpayers \$2.35 million. Overall, proposal #3 would result in additional taxpayer expenditures of \$72.3 million in the first year of the program.

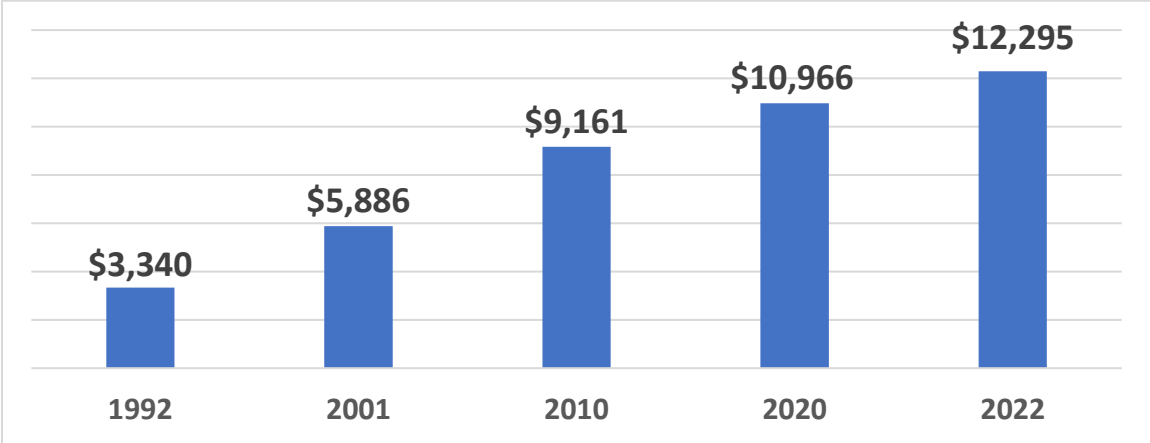
Under proposal #4, all students eligible to enroll in a public school in Mississippi would be eligible to apply for an ESA, including children currently attending a private school or homeschool. The award amount is equal to 90 percent of the statewide per student average of MAEP funding. We project that proposal #4 would cause a net cost to state taxpayers of \$67.2 million and save local taxpayers \$2.35 million, with an overall cost to taxpayers of \$64.8 million in the first year of the program.

The rest of this report is organized as follows: To provide context for our educational choice proposals for the Magnolia State, the next two sections describe the recent history of K-12 education spending in Mississippi and demonstrate how school officials have spent recent increases in taxpayer education spending. We then describe Education Savings Accounts (in this report, we will refer to these as “accounts” or “education savings accounts” or “ESAs”) and how policymakers have implemented the accounts in other states. We summarize the evidence on the academic effects of education choice programs that allow families to choose private schools and other private education services for their children and the fiscal effects of ESA programs on state and local public school district budgets. Finally, we offer four policy proposals for ESAs in Mississippi and report our fiscal analysis of how these four proposals would impact state and local taxpayers.

History of Mississippi Public Education Spending

Historically, Mississippi has ranked well below the national average in taxpayer spending per pupil in K-12 public schools. Mississippi has a lower cost of living than states in New England or the Pacific Northwest, and Mississippi’s high poverty levels have depressed Mississippi tax revenue compared to other states. However, the state’s K-12 spending patterns changed significantly in the 21st century. As shown in figure 1.1 below, total public school spending from state, local, and federal taxpayers more than doubled, on a per student basis, between 2001 and 2022. In the 2000-2001 academic year, Mississippi public schools spent \$5,886 per student, but this spending increased to \$12,295 per student by 2022, an increase of 109 percent.

Figure 1.1. Actual Total Mississippi Public School Spending Per Student

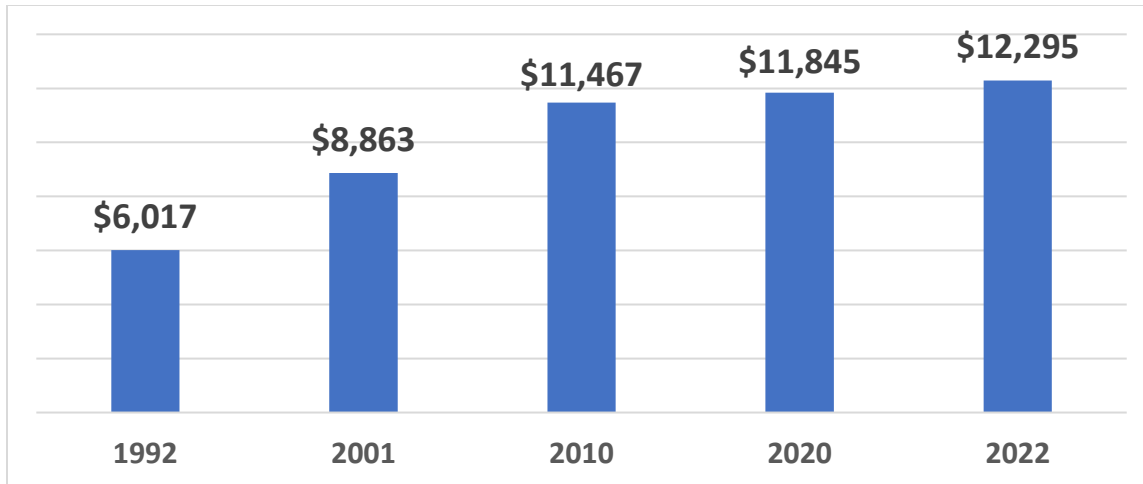


Notes: The data regarding public school spending comes from the U.S. Census Bureau, which excludes charter schools authorized outside of school districts. Therefore, the spending data included in this report is for district public schools only. Further, the spending data discussed in this report are statewide averages, and some districts spend above the state average and some spend below the state average, of course.

Source: U.S. Census Bureau. *Annual Survey of School System Finances*, retrieved at <https://www.census.gov/programs-surveys/school-finances/data/tables.html>.

To consider the effects of the increases in the cost of living, figure 1.2 below contains data on per student spending adjusted for inflation.¹ After adjusting for inflation, spending per student in Mississippi public schools increased by 39 percent in “real” terms between 2001 and 2022— from \$8,863 per student in 2001 to \$12,295 in 2022. This 39 percent “real” increase means that a student in Mississippi in 2022 had 39 percent more in real taxpayer-funded resources, on average, devoted to the student’s public education relative to a Mississippi public school student in 2001.

Figure 1.2. “Real” (adjusted for inflation) Mississippi Public School Spending Per Student



Source: U.S. Census Bureau. *Annual Survey of School System Finances*, retrieved at <https://www.census.gov/programs-surveys/school-finances/data/tables.html> and Federal Reserve Bank of St. Louis FRED data on the Personal Consumption Expenditures (PCE) Price Index, retrieved at <https://fred.stlouisfed.org/series/PCEPI>.

Figures 1.1 and 1.2 show that these increases in spending after the turn of the century were in addition to spending increases in the 1990s. From 1992 to 2001, inflation-adjusted spending per student increased 47 percent. Combining the two periods, the inflation-adjusted per student spending increased by 104 percent between 1992 and 2022. That is, a student in a Mississippi public school in 2022 had more than double the amount of taxpayer resources devoted to his or her K-12 education relative to a Mississippi student 30 years prior.

Figure 1.2 also demonstrates that there was a period in which lawmakers did not increase spending per student. From 2010 to 2020, real spending increases in Mississippi were modest, from \$11,467 spent per student in 2010 to \$11,845 spent in 2020. This smaller real increase in spending mimicked the national trend in public school spending during this period, as the American economy recovered after the Great Recession of 2007 to 2009.²

Nevertheless, the upward trend in inflation-adjusted spending resumed after 2020 in Mississippi, as inflation-adjusted spending per student increased another 4 percent between 2020 and 2022. This 4 percent increase per student was over and above what was needed to accommodate for the increasing inflation during this period.

Total Mississippi public school spending surely has increased on a per student basis since the 2021-2022 academic year as well because public school districts have had significant unspent federal Elementary and Secondary School Emergency Relief (ESSER) funds.³ Federal lawmakers distributed over \$2.5 billion in federal taxpayer spending to Mississippi for education expenses as part of three pandemic-related spending programs.⁴ Federal officials disbursed the \$2.5 billion in relief spending in addition to the traditional federal spending for K-12 schools that the state receives annually, which was approximately \$670 million in FY 2020.⁵

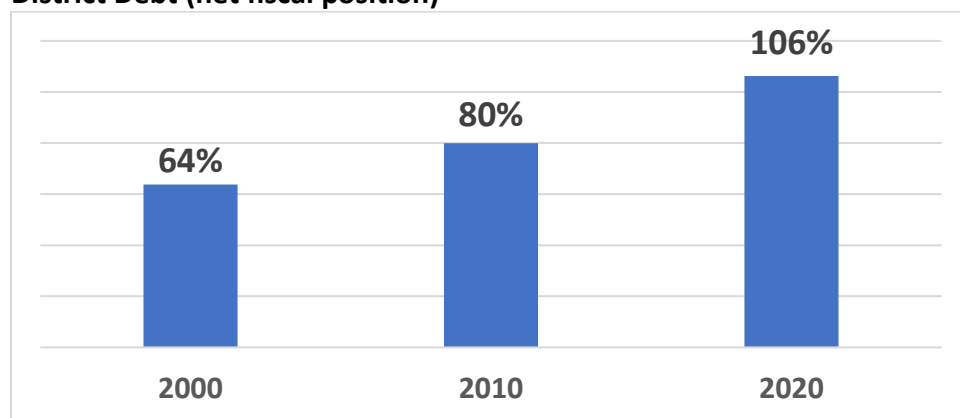
As of August 1, 2023, Mississippi public school districts had \$1.182 billion in unspent ESSER funds.⁶ Under current federal law and policy, these funds must be obligated (dedicated to a

specific purpose) by September 2024. School officials can request permission from the U.S. Department of Education to delay spending until April 2026. Otherwise, districts must spend all ESSER funds by January 2025.⁷The federal government also gave states additional taxpayer spending during the pandemic that state lawmakers could have used for K-12 expenses, including \$50.25 million as part of the Governor’s Emergency Education Relief (GEER) given to Mississippi.⁸ Data on K-12 spending in Mississippi will demonstrate increases in the coming years due to increases in state taxpayer funds provided to districts and unspent ESSER or other COVID-era federal taxpayer spending.

There is yet another reason that public school spending will be increasing in Mississippi in upcoming years: Mississippi public school districts’ unspent end-of-year funds have been growing this century, even before districts began receiving ESSER funding.

As shown in figure 1.3, unspent end-of-year fund balances in Mississippi public school districts averaged only 64 percent of the total amount of debt (including short-term and long-term debt) they owed in the year 2000. By the end of 2010, however, districts’ net fiscal position had increased to 80 percent.

Figure 1.3. Unspent End-of-Year Fund Balances Per Student Divided by Total Public School District Debt (net fiscal position)



Source: U.S. Census Bureau. *Annual Survey of School System Finances*, retrieved from <https://www.census.gov/programs-surveys/school-finances/data/tables.html>.

Despite the relatively small increase in inflation-adjusted per student spending between 2010 and 2020, Mississippi district officials increased their unspent fund balances relative to their debt again from 80 percent to 106 percent. As of 2020, Mississippi public school districts could theoretically have pooled all their unspent funds and paid off all their debts. Magnolia State public school districts are in much stronger fiscal positions relative to prior decades and can use these much larger pools of unspent funds to weather future economic downturns and to further increase spending in upcoming years.

A detailed analysis of why Mississippi public school districts increased their unspent end-of-year funds relative to the debt levels after the year 2000 is beyond the scope of this report, but there are two explanations for the improvement in districts’ fiscal health. First, student enrollment has decreased. From 1991 to 2022, Mississippi public schools experienced a decline of 60,417

students.⁹ In addition, the U.S. Department of Education forecasts a further decline of 54,700 over the next decade.¹⁰

Public school districts have had less need to incur debt to build new public school buildings and accommodate enrollment growth because of past and projected future declines in student enrollment. In the past few decades and into the foreseeable future, most Mississippi public school districts have and will continue to have less reason to incur debt for new capital costs. Of course, districts will sometimes need to incur debts to repair aging schools and to replace very old school buildings, but a large majority of districts in Mississippi have not and will not have need to build new schools to accommodate enrollment growth.

The second reason Mississippi districts' fiscal position has improved is that they received large increases in taxpayer spending over the past 30 years. For unspent end-of-year fund balances relative to debt to have increased so much since 2000 suggests that Mississippi public schools have not been short of revenue during this period.

State policymakers and local school board members should monitor unspent school district spending. Such oversight is important due to the size of unspent ESSER fund balances, as public school districts in the state and nationally have an incentive to spend ESSER funds on items they would have purchased anyway and save other funds for future use. Education analysts suggest that districts have “a unique opportunity to bundle remaining funding into comprehensive infrastructure projects that will reduce costs and stabilize budgets for years to come.”¹¹ Again, the increases in unspent fund balances described here occurred prior to districts receiving the majority of ESSER spending, so district personnel can still increase these fund balances in the coming years.

In the next section, we show how Mississippi public school districts have spent the large increases in taxpayer funding.

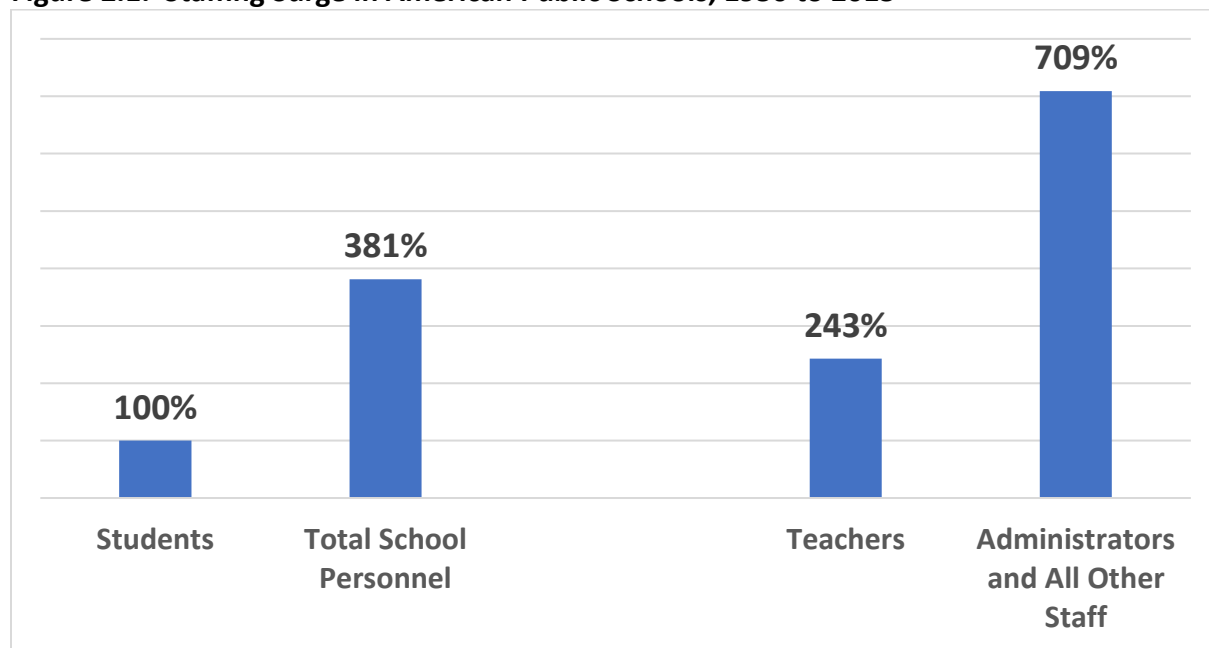
How Have Mississippi Public School Districts Spent this Increase in Taxpayer Spending?

As shown in the prior section, between 1992 and 2022, Mississippi public school districts, on average, experienced a 104 percent increase in funding on a per student, inflation-adjusted basis. That is, a student in a Mississippi public school in 2022 had more than double the real resources devoted to their K-12 education relative to a public school student in 1992, on average. In this section we demonstrate how school district administrators spent these taxpayer funds, particularly in the areas of public school staffing and compensation and to increase unspent end-of-year fund balances. Of course, some individual public school districts experienced larger than average increases in spending, staffing, employee compensation, and unspent fund balances over this time period, while other individual districts experienced changes that were less than the changes in state averages.

“Staffing Surge” in Public Schools

Researchers have documented that public school officials around the country have added staff to their ranks, creating a “staffing surge” over the last 70 years. Public school employment has consistently increased at a greater rate than what was needed to accommodate student enrollment growth.¹² In prior work, one of us (Scafidi) has shown that from 1950 to 2015 public school staffing increased at a rate almost four times greater than what was needed to accommodate student enrollment growth and maintain teacher/student and staff/student ratios. Over this 65-year period, the number of teachers increased almost 2.5 times what was needed to accommodate enrollment growth, which means class sizes were reduced during this period. Furthermore, the number of other public school employees (non-teachers) increased over seven times more than the increase in students. These other public school staff include district and school administrators, support personnel, teacher aides, counselors, cafeteria workers, janitors, bus drivers, etc.¹³ All public school staffing data in this report and in prior work cited here is in full-time-equivalent (FTE) personnel counts.

Figure 2.1. Staffing Surge in American Public Schools, 1950 to 2015



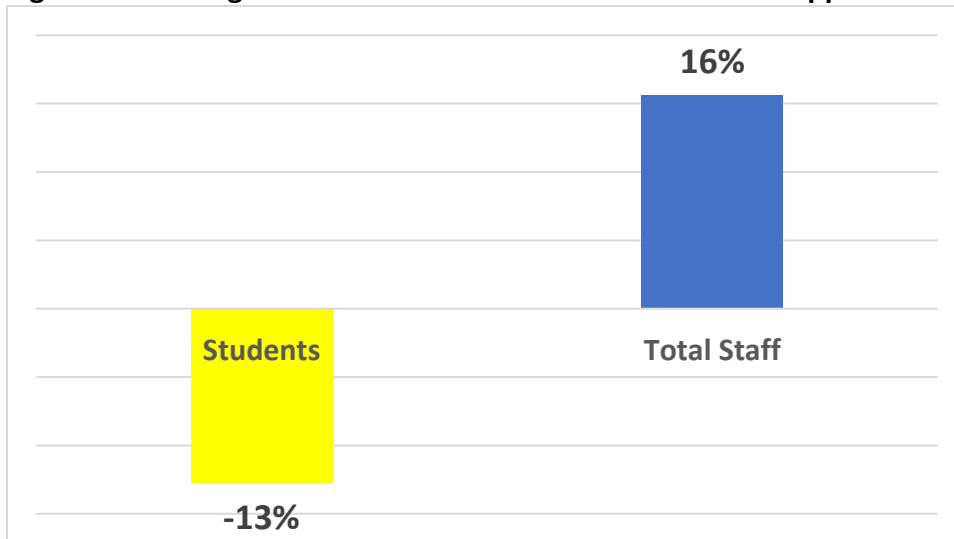
Source: Benjamin Scafidi, Ph.D., “Back to the Staffing Surge,” EdChoice, May 2017, <https://www.edchoice.org/wp-content/uploads/2017/05/Back-to-the-Staffing-Surge-by-Ben-Scafidi.pdf>.

In his prior work, Scafidi says that these increases in staffing were likely needed in the decades immediately after 1950 due to public school integration and the enrollment of more children with special needs in public schools. Yet he also shows that these disproportionate staffing increases have continued in recent decades, including in Mississippi. Mississippi K-12 student enrollment has been decreasing for many years, but the staffing trend in Mississippi has persisted. That is, public school employment has increased, while the number of students served has declined. Figure 2.2 below shows the change in the number of students served and the change in FTE total staff employed in Mississippi public schools between 1993 and 2022. These data come from figures that the Mississippi Department of Education reports annually to the National Center for Education Statistics (NCES) at the U.S. Department of Education.¹⁴ The NCES data do include

charter schools, but the modest number of charter school students in Mississippi as of the 2021-2022 school year (2,674) means the inclusion or exclusion of charter school students would not change the general patterns shown below.¹⁵

From 1993 to 2022, the number of students served in Mississippi public schools declined by 13 percent, but public school officials increased FTE staffing by 16 percent during this period.

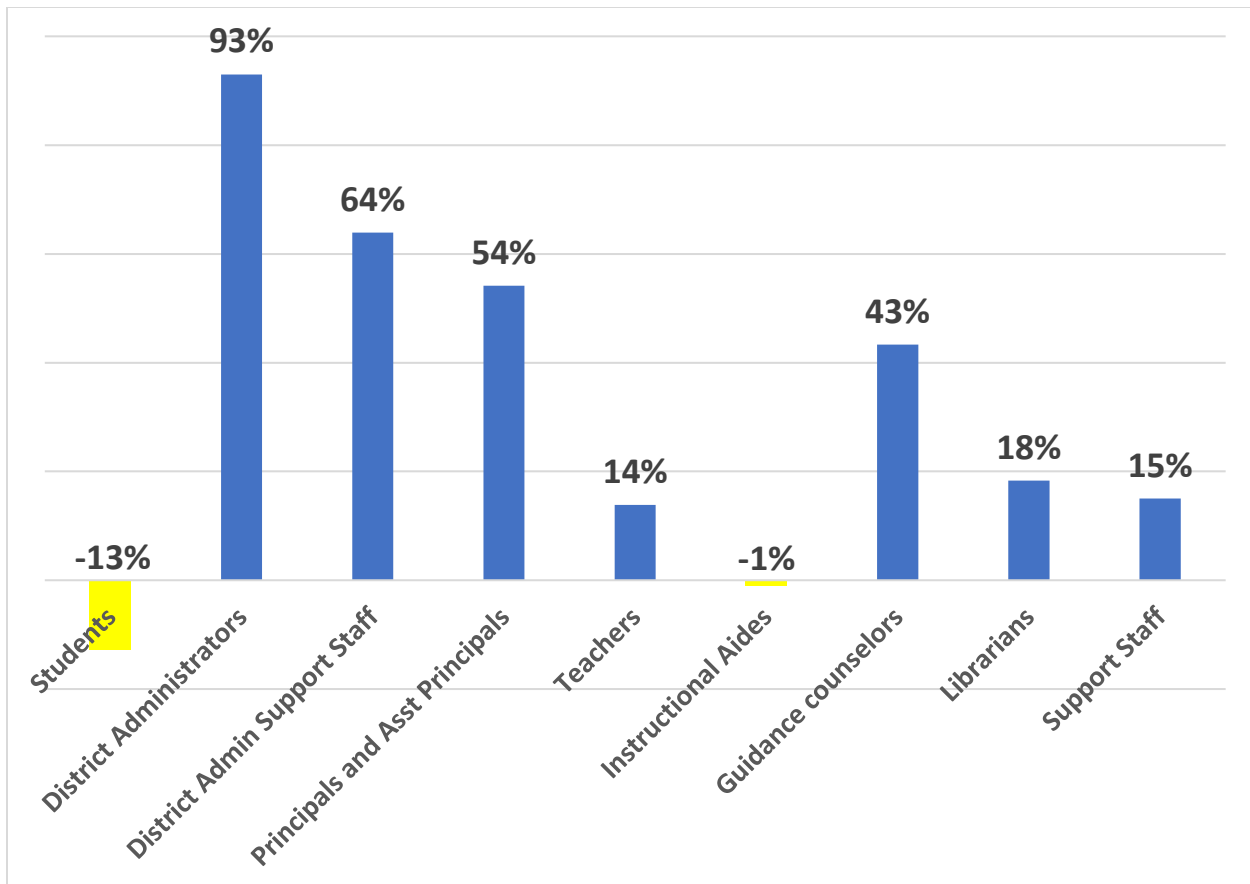
Figure 2.2. Change in Students and FTE Total Staff in Mississippi Public Schools, 1993 to 2022



Source: *Digest of Education Statistics*, National Center for Education Statistics at the U.S. Department of Education, retrieved from <https://nces.ed.gov/programs/digest/>.

The NCES asks state departments of education and public school district personnel to report staffing counts annually in different categories, including: district administration, district administration support staff, school administration, teachers, instructional aides, guidance counselors, and librarians. In this report, we placed certain noninstructional support positions into a single “support” staff category. Note, too, that the U.S. Department of Education considers instructional coordinators as district administrators. Figure 2.3 below shows the percent changes in each of these employment categories, along with the 13 percent decline in the number of students enrolled in Mississippi public school districts.

Figure 2.3. Change in Students and FTE Staff by Employment Category in Mississippi Public Schools, 1993 to 2022



Source: *Digest of Education Statistics*, National Center for Education Statistics at the U.S. Department of Education, retrieved at <https://nces.ed.gov/programs/digest/>.

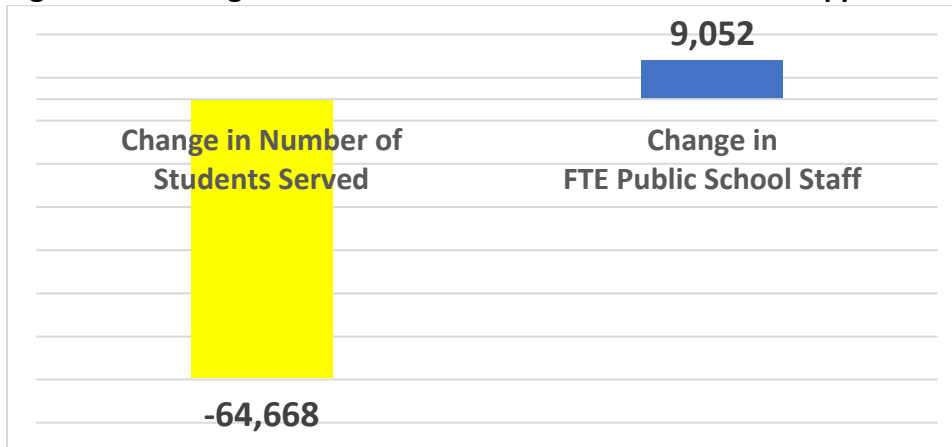
As shown above, there are large differences in employment changes across categories of Mississippi public school employees during this period, with only one category, instructional aides, showing any decrease at all.

All other employment categories in Mississippi public schools increased during this period, despite the drop in student enrollments. The largest increases occurred in administration. Between 1993 and 2022 as the number of students served fell by 13 percent, the number of district administrators increased by 93 percent, the number of district administration support staff increased by 64 percent, and the number of school-level administrators (principals and assistant principals) increased by 54 percent.

The number of guidance counselors, librarians, and support staff also increased over this period (43 percent, 18 percent, and 15 percent, respectively). Finally, the number of teachers increased by 14 percent between 1993 and 2022, which means that public school class sizes were, on average, smaller in 2022 compared to 1993.

Figure 2.4 shows that the number of students enrolled in Mississippi public schools declined by 64,668 students between 1993 and 2022, but the number of FTE staff employed increased by 9,052.

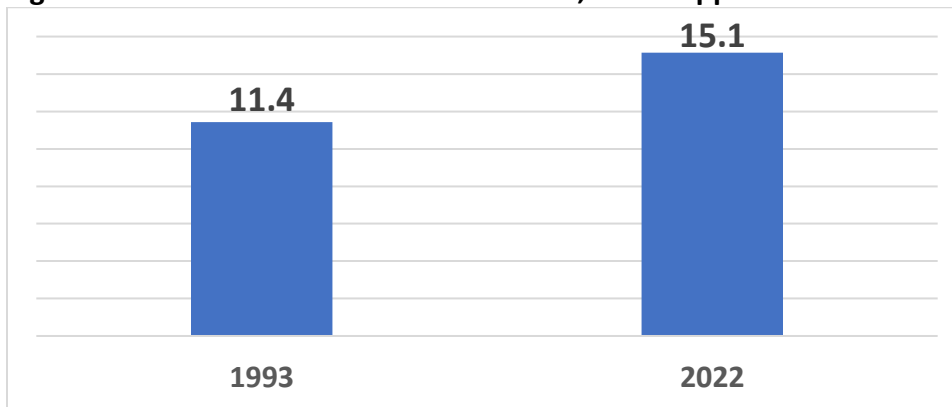
Figure 2.4. Change in Student Enrollment and Staff in Mississippi Public Schools, 1993 to 2022



Source: National Center for Education Statistics at the U.S. Department of Education, *Digest of Education Statistics*, retrieved at <https://nces.ed.gov/programs/digest/>.

Mississippi public school students had more access to educators and administrators in 2022 than in 1993 because of this increase in staffing and the decrease in enrolled students. Figure 3.5 below shows the total number of FTE staff per 100 public school students for 1993 and 2022.

Figure 2.5. Total FTE Staff Per 100 Students, Mississippi Public Schools



Source: *Digest of Education Statistics*, National Center for Education Statistics at the U.S. Department of Education, retrieved at <https://nces.ed.gov/programs/digest/>.

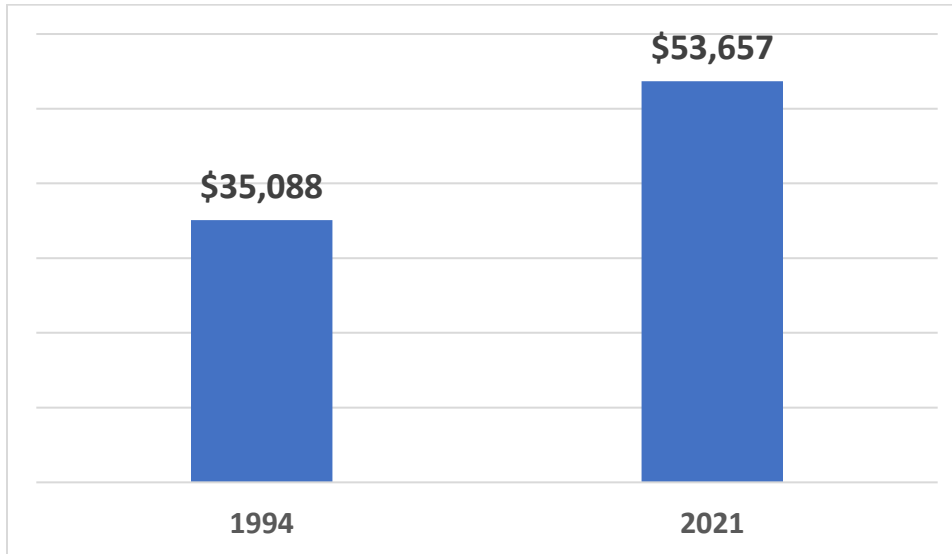
In 1993, Mississippi public schools employed 11.4 FTE staff for every 100 students enrolled. This staffing ratio increased to a statewide average of 15.1 FTE staff per 100 students by 2022. This means that a school enrolling 400 students would employ almost 15 more full-time-equivalent (FTE) adults in 2022 than in 1993.

The increases in taxpayer spending that lawmakers appropriated to Mississippi public schools also led to real (inflation-adjusted) increases in total compensation per employee over this period, despite student enrollment declining. These increases are presented in the next subsection.

Increased Real Compensation

The increases in taxpayer spending appropriated to K-12 school districts in Mississippi in recent decades have translated to real (inflation-adjusted) increases in total compensation per FTE public school employee. Total compensation includes salaries, wages, and employee benefits such as health insurance and retirement benefits. The increase in inflation-adjusted compensation per FTE public school employee between 1994 and 2021 is shown in figure 2.6.

Figure 2.6. Real (inflation-adjusted) Compensation Per FTE Employee, Mississippi Public Schools

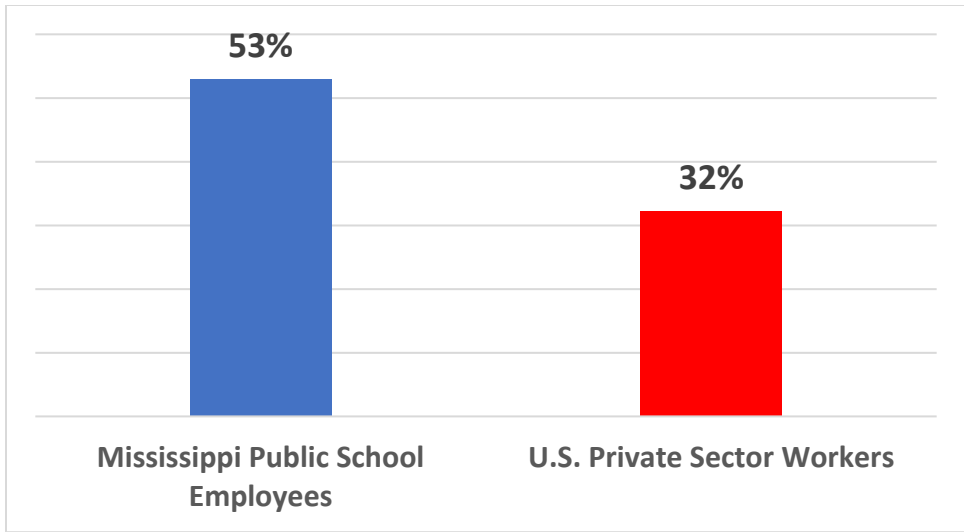


Source: U.S. Census Bureau. *Annual Survey of School System Finances*, retrieved at <https://www.census.gov/programs-surveys/school-finances/data/tables.html>.

In 1994, total inflation-adjusted compensation per FTE public school employee in Mississippi averaged \$35,088. By 2021, average compensation increased to \$53,657 per employee—a 53 percent increase. Some of this increase in compensation over time is due to a higher proportion of public school employees in 2021 working in higher paying positions (district administrators) relative to 1994. Thus, other public school employees, employees who were not district administrators, saw compensation increases that were lower than the average increase.

As shown in figure 2.7 below, this increase in compensation dwarfed the increase in hourly real compensation earned by all U.S. private sector workers over this period. Mississippi public school districts increased compensation for their employees more than the U.S. private sector overall.

Figure 2.7. Percent Change in Real (inflation-adjusted) Compensation, 1994 to 2021



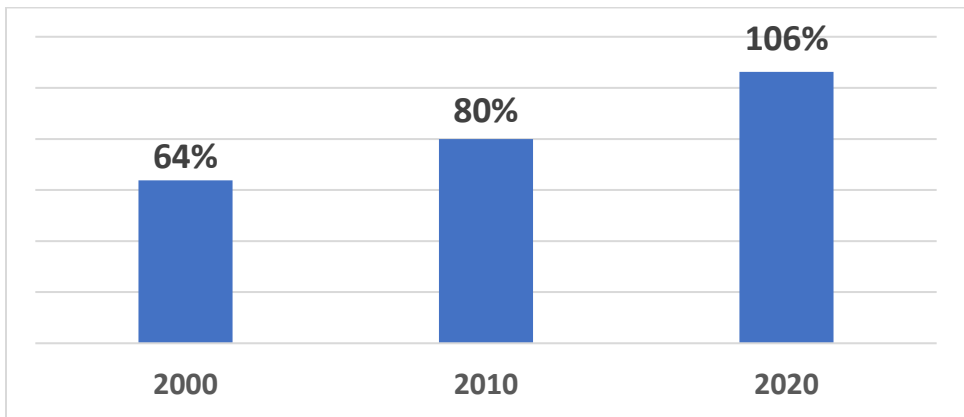
Notes: Compensation for Mississippi Public School Employees is total annual compensation per FTE employee. Compensation for U.S. private sector employees is total compensation per hour. Total compensation includes salaries, wages, and benefits.

Source: U.S. Census Bureau, *Annual Survey of School System Finances*, retrieved from <https://www.census.gov/programs-surveys/school-finances/data/tables.html>; US Census Bureau, *Annual Survey of Public Employment & Payroll*, retrieved from <https://www.census.gov/programs-surveys/apes.html>; U.S. Bureau of Labor Statistics, *Employer Costs for Employee Compensation Archived News Releases*, retrieved from <https://www.bls.gov/bls/news-release/ecec.htm>.

Unspent End-of-Year Fund Balances

As noted in the prior section, Mississippi public school district officials increased their unspent end-of-year fund balances, relative to the debt they owed, since the year 2000 (see figure 2.8).

Figure 2.8. Unspent End-of-Year Fund Balances Per Student Divided by Total Public School District Debt



Source: U.S. Census Bureau. *Annual Survey of School System Finances*, retrieved from <https://www.census.gov/programs-surveys/school-finances/data/tables.html>.

Summary

The large increases in taxpayer funding appropriated to Mississippi public school districts in recent years have resulted in

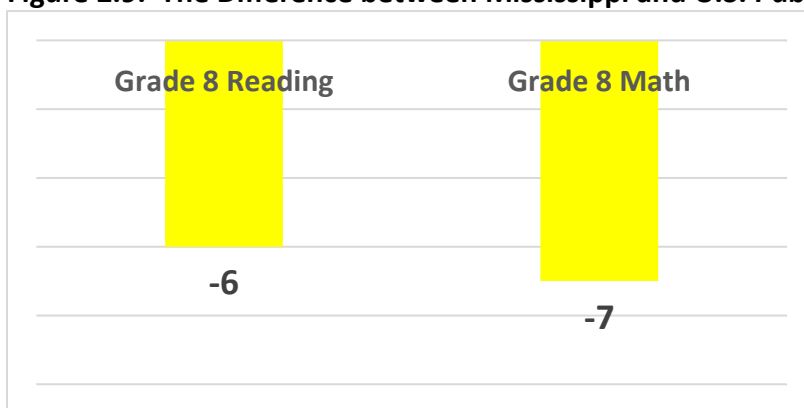
- (a) Large increases in public school employment, especially in administration, despite a decline in student enrollment;
- (b) Increases in public school compensation (53 percent per FTE employee between 1994 and 2021) that are greater than the increase in the cost of living during this period. This increase in compensation is also larger than the increase employers provided to U.S. private sector workers (32 percent).
- (c) Increases in unspent end-of-year fund balances, which means that public school districts in the state have been accumulating significant unspent taxpayer resources.

Mississippi’s K-12 education system has made academic progress since 2013, especially in literacy. Mississippi was ranked among the lowest-performing states in 2013 for fourth-grade reading scores on a national comparison, but student average scores climbed to 21st in the nation in 2022.¹⁶

Mississippi’s improvements in literacy have caused other states to consider reforms similar to those Mississippi and Florida have implemented.¹⁷ Both of these states have policies that retain 3rd grade students who are not proficient in reading, and over the last decade, Mississippi education officials have focused on phonics-based reading instruction.

Still, Mississippi schools are below the national average in 8th grade reading and math. As shown in figure 2.9, Mississippi 8th grade scores on the Nation’s Report Card (the National Assessment of Educational Progress, or NAEP, a battery of tests given periodically to a sample of students in grades 4 and 8 in each state) are still significantly below the national average. Mississippi 8th graders scored 6 points below the national public school average in reading in 2022 and 7 points below the national average in math.

Figure 2.9. The Difference between Mississippi and U.S. Public School NAEP Test Scores, 2022



Source: National Assessment of Educational Progress, retrieved at <https://www.nationsreportcard.gov/ndecore/landing>.

Ten points on a NAEP exam is approximately equivalent to one year of learning. This means Mississippi 8th graders are more than one-half of a school year behind the national average in reading and 70 percent behind in math. Based on their own research and the research of others, economists Eric Hanushek and Ludger Woessmann conclude, “there is strong evidence that the cognitive skills of the population – rather than mere school attainment – are powerfully related to long-run economic growth.”¹⁸ Thus, having higher achieving students today means that Mississippi can expect higher rates of economic growth in the future.

Considering the increases in K-12 spending, the increases in K-12 school hiring, the need for continued growth in student achievement, and the clear relationship between education and a state’s economic health, Magnolia State lawmakers should continue to find ways to create quality learning options for elementary and secondary school students.

In the next section, we outline what the next phase of K-12 education innovation should look like for Mississippi. The most urgent policy reform for state lawmakers is to expand the educational choices available to Mississippi families.

Moving K-12 Education Forward in Mississippi

While Mississippi has made great strides in improving student achievement in recent years, more work remains.

The rest of this section is organized as follows: The first subsection describes Education Savings Accounts (in this report, we will refer to these as “accounts” or “education savings accounts” or “ESAs”) and how they have been implemented in other states. The next subsection summarizes the evidence on the academic effects of programs that allow families to choose private schools and other private education services for their children. The third subsection explains the fiscal effects of ESA programs on state budgets and the fiscal effects on local public school district budgets. The last subsection offers specific policy proposals for Mississippi and reports our fiscal analysis of how these four ESA proposals would impact state and local taxpayers.

Education Savings Accounts

With an education savings account, the state typically allocates a portion of a child’s spending based on the state education formula to an account that parents use to buy education products and services for their children. Lawmakers in fourteen states—including Mississippi—have adopted accounts or account-style options for K-12 students. Mississippi was one of the first states to make the accounts available to eligible students, following Arizona and Florida.¹⁹

As adopted in Mississippi, parents of children with special needs can use these accounts, called Education Scholarship Accounts, to purchase textbooks, hire personal tutors, find education therapists, pay private school tuition, and more, in any combination they choose. Parents can customize their child’s K-12 experience and/or select a private school of their choice. Research finds that parents do, in fact, choose more than one learning option for their child when choices are available to them. In Arizona, Florida, and North Carolina, researchers have found that

between one-third and two-thirds of parents will purchase more than one learning option with an education savings account.²⁰

Education savings account and account-style laws are slightly different state to state, but the laws have key provisions in common:

1. **Eligibility.** Education savings accounts are available to K-12 students that meet certain criteria. In all states, students using an education savings account do not attend a public school full-time. Students participating in some states can pay for individual public school services such as classes or extracurricular activities. Mississippi students with special needs are eligible to apply for accounts (called Education Scholarship Accounts).²¹ In 2022, Arizona lawmakers expanded their accounts so that every child in the state can apply. In 2023, legislators in Arkansas, Florida, Iowa, North Carolina, Ohio, and Utah either created or expanded account or account-style laws so that every K-12 student is eligible to apply.²² Every West Virginia student can apply for an account in that state, as well. In still other states, such as South Carolina and Tennessee, students must meet certain income-related criteria or special needs-related criteria to apply for an account.²³
2. **Applications.** Interested families apply for an account through the state agency or private organization that administers the accounts. In Mississippi, the state department of education administers the existing accounts, while in North Carolina, the North Carolina Educational Assistance Authority oversees the accounts, and in Florida, lawmakers selected private scholarship organizations to administer the accounts.²⁴ Eligible students and families complete an application, and then the administering authority opens the student's account and makes regular allocations to it.
3. **Account awards.** Lawmakers have generally made accounts worth some portion of a student's part of the state funding formula for public schools. In Arizona, accounts are worth 90 percent of the state portion of the formula for each student, approximately \$6,400.²⁵ Amounts are larger for children with special needs. In Mississippi, account awards are worth approximately \$7,000.²⁶ State K-12 funding formulas are different from each other, but the account award amounts range from \$5,000 to \$7,000 (students with special needs in Florida and Arizona receive larger account awards).²⁷
4. **Account usage.** Here again, laws vary from one state to another, but education savings accounts are distinct from K-12 private school vouchers or scholarships because students can use an account for more than one education product or service. These products and services can include
 - Private school tuition;
 - Textbooks;
 - Education therapy;
 - Tuition for a vocational program;
 - College tuition;
 - Assistive technology such as braille materials;

- Personal tutors;
- Curricular materials;
- Online classes;
- Standardized test fees;
- Public school class fees;
- Extracurricular activity expenses;
- School uniforms;
- Transportation costs;
- Computer hardware.²⁸

5. **Expense reports.** Participating families complete expense reports with the authorizing agency or scholarship organization to document how they are spending account funds. In Arizona, parents file reports on a quarterly basis.²⁹ Participating families in Mississippi are also required to submit an expense report quarterly.³⁰ However, technology is rapidly advancing to allow near real-time reporting with built-in fraud protections.

The Academic Benefits of Choice Programs

Officials in some cities and states have operated small choice programs dating back to the early 1990s, but the number of states that offer private educational choice opportunities, especially account-style options, to students and families has increased since 2011. In this subsection we summarize the evidence on the academic benefits of education choice programs.

The research literature analyzes the effects of education choice programs on students who exercise choice and on students who remain in public schools. With few exceptions, the results from these empirical studies are positive.

Among the 18 experimental studies conducted to date, most of the research finds that students' test scores and educational attainment increases among those who exercise choice to attend private schools.³¹ These studies are called “experimental,” as some students who applied for a scholarship were randomly granted a scholarship, while other students who applied were randomly denied scholarships. This random assignment of students to scholarships is considered the most rigorous form of social science research because the random assignment of participants limits bias in the evidence that results from participants choosing a certain form of treatment (in this case, choosing a new school). In research using random assignment, researchers can compare the test score growth of students randomly granted scholarships to the test score growth of students randomly denied them.

Among the 17 random assignment studies of the effect of K-12 private school scholarships on student test scores, 11 studies have found that all or some groups of students who choose private schools experienced test score gains—over and above the gains they would have been expected to make if they had remained enrolled in public schools.³² Another four studies found no visible effect of choice programs on student test scores, and two studies found negative effects.

Both studies with negative effects were conducted on a private school scholarship program in Louisiana.³³ Researchers document that Louisiana’s program is the most regulated choice program in the United States.³⁴ For example, the Louisiana scholarship program requires recipients to take the same tests that public school students take at the end of each school year. This regulation is problematic because these state tests are aligned with public school academic content standards for each grade and subject, and private school educators do not teach to these content standards. Private school students, then, are at a disadvantage, as they do not learn the same content at the same time as public school students. There is no evidence that private school academic standards are less rigorous than public school standards. In fact, the evidence below regarding the effects of education choice on students’ academic attainment suggests that private schools hold their students to higher academic standards than public schools.

When students are tested on knowledge and skills that are not aligned to public school content standards (or to any private school’s content), no research finds that education choice programs result in lower test scores. That is, when participating students complete assessments on nationally norm-referenced tests, for example, education choice programs are shown to increase student achievement or result in no changes to student scores—in every study.

Skeptics of education choice have cited non-experimental studies in which private and public school students take public school tests and use these results as evidence that education choice programs result in lower test scores for participants. Such evidence is from poorly designed studies (because they test private school students on public school content standards) and readers should discount that evidence accordingly.³⁵

The experimental studies of the effects of education choice programs on student test scores are listed in figure 3.1. These studies are summarized and reviewed by EdChoice, and the list of studies is updated annually.³⁶ While EdChoice supports educational choice for children in all families, they have not conducted any of the research on the effects of choice programs on student test scores. EdChoice collects and reports on the evidence from researchers.

Figure 3.1. Empirical Research on the Effects of Choice on Scholarship Student Test Scores

| Benefit | Study | City | Finding – Private School Choice |
|------------------|---------------------|-------------|--|
| All Students (7) | Cowen (2008) | Charlotte | +8 pts in reading, +7 pts in math |
| | Greene (2001) | Charlotte | + 6 pts on combined reading and math test |
| | Greene et al (1999) | Milwaukee | +6 pts in reading, +11 pts in math |
| | Rouse (1998) | Milwaukee | +8 pts in math, no difference in reading |
| | Lamarche (2008) | Milwaukee | +2.3 pts in math, no difference in reading |
| | Howell et al (2002) | DC | +3 pts combined reading & math |

| | | | |
|----------------------|------------------------------|-----------|--|
| | Wolf et al (2013) | DC | +4.8 pts in reading |
| Some Students (4) | Barnard et al (2003) | New York | +5 pts in math for students leaving low-performing schools |
| | Jin et al (2010) | New York | +4 pts in math for students leaving low-performing schools |
| | Howell et al (2002a) | New York | +4 pts for African-American students on combined reading/math test |
| | Howell et al (2002b) | Dayton | +6.5 pts for African-American students on combined reading/math test |
| No Effects (4) | Webber et al. (2019) | DC | No difference in math or reading |
| | Krueger & Zhu (2004) | New York | No difference in math or reading |
| | Bitler et al (2013) | New York | No difference in math or reading by quartile |
| | Bettinger & Slonim (2006) | Toledo | No difference in math or reading |
| Negative (2) | Abdulkadiroglu et al. (2016) | Louisiana | -0.4 standard deviation 1-year effect on math |
| | Mills & Wolf (2019) | Louisiana | 4-year effects on math, reading & science of -.21 to -.39 SD |

Source: EdChoice, "The 123s of School Choice, 2023 Edition," June 28, 2023, retrieved from <https://www.edchoice.org/engage/the-123s-of-school-choice-2023-edition/>.

Critics of the chart above argue that some of the researchers listed above are conservatives, libertarians, or education choice supporters. But researchers who have worked for politicians on both sides of the ideological and even political divide have found positive outcomes for education choice. For example, Cecilia Rouse, an author of one of the studies listed in figure 3.1, recently stepped down as the chief economist for President Biden, and Alan Krueger who also conducted a study listed in figure 3.1 was the chief economist for President Obama and was also an official for President Clinton. Rouse's study found that student participation in the Milwaukee voucher program was correlated with higher test scores among voucher students, and Krueger's study found that giving low cost privately-funded vouchers to students in New York City had no discernable effects on student test scores.

Researchers have conducted seven studies on the effects of choice programs on educational attainment (the likelihood of graduating from high school, enrolling in college, and succeeding in

college).³⁷ Five of these studies find positive effects from education choice programs on educational attainment and the remaining two did not find any effects. No research has found negative effects from education choice on attainment. Of note, the literature on education attainment includes findings that African-American students experience large gains from education choice (e.g. Howell, et al., 2002a and 2002b, listed in figure 3.1 above).

What about students who remain in public schools? Opponents of education choice claim that students who are “left behind” in public schools are harmed when other students leave via scholarships or ESAs.³⁸ Twenty-six out of 29 empirical studies on this question find that students who remain in public schools experience modest test score increases when some students leave to participate in an education choice opportunity. One report did not find an effect from education choice programs on the test scores of students who remained in public schools, and two studies find a modest decrease in test scores among public school students who remained.

Finally, research has also demonstrated positive relationships between education choice and crime deterrence. Six studies on the effect of school choice on crime finds evidence that choice programs are associated with reductions in criminal activity overall among choice participants or crime reductions for some subgroups of choice students.³⁹ No studies find that education choice programs result in higher crime rates among students who exercise choice. These studies of the effect of education choice on crime include studies of private school choice programs, charter schools, and public school open enrollment programs.

Two of the studies on education choice and criminal activity were random assignment (experimental) studies, and both find that winning a school choice lottery reduces incarceration rates for male students.⁴⁰ One study suggests that choice programs could reduce crime through competitive pressures to improve behavioral outcomes, improvements in discipline policies, and/or by providing access to cultures and peer groups that discourage bad behaviors.⁴¹

From this evidence, one report uses a cautious estimate that education choice reduces the probability of committing a felony by 0.4 percentage points.⁴² According to these findings, if 10,000 Mississippi students were to be given access to an ESA, then this estimate suggests that these students, as a group, will commit 40 fewer felonies as young adults.

Summary

We have shown that the majority of the empirical evidence finds that education choice programs:

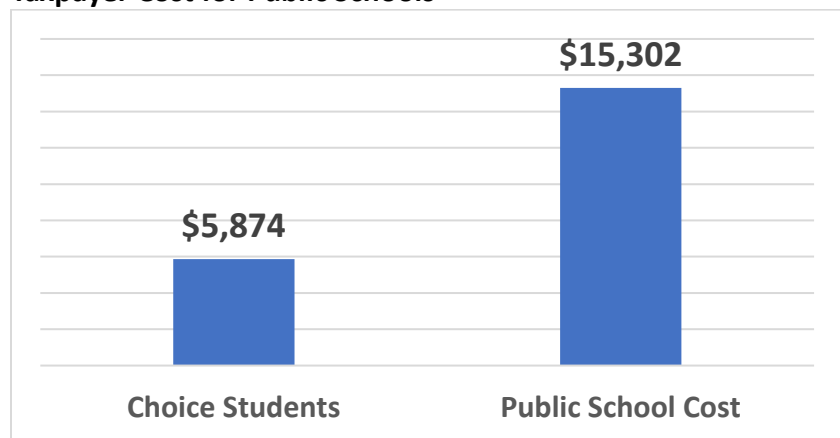
- increase test scores among students who exercise education choice;
- increase educational attainment among students who exercise education choice;
- increase test scores among students who remain in public schools;
- and reduce crime among young adults who exercised education choice during their K-12 educational careers.

In the next subsection, we evaluate claims that choice programs result in fiscal harm to state and school district budgets.

The Fiscal Effects of Choice Programs on States and Local Public School Districts

Teachers' union members and members of other education special interest groups claim that public school districts suffer financial harm when students participate in education choice options. Yet of the 74 empirical studies on the fiscal effects of education choice, 68 find that private school choice programs lead to cost savings for taxpayers. Four studies find no visible effects, and five find negative effects (some studies are double-counted because they find savings in the long-run, but higher costs in the short-run).⁴³ These cost savings can be explained, in part, because the average per student spending in education choice programs nationwide is \$5,874, while the average per student spending on students in public schools in those states that have education choice programs is \$15,302.⁴⁴

Figure 3.2. Average Taxpayer Cost Per Student in Choice Programs Compared to Average Taxpayer Cost for Public Schools



Source: Martin F. Lueken, Fiscal Effects of School Choice, November 2021, EdChoice, <https://www.edchoice.org/wp-content/uploads/2021/11/The-Fiscal-Effects-of-School-Choice-WEB-reduced.pdf>.

Furthermore, state officials, taxpayers, and parents should also consider the following:

- 1) Some students will transfer out of public schools because parents know their children best and are attempting to meet their student's unique needs. Parents may be searching for a safer environment for their child because their student was a victim of bullying in school. Parents may choose a new school because it is a better fit for their child academically or because educators at the child's assigned school are teaching material that does not align with a parent's values. Mississippi lawmakers' objective should be to

make sure to every child has access to a quality education, regardless of the school or education setting that a parent chooses.

- 2) Parent choice in education is already available to some families: Parents who can afford to move to a new neighborhood where students are assigned to high-performing schools or, alternatively, can afford tuition for private school. Students from low-income families do not have this option. Lawmakers should not discriminate against students based on family income by only allowing higher-income families to choose how and where their children learn.
- 3) We are aware of no other enterprise in America—other than K-12 public schools—that retains a substantial fraction of funding for customers they no longer serve. One of us (Scafidi) teaches at Kennesaw State University, a public university. If a student transfers from Kennesaw State University to Georgia Tech, his university loses all funds for that student—state formula funds, tuition and fees, Pell Grants, state scholarship funds, and more. If you buy your groceries at Kroger each week, but next week you switch to Wal-Mart, Kroger does not get to retain some portion of your future grocery bill. Conversely, K-12 public schools, including in Mississippi, retain a portion of funds for students they no longer serve. That is, when students leave a Mississippi public school district, for any reason, the district retains some federal taxpayer spending and state taxpayer spending that is not enrollment-driven and can choose to retain locally generated tax revenues (See Appendix B for more discussion on federal taxpayer spending. The exact amount of federal funding that districts retain when students leave depends on factors that we do not observe, including how many private schools participate in certain federal programs, etc. In this interest of caution, we assume that districts lose 20 percent of federal funding when students leave, but the reality is that they lose significantly less than that amount).⁴⁵ An important empirical study found that when more funds were enrollment-driven—so districts retained fewer funds when students left—there were more incentives for districts to improve (so that students would not leave) and student achievement actually increased.⁴⁶

In the next subsection, we propose four options for universal choice programs for the state of Mississippi and estimate the fiscal effects these proposals would have on the Mississippi state budget and school district budgets.

Options for Universal Education Choice Programs for the Magnolia State

We suggest four policy options that would expand Mississippi's existing education savings account program or create a new account option for state families. The proposals differ primarily according to the size of the account awards and the students eligible to apply for the accounts. Some provisions are common to each of the four proposals: First, families and students can use the accounts for multiple education products and services, including but not limited to private school tuition, public school classes or extracurricular activities, tutors, educational therapies,

and curricula. Families cannot use account funds for non-educational purposes. ESAs in Mississippi would be tied to some proportion of MAEP funding when students leave their public school districts via ESAs.⁴⁷

Our proposals do not place additional regulations on private schools or education service providers. If an eligible student receives an account, they remain eligible regardless of household income or other changes in student characteristics. Finally, private schools and private education service providers would not receive funding for students they do not serve or no longer serve.

Education savings account proposals

Proposal #1:

Eligibility: Every student enrolled in a K-12 public school for at least one semester during the prior academic year is eligible. Under this proposal, current private and homeschool students would not be eligible to apply for an account. All students in kindergarten and grade 1 would be eligible to apply.

Award: A figure equal to the average spending per student provided by the state to public schools under the MAEP (approximately \$5,500 per student).⁴⁸

Proposal #2:

Eligibility: Every student enrolled in a K-12 public school for at least one semester during the prior academic year is eligible. Under this proposal, current private and homeschool students would not be eligible to apply for an account. All students in grade K and grade 1 would be eligible to apply.

Award: Ninety percent of the statewide per student average of state spending provided to public schools under the state's Mississippi Adequate Education Program (MAEP) (approximately \$4,950 per student). The other components of Proposal #2 are the same as proposal #1, except for the size of the award.

Proposal #3:

Eligibility: All students eligible to enroll in a K-12 public school. Under this proposal, all current public school students and all current private and homeschool students would be eligible to apply for an account.

Award: The statewide per student average of state spending provided to public schools under the state's Mississippi Adequate Education Program (MAEP) (\$5,500).

Proposal #4:

Eligibility: All students eligible to enroll in a K-12 public school. Under this proposal, all current public school students and all current private and homeschool students would be eligible to apply for an account.

Award: Ninety percent of the statewide per student average of state funds provided to public schools under the state’s Mississippi Adequate Education Program (MAEP) (\$4,950). Proposal #4 is the same as proposal #3, except for the smaller account award.

The next two parts of this report provide estimates of the fiscal effects of these four proposals on (a) Mississippi’s state budget and (b) public school district budgets.

Fiscal Effects of Four ESA Proposals on the State of Mississippi Budget

Mississippi lawmakers provide taxpayer spending to public school districts through the MAEP formula, and the Mississippi Legislature also provides funding to districts from sources apart from MAEP. In the four ESA proposals listed above, the funding for the accounts would be equal to the statewide average of MAEP state funding per student (proposals #1 and #3) or equal to 90 percent of that amount (proposals #2 and #4). The fiscal effects of these four proposals depend on two factors: the “switcher” rate (the share of students who transfer from a public school to an account) and the participation rate among current private and homeschool students when they are eligible for accounts (applicable to proposals #2 and #4 only).

Students who switch from a public school to a private school and use an account reduce enrollment-driven state taxpayer funds given to public school districts because the districts no longer serve these students. But so, too, would districts lose per student spending if students transferred out of an assigned public school district for another reason, such as a family moving to a different part of the state or to another state.

If the switcher rate were 100 percent—if all education savings account students were previously enrolled in a public school—then the net cost to taxpayers of the account program from proposal #1 would be \$0. The decrease in state funding to public school districts from students who transferred using an account would be equal to the state funding given to account students, and, accordingly, public schools would no longer be responsible for the expenses incurred from educating account holders.

Regarding families who apply for an ESA for their children who attend public schools, they desire to leave the public school system because they believe that alternative education settings are better for their children. The switcher rate is less than 100 percent even for these students attending public school, because at least some of these families would have found ways to secure an education for their children outside of the public school system. Regarding students in grades K and 1 who may be entering school for the first time, it is unknowable how many of them would have attended a private or home school, even if an ESA had not been available to them.

Further, unless there is a random lottery to assign ESAs to students who want them, the true switcher rate is also unknowable, even after the program is in existence—because researchers

and state officials do not observe where ESA students would attend school if they were not able to access an ESA.

Research exists, however, that calculates the actual switcher rates when participation is determined by a lottery system, which solves the issues described just above. Figure 3.3 lists the nine empirical studies that calculated actual switcher rates from a variety of education choice programs that awarded scholarships or accounts via lottery. The studies observed where students who did not win the lottery—and so could not access a taxpayer-funded ESA or scholarship—attended school.

Figure 3.3. Studies on the Switcher Rate for Education Choice Programs

Abdulkadiroglu, A., Pathak, P. A., & Walters, C. R. (2018). Free to choose: Can school choice reduce student achievement? *American Economic Journal: Applied Economics*, 10(1), 175–206. doi:10.1257/app.20160634

Dynarski, M., Rui, N., Webber, A., & Gutmann, B. (2017). Evaluation of the DC opportunity scholarship program: Impacts after one year (NCEE 2017-4022). Institute of Education Sciences. Retrieved from <https://ies.ed.gov/ncee/pubs/20174022/pdf/20174022.pdf>

Dynarski, M., Rui, N., Webber, A., & Gutmann, B. (2018). Evaluation of the DC opportunity scholarship program: Impacts two years after students applied (NCEE 2018-4010). Institute of Education Sciences. Retrieved from <https://ies.ed.gov/ncee/pubs/20184010/pdf/20184010.pdf>

Howell, W. G., & Peterson, P. E. (2002). *The education gap: Vouchers and urban schools*. Brookings Institution Press. doi:10.7864/j.ctt128086

Howell, W. G., Wolf, P. J., Campbell, D. E., & Peterson, P. E. (2002). School vouchers and academic performance: Results from three randomized field trials. *Journal of Policy Analysis and Management*, 21(2), 191–217. doi:10.1002/pam.10023

Webber, A., Rui, N., Garrison-Mogren, R., Olsen, R. B., & Gutmann, B. (2019). Evaluation of the DC opportunity scholarship program: Impacts three years after students applied. Technical appendix (NCEE 2019-4006). Washington, DC: National Center for Education Evaluation and Regional Assistance, Institute of Education Sciences, U.S. Department of Education Institute of Education Sciences Retrieved from https://ies.ed.gov/ncee/pubs/20194006/pdf/20194006_Technical_Appendix.pdf

Wolf, P., Gutmann, B., Puma, M., Kisida, B., Rizzo, L., & Eissa, N. (2008). Evaluation of the DC opportunity scholarship program: Impacts after two years (NCEE 2008-4023). Institute of Education Sciences Retrieved from <https://ies.ed.gov/ncee/pdf/20084023.pdf>

Wolf, P., Gutmann, B., Puma, M., Kisida, B., Rizzo, L., & Eissa, N. (2009). Evaluation of the DC opportunity scholarship program: Impacts after three years (NCEE 2009-

4050). Institute of Education Sciences. Retrieved from
<https://ies.ed.gov/ncee/pubs/20094050/pdf/20094050.pdf>

Wolf, P. J., Kisida, B., Gutmann, B., Puma, M., Eissa, N., & Rizo, L. (2013). School vouchers and student outcomes: Experimental evidence from Washington, D.C. *Journal of Policy Analysis and Management*, 32(2), 246–270.
doi:10.1002/pam.21691

The average switcher rate from these nine studies listed in figure 3.3 is 90 percent. That is, on average, 90 percent of the students who lost the lottery ended up attending a public school. These families who lost the lottery wanted an education setting outside of the public education system for their children, but they could not afford it given that they did not win the lottery for a scholarship or ESA.

If we apply a 90 percent switcher rate to Proposal #1, then this proposal would require an additional amount of taxpayer spending that is equivalent to 10 percent of the average MAEP funding per student currently provided to public schools. Recall that proposal #1 would offer 100 percent of the statewide per student average of MAEP funding to students who were enrolled in a public school in the prior year.

The average participation rate of eligible students in ESA programs nationally has averaged 0.25 percent of eligible students in the first year of the program.⁴⁹ The Mississippi Department of Education reports that 436,514 students are enrolled in Mississippi public schools in the current school year (2023-24 at the time of writing).⁵⁰ Assuming there are not further public school enrollment declines, if all Mississippi public school students were eligible for an ESA for the 2024-25 school year and if 0.25 of public school students accept an ESA, then 1,091 students would access an ESA in the first year of a program modeled on proposal #1. If statewide MAEP funding remains at an average of \$5,500 per student, then we estimate that the net fiscal cost to state taxpayers of proposal #1 would be: \$600,050 (however, local taxpayers in Mississippi would realize a savings. This analysis is provided in the *Fiscal Effects* section below).

Net fiscal cost to state taxpayers (proposal #1): $0.10 \times 1,091 \text{ students} \times \$5,500 = \$600,050$

In this equation, 0.10 represents the 10 percent of ESA students who would have attended a private school if an ESA had not been available; 1,091 students is equal to 0.25 percent of statewide public school enrollment; and \$5,500 is the current statewide average of MAEP funding. The above calculation assumes that 10 percent of ESA students, whose families desire an account for their children, would have left or never attended public schools, even if they were not able to access an ESA.

As the number of students accessing ESA rises over time and as MAEP funding for public schools increases over time, the estimated net fiscal cost of proposal #1 to state taxpayers will increase as well.

Proposal #2 contemplates the likelihood of a 90 percent switcher rate and adjusts ESA funding downward accordingly. Specifically, proposal #3 offers only 90 percent of statewide average

MAEP funding to ESA students. Correspondingly, our estimate of the net fiscal cost to state taxpayers from ESA proposal #2 is \$0, or no net increase in costs to state taxpayers.

Net fiscal cost to state taxpayers (proposal #2): \$0

Proposals #3 and #4 would yield a new fiscal cost to state taxpayers, as private and home school students would be eligible for some state taxpayer spending for their education. New Hampshire allows low and middle income public, private, and home school students to access Education Freedom Accounts (the name they have given to their ESA program). Fortunately, the New Hampshire Department of Education has kept detailed information on the enrollment status of all New Hampshire children, including students in private and home schools. Given this data, we are able to view the participation rate of private and home school students in the New Hampshire ESA program.⁵¹ In appendix A we show that a reasonable estimate of the participation rate of private and home school students was 21.1 percent in the first year of that state's ESA program. We use that 21.1 percent participation rate figure to make cost projections for our ESA proposals #3 and #4.

Please consult appendix A to this report to see more details on New Hampshire's 21.1 percent participation rate. Appendix A also discusses how the participation rate in a wide variety of government programs, including programs that have been in place for many decades, is below 100 percent. A reasonable comparison to ESAs is the Pell Grant program, which provides scholarship subsidies to students attending colleges and universities. At four-year universities, only 73.2 percent of eligible low-income students received a Pell Grant during the 2011-12 academic year 46 years after the program was created.⁵² We consider the 72.3 percent participation rate to be remarkably low given that colleges and universities have financial aid offices that seek to assist students in accessing government grants.

Why are so many New Hampshire families who send their children to private or home schools turning down money that is free to them when they do not access ESAs? There are three potential reasons why families eligible for ESAs do not take the funding, even when they are sending their children to a private or home school. First, parents' chosen private school will not accept ESAs because they worry about future regulation. Second, parents have chosen to homeschool and do not want any involvement with the government, again, potentially concerned about future government regulation. Third, families are not aware of the program.

That only 21.1 percent of New Hampshire students who would have attended a private or home school participated in the state's ESA program in the first year of the program is evidence that less than 100 percent of current private and home school students would access ESAs, even if they were eligible to do so. This New Hampshire evidence is persuasive because only low and middle income families are eligible for ESAs. Higher income families have less need for assistance to pay education expenses.

Again, we use new Hampshire's 21.1 percent participation rate figure to make a projection of the cost of ESAs in proposals #3 and #4 to Mississippi taxpayers.

Proposal #3 would provide ESAs to all students eligible to enroll in a public school in Mississippi, which includes all public, private, and home school students. Using the 90 percent switcher rate for public school students and the 21.1 percent participation rate for preexisting private and home school students, our estimate of the net cost to state taxpayers from proposal #2 equals:

$$1,091 \text{ public students} \times 0.1 \times \$5,500 + 63,823 \text{ private/home students} \times 0.211 \times \$5,500 = \\ \$600,500 + \$74,066,592 = \$74,666,642$$

In this equation,

- 1,091 public school students are projected to use ESAs in year 1 of the program at 0.25 percent x 436,514 eligible public school students
- 10 percent of those ESA students are projected to have moved to a private or home school, even if the ESA program was not created, and therefore represent a cost to state taxpayers when using an ESA (this 10 percent figure accounts for kindergarten and grade 1 students who are attending school for the first time, where some of these students would have attended a private school even without an ESA, and any public school students who would have transferred to a private school, even if an ESA program had not existed)
- \$5,500 is the average statewide MAEP funding per student
- 63,823 equals the number of private and home school students in Mississippi (41,880 private school students and 21,943 public school students)⁵³
- 21.1 percent equals the estimated ESA participation rate for preexisting private and home school students (see appendix A of this report), and these 21.1 percent represent a cost to state taxpayers.

Proposal #4 is the same as proposal #3, but in proposal #4, ESA students are funded at 90 percent of the per student statewide average of MAEP funding. The projected net cost to state taxpayers from proposal #4 is

$$63,823 \text{ private/home students} \times 0.211 \times \$5,500 \times 0.9 = \$66,659,932$$

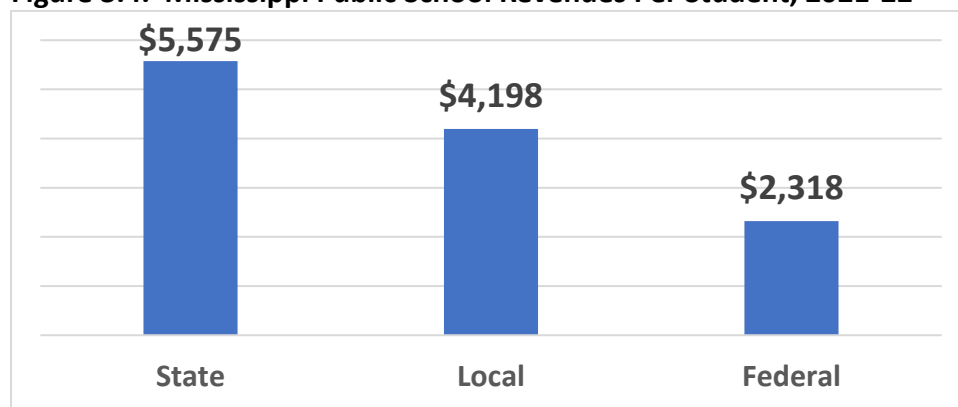
Fiscal Effects of Four ESA Proposals on Local Taxpayers in Mississippi

Three of our ESA proposals result in a cost to state taxpayers (proposal #1, #3, #4), while one proposal does not require new taxpayer spending. When students leave a public school district for any reason, including because they use an ESA, then the district incurs lower costs—yielding

savings for local taxpayers.⁵⁴ All public school districts, nationwide, have favorable funding situations because they retain funds for students they no longer serve.⁵⁵

To demonstrate the savings to local taxpayers in Mississippi from students who transfer away from local public school districts, including because they were able to access an ESA, we use data from the 2021-22 school year, because that is the most recent year for which complete data is publicly available. As shown in figure 3.4 below, public school districts in Mississippi receive taxpayer spending from three sources: state taxpayers, local taxpayers, and federal taxpayers. The majority of all Mississippi taxpayers pay taxes to each of these three levels of government. For the 2021-22 school year, on average, Mississippi public school districts received \$5,575 per student from the state (46.1 percent of the total per student spending), \$4,198 per student from local taxpayers (34.7 percent of the total), and another \$2,318 per student from the federal government (19.2 percent of the total). These amounts vary across public school districts, but for the purposes of this report, state averages allow us to demonstrate the average savings that accrue to local public school districts when students leave the district for any reason, including via ESAs.

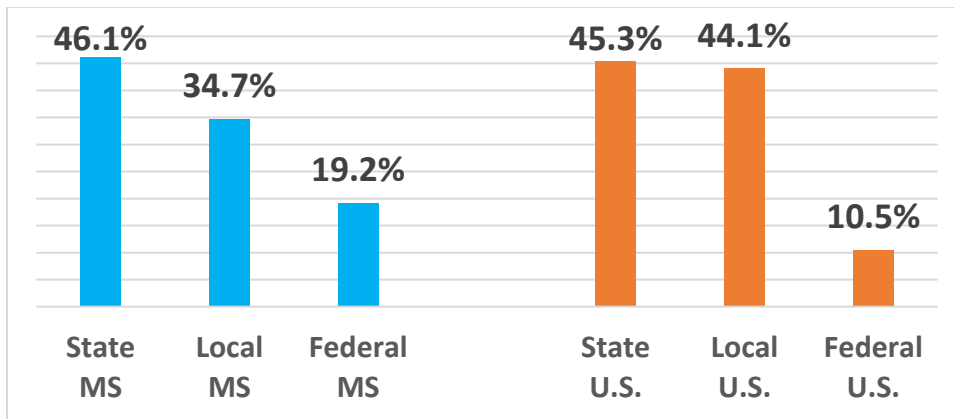
Figure 3.4. Mississippi Public School Revenues Per Student, 2021-22



Source: U.S. Census Bureau. *Annual Survey of School System Finances*, retrieved from <https://www.census.gov/programs-surveys/school-finances/data/tables.html>.

The percentage of funding that comes from each level of government varies across states. Figure 3.5 compares these revenue figures with the national average for public schools and shows that Mississippi public school districts receive a slightly higher proportion of their funding from state taxpayers, a higher proportion from federal taxpayers, and a relatively lower proportion of their funding from local taxpayers. Mississippi's larger share from federal taxpayers is due to the state's comparatively large population of low income residents (federal funding is largely based on different measures of student income or other student disadvantage).

Figure 3.5. Percent of Public School District Revenues by Source



Note: Data for MS are for FY 2022, while data for the national average are for FY 2021. We had to use 2021 for the latter as not all states had reported their public school fiscal data to the federal government at the time of writing this report. That said, these percentages change only gradually over time at the national level. Numbers may not sum to 100% due to rounding.

Source: U.S. Census Bureau. *Annual Survey of School System Finances*, retrieved from <https://www.census.gov/programs-surveys/school-finances/data/tables.html>.

The funding environment is favorable for public school districts in Mississippi, and nationally, because when students leave their district, for any reason, not all taxpayer funding follows the student to his or her new destination. Specifically, when students leave a public school district, the district retains some state funding that is not generated by student enrollment. More importantly, districts retain some of their federal funding that is generated by local characteristics (such as the poverty level). Most importantly, districts often retain local funding.

As stated previously, we are not aware of any other enterprise in America—other than K-12 public schools—where vendors continue to receive funds for customers or students they no longer serve. For example, if a student transfers from Ole Miss to Mississippi State University, Ole Miss does not retain the student’s tuition and fee money or Pell Grant money for the next year.

Policymakers and voters should consider this favorable funding environment for public school districts when considering K-12 education policy proposals. As shown above in section III of this report, Mississippi public school districts experienced a net enrollment decline of over 66,000 students between 1993 and 2022, yet districts were able to afford an increase in staffing of over 9,000 FTEs. In addition, school officials increased compensation per employee by 53 percent and increased their reserves—during periods when student enrollments were falling. These increases in staffing, compensation, and unspent reserves would not have been possible without a funding system that allowed districts to retain taxpayer spending even as schools enrolled fewer students.

Estimating the fiscal effects of our four proposed ESA options on local public school districts requires additional analysis, including an estimate of the short-run (year-over-year) variable costs of educating students in public school districts. Taxpayers and policymakers should know how much public school district expenses would increase if an ESA student enrolled in a public school instead of using an ESA. There are four methods in the research literature for estimating variable costs of public schools.⁵⁶ Three of these methods produce almost identical estimates.

Relying on a method from one of these three approaches (detailed analysis provided in Appendix B), we estimate \$8,201 per student as the variable (or marginal) cost of educating additional students in Mississippi public schools in 2021-22. In brief, the estimate is calculated using observed reductions in expenditures (year-over-year) when public school districts experienced enrollment declines.

Under each of our four proposals, the projected number of students who transfer from a public school using an ESA is the same—1,091 students. Therefore, the savings to local public school districts from each of our four ESA proposals is identical. If districts did not educate these 1,091 students, then we calculate the net savings from the ESA program to local taxpayers in 2021-22 as follows:

| | | |
|---|---|--|
| Local Cost of Educating 1,091 ESA Students in Public Schools | — | State & Federal Funding Per Student |
| 1,091 ESA students x \$8,201 | — | 1,091 ESA students x (\$5,575 + \$464) = |
| \$8.95 million | — | \$6.59 million = |

\$2.36 million in local savings per year in 2021-22

The details for the above calculation are as follows:

- Number of ESA recipients who would have been enrolled in a public school if their families were not able to access an ESA in 2021-22 = 1,091.
- Estimate of the variable cost of educating students in public schools = \$8,201, where this estimate is 66.7 percent of the actual \$12,295 total average cost of educating students in public schools in 2021-22. From appendix B, 66.7 percent is our estimate of average short-run variable costs per student in Mississippi public schools.
- Average state revenues per public school student, which are assumed to be entirely enrollment-driven = \$5,575.
- Local taxpayer cost to educate 1,091 ESA students in public schools = 1,091 students x \$8,201 = \$8.95 million.
- State funding plus 20 percent of federal funding⁵⁷ for enrollment growth to local public school districts if these 1,091 ESA students had been enrolled in public schools

1,091 ESA students x (\$5,575 + \$464) = \$6.59 million, where \$464 is 20 percent of statewide average federal funds per student of \$2,318 from figure 3.4 above.

Savings to local taxpayers = \$8.95 million - \$6.59 million = \$2.36 million.

Using this cautious estimate of \$8,201 as the additional cost, on average, of educating students added to Mississippi public school districts, we can estimate the fiscal effects of 1,091 ESA

students who would be attending private schools or being homeschooled migrating to the public schools if their families were not able to access an ESA. Thus, we account for student migration to public schools, which would then result in rising public school costs, and school districts would also collect more state funding due to this enrollment growth.

The decrease in local taxpayer costs of 1,091 scholarship students not enrolled in public schools is 1,091 ESA students multiplied by the cautious estimate of the average variable cost of educating these students in public schools (\$8,201), or \$8.95 million. Then, we subtract the state and federal revenues that local systems receive on a per student basis to offset a portion of the cost of educating those students, or 1,091 students multiplied by (\$5,575 + \$464), which is the estimated state and federal revenues per student in public schools that are generated by enrollment. This latter figure represents \$6.59 million. The difference between these two figures, \$2.36 million (\$8.96 million - \$6.59 million), represents the savings to local taxpayers from 1,091 students who are not enrolled in public schools because they had ESAs.

Summary of (Cost)/Savings Projections

To summarize, under proposal #1, all public school students would be eligible to apply for an ESA that is equal to 100 percent of the statewide per student average of MAEP funding. We project that proposal #1 would cause a net cost to state taxpayers of \$600,050, and save local taxpayers over \$2.3 million. Overall, proposal #1 would save Mississippi taxpayers approximately \$1.76 million in the first year of this ESA program. These projections are displayed in figure 3.6.

As more students access the accounts, the net cost to state taxpayers and the net savings to local taxpayers would increase. In addition, the overall savings to Mississippi taxpayers would increase over time, due to an increase over time in the number of public school students using ESAs.

Figure 3.6. Summary of (Costs)/Savings to Mississippi Taxpayers from Four ESA Proposals

| | ESA Eligibility | Funding | Projected (Cost) to State Taxpayers | Projected Savings to Local Taxpayers | Overall Net (Cost)/Savings to Mississippi Taxpayers |
|--------------------|--|--------------|-------------------------------------|--------------------------------------|---|
| Proposal #1 | All Public School Students | 100% of MAEP | (\$600,050) | \$2,358,922 | \$1,758,872 |
| Proposal #2 | All Public School Students | 90% of MAEP | \$0 | \$2,358,922 | \$2,358,922 |
| Proposal #3 | All public, private, and homeschool students | 100% of MAEP | (\$74,666,642) | \$2,358,922 | (\$72,307,719) |
| Proposal #4 | All public, private, and homeschool students | 90% of MAEP | (\$66,659,932) | \$2,358,922 | (\$64,301,010) |

Under proposal #2, all public school students would be eligible to apply for an ESA that is equal to 90 percent of the statewide per student average of MAEP funding. We project that proposal #2 would cause a net cost to state taxpayers of \$0 and save local taxpayers over \$2.3 million. Overall, proposal #2 would save Mississippi taxpayers approximately \$2.35 million in the first year of this ESA program.

As more students access the accounts, the net cost to state taxpayers would remain at \$0 and the net savings to local taxpayers would increase given that districts would have fewer students to

educate and thus less need for local tax revenue for public schools. the overall savings to Mississippi taxpayers would increase over time.

Under proposal #3, all students eligible to enroll in a public school in Mississippi would be eligible to apply for an ESA, including children currently attending a private school or homeschool. The award amount is equal to 100 percent of the statewide per student average of MAEP funding. We project that proposal #3 would cause a net cost to state taxpayers of \$74.7 million and save local taxpayers \$2.35 million. Overall, proposal #3 would result in additional taxpayer expenditures of \$72.3 million.

Under proposal #4, all students eligible to enroll in a public school in Mississippi would be eligible to apply for an ESA, including children currently attending a private school or homeschool. The award amount is equal to 90 percent of the statewide per student average of MAEP funding. We project that proposal #3 would cause a net cost to state taxpayers of \$66.7 million and save local taxpayers \$2.35 million, with an overall cost to taxpayers of \$64.3 million.

The net cost projections are cautious estimates that overestimate net costs to taxpayers and underestimate savings to taxpayers. The state of Mississippi gives substantial state taxpayer funding to school districts in addition to the spending through the MAEP formula. For example, in the 2021-22 school year, the state provided \$234.7 million in funding to school districts in addition to MAEP funding.⁵⁸ From news accounts, it appears that state funding to school districts that is in addition to MAEP funding is substantially higher for the current school year and is projected to be substantially higher for the next school year as well.⁵⁹ We assume that there are no savings to state taxpayers from non-MAEP state funding when Mississippi districts serve fewer students, which means we likely overestimate state costs in our four ESA proposals. Furthermore, we assume that public school districts have fixed costs. A longstanding principle in the fields of accounting, business, and economics is that all long-run costs are variable, as enterprises can make new strategic decisions regarding the size of their organization's operations. If we had treated all costs for Mississippi public school districts as variable, then we would have generated dramatically higher savings estimates for local taxpayers for each of our four ESA proposals.

Opponents of education choice programs will claim that ESAs will primarily go to students who would have attended private and home schools regardless of whether they received an ESA.⁶⁰ As our fiscal analysis shows, lawmakers' policy choices determine which students receive accounts. Under proposals #1 and #2, the majority (90 percent) of accounts will be granted to students switching from a public school where taxpayers pay more per student than taxpayers pay for an ESA. However, under proposals #3 and #4, most ESAs will be given to students who likely would have attended a private or home school, even if ESAs had not been available to them. Thus, it is a policy choice as to whether Mississippi voters and policymakers want the majority of ESA students to be switchers from public schools.

Conclusion

Every child deserves the opportunity to succeed in school and in life. Mississippi student gains in 4th grade reading give state lawmakers a solid foundation on which to build future policy ideas.

To help students further succeed as they continue their education careers, lawmakers should consider the education savings account proposals in this report and design learning opportunities that offer students a bright future while maximizing taxpayers' return on investment in K-12 education.

Appendix A – ESA Participation Rate for Preexisting Private and Home School Students

In this appendix we describe how we estimated the participation rate in New Hampshire’s ESA program for the first year of that program’s operation. In New Hampshire’s account program all students eligible to enroll in a public school, including current private and home school students, who lived in households with incomes less than 300 percent of the federal poverty line (FPL) were eligible for ESAs. We can use data from the first year of New Hampshire’s ESA program to make an estimate of the ESA participation rate for preexisting private and home school students. We use the estimate that is generated in this appendix in the body of this report to make a projection of ESA participation in the first year of an ESA program in Mississippi among preexisting private and home school students, if such students were eligible for ESAs.

Using data from the New Hampshire Department of Education, there were 16,735 private school or home school students in New Hampshire in the 2020-21 school year.⁶¹ Of the 1,635 students using ESAs in the first year of their ESA program (2021-22), 278 students had been enrolled in a public school in the prior year.⁶² If 10 percent of these 278 public school students would have attended a private or home school, even without an ESA (which implies a 90 percent switcher rate), then 28 of these students would have attended a private or home school, even without an ESA.

Another 318 ESA students were enrolled in grades K and 1, and we can expect that 90 percent (or 286) of these students to be switchers from public schools—so 32 of these grade K and grade 1 students would have attended a private or home school even if the ESA program did not exist.

The remaining 1,039 ESA students did not attend a public school in the prior year, the year before the ESA program began, so we assume they would not have been enrolled in a public school in the first year of the ESA program. Some of these students may have attended a public school if the ESA program never existed, but we are choosing to make a more cautious estimate and overestimate costs from our proposed ESA programs.

As a result, $28 + 32 + 1,039 = 1,099$ ESA students are estimated to have attended a private or home school, even if the ESA program did not exist in New Hampshire.

Using data from the U.S. Census Bureau, we estimate that 5,205 private and home school students were living in families below 300 of the FPL, making these students eligible for ESAs under New Hampshire’s program in 2021-22.⁶³ Taking the 1,099 private and home school students projected to attend a public school in the absence of the ESA program and dividing by the 5,205 private and home school students estimated to be eligible for ESAs yields a participation rate of 21.1 percent of eligible private and home school students accessing ESAs in year 1 of New Hampshire’s program. Based on this experience in New Hampshire, we project that 21.1 percent of Mississippi private and homeschool students will use ESAs in year one of a hypothetical ESA program for which they were eligible.

For context, we can consider the participation rates in other government programs to see that many eligible Americans often turn down government support, even in programs that have

existed for decades. In a 2004 report, Janet Currie summarizes the evidence on the participation rates of a large number of government programs and finds that no program has a 100 percent participation rate among eligible individuals. She reports that Medicaid programs for children had only a 73 percent participation rate—31 years after the program was created. Among programs that are not means tested, Medicare Part B had a 96 percent participation rate 37 years after the creation of the program, and unemployment insurance had participation rates between 65.8 and 83 percent 40-50 years after the creation of the program (the percentages vary by year; see Tables 1 and 2 of her report).⁶⁴

Furthermore, the Children’s Health Insurance Program (CHIP) was created in 1998, and four years after its creation, only between 8.1 and 14 percent of eligible children received medical services under CHIP.⁶⁵

The government-administered benefit program that is the closest metaphor to an ESA program is the Pell Grant program, which provides subsidies to students attending colleges and universities. At four-year universities, only 73.2 percent of eligible low income students actually received a Pell Grant during the 2011-12 academic year—46 years after the program was created (Delisle, 2017).⁶⁶ Only a handful of small colleges and universities do not accept Pell Grants as payment (Hillsdale, Grove City, etc.). Thus, institutions refusing to accept Pell Grants as payment is not a major reason for this less-than-universal usage of Pell Grants. This 72.3 percent participation rate is surprising given the student debt crisis and given that colleges and universities have extensive financial aid offices that seek to get students all the government grants they are entitled, in order to maintain their enrollments.

The Obama administration endeavored to streamline the financial aid paperwork necessary to obtain Pell Grants and other taxpayer subsidies for higher education. Nevertheless, any parents who have filled out financial aid forms (FASFA) in recent years know significant paperwork must be completed. Even after the Obama administration’s attempts to make applying for college easier, one study found that fewer than 80 percent of community college students accessed Pell Grants 50 years after the creation of the Pell program.⁶⁷

Based on the experience with these other programs, we can expect that student participation rates with ESAs will be modest in the first years of operation, and we estimate that participation rates will not result in 100 percent of eligible students to participate. We do expect that participation rates will increase over time.

Appendix B

Some Basic Principles of Accounting, Business, and Economics - Fixed vs. Variable Costs

Some assert that there are very high fixed costs in public school systems.⁶⁸ Fixed costs are costs that do not vary with workload. Schools do, in fact, need electricity, air conditioning, teachers, bus drivers, and assistant principals even though some students may transfer.

Public school systems' funding decreases when students transfer, though almost exclusively in terms of a decrease in state funds because, for certain periods, schools retain local and a significant portion of federal funds for students they no longer serve. The exact amount of federal funding that districts retain when students leave depends on factors that we do not observe, including how many private schools participate in certain federal programs, and other factors. In the interest of caution, we assume that districts lose 20 percent of federal funding when students leave, but the reality is that they lose less than that amount.

Yet when schools serve fewer students, these institutions also have lower costs. For example, when a small number of students leave, the school needs fewer textbooks, supplies, or software licenses. If a large enough number of students transfer, then schools can consolidate classrooms, employ fewer personnel, or take other actions to consolidate services.

This discussion implies short run considerations. An important accounting and economic principle is that all costs are variable in the long run, and public school districts (along with any other economic entity) will adapt as needed. For example, if a public school district experiences an enrollment decline of 10 percent, over time the district will restructure to reduce costs by 10 percent (though it will be unlikely that the district can reduce its costs by 10 percent from one school year to the next).

Public K-12 education retains significant amounts of funding for customers (students) it no longer serves. For example, when a patient chooses to leave a health clinic in favor of a different provider, the clinic that loses her does not retain any future funds for that patient (out-of-pocket or from insurance). If you were to change your shopping habits from one grocery store to another, your former store does not keep 40 percent of your future grocery bill because of "fixed costs."

If all public school expenditures represented fixed costs, then public school systems would not need additional state funds for enrollment growth when they gained students because all their costs are fixed. We certainly do not believe that almost all public school costs are fixed costs, and we do not believe in eliminating state funding to public schools based on enrollment growth.

Estimates of Short-run Variable Costs for Mississippi Public School Systems

Using the actual experience of school districts that lost students for non-school choice reasons, in a 2012 report Scafidi estimated average short-run fixed and variable costs for all states, where the short-run is defined as from one year to the next.⁶⁹ Specifically, Scafidi noted that public school districts report all of their expenditures to the federal government in twelve cost categories. His report then analyzed the categories where costs were reduced from one year to the next and where these cost reductions exceeded in percentage terms the reductions in students. For example, if a school district experienced a one percent enrollment decline from one year to the next, his report noted the cost categories for which public school districts reduced their costs by more than one percent.

In terms of how public school districts actually adjusted their budgets when students transferred, districts were observed to reduce the following costs more than commensurate with the decrease in students: instruction, student support, instructional staff support, food service, and enterprise operations. For Mississippi, these cost categories that were shown to be variable costs, even from one year to the next, were 66.7 percent of total expenditures per student. See Scafidi's report for more details.

In other research, Scafidi demonstrated that public school districts nationwide—including Mississippi — have operated over the last several decades as though staff are variable by hiring personnel, both teaching and non-teaching staff, at rates that outpace enrollment growth. In the case of Mississippi, districts have increased staffing, even as student enrollment declined. It is reasonable to treat expenditures on a majority of personnel as a short-run variable cost.

Using this 66.7 percent estimate of short-run variable costs, we estimate that if ESA students were not able to access an account and then enrolled in a public school, public school district costs would have increased by \$8,201 in 2021-22:

$$0.667 \times \$12,295 \text{ in statewide total expenditures per student} = \$8,201.$$

This figure of \$8,201 per student is an estimate of the additional cost, on average, of educating students who transfer into Mississippi public schools. This estimate is cautious because Scafidi found that public schools actually reduced these costs more than commensurate with their decline in student enrollment. Observed variable costs in public schools, from one year to the next, were actually higher.

This 66.7 percent estimate was based on actual cost-cutting behavior by public school districts that experienced enrollment declines for non-school choice reasons. Further, in the long run, all costs are variable, as local public school districts can make new strategic decisions in terms of staffing and facilities.

In the fiscal analysis in this report, we use \$8,201 as the estimate, as a statewide average, for the short-run variable costs of educating students in Mississippi public schools. This estimate is consistent with Scafidi's work and two other studies on the topic.⁷⁰ A fourth study finds that variable costs are significantly higher.⁷¹ We chose not to use this fourth estimate, as it would have produced a much larger estimate of fiscal savings from our proposed ESA programs.

¹ The inflation adjustment used is the Personal Consumption Expenditures (PCE) price index, which is the measure of changes in the cost of living over time preferred by the U.S. Federal Reserve System (“the Fed”) and a large majority of economists, as the PCE price index more accurately reflects true changes in the cost of living relative to the Consumer Price Index (CPI). A non-technical summary of this issue can be found here, <https://www.forbes.com/sites/georgecalhoun/2021/05/22/the-inflation-figures-are-grossly-inflated--heres-how/?sh=52d7736f2deb>. Using the CPI as the inflation adjustment would show slightly lower real increases in public school spending per student but would not change any of the conclusions in this section or this report.

² Real Gross Domestic Product (GDP) per capita was lower at the end of 2012 than it was at the end of 2007, indicating that the nation’s ability to pay for public schools—or anything else—was lower at the end of 2012 than it was when the Great Recession began at the end of 2007. Source: FRED Economic Data, St. Louis Fed, <https://fred.stlouisfed.org/series/A939RX0Q048SBEA>.

³ U.S. Department of Education, “Elementary and Secondary School Emergency Relief Fund,” Office of Elementary and Secondary Education, retrieved from <https://oese.ed.gov/offices/education-stabilization-fund/elementary-secondary-school-emergency-relief-fund/>.

⁴ U.S. Department of Education, “Education Stabilization Fund,” available at <https://covid-relief-data.ed.gov/>.

⁵ Institute for Education Sciences, “Revenues and Expenditures for Public Elementary and Secondary Education: FY 19,” May 2022, p. 7, <https://nces.ed.gov/pubs2022/2022301.pdf>.

⁶ U.S. Department of Education, “Education Stabilization Fund,” available at <https://covid-relief-data.ed.gov/>.

⁷ K-12 Dive, “ESSER Extension Gives Districts Extra Time to Modernize,” September 12, 2022, <https://www.k12dive.com/spons/esser-extension-gives-districts-extra-time-to-modernize/631006/>.

⁸ U.S. Department of Education, “Elementary and Secondary School Emergency Relief Fund,” Office of Elementary and Secondary Education, retrieved from <https://covid-relief-data.ed.gov/profile/state/MS>.

⁹ *Digest of Education Statistics*, National Center for Education Statistics at the U.S. Department of Education, https://nces.ed.gov/programs/digest/d22/tables/dt22_203.20.asp?current=yes

¹⁰ Ibid.

¹¹ K-12 Dive, “ESSER Extension Gives Districts Extra Time to Modernize.”

¹² See, for example, Lindsey Burke, “School Districts Have Tools They Need to Address Alleged Teacher Shortages,” *The Daily Signal*, June 3, 2022, <https://www.heritage.org/education/commentary/school-districts-have-tools-they-need-address-alleged-teacher-shortages>; and Benjamin Scafidi, Ph.D., “Back to the Staffing Surge,” EdChoice, May 2017, <https://www.edchoice.org/wp-content/uploads/2017/05/Back-to-the-Staffing-Surge-by-Ben-Scafidi.pdf>. EdChoice has a user-friendly web tool to show the public school staffing surge as compared to employment changes in all other state and local government functions available at <https://k12staffingsurge.com/>.

¹³ Scafidi, “Back to the Staffing Surge.”

¹⁴ In other work, Scafidi has shown that using staffing data reported annually to the U.S. Census Bureau shows different staffing surge patterns relative to the NCES staffing data, despite the fact that public school districts and state departments of education report staffing counts to both of these federal agencies, <https://k12staffingsurge.com/>. This report uses the NCES data because it appears to be accurate, and it allows us to disaggregate the staffing data into various employment categories. For most states, the Census Bureau’s counts of public school employees tends to be more accurate (see, for example, <https://www.edchoice.org/wp-content/uploads/2023/08/08-23-Staffing-Surge-Priorities.pdf>), but NCES data tell the same story as Census Bureau data for Mississippi. Any errors in staffing data reported to the federal government by public school districts or the state should be reported to the Mississippi Department of Education. We use the data they report to the federal government.

¹⁵ National Alliance for Public Charter Schools, “Mississippi Charter Schools,” <https://publiccharters.org/charter-school-state-resources/mississippi/>.

¹⁶ These rankings are based on the National Assessment of Educational Progress (NAEP), <https://www.nationsreportcard.gov/ndecore/landing>.

¹⁷ Emily Hanford, “There Is a Right Way to Teach Reading, and Mississippi Knows It,” *The New York Times*, December 5, 2019, <https://www.nytimes.com/2019/12/05/opinion/mississippi-schools-naep.html>.

¹⁸ Eric A. Hanushek and Ludger Woessman, Education and Economic Growth, *International Encyclopedia of Education*, 2010(2), pp. 245-252, <https://hanushek.stanford.edu/sites/default/files/publications/Hanushek%20Woessmann%202010%20IntEncEduc%202.pdf>.

¹⁹ Jonathan Butcher, “A Primer on Education Savings Accounts,” Heritage Foundation Backgrounder No. 3245, September 15, 2017, <https://www.heritage.org/education/report/primer-education-savings-accounts-giving-every-child-the-chance-succeed>.

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- ²⁰ Jonathan Butcher and Lindsey M. Burke, “The Education Debit Card II,” EdChoice, February 2016, <https://www.edchoice.org/wp-content/uploads/2016/02/2016-2-The-Education-Debit-Card-II-WEB-1.pdf>; Lindsey Burke and Jonathan Butcher, “Personalizing Education,” EdChoice, February 2018, <https://www.edchoice.org/wp-content/uploads/2018/02/Personalizing-Education-By-Lindsey-Burke-and-Jason-Bedrick.pdf>; Jonathan Butcher, “A Culture of Personalized Learning,” John Locke Foundation, August 2021, <https://www.johnlocke.org/wp-content/uploads/2021/08/JL-004-Butcher-ESA-Research-Paper.pdf>.
- ²¹ See Mississippi Department of Education, “Education Scholarship Account,” available at <https://www.mdek12.org/OSE/ESA>.
- ²² Jonathan Butcher and Jason Bedrick, “2023: The Year of Education Freedom,” Heritage Foundation Backgrounder No. 3788, September 11, 2023, <https://www.heritage.org/sites/default/files/2023-09/BG3788.pdf>.
- ²³ Jonathan Butcher, “South Carolina’s Education Savings Accounts a Love Letter to the Next Generation,” Heritage Foundation, May 15, 2023, <https://www.heritage.org/education/commentary/south-carolinas-education-savings-accounts-love-letter-the-next-generation>.
- ²⁴ See, for example, Step Up for Students, available at <https://www.stepupforstudents.org/>.
- ²⁵ See Arizona Revised Statutes, Title 15, Chapter 19, Article 1, 15-2401 to 2406, <https://www.azleg.gov/arsDetail/?title=15>.
- ²⁶ Mississippi Department of Education, “Understanding the Education Scholarship Account,” August 2023, p. 3, https://www.mdek12.org/sites/default/files/esa_faq_revised_10.2023.pdf.
- ²⁷ See EdChoice, “Education Savings Accounts,” <https://www.edchoice.org/school-choice/types-of-school-choice/education-savings-account/>.
- ²⁸ See Butcher, “A Primer on Education Savings Accounts.” Each state has a different list of allowable expenses. For example, Mississippi and Tennessee allow account holders to use funds for transportation costs, while Arizona and Florida do not. The list in this report most closely resembles Arizona’s law in Title 15, Chapter 19, 15-2402, <http://www.azleg.gov/viewdocument/?docName=http://www.azleg.gov/ars/15/02402.htm>.
- ²⁹ Butcher, “A Primer on Education Savings Accounts.”
- ³⁰ Mississippi Department of Education, “Understanding the Education Scholarship Account,” p. 5.
- ³¹ Marty Lueken, “The 123s of School Choice, 2023 Edition,” EdChoice, June 28, 2023, <https://www.edchoice.org/engage/the-123s-of-school-choice-2023-edition/>.
- ³² Ibid.
- ³³ Yujie Sude, Corey A. DeAngelis, and Patrick J. Wolf, Ph.D., “Supplying Choice: An Analysis of School Participation Decisions in Voucher Programs in DC, Indiana, and Louisiana,” Louisiana Scholarship Program Evaluation Report #9, June 2017, <https://educationresearchalliancencola.org/files/publications/Sude-DeAngelis-Wolf-Supplying-Choice.pdf>.
- ³⁴ Ibid.
- ³⁵ EdChoice, The 123s of School Choice, <https://www.edchoice.org/wp-content/uploads/2023/07/123s-of-School-Choice-WEB-07-10-23.pdf>.
- ³⁶ Ibid.
- ³⁷ Ibid.
- ³⁸ See, for example, this statement by the nation’s largest teachers’ union, the National Education Association, <https://www.nea.org/advocating-for-change/action-center/our-issues/vouchers#:~:text=Vouchers%20take%20scarce%20funding%20from.resources%20to%20unaccountable%20private%20schools.&text=No%20matter%20how%20you%20look,public%20education%20and%20student%20opportunity>.
- ³⁹ Corey DeAngelis and Patrick J. Wolf, “Private school choice and crime: Evidence from Milwaukee,” *Social Science Quarterly*, 100(6), 2019, 2302-2315; Corey DeAngelis and Patrick J. Wolf, “Private School Choice and Character: More Evidence from Milwaukee,” *Journal of Private Enterprise*, 35(3), 2020, 13-48; D. J. Deming, “Better schools, less crime?” *Quarterly Journal of Economics*, 126(4), 2011, 2063-2115; A. K. Dills and R. Hernández-Julián, “More choice, less crime,” *Education Finance and Policy*, 6(2), 2011, 246-266; W. Dobbie R. G. Fryer, Jr., “The medium-term impacts of high-achieving charter schools,” *Journal of Political Economy*, 123(5), 2015, 985-1037; and A. McEachin, D. L. Lauen, S.C. Fuller, and R.M. Perera, “Social returns to private choice? Effects of charter schools on behavioral outcomes, arrests, and civic participation,” *Economics of Education Review*, 76 (June 2020).
- ⁴⁰ Deming, “Better schools, less crime?”; Dobbie and Fryer, Jr., “The medium-term impacts of high-achieving charter schools.”
- ⁴¹ DeAngelis and Wolf, “Private school choice and crime: Evidence from Milwaukee.”

⁴² Corey DeAngelis, “The Economic Impact of Universal Education Savings Accounts in Georgia,” July 2021, Georgia Public Policy Foundation, <https://www.georgiapolicy.org/2021/01/funding-students-instead-of-institutions/>.

⁴³ EdChoice has collated that evidence here, <https://www.edchoice.org/research-library/?report=the-123s-of-school-choice-3#report>.

⁴⁴ The average taxpayer cost for choice students provided here are for existing choice programs in other states and the average taxpayer cost of educating students in public schools in those states with choice programs. Source: Martin F. Lueken (2021), Fiscal Effects of School Choice: Analyzing the Costs and Savings of Private School Choice Programs in America, EdChoice. This study can be retrieved here, <https://www.edchoice.org/wp-content/uploads/2021/11/The-Fiscal-Effects-of-School-Choice-WEB-reduced.pdf>.

⁴⁵ The two largest federal K–12 education programs are Title I and the Individuals with Disabilities Education Act (IDEA). Title I grants are based largely on census poverty estimates and education costs in each state and IDEA allocations are based on characteristics of the general population rather than public school enrollment. Lueken, M. F. (2018). *Fiscal effects of school vouchers: Examining the savings and costs of America’s private school voucher programs*. Edchoice. Retrieved from <https://www.edchoice.org/wp-content/uploads/2018/09/Fiscal-Effects-of-SchoolVouchers-by-Martin-Lueken.pdf>. As an example, a Fiscal Note by the West Virginia Legislative Auditor requested on February 17, 2021 also points out that while districts will lose some federal funds when they experience enrollment declines for any reason, “[m]ost federal funding for public schools is based on Census and other population data, specifically Title I and Title II. Because of this, these funds would not be affected by an enrollment shift from public schools to private or homeschooling.” W. Va. Legislative Auditor, H.B. 2013 Fiscal Note (2021), [https://www.wvlegislature.gov/Fiscalnotes/FN\(2\)/fnsubmit_recordview1.cfm?RecordID=799669695](https://www.wvlegislature.gov/Fiscalnotes/FN(2)/fnsubmit_recordview1.cfm?RecordID=799669695).

⁴⁶ <https://www.sciencedirect.com/science/article/abs/pii/S0047272707000977>. An earlier and ungated version of this study may be accessed here, https://www.newyorkfed.org/medialibrary/media/research/staff_reports/sr300.pdf.

⁴⁷ Account funding may require an annual appropriation that is separate from the MAEP. Account awards in the proposals would be equal to some portion of the average per student funding given to public schools under MAEP.

⁴⁸ FY 2024 state MAEP funding and statewide total enrollment in public schools were retrieved from these two Mississippi State Department of Education websites, respectively:

https://www.mdek12.org/sites/default/files/fy2024_maep_district_allocation_notice_alpha_0.pdf and <https://mdereports.mdek12.org/>.

⁴⁹ <https://www.edchoice.org/wp-content/uploads/2023/02/Participation-in-Private-Education-Choice-Programs.pdf>.

⁵⁰ <https://mdereports.mdek12.org/>.

⁵¹ In the first two years of New Hampshire’s ESA program, all students in the state eligible to attend a public school and living in households with incomes equal to 300 percent or less of the federal poverty line (FPL) were eligible to access an Education Freedom Account. This income threshold was increased to 350 percent of the FPL for year 3 and subsequent years. For a family of 4, 300 percent of the FPL was \$90,000 in 2023 and 350 percent was \$105,000.

⁵² Delisle, J. (2017) *The Pell Grant Proxy: A Ubiquitous but Flawed Measure of Low-income Student Enrollment*. Brookings, retrieved from <https://www.brookings.edu/research/the-pell-grant-proxy-a-ubiquitous-but-flawed-measure-of-low-income-student-enrollment/>.

⁵³ Mississippi Department of Education count of home school students for 2022-23, https://www.mdek12.org/sites/default/files/Offices/MDE/OAE/OCSA/ocsa_ocsae_homeschool_report_08.02.2023.pdf; and the U.S. Department of Education count of Mississippi private school students for 2019-20, https://nces.ed.gov/programs/digest/d21/tables/dt21_205.80.asp?current=yes.

⁵⁴ Public school leaders will often claim that they cannot reduce costs when students leave. That said, given some enrollment declines, public school districts will be able to reduce costs by more than the average of variable costs, while other enrollment declines will only permit districts to reduce costs by less than the state average. Nevertheless, given the favorable school funding environment faced by Mississippi public school districts—where they do not lose all state funding immediately for students who leave, they can choose to retain local funding when enrollment declines, and they retain significant federal funding for students who leave, districts normally do not have to cut costs if they do not want. Powerful evidence of this claim is shown in figure 2.2—Mississippi districts were able to increase their staffing despite experiencing declines in student enrollment.

⁵⁵ See, for example, Martin F. Lueken (2021), Fiscal Effects of School Choice: Analyzing the Costs and Savings of Private School Choice Programs in America, EdChoice, <https://www.edchoice.org/wp-content/uploads/2021/11/The-Fiscal-Effects-of-School-Choice-WEB-reduced.pdf>.

⁵⁶ Bifulco, R. and Reback, R. (2014). Fiscal impacts of charter schools: lessons from New York. *Education Finance and Policy*, 9(1), 86-107. Dorfman, J. H. (2019). The economics of building a voucher or educational savings account program in Georgia. Georgia Public Policy Foundation, <http://www.georgiapolicy.org/wp->

[content/uploads/2019/03/190227IASchoolchoicefinal-min.pdf](#). Lueken, M. F. (2016). The tax-credit scholarship audit: Do publicly funded private school choice programs save money?. EdChoice. Retrieved from <https://www.edchoice.org/research/tax-credit-scholarship-audit/>. Scafidi, B. (2012). The fiscal effects of school choice programs on public school districts. EdChoice. Retrieved from <https://www.edchoice.org/research/the-fiscal-effects-of-school-choice-programs-on-public-school-districts/>.

⁵⁷ To make our estimates cautious, we use 20 percent as an estimate that is likely higher than the truth. See endnote 46 for details.

⁵⁸Mississippi Department of Education, Superintendent’s Annual Report, District Financial Information, Receipts for Public Schools, <https://www.mdek12.org/superintendent2022> .

⁵⁹ See, for example, Russ Latino and Jeremy Pittari, Education Spending on the Rise, even as Enrollment Declines, October 30, 2023, *Magnolia Tribune*, <https://magnoliatribune.com/2023/10/30/education-spending-on-the-rise-even-as-enrollment-declines/#:~:text=Approximately%20%242.4%20billion%20of%20the,passed%20outside%20of%20the%20formula>

⁶⁰ Matt Barnum and Alicia A. Caldwell, “Vouchers Helping Families Already in Private School, Early Data Show,” Wall Street Journal, December 3, 2023, <https://www.wsj.com/us-news/education/vouchers-helping-families-already-in-private-school-early-data-show-47ced812>.

⁶¹ The New Hampshire data on private and home school enrollments can be retrieved here from the New Hampshire Department of Education, <https://my.doe.nh.gov/iPlatform> .

⁶² The counts of the total number of New Hampshire students using ESAs and ESA students who were enrolled in a public school in the prior year are reported by the New Hampshire Department of Education, <https://www.education.nh.gov/sites/g/files/ehbemt326/files/inline-documents/sonh/factsheet.pdf> . The state terms its ESAs as “Education Freedom Accounts.”

⁶³ We used the US Census Bureau’s American Community Survey data from New Hampshire to make this estimate, <https://www.census.gov/programs-surveys/acs> .

⁶⁴ Janet Currie (2004), The Take Up of Social Benefits, National Bureau of Economic Research #10488, https://www.nber.org/system/files/working_papers/w10488/w10488.pdf .

⁶⁵ Ibid.

⁶⁶ Delisle, J. (2017) The Pell Grant Proxy: A Ubiquitous but Flawed Measure of Low-income Student Enrollment. Brookings. Retrieved from <https://www.brookings.edu/research/the-pell-grant-proxy-a-ubiquitous-but-flawed-measure-of-low-income-student-enrollment/> .

⁶⁷ https://education.ucdavis.edu/sites/main/files/ucdavis_wheelhouse_research_brief_vol3no3_online_1.pdf

⁶⁸ See, for example, this claim from an organization opposed to giving families more choice in education, https://pfps.org/assets/uploads/CR_PFPS_Fact_Sheet_Cost_Myths_DEC_2020-2_003_.pdf .

⁶⁹ Scafidi, B. (2012). The fiscal effects of school choice programs on public school districts. EdChoice. Retrieved from <https://www.edchoice.org/research/the-fiscal-effects-of-school-choice-programs-on-public-school-districts/>.

⁷⁰ Two subsequent studies used their professional judgement and created estimates extremely close to Scafidi (2012): Bifulco, R. and Reback, R. (2014). Fiscal impacts of charter schools: lessons from New York. *Education Finance and Policy*, 9(1), 86-107. Lueken, M. F. (2016). The tax-credit scholarship audit: Do publicly funded private school choice programs save money?. Edchoice. Retrieved from <https://www.edchoice.org/research/tax-credit-scholarship-audit/>.

⁷¹ If one used the approach in Dorfman (2019), the estimate of the additional cost of educating students in Mississippi public schools would be just over \$12,000 per student. Dorfman, J. H. (2019). The economics of building a voucher or educational savings account program in Georgia. Georgia Public Policy Foundation, <http://www.georgiapolicy.org/wp-content/uploads/2019/03/190227IASchoolchoicefinal-min.pdf>. Dr. Jeffrey Dorfman is a well-respected fiscal analyst who recently served as the State Economist for the state of Georgia. While his estimates of variable costs for public school districts are almost certainly correct for the long term, we adopt a much more cautious approach, which may lead us to significantly underestimating the savings to local taxpayers from our ESA proposals.

About the Authors

Ben Scafidi is a professor of economics and director of the Education Economics Center at Kennesaw State University. He is also a Friedman fellow with EdChoice and the Georgia Public Policy Foundation. His research has focused on education and urban policy.

Previously, he served as chair of the state of Georgia's Charter Schools Commission, the education policy advisor to Gov. Sonny Perdue, on the staff of both of Gov. Roy Barnes' Education Reform Study Commissions, and as an expert witness for the state of Georgia in school funding litigation. He received his Ph.D. in economics from the University of Virginia and his B.A. in economics from the University of Notre Dame.

Ben and Lori Scafidi and their four children reside in Kennesaw, Georgia.

Jonathan Butcher is the Will Skillman Senior Research Fellow in Education Policy at The Heritage Foundation. He is the author of *Splintered: Critical Race Theory and the Progressive War on Truth* (Bombardier Books, April 2022). He co-edited and wrote chapters in *The Critical Classroom* (The Heritage Foundation, 2022), discussing the racial prejudice that comes from the application of critical race theory in K-12 schools. In 2021, South Carolina Gov. Henry McMaster nominated Jonathan to serve on the board of the South Carolina Public Charter School District, a statewide charter school authorizer. He has researched and testified on education policy around the U.S.

Jonathan co-edited and wrote chapters in the book *The Not-So-Great Society*, which provides conservative solutions to the problems created by the ever-expanding federal footprint in preschool, K-12, and higher education.

In 2018 the Federal Commission on School Safety cited comments from his testimony in the commission's final report. He has appeared on local and national TV outlets, including C-SPAN, Fox News, and HBO's *Vice News Tonight*, and he has been a guest on many radio programs. His commentary has appeared nationally in places such as the *Wall Street Journal*, *Education Week*, *National Review Online*, *Newsweek.com*, and *Forbes.com*, along with newspapers around the country.

In 2017 he was a co-recipient of the State Policy Network's Bob Williams Award for Most Influential Research for a proposal to protect free speech on campus, alongside Stanley Kurtz of the Ethics and Public Policy Center and Jim Manley of the Goldwater Institute.

Jonathan previously served as the Education Director at the Goldwater Institute, where he remains a Senior Fellow. He was a member of the Arizona Department of Education's first Steering Committee for Empowerment Scholarship Accounts, the nation's first education savings account program. He is also a Senior Fellow with The Beacon Center of Tennessee, a nonpartisan research organization, and a contributing scholar for the Georgia Center for Opportunity.

Prior to joining Goldwater, Jonathan was the Director of Accountability for the South Carolina Public Charter School District. Jonathan previously studied education policy at the Department of Education Reform at the University of Arkansas and worked with the School Choice Demonstration Project, the research team that evaluated voucher programs in Washington, D.C. and Milwaukee, Wisconsin.

Jonathan holds a bachelor's degree in English from Furman University and a master's degree in economics from the University of Arkansas.

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