FISCAL EFFECTS OF SCHOOL CHOICE

The costs and savings of private school choice programs in America through FY 2022

Martin F. Lueken

Director, Fiscal Research and Education Center

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FREC *Fiscal Research & Education Center*
By EdChoice

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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.

The contents of this publication are intended to provide empirical information and should not be construed as lobbying for any position related to any legislation.

OCTOBER 2024

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EXECUTIVE SUMMARY

This report summarizes the fiscal effects of education choice programs across the United States from an analysis of 48 private education choice programs in 25 states plus D.C. The programs in the analysis include five education savings account programs, 22 school voucher programs, and 21 tax-credit scholarship programs.

This study estimates the combined net fiscal effects of each education choice program on state and local taxpayers through fiscal year (FY) 2022—in both the short run and the long run. It uses short-run and long-run variable cost estimates to generate lower bounds and upper bounds of the fiscal effects of education choice program on taxpayers through FY 2022. The longer a program operates, the closer the savings approach the long-run (upper bound) estimates. The less time a program is in place, the closer its fiscal effects to the short-run (lower bound) estimate. All 48 programs in the analysis were in operation for at least five years through FY 2022, with 31 programs in operation for at least 10 years. Thus, the actual fiscal effects of these programs will likely be closer to the high-end estimates.

This report does not include any universal education choice programs in the main analysis because it uses federal data that were available for years before any universal programs launched. To help inform readers who want to know about the potential fiscal effects of universal programs, we use Arizona state data to conduct a separate analysis of Arizona's Empowerment Scholarship Accounts program for FY 2023 and FY 2024.

The report also provides context by presenting information about the size and scope of each program, in terms of participation and funding, relative to each state's public school system and state budgets. It presents information on taxpayer funding disparities between students using the choice programs and their peers in public schools.

Most revenue for K–12 public schools comes from state and local sources. K–12 expenditures comprise a significant share (33.8%) of the general fund for all state governments and are a substantial expense for local taxpayers as well.[1] Given the substantial investment of state and local taxpayer funds in children's education, it is crucial for both citizens and policymakers to understand the impact of school choice programs on the financial health of their state budgets and local public school districts.

Summary of Key Findings

Fiscal Effects Estimates

- We estimate that the 48 education choice programs studied here saved state and local taxpayers between $19.4 billion and $45.6 billion since their inception through FY 2022. This range represents $3,300 to $7,800 per student participant. Given that all 48 programs included in the analysis were running for at least five years by the end of FY 2022, the true impact is likely closer to the long-run estimate of $45.6 billion. (Table ES-1, displayed at the end of this executive summary).

- For each dollar spent on education choice programs, these programs generated between $1.70 and $2.64 in estimated fiscal savings, on average. These savings result from many of the students who exercised choice who would have been enrolled in a public school if these choice programs did not exist—and would have enrolled in public schools at a much larger taxpayer cost.

- On average, if at least 57% of students who participate in choice programs switched from public to private schools, these programs saved taxpayer dollars overall. For programs that have been in operation a long time, this break-even rate may be as low as 36%. These

break-even switcher rates are significantly lower than switcher rates observed in random assignment studies (85% to 90%, on average), which implies significant savings from choice programs.

Funding Comparisons and Fiscal Context

Significant public funding disparities exist between public funding for students using education choice programs and their peers in nearby public school systems.

- The total number of students participating in education choice programs in FY 2022 was just under 600,000 and represents just 2.4% of all publicly funded K–12 students in states with choice programs (Figure ES-1).

- In FY 2022, the total taxpayer funding for education choice programs was 1.0% of total taxpayer funding (local, state, and federal) allocated to public K–12 school systems in these 26 states (Figure ES-2).

- For each program in the analysis, the percentage of publicly funded students participating in choice programs was greater than the percentage of public funds allocated to those programs in FY 2022. This indicates that choice programs create fiscal benefits for taxpayers when students switch from public schools.

- In FY 2022, the average public funding per student for education choice programs was about $6,000, compared to $17,000 per student for public schools in states where choice programs operate. That is, students using education choice programs only received around one-third (36%), on average, of the per-pupil funding amount their peers received in nearby public school systems (Figure ES-3).

- The funding gap is smallest for special needs programs. Programs open to all students receive only 33%, on average, of the amount allocated on a per-pupil basis to public schools. Programs designed for special needs students, by contrast, receive a larger amount, or 44% of the public school amount (Figure ES-4).

- A funding gap exists for vouchers, tax-credit scholarship programs, and education savings accounts, but it is smallest for ESA programs, which serve mostly students with special needs (Figure ES-4).

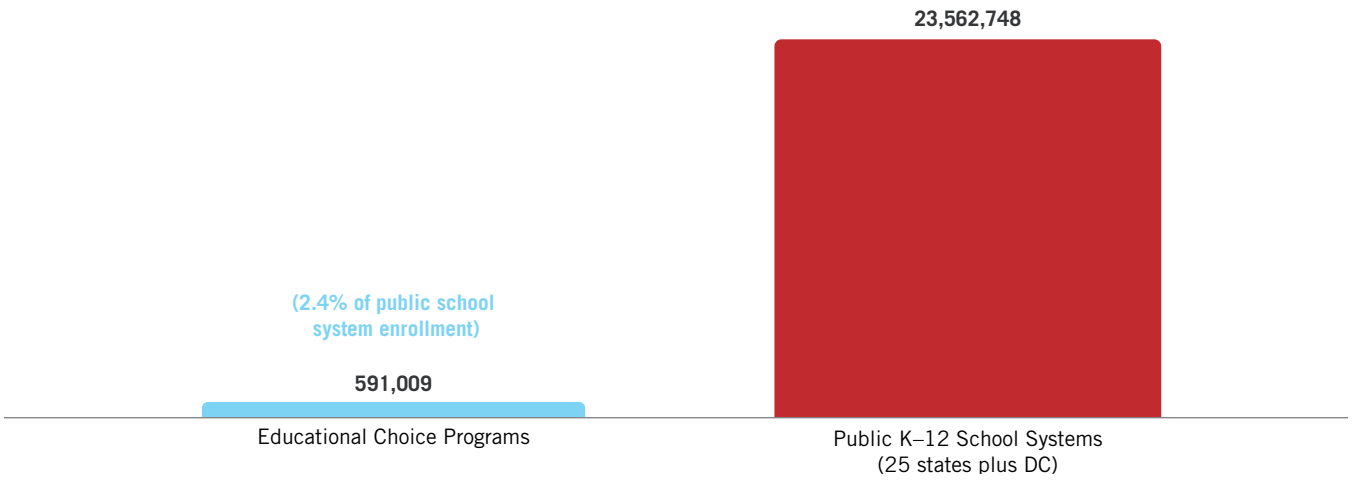
- In 18 of the 26 states in the analysis, students in choice programs received less than one-third of the revenue they would generate for their state's public schools. For example, students using the Washington, D.C. Opportunity Scholarship Program received 30% of the amount their peers received in nearby public schools (Figure ES-5).

- In 23 of the 26 states in the analysis, students in choice programs received less than half the per-student funding they would generate for public schools. In FY 2022, these states enrolled more than 70% of the students participating in the 48 programs in the analysis (Figure ES-5).

- In FY 2022, total spending on education choice programs was $3.7 billion while state expenditures on K–12 education, excluding choice programs, was $226 billion. Thus, total public spending on education choice programs was about 1.6% of the total amount of state taxpayer spending on K–12 education (Figure ES-6).

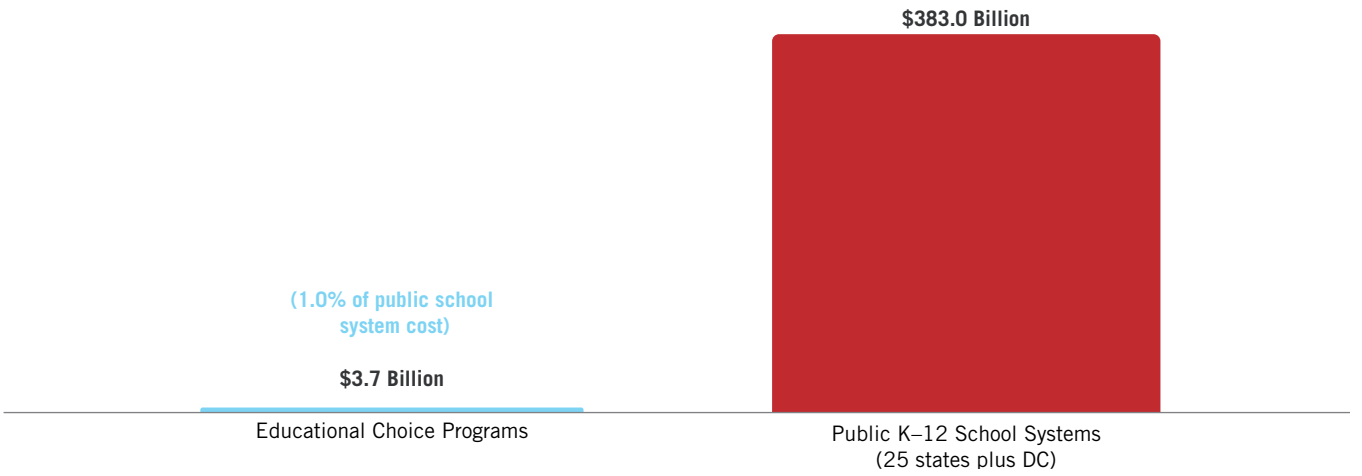
- Although $3.7 billion may sound like a big number, the states with choice programs had a combined budget of $1.2 trillion in FY 2022. Thus, spending on choice programs represents 0.3% of total state expenditures on all public services in states where choice programs exist (Figure ES-6).

FIGURE ES-1 Total Number of Students Enrolled in Education Choice Programs and K–12 Public School Systems in 26 States, FY 2022



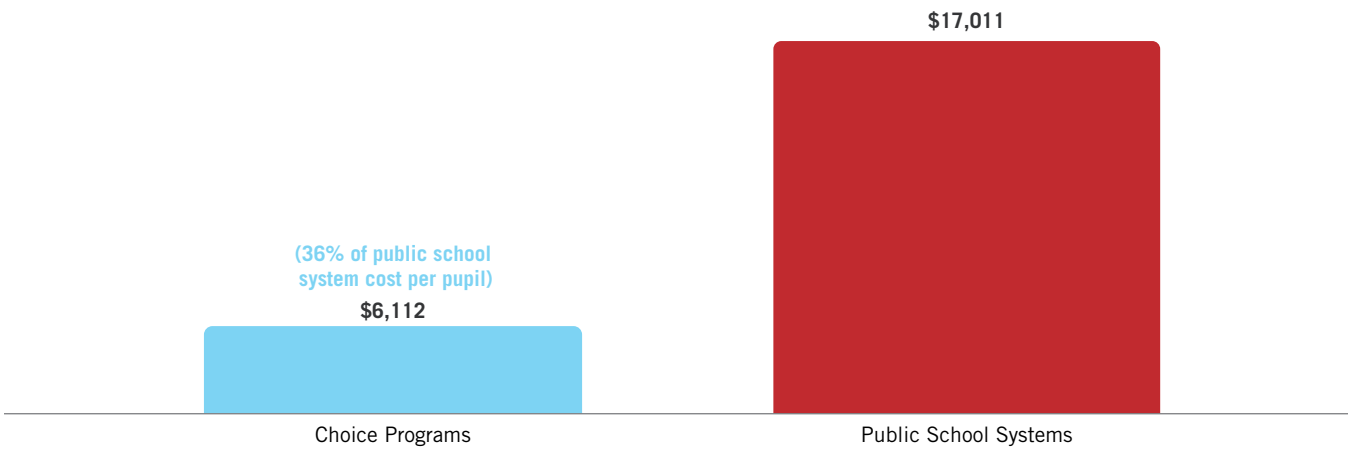
Sources: National Center for Education Statistics, U.S. Department of Education; various state government agencies; EdChoice.

FIGURE ES-2 Total Funding for Education Choice Programs and K–12 Public School Systems in 26 States, FY 2022



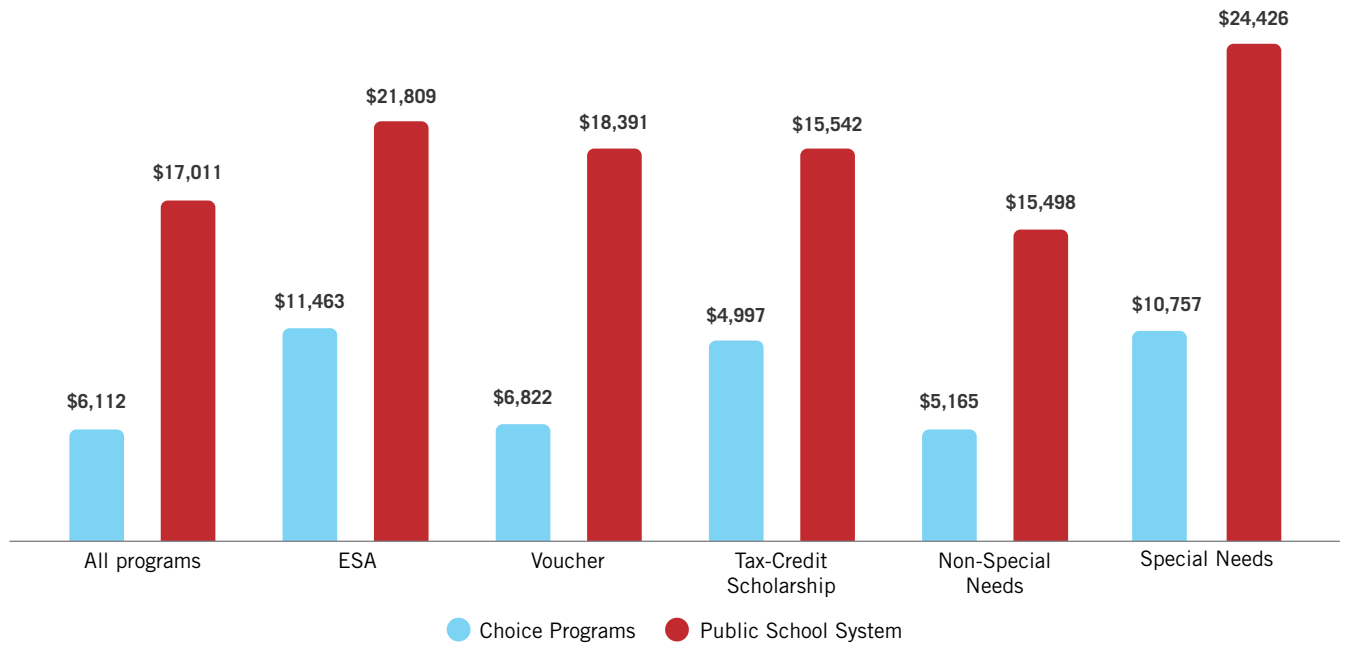
Sources: National Center for Education Statistics, U.S. Department of Education; various state government agencies; EdChoice.

FIGURE ES-3 Per-Pupil Funding for Education Choice Programs and K–12 Public School Systems in 26 States, FY 2022



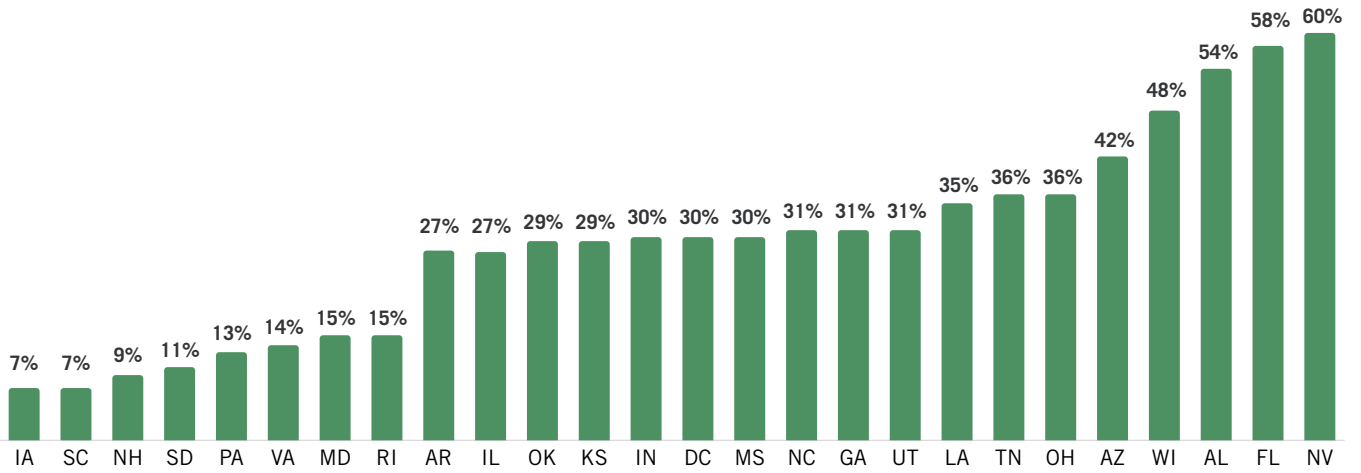
Sources: National Center for Education Statistics, U.S. Department of Education; various state government agencies; EdChoice.

FIGURE ES-4 Per-Pupil Funding for Education Choice Programs and Public School Systems in 26 States, by Program Type, FY 2022



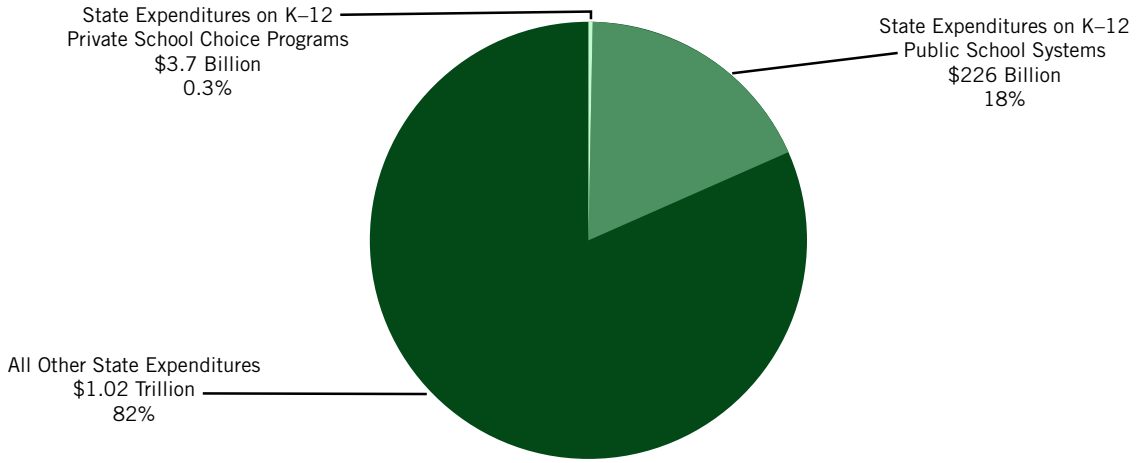
Sources: National Center for Education Statistics, U.S. Department of Education; various state government agencies; EdChoice.

FIGURE ES-5 Average Per-Student Funding for Education Choice Programs as a Percentage of Average Per-Student Funding for Public Schools in FY 2022, by State



Sources: National Center for Education Statistics, U.S. Department of Education; various state government agencies; EdChoice.

FIGURE ES-6 Total State Expenditures on Private Education Choice Programs, Total State Expenditures on Other K–12 Education, and Total State Expenditures on All Other Public Services in 26 States, FY 2022



Sources: Various state government agencies; National Association of State Budget Officers

Fiscal Effects of Universal Choice Programs

- Arizona's ESA program became universal starting FY 2023. This report includes a separate fiscal analysis of this program and estimates that the short-run net fiscal effects on state and local taxpayers combined were $37 million net costs in FY 2024. This represents 0.2% of taxpayer support for Arizona's K–12 public schools and just 0.05% of the state's total budget for all public services. We estimate that over the long term Arizona's ESA program will lead to annual net fiscal savings of $244 million. These results call into question claims that education choice is "blowing a hole" in the state's budget.

- Fiscal analyses of school choice programs must focus on "switchers," students who would have enrolled in a public school system without any financial assistance from a choice program. Switchers are important because they generate fiscal benefits for taxpayers.

- Critics claim that only 10-30% of students in these programs are switchers, implying a high net cost. Though not outside the realm of possibility, these claims are misleading and based on incomplete data. They also lack important context.

    - More complete data from Iowa and New Hampshire show switcher rates of 70% and 45%, respectively, for their ESA programs.

    - Government agencies and program administrators should collect better data to provide policymakers with a more accurate understanding of universal choice programs.

        - For example, the state of Arizona reports the percentage of ESA students "attending public school immediately before ESA enrollment." Choice opponents use this data point to claim that 20% of ESA students are switchers. This is a poor proxy for the switcher rate in states that operate multiple choice programs. This approach greatly underestimates the true switcher rate because it fails to account for students enrolled in public schools before transferring from other choice programs.

        - A better proxy for the switcher rate is the percentage of ESA students who attended public school before they first participated in any choice program. Though an improvement, this figure will also underestimate the true switcher rate because we don't observe these students in public schools before they enter kindergarten.

    - In Arizona, critics claim 80% of ESA students were "already in private school," but many of these students had transferred from tax-credit scholarship programs. Given that Arizona also operates four popular tax-credit scholarship programs, in addition to its ESA program, it's no surprise at all that most ESA students "were already in private school."

    - Data from New Hampshire shows 70% of ESA students transferred from the state's Education Tax Credit (ETC) program. Yet, these students are considered "already in private school" even though many transferred from public schools before participating in the ETC program. This illustrates the potential extent that student accounting discussed in this section underestimates true switcher rates and therefore program savings.

1. National Association of State Budget Officers, *2023 State Expenditure Report: Fiscal Years 2021-2023* (2023), https://www.nasbo.org/reports-data/state-expenditure-report

TABLE ES-1 **Summary of Cumulative Savings (or Cost) for 48 Private Educational Choice Programs Through FY 2022**

Program Name	State	Program Type	Started	Years in Operation Through FY 2022	Total Number of Scholarships Awarded Since Program Inception
Empowerment Scholarship Account§	AZ	ESA	2011-12	11	52,933
Gardiner Scholarship Program*†	FL	ESA	2014-15	8	95,082
Equal Opportunity for Students with Special Needs Program*†	MS	ESA	2015-16	7	2,699
Personal Education Savings Accounts*†	NC	ESA	2017-18	5	1,902
Individualized Education Account Program*	TN	ESA	2016-17	6	1,027
Succeed Scholarship Program for Students with Disabilities*	AR	V	2016-17	6	1,989
Opportunity Scholarship Program†	DC	V	2004-05	18	26,237
John M. McKay Scholarships for Students with Disabilities Program*§	FL	V	1999-00	23	483,084
Georgia Special Needs Scholarship Program*	GA	V	2007-08	15	54,647
Choice Scholarship Program‡	IN	V	2011-12	11	317,521
Louisiana Scholarship Program†	LA	V	2008-09	14	69,859
School Choice Program for Certain Students with Exceptionalities*†	LA	V	2011-12	11	3,707
Broadening Options and Opportunities for Students Today (BOOST) Program‡	MD	V	2016-17	6	17,097
Dyslexia Therapy Scholarship for Students with Dyslexia Program*	MS	V	2012-13	10	1,633
Special Education Scholarship Grants for Children with Disabilities*§	NC	V	2013-14	9	11,029
Opportunity Scholarship†§	NC	V	2014-15	8	76,247
Cleveland Scholarship Program‡	OH	V	1996-97	26	143,267
Autism Scholarship*†	OH	V	2004-05	18	44,459
Educational Choice Scholarship Program†§	OH	V	2006-07	16	301,447
Jon Peterson Special Needs Scholarship Program*	OH	V	2012-13	10	50,551
Income-Based Scholarship Program†	OH	V	2013-14	9	88,346
Lindsey Nicole Henry Scholarship Program for Students with Disabilities*	OK	V	2010-11	12	6,928
Carson Smith Special Needs Scholarship*†	UT	V	2005-06	17	12,835
Milwaukee Parental Choice Program†	WI	V	1990-91	32	450,022
Racine Parental Choice Program†§	WI	V	2011-12	11	21,283
Wisconsin Parental Choice Program (Statewide)†	WI	V	2013-14	9	52,972
Special Needs Scholarship Program*	WI	V	2015-16	6	5,394
Education Scholarship Program‡	AL	TCS	2012-13	10	32,354
Original Individual Income Tax Credit Scholarship Program†	AZ	TCS	1997-98	25	480,657
Low-Income Corporate Income Tax Credit Scholarship Program†§	AZ	TCS	2005-06	17	252,930
Lexie's Law for Disabled and Displaced Students Tax Credit Scholarship Program*†	AZ	TCS	2008-09	14	9,423
Switcher Individual Income Tax Credit Scholarship Program†§	AZ	TCS	2011-12	11	120,856
Tax Credit Scholarship Program‡	FL	TCS	2002-03	20	1,094,294
Qualified Education Expense Tax Credit†§	GA	TCS	2008-09	14	175,077
Invest in Kids Scholarship Tax Credit Program†	IL	TCS	2017-18	5	31,284
School Scholarship Tax Credit†	IN	TCS	2009-10	13	101,167
School Tuition Organization Tax Credit†	IA	TCS	2006-07	16	171,538
Tax Credit for Low Income Students Scholarship Program	KS	TCS	2015-16	7	3,326
Tuition Donation Rebate Program‡	LA	TCS	2013-14	9	13,373
Educational Choice Scholarship Program	NV	TCS	2015-16	7	10,086
Education Tax Credit Program‡	NH	TCS	2012-13	10	5,174
Equal Opportunity Education Scholarships†	OK	TCS	2012-13	10	16,005
Educational Improvement Tax Credit Program†	PA	TCS	2001-02	21	751,806
Opportunity Scholarship Tax Credit Program†	PA	TCS	2012-13	10	142,489
Tax Credits for Contributions to Scholarship Organizations†	RI	TCS	2006-07	16	6,916
Educational Credit for Exceptional Needs Children*†	SC	TCS	2013-14	9	14,009
Partners in Education Tax Credit Program	SD	TCS	2016-17	6	4,223
Education Improvement Scholarships Tax Credits Program†§	VA	TCS	2012-13	10	30,523
All Programs					**5,861,708**

ESA = Education Savings Account, V = Voucher, TCS = Tax-Credit Scholarship

* Program serves students with special needs exclusively
† Analysis for this program used data from random assignment studies of educational choice programs to calculate or inform assumptions about switcher rates

Lower Bound (Short-Run) Fiscal Effects				Upper Bound (Long-Run) Fiscal Effects			
Short-Run Cumulative Savings from Inception Through FY 22	Short-Run Cumulative Savings Per Student from Inception Through FY 2022	Short-Run Savings For Each Dollar Spent	Short-Run Break-Even Switcher Rate**	Long-Run Cumulative Savings from Inception Through FY 2022	Long-Run Cumulative Savings Per Student from Inception Through FY 2022	Long Run-Savings For Each Dollar Spent	Long-Run Overall Break-Even Switcher Rate
($12,774,347)	($241)	$0.98	57%	$240,219,442	$4,538	$1.35	71%
$480,240,825	$5,051	$1.50	60%	$736,928,244	$7,750	$1.77	51%
$16,836,739	$6,238	$1.97	46%	$27,209,116	$10,081	$2.56	35%
$18,727,292	$9,846	$2.36	38%	$22,702,436	$11,936	$2.65	34%
$9,508,028	$9,258	$2.30	43%	$13,145,223	$12,800	$2.80	36%
$21,197,306	$10,657	$2.74	36%	$30,117,027	$15,142	$3.48	29%
$74,331,143	$2,833	$1.33	67%	$395,092,450	$15,059	$2.76	32%
$3,486,852,513	$7,218	$2.04	49%	$4,939,237,383	$10,224	$2.47	40%
$573,449,156	$10,494	$2.63	37%	$768,815,986	$14,069	$3.25	31%
$579,520,232	$1,825	$1.41	64%	$2,143,885,349	$6,752	$2.52	36%
$80,701,196	$1,155	$1.19	80%	$401,493,999	$5,747	$1.99	44%
$50,820,169	$13,709	$6.91	13%	$67,459,023	$18,198	$8.84	10%
$34,547,589	$2,021	$1.86	20%	$74,470,332	$4,356	$2.85	13%
$14,322,552	$8,771	$2.76	36%	$20,958,816	$12,835	$3.57	28%
$106,078,336	$9,618	$2.54	39%	$138,094,414	$12,521	$3.00	33%
$254,771,894	$3,341	$1.86	52%	$531,315,123	$6,968	$2.80	34%
$553,354,486	$3,862	$2.13	35%	$1,434,990,422	$10,016	$3.93	19%
$238,363,961	$5,361	$1.26	72%	$574,853,802	$12,930	$1.62	56%
$1,210,784,347	$4,017	$1.87	52%	$2,967,399,306	$9,844	$3.13	31%
$512,373,254	$10,136	$2.05	49%	$793,118,692	$15,689	$2.62	38%
$349,656,073	$3,958	$1.92	44%	$824,537,073	$9,333	$3.17	27%
$43,956,593	$6,345	$1.89	53%	$71,040,202	$10,254	$2.44	41%
$58,986,436	$4,596	$1.90	47%	$94,721,815	$7,380	$2.45	36%
$516,075,979	$1,147	$1.17	79%	$2,832,745,650	$6,295	$1.92	49%
$36,570,292	$1,718	$1.22	76%	$175,310,402	$8,237	$2.07	46%
($13,463,997)	($254)	$0.97	91%	$281,116,357	$5,307	$1.65	52%
$47,584,173	$8,821	$1.71	54%	$83,348,678	$15,452	$2.24	40%
($2,021,832)	($62)	$0.99	35%	$113,534,270	$3,509	$1.65	21%
$901,039,614	$1,875	$1.77	57%	$2,355,111,748	$4,900	$3.22	31%
$427,843,909	$1,692	$1.52	61%	$1,300,475,186	$5,142	$3.09	34%
$55,685,981	$5,910	$2.10	43%	$87,608,528	$9,297	$2.73	31%
$217,884,787	$1,803	$1.57	45%	$636,431,111	$5,266	$2.66	25%
($274,747,191)	($251)	$0.96	93%	$3,150,433,367	$2,879	$1.48	61%
$534,026,521	$3,050	$1.70	61%	$1,229,863,538	$7,025	$2.61	39%
$156,233,475	$4,994	$1.81	47%	$361,655,178	$11,560	$2.87	30%
$499,457,613	$4,937	$6.14	16%	$965,885,681	$9,547	$10.95	9%
$984,576,494	$5,740	$6.89	12%	$1,791,178,338	$10,442	$11.71	7%
$7,421,447	$2,231	$1.35	57%	$27,444,050	$8,251	$2.29	32%
$52,201,788	$3,904	$1.91	88%	$124,203,000	$9,288	$3.16	53%
($18,804,461)	($1,864)	$0.76	n/a	$21,730,202	$2,154	$1.28	66%
$48,416,334	$9,358	$4.61	27%	$77,074,009	$14,896	$6.74	19%
$52,928,305	$3,307	$2.71	23%	$110,019,847	$6,874	$4.56	14%
$5,006,534,543	$6,659	$4.94	25%	$9,834,718,926	$13,081	$8.74	14%
$1,017,009,921	$7,137	$3.41	20%	$2,052,939,845	$14,408	$5.87	11%
$52,634,122	$7,610	$3.69	17%	$83,683,965	$12,100	$5.28	12%
$134,212,446	$9,580	$3.32	19%	$208,461,564	$14,881	$4.61	13%
$23,820,347	$5,641	$4.60	36%	$46,329,482	$10,971	$8.00	21%
$213,597,971	$6,998	$4.26	26%	$355,248,862	$11,639	$6.42	18%
$19,433,324,353	**$3,315**	**$1.70**	**57%**	**$45,618,357,457**	**$7,782**	**$2.64**	**36%**

‡ Analysis for this program calculated switcher rate based on data publicly reported or directly obtained from administrative agency
§ Analysis applies adjustment for potential non-switchers who are exempt from public school prior enrollment requirements
** "n/a" in the break-even switcher rate column indicates that the short-run break-even switcher rate is greater than 100%, meaning there is no break-even switcher rate. This implies that the program will generate net costs for state and local taxpayers combined in the short run, regardless of the switcher rate.

INTRODUCTION

Critics argue that school choice programs deplete resources from public schools and harm the students who remain.[1] Policymakers who are responsible for balancing state budgets and ensuring public schools fulfill constitutional obligations are thus concerned about the financial implications of these programs.[2]

Over two dozen studies have investigated the educational performance of students who attend public schools near private institutions that participate in school choice programs.[3] Researchers have performed several systematic reviews and, more recently, conducted a meta-analysis of this body of work. These reviews consistently conclude that students who remain in district schools after the introduction of education choice programs generally see modest educational benefits.[4] But will these programs lead to higher costs for taxpayers? Will there be fewer resources for students who remain in public schools? This report seeks to inform discussions about those concerns.

This report estimates the fiscal effects of education choice programs across the United States, analyzing 48 programs in 26 states. The analysis examines five education savings account programs, 21 school voucher programs, and 22 tax-credit scholarship programs.

> ***Education savings accounts (ESAs)*** enable parents to receive a deposit of public funds into government-authorized savings accounts. These funds have restricted but multiple uses, including private school tuition and fees, online learning programs, private tutoring, community college costs, higher education expenses, and other approved customized learning services and materials.
>
> ***School vouchers*** allow parents to use their voucher awards to offset payments at private schools.
>
> ***Tax-credit scholarships*** permit individual and business taxpayers to receive full or partial tax credits when they donate to nonprofits that provide scholarships to students who attend private schools.

This study estimates the combined fiscal effects of each education choice program on state and local taxpayers through fiscal year (FY) 2022, offering both short-run and long-run fiscal impacts. The short-run estimates are best interpreted as the fiscal effects in the short run, i.e. from one year to the next. The long run estimates are best interpreted as the savings that states and public school districts can expect from programs that have been in existence for a few years or longer. This report is intended to help policymakers and others assess whether education choice programs have a positive, negative, or neutral fiscal effect on taxpayers.

Additionally, the report provides basic facts about the size and scope of each program, including participation and funding, and compares them to each state's public school system. It also highlights the disparities in public funding between choice programs and public schools.

PROGRAMS INCLUDED IN FISCAL ANALYSIS

This study uses short-run and long-run variable costs to generate low and high estimates of the fiscal effects of education choice programs on taxpayers through FY 2022. The longer a program operates, the closer the savings align with the long-run estimates. Conversely, the shorter a program is in place, the closer its fiscal effects are to the short-run estimates. Because every program in the analysis had been running for at least five years, the long-run estimates are likely very close to the actual savings realized by states and school districts.

Currently, 80 education choice programs operate in 32 states, Washington, D.C., and Puerto Rico. This analysis focuses on 48 educational savings account (ESA), school voucher, and tax-credit scholarship programs across 25 states and Washington,

D.C., from 1990 to 2022.[5] It excludes individual tax-credit, tax deduction, and town-tuitioning programs. The analysis only includes programs with three years of data, as the full impact of education choice programs usually takes time to materialize. Seventeen of the programs exclusively serve students with special needs.

The programs studied include:

1. Alabama Education Scholarship Program
2. Arkansas Succeed Scholarship Program for Students with Disabilities
3. Arizona Empowerment Scholarship Account
4. Arizona Switcher Individual Income Tax Credit Scholarship Program
5. Arizona Lexie's Law for Disabled and Displaced Students Tax Credit Scholarship Program
6. Arizona Low-Income Corporate Income Tax Credit Scholarship Program
7. Arizona Original Individual Income Tax Credit Scholarship Program
8. D.C. Opportunity Scholarship Program
9. Florida Tax Credit Scholarship Program
10. Florida Gardiner Scholarship Program
11. Florida John M. McKay Scholarships for Students with Disabilities Program
12. Georgia Special Needs Scholarship Program
13. Georgia Qualified Education Expense Tax Credit
14. Invest in Kids Scholarship Tax Credit Program
15. Indiana Choice Scholarship Program
16. Indiana School Scholarship Tax Credit
17. Iowa School Tuition Organization Tax Credit
18. Kansas Tax Credit for Low Income Students Scholarship Program
19. Louisiana Scholarship Program
20. Louisiana School Choice Program for Certain Students with Exceptionalities
21. Louisiana Tuition Donation Rebate Program
22. Maryland Broadening Options and Opportunities for Students Today (BOOST) Program
23. Mississippi Dyslexia Therapy Scholarship for Students with Dyslexia Program
24. Mississippi Equal Opportunity for Students with Special Needs Program
25. Nevada Educational Choice Scholarship Program
26. New Hampshire Education Tax Credit Program
27. North Carolina Opportunity Scholarship
28. North Carolina Personal Education Savings Accounts
29. North Carolina Special Education Scholarship Grants for Children with Disabilities
30. Ohio Autism Scholarship
31. Ohio Cleveland Scholarship Program
32. Ohio Educational Choice Scholarship Program
33. Ohio Income-Based Scholarship Program
34. Ohio Jon Peterson Special Needs Scholarship Program
35. Oklahoma Equal Opportunity Education Scholarships
36. Lindsey Nicole Henry Scholarship Program for Children with Disabilities
37. Pennsylvania Educational Improvement Tax Credit Program
38. Pennsylvania Opportunity Scholarship Tax Credit Program
39. Rhode Island Tax Credits for Contributions to Scholarship Organizations
40. South Carolina Educational Credit for Exceptional Needs Children
41. South Dakota Partners in Education Tax Credit Program
42. Tennessee Individualized Education Account Program
43. Utah Carson Smith Special Needs Scholarship
44. Virginia Education Improvement Scholarships Tax Credits Program
45. Wisconsin Milwaukee Parental Choice Program
46. Wisconsin Parental Choice Program (Statewide)
47. Wisconsin - Racine Parental Choice Program
48. Wisconsin Special Needs Scholarship Program

FUNDING CONTEXT

A primary concern among opponents of education choice programs is that they will cause a mass exodus of students from public schools, which will cause financial harm and hurt students who remain. In states with the largest and oldest programs, however, these concerns have not materialized.

The total number of students participating in education choice programs in FY 2022 was just under 600,000 and represented only 2.4% of all publicly funded K–12 students in states with choice programs (Figure 1).

In FY 2022, total taxpayer funding for education choice programs under study was 1.0% of total funding for public school systems in these 26 states (Figure 2). Education choice programs in Arizona, Florida, and Wisconsin received the largest shares, about 3% of total public funding for K–12. Nowhere else did they exceed 2%. For 21 of the 26 states analyzed, the share was below 1%.

In total, choice programs enroll 2.4% of publicly funded K–12 students while receiving only 1% of public funding. Therefore, education choice programs are funded at a lower public cost when compared to public K–12 school systems.

Table 1 presents for each state the total number of students participating in its education choice programs and compares it to the number of all students, whether in public schools or in choice programs. It presents similar data for the finances of education choice programs and public schools. Financial data for public schools incorporates revenue from local, state, and federal sources.[6]

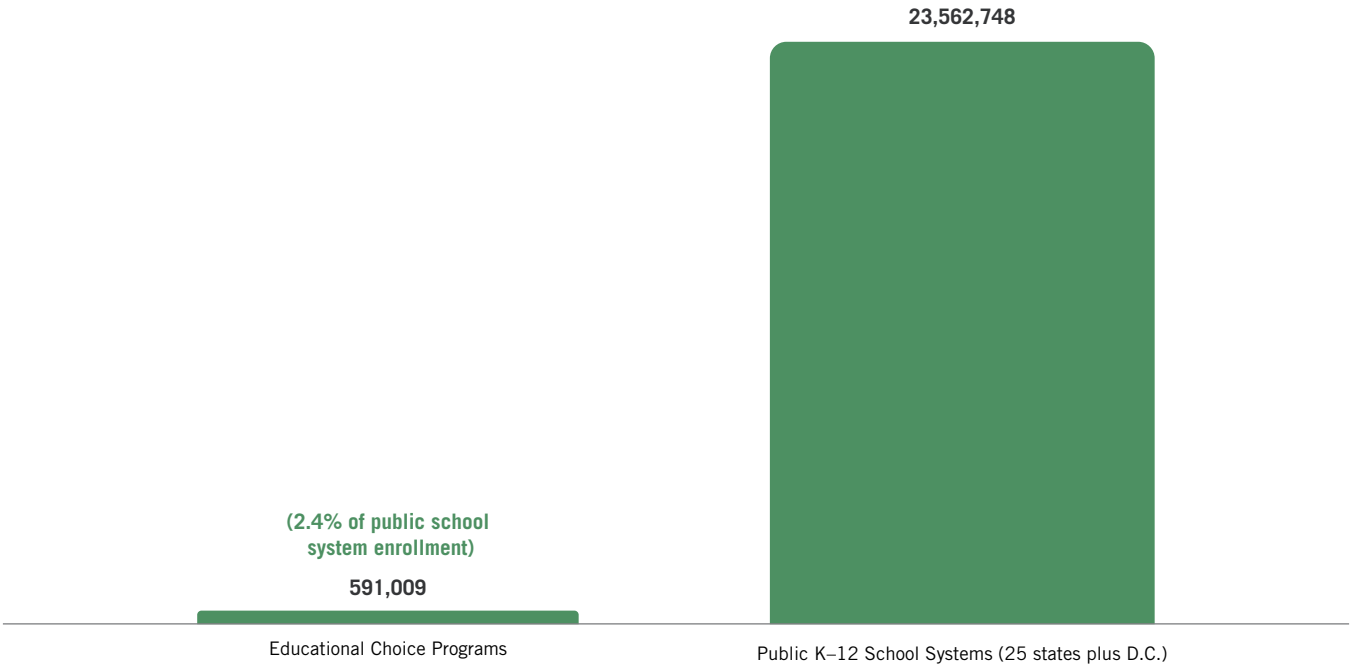
Let's examine the states with some of the largest and oldest choice programs. In Arizona, five choice programs enrolled 7.2% of publicly funded students and received 3.0% of all public funding for K–12 in FY 2022. In Indiana, the shares were 5.4% for enrollment and 1.6% for funding. Florida's choice programs enrolled 4.6% of publicly funded students while receiving 3.3% of public funds. Ohio's choice programs enrolled 4.4% of publicly funded students and received 1.8% of public funding. In Pennsylvania, the shares were 4.4% for enrollment and 0.6% for funding. In Wisconsin, home to the nation's oldest school voucher program, school choice programs enrolled 5.4% of publicly funded students and received 2.8% of public funds.

These states have operated choice programs for decades. When choice programs were first introduced, they started very small and grew slowly over time. Thus, public school systems had years to manage their budgets to accommodate any changes in enrollment when students left public schools via these choice programs.

In more than half the states in the analysis (15), the number of students participating in choice programs was less than 1% of all students enrolled in public and private schools combined. Even in the states with some of the most vibrant choice ecosystems, the percentage of students exercising choice is modest.

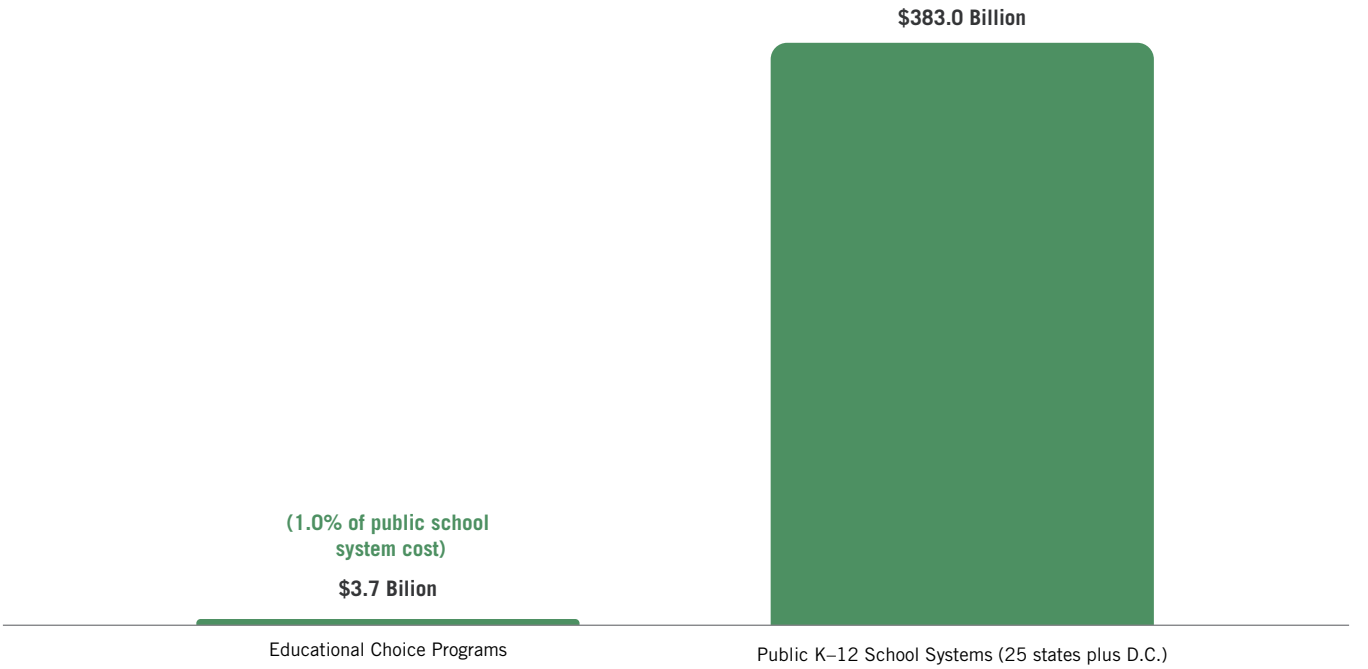
For each program analyzed, the percentage of publicly funded students participating in choice programs exceeded the percentage of public funds allocated to those programs in FY 2022. This indicates that choice programs create fiscal benefits for taxpayers when students switch from public schools.

FIGURE 1 **Total Number of Students Enrolled in Education Choice Programs and K–12 Public School Systems in 26 States, FY 2022**



Sources: National Center for Education Statistics, U.S. Department of Education; various state government agencies; EdChoice.

FIGURE 2 **Total Funding for Education Choice Programs and K–12 Public School Systems in 26 States, FY 2022**



Sources: National Center for Education Statistics, U.S. Department of Education; various state government agencies; EdChoice.

TABLE 1 **Total Funding and Participation of Currently Operating Private School Choice Programs as Shares of Total Public School Revenue and Enrollment, FY 2022, by State**

Program Name	State/Jurisdiction	Number of Program Participants
Education Scholarship Program	Alabama	2,611
Empowerment Scholarship Account	Arizona	86,713
Original Individual Income Tax Credit Scholarship Program		
Low-Income Corporate Income Tax Credit Scholarship Program		
Lexie's Law for Disabled and Displaced Students Tax Credit Scholarship Program*		
Arizona Switcher Individual Income Tax Credit Scholarship Program		
Succeed Scholarship Program for Students with Disabilities*	Arkansas	623
Opportunity Scholarship Program	District of Columbia	1,835
Gardiner Scholarship Program*	Florida	137,949
John M. McKay Scholarships for Students with Disabilities*		
Florida Tax Credit Scholarship Program		
Georgia Special Needs Scholarship Program*	Georgia	25,304
Qualified Education Expense Tax Credit		
Invest in Kids Scholarship Tax Credit	Illinois	9,029
Choice Scholarship Program	Indiana	58,632
School Scholarship Tax Credit		
School Tuition Organization Tax Credit	Iowa	12,673
Tax Credit for Low Income Students Scholarship Program	Kansas	1,113
Louisiana Scholarship Program	Louisiana	8,421
School Choice Program for Certain Students with Exceptionalities*		
Tuition Donation Rebate Program		
Broadening Options and Opportunities for Students Today (BOOST) Program	Maryland	3,268
Equal Opportunity for Students with Special Needs Program*	Mississippi	563
Dyslexia Therapy Scholarship for Students with Dyslexia Program*		
Nevada Educational Choice Scholarship Program	Nevada	1,497
Education Tax Credit Program	New Hampshire	1,443
Special Education Scholarship Grants for Children with Disabilities*	North Carolina	23,270
Personal Education Savings Accounts		
Opportunity Scholarship		
Cleveland Scholarship Program	Ohio	77,946
Autism Scholarship*		
Educational Choice Scholarship Program		
Income-Based Scholarship Program		
Jon Peterson Special Needs Scholarship Program*		
Lindsey Nicole Henry Scholarship Program for Children with Disabilities*	Oklahoma	3,913
Equal Opportunity Education Scholarships		
Educational Improvement Tax Credit Program	Pennsylvania	77,671
Opportunity Scholarship Tax Credit Program		
Tax Credits for Contributions to Scholarship Organizations	Rhode Island	470
Educational Credit for Exceptional Needs Children*	South Carolina	1,365
Partners in Education Tax Credit Program	South Dakota	1,288
Individualized Education Account Program*	Tennessee	292
Carson Smith Special Needs Scholarships*	Utah	1,139
Education Improvement Scholarships Tax Credits Program	Virginia	4,843
Milwaukee Parental Choice Program	Wisconsin	47,137
Racine Parental Choice Program		
Parental Choice Program (Statewide)		
Special Needs Scholarship Program*		
Total Nationwide		**591,009**

Data Sources: Author's calculations; National Center for Education Statistics, U.S. Department of Education, Private School Universe Survey (PSS), 2021–22; Common Core of Data (CCD), "Local Education Agency (School District) Universe Survey," 2021-22 v.1a; "State Nonfiscal Public Elementary/Secondary Education Survey," 2021-22 v.1a.

Participation		Funding		
Statewide Public School Enrollment	Choice Share as % of Students in Public Schools and Choice Programs	Total Funding for All Choice Programs Within State	State's Total K–12 Public School Revenue, All Sources	Choice Share as % of Total Funding for Public Schools and Choice Programs
748,274	0.3%	$20.2M	$10,792.2M	0.2%
1,116,643	7.2%	$450.4M	$14,672.3M	3.0%
489,565	0.1%	$3.9M	$6,651.8M	0.06%
88,908	2.0%	$18.5M	$2,930.0M	0.6%
2,833,186	4.6%	$1,331.7M	$39,273.6M	3.3%
1,740,875	1.4%	$127.9M	$28,379.6M	0.4%
1,863,585	0.5%	$56.5M	$43,096.7M	0.1%
1,036,625	5.4%	$256.3M	$15,704.9M	1.6%
510,661	2.4%	$15.0M	$8,323.6M	0.2%
485,424	0.2%	$5.1 M	$7,772.7M	0.07%
683,216	1.2%	$48.8M	$11,578.8M	0.4%
442,000	0.7%	$10.2M	$5,798.2M	0.2%
442,000	0.1%	$3.6M	$5,798.2M	0.1%
486,524	0.3%	$11.4M	$6,734.7M	0.2%
165,071	0.9%	$3.0M	$3,646.2M	0.1%
1,525,223	1.5%	$96.9M	$19,783.6M	0.5%
1,683,612	4.4%	$547.5M	$29,997.3M	1.8%
698,696	0.6%	$16.4M	$8,913.9M	0.2%
1,695,092	4.4%	$225.6M	$38,213.8M	0.6%
138,566	0.3%	$1.5M	$3,077.6M	0.05%
780,878	0.2%	$2.5M	$13,474.8M	0.02%
141,307	0.9%	$2.0M	$2,011.6M	0.1%
996,709	0.03%	$2.2M	$13,314.5M	0.02%
690,934	0.2%	$6.5M	$8,016.3M	0.1%
1,249,815	0.4%	$11.4M	$21,015.8M	0.05%
829,359	5.4%	$407.2M	$14,062.0M	2.8%
23,562,748	**2.4%**	**$3,682.2M**	**$383,034.6M**	**1.0%**

Opponents and critics of education choice have recently expressed concerns that it harms state budgets. One recent report claimed that the ESA program in Arizona "blew a massive hole" in the state's budget. The figure and table below address this concern. They show that choice programs account for a very small percentage of education spending.

Figure 3, total state expenditures on private education choice programs, compares total state expenditures on these programs to spending on K–12 public schools, as well as all other public services. In FY 2022, total spending on education choice programs was $3.7 billion while state expenditures on K–12 education was $226 billion. Thus, total public spending on education choice programs was about 1.6% of the total amount of state taxpayer spending on K–12 education.[8]

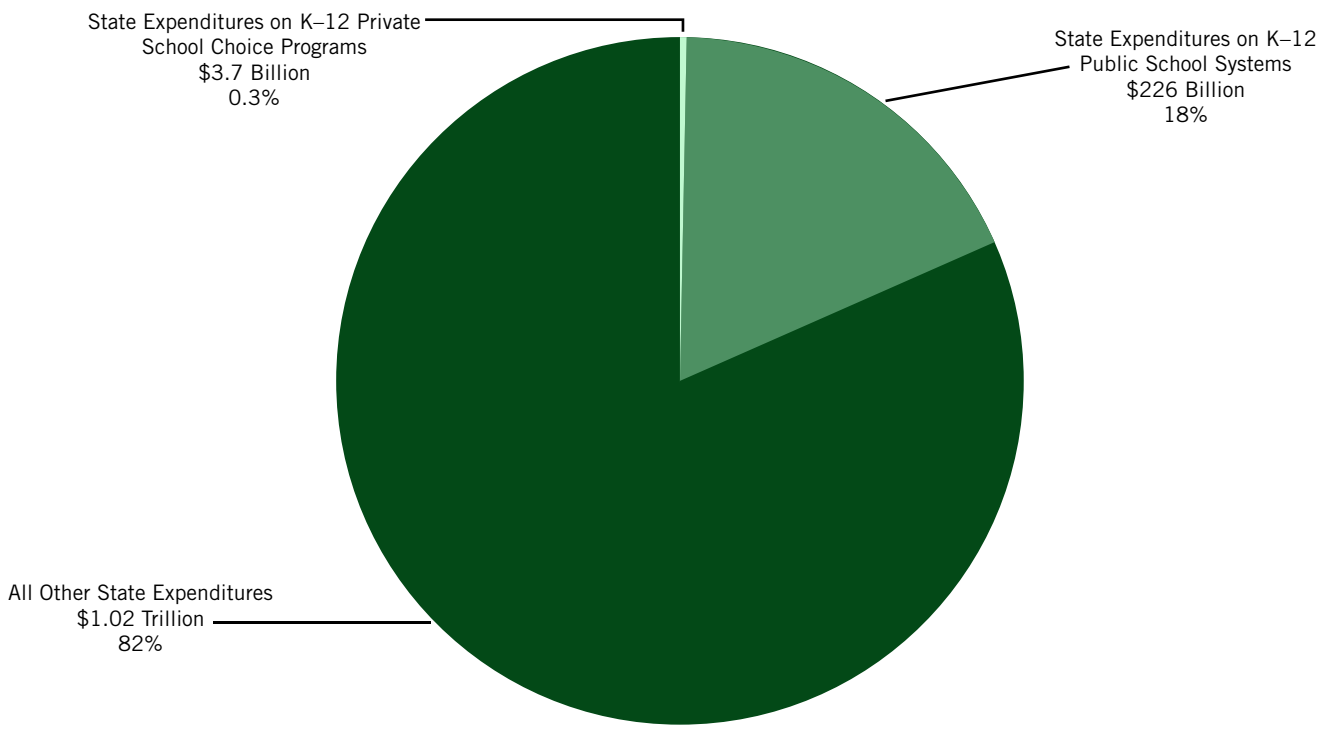
Although $3.7 billion may sound like a big number, the budgets for states operating choice programs in FY 2022 came to a combined $1.2 trillion.

Thus, state spending on choice programs represents 0.3% of total state expenditures on all public services where choice programs exist.

Table 2 reports funding for education choice programs as a percentage of the state's total budget. The percentages range from 0.01% in Arkansas to 1.3% in Florida, which is the only state where spending on choice programs exceeds 1% of the state's total expenditures on public services.

Given these facts, it may be hard to see how expanding educational opportunities through choice programs could harm public school systems. Researchers have conducted several systematic reviews of research on competitive effects, including a meta-analysis.[9] All these reviews conclude that students who remain in district schools that face increased competition from choice programs experience modest and positive learning gains. Contrary to claims that district school students are harmed by increased education choice, the evidence suggests the opposite.

FIGURE 3 **Total State Expenditures on Other K–12 Education and Total State Expenditures on All Other Public Services in 26 States, FY 2022**



Sources: Various state government agencies; National Association of State Budget Officers

TABLE 2 **Comparing State's Spending on Private Education Choice Programs with State Spending on All Public Services, FY 2022**

Program Name	State/Jurisdiction
Education Scholarship Program	Alabama
Empowerment Scholarship Account	Arizona
Original Individual Income Tax Credit Scholarship Program	
Low-Income Corporate Income Tax Credit Scholarship Program	
Lexie's Law for Disabled and Displaced Students Tax Credit Scholarship Program*	
Arizona Switcher Individual Income Tax Credit Scholarship Program	
Succeed Scholarship Program for Students with Disabilities*	Arkansas
Gardiner Scholarship Program*	Florida
John M. McKay Scholarships for Students with Disabilities*	
Florida Tax Credit Scholarship Program	
Georgia Special Needs Scholarship Program*	Georgia
Qualified Education Expense Tax Credit	
Invest in Kids Scholarship Tax Credit	Illinois
Choice Scholarship Program	Indiana
School Scholarship Tax Credit	
School Tuition Organization Tax Credit	Iowa
Tax Credit for Low Income Students Scholarship Program	Kansas
Louisiana Scholarship Program	Louisiana
School Choice Program for Certain Students with Exceptionalities*	
Tuition Donation Rebate Program	
Broadening Options and Opportunities for Students Today (BOOST) Program	Maryland
Equal Opportunity for Students with Special Needs Program*	Mississippi
Dyslexia Therapy Scholarship for Students with Dyslexia Program*	
Nevada Educational Choice Scholarship Program	Nevada
Education Tax Credit Program	New Hampshire
Special Education Scholarship Grants for Children with Disabilities*	North Carolina
Personal Education Savings Accounts	
Opportunity Scholarship	
Cleveland Scholarship Program	Ohio
Autism Scholarship*	
Educational Choice Scholarship Program	
Income-Based Scholarship Program	
Jon Peterson Special Needs Scholarship Program*	
Lindsey Nicole Henry Scholarship Program for Students with Disabilities*	Oklahoma
Equal Opportunity Education Scholarships	
Educational Improvement Tax Credit Program	Pennsylvania
Opportunity Scholarship Tax Credit Program	
Tax Credits for Contributions to Scholarship Organizations	Rhode Island
Educational Credit for Exceptional Needs Children*	South Carolina
Partners in Education Tax Credit Program	South Dakota
Individualized Education Account Program*	Tennessee
Carson Smith Special Needs Scholarships*	Utah
Education Improvement Scholarships Tax Credits Program	Virginia
Milwaukee Parental Choice Program	Wisconsin
Racine Parental Choice Program	
Parental Choice Program (Statewide)	
Special Needs Scholarship Program*	
Total Nationwide	

Sources: Various state government agencies; National Association of State Budget Officers (2023), 2023 State Expenditure Report: Fiscal Years 2021-2023, https://higherlogicdownload.s3.amazonaws.com/NASBO/9d2d2db1-c943-4f1b-b750-0fca152d64c2/UploadedImages/SER%20Archive/2023_State_Expenditure_Report-S.pdf

Notes: Table excludes the District of Columbia Opportunity Choice Scholarship Program. An asterisk (*) denotes a program that is open exclusively to students with special needs. FY 2021 data are used for the Cleveland, Milwaukee, and Racine programs as FY 2022 district-level data were unavailable at time of analysis.

Total Cost of All Choice Programs Within State ($ in Millions)	State Total Spending on Public Services ($ in Millions)	Choice Cost as % of State's Total Expenditures
$20.2M	$37,905.0M	0.1%
$450.4M	$80,507.7M	0.6%
$3.9M	$32,047.0M	0.01%
$1,331.7M	$103,229.0M	1.3%
$127.9M	$67,527.0M	0.2%
$56.5M	$122,624.7M	0.05%
$256.3M	$48,187.6M	0.5%
$15.0M	$28,508.0M	0.1%
$5.1M	$22,517.3M	0.02%
$48.8M	$39,652.2M	0.1%
$10.2M	$62,833.0M	0.02%
$3.6M	$23,090.0M	0.02%
$11.4M	$20,101.0M	0.1%
$3.0M	$7,822.0M	0.04%
$96.9M	$58,975.0M	0.2%
$547.5M	$90,049.8M	0.6%
$16.4M	$27,147.0M	0.1%
$225.6M	$121,277.0M	0.2%
$1.5M	$13,202.6M	0.01%
$2.5M	$32,263.0M	0.01%
$2.0M	$7,127.0M	0.03%
$2.2M	$43,363.0M	0.01%
$6.5M	$20,893.1M	0.03%
$11.4M	$74,922.0M	0.02%
$407.2M	$62,900.7M	0.6%
$3,663.6M	**$1,248,671.6M**	**0.3%**

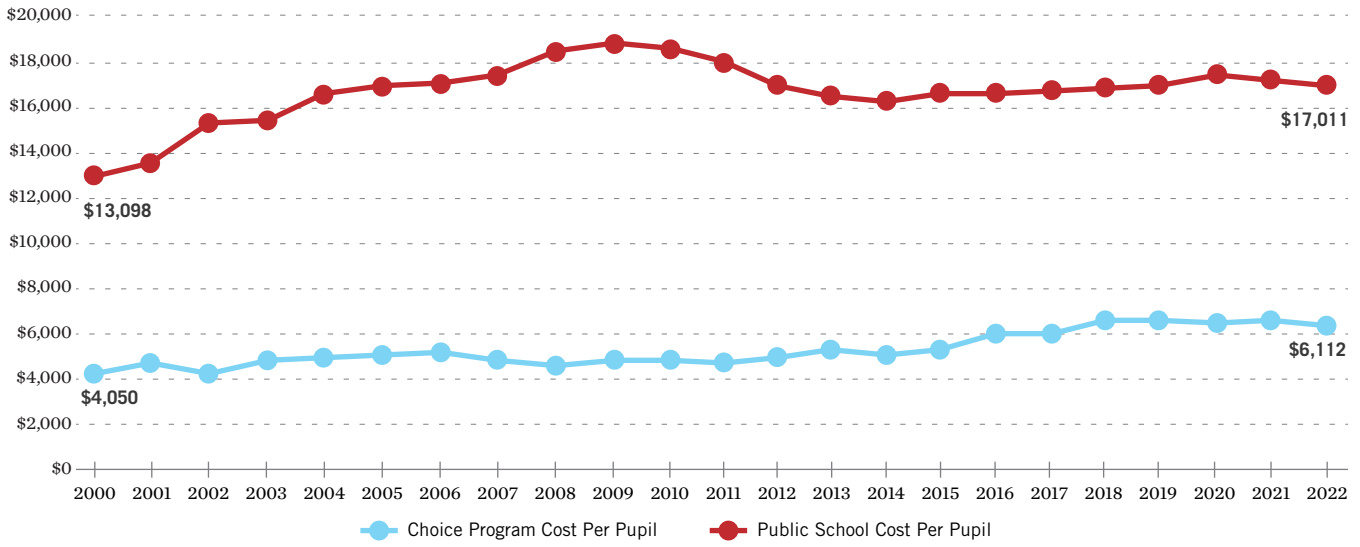
STUDENT FUNDING GAPS

Education choice programs typically spend fewer dollars, on a per-pupil basis, than public K–12 schools. Figure 4 and Figure 5 compare per-pupil funding for choice programs with that of public K–12 systems for FY 2000 to FY 2022. Figure 5 displays the per-pupil funding for choice programs as a percentage of total funding per student for K–12 public school systems. This percentage increased slightly from 31% to 36%. In FY 2022, average per-pupil funding for education choice programs was 64% less than that of public schools ($6,000 versus $17,000).[10]

Figure 6 and Figure 7 show funding differences between public school systems and the varieties of education choice programs. Figure 7 displays the per-pupil funding for choice programs as a percentage of the total per-pupil funding for K–12 public schools, by program type. The gap is smallest for the five ESAs in the study, with the average per-pupil funding for an ESA 53% of funding for their respective public school systems. Funding for ESA programs is higher than the overall average funding for all choice programs because the Florida, Mississippi, North Carolina, and Tennessee ESA programs exclusively serve children with special needs who require more expensive services. More than half (60%) of students in Arizona's ESA program during FY 2022 had special needs.[11]

Funding gaps for voucher and tax-credit scholarship programs are larger than that of ESA programs, where average per-pupil funding for voucher and tax-credit scholarship programs are

FIGURE 4 Average Per-Pupil Funding for Education Choice Programs and K–12 Public School Systems in 26 States, FY 2000 to FY 2022 ($ Adjusted for Inflation to 2022 USD)



Sources: National Center for Education Statistics, U.S. Department of Education; various state government agencies; EdChoice.

FIGURE 5 Average Per-Pupil Funding for Education Choice Programs as a Percentage of Per-Pupil Funding for K–12 Public School Systems in 26 States, FY 2000 to FY 2022

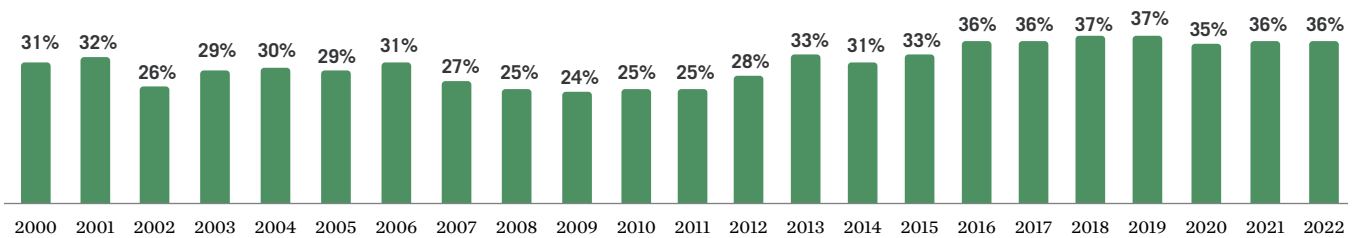
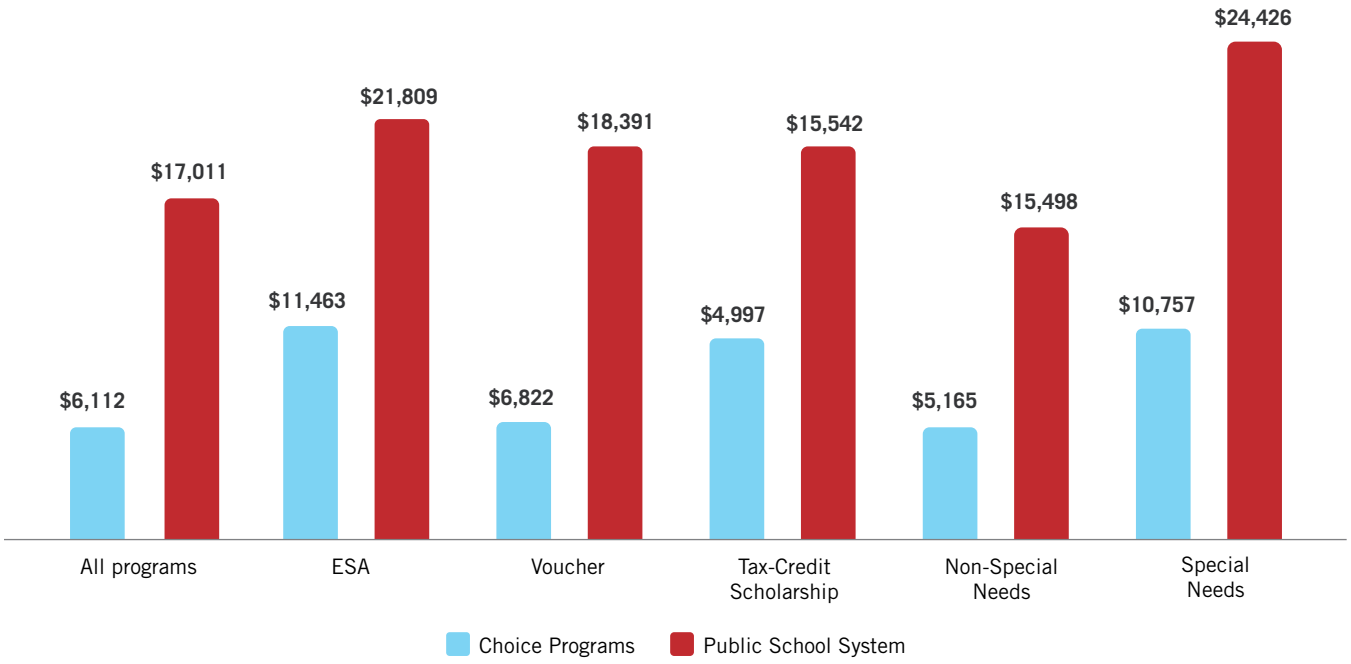
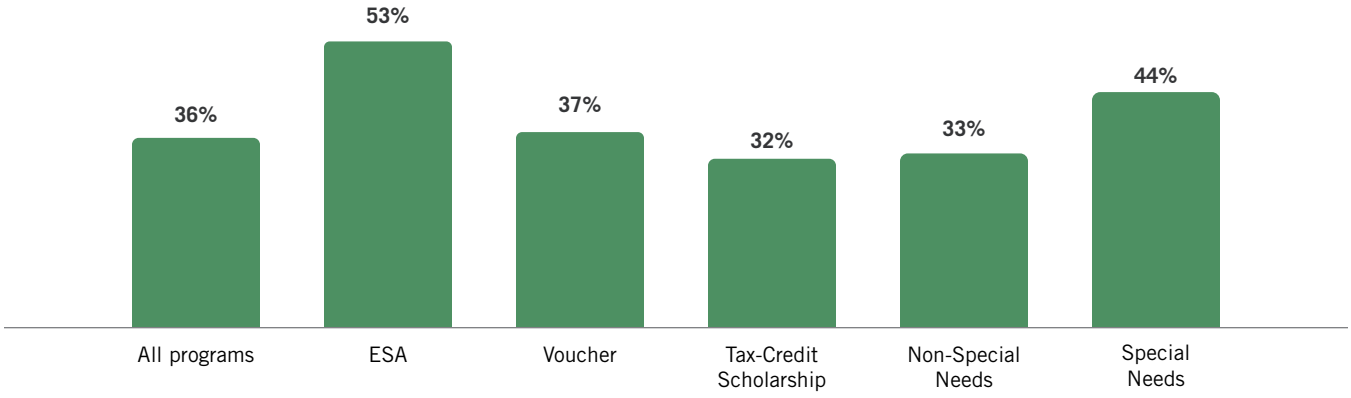


FIGURE 6 Average Per-Pupil Funding for Education Choice Programs and Public School Systems in 26 States, by Program Type, FY 2022



Sources: National Center for Education Statistics, U.S. Department of Education; various state government agencies; EdChoice.

FIGURE 7 Average Per-Pupil Funding for Education Choice Programs as a Percentage of Per-Pupil Funding for K–12 Public School Systems in 26 States, by Program Type, FY 2022



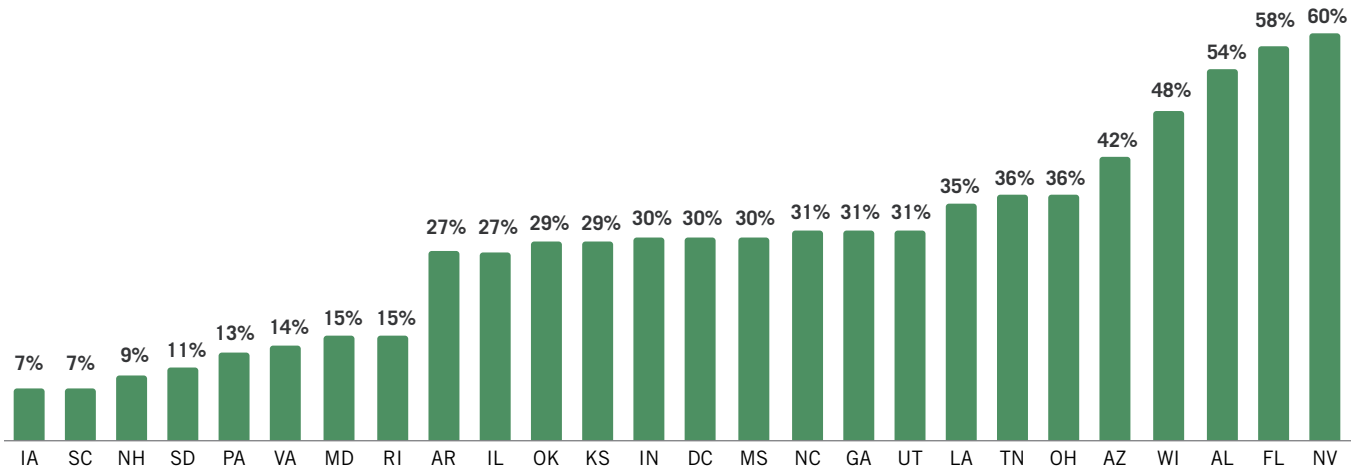
Sources: National Center for Education Statistics, U.S. Department of Education; various state government agencies; EdChoice.

37% and 32% of the average per-pupil funding for public schools, respectively. Funding gaps for special needs programs and non-special needs programs differ. The average program funding per student as a percentage of average per-pupil public school funding is 33% for non-special needs programs and 44% for special needs programs.

Figure 8 compares the per-pupil funding average for education choice programs to the average for public schools. It ranges from 7% (for tax-credit scholarship programs in Iowa and South Carolina) to 60% (for Nevada's tax-credit scholarship program).

In about two-thirds (18 of 26) states in the analysis, students in choice programs received less than one-third of the revenue they would receive in public schools. For 23 of the 26 states in the analysis, choice programs received less than half the per-student funding generated for public schools. These states enrolled about 75% of students participating in the 48 programs during FY 2022.

FIGURE 8 Average Per-Student Funding for Education Choice Programs as a Percentage of Average Per-Student Funding for Public Schools in FY 2022, by State



Sources: National Center for Education Statistics, U.S. Department of Education; various state government agencies; EdChoice.

These discrepancies underscore substantial fiscal windfalls for taxpayers when students shift from public schools to choice programs. Districts can benefit too, as their funding is not solely determined by student enrollment, allowing districts to retain a portion of the per-pupil funding even when students depart. For instance, in Georgia and Indiana, districts keep all local revenue, with only state funding being enrollment-dependent.

Furthermore, many states have "declining enrollment adjustments" or "hold harmless" clauses in their funding frameworks.[12] These and similar provisions ensure that districts receive all or most of their previous basic education funding, based on figures from the prior year or another historical benchmark, regardless of any decreases in student numbers.[13] These funding protections mitigate the financial effects of losing students to education choice programs, or losing students for any other reason.

While local school districts may lose funding in absolute terms when a student leaves, funding policies such as funding protections often lead to increased funding on a per-student basis, all else equal. The substantial funding disparities between the cost of education choice programs and public school systems also highlight the fiscal benefits for taxpayers when students transition from public to private schools through choice programs.

EDUCATIONAL COSTS

Concerns about the financial effects of education choice programs often center on the immediate costs that public school districts face. In the short term, certain costs fluctuate completely or partly with student numbers, while in the long term, all costs become variable. The concept of the "long run" can be understood as a time-based concept. When a school's enrollment increases or decreases, its immediate options are restricted. For instance, since school budgets are typically set annually, officials might have limited options for mid-year adjustments. Over a longer period, however, public schools and districts can adapt in many ways as they identify more cost-effective methods for delivering educational programs or curricula.

Even over extended periods, however, the options for reducing costs may be limited or impractical. Typically, it isn't feasible to hire a full-time teacher for just one extra student. Thus, the term "long run" can also refer to significant changes in student enrollment. The greater the change in enrollment, the more opportunities districts will have to modify costs. For instance, a school might open, close, or combine classrooms. A district could construct new facilities or consolidate existing schools. Of course, districts experience enrollment declines for reasons other than private school choice programs, including students moving to other districts,

moving out-of-state, moving to charter schools, and moving to home schools.

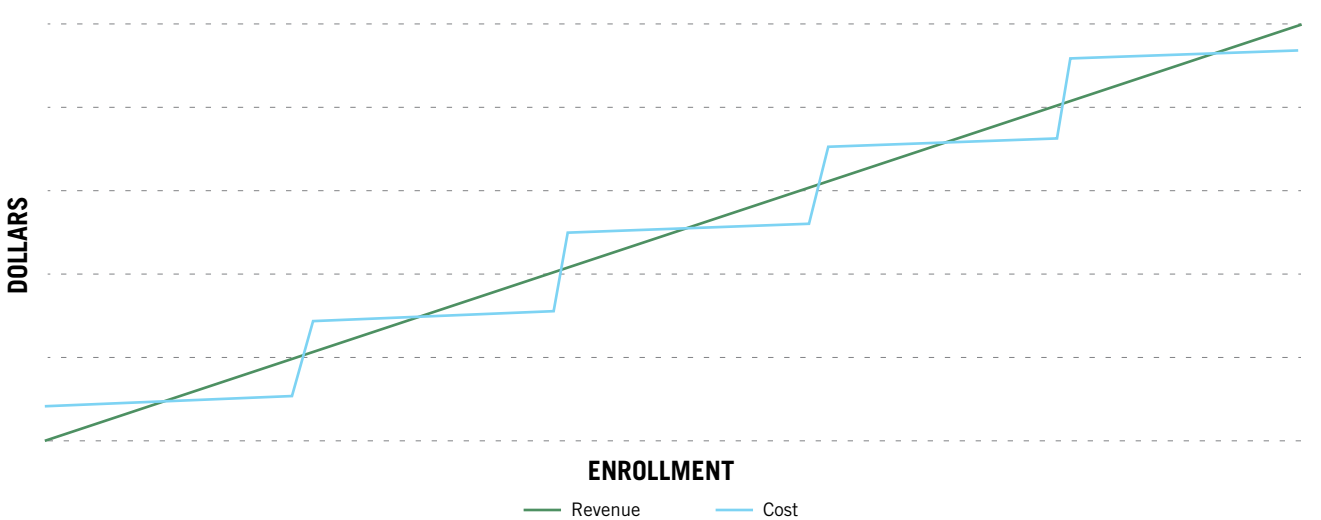
Schools "need to keep the lights on," one common expression of concern goes. This implies that because districts face substantial fixed costs, education choice programs might leave them struggling to cover these expenses, potentially harming students. If this assertion were accurate, then logically, increasing enrollment would not significantly raise costs. This is not the reality, however. Indeed, some public school officials who argue against choice programs on these grounds also seek additional funding in anticipation of enrollment increases—suggesting they either face high fixed costs or high variable costs. Both scenarios cannot simultaneously be true, however.

In practice, both revenues and costs fluctuate with enrollment, though not always simultaneously. Figure 9 illustrates a simple example of this relationship, which shows that over a wide range of enrollment changes, costs and revenues generally align with these fluctuations.[14] The figure shows that cost and revenue have a positive relationship with enrollment. In general, costs and revenue move together over a wide range of enrollment levels. If enrollment changes by a small amount, a school may see revenue change while most of its costs remain stable. This is represented by the horizontal segments on each step of the graph. Gaining or losing a few students does not typically require hiring or laying off teachers, as staffing adjustments are not easily made on a per-student basis.

It's important to note that the revenue changes linked to minor enrollment changes usually represent a small fraction of a larger budget. School districts have historically managed such enrollment variability, and many other organizations successfully manage similar challenges. Pre-kindergarten facilities, colleges, hospitals, law firms, and grocery stores are just a few.

Financial management is a routine aspect of running educational institutions that school officials regularly navigate. While the challenges posed by a decrease in revenue are significant and should not be overlooked, they do not come only from education choice programs. The fiscal impacts of students leaving for choice programs mirror those arising from students leaving for other reasons, such as families relocating. This is a standard dynamic within the educational sector, not a problem specific to choice. Therefore, if opposition to choice programs is based on financial impacts, logically, one would also oppose families moving between districts and support measures that restrict such mobility.

FIGURE 9 Relationship Between School Enrollment, Variable Costs, and Variable Revenue



We hope this report can equip policymakers with data and insights about the overall fiscal impacts of education choice programs. It is important to clarify that this document does not detail the specific financial decisions made by school officials in response to student departures for education choice programs. Instead, the analysis focuses on identifying which costs can be adjusted in the short term, rather than detailing which costs have been or will be adjusted.[15]

METHODS AND DATA

Education choice programs create direct costs for taxpayers as states fund education savings accounts (ESAs) and vouchers and because tax-credit scholarships reduce tax revenue. These are the costs of a choice program. There is also a direct fiscal benefit when students opt out of public schools in favor of scholarships, as public schools cost taxpayers almost triple the cost of choice programs, on a per student basis. The savings is the difference between what would have been spent on the student if he or she would have attended a public school and the cost of the education choice program.

The net fiscal impact of a choice program is the difference between the savings from students who switch from public schools and the costs of the program:

$$\text{Net Fiscal Effect} = \left[\text{Savings from Switchers}\right] - \left[\text{Cost of the Choice Program}\right]$$

"Switchers" are students who would attend public schools if not for financial support from an education choice program.

Calculating the fiscal effects of these programs is a complex task. This complexity arises not only from the multiple sources of school funding—federal, state, and local—but also from intricate funding formulas that dictate how these funds are distributed.

This analysis uses school finance data from the National Center for Education Statistics at the Department of Education. These federal data provide state- and district-level information through FY 2022. The analysis also uses program cost and participation data from various state government education departments and revenue departments. It also uses data from various nonprofit organizations that are involved in the administration of scholarships and application processing for these programs. EdChoice collects these data on program enrollment, funding, eligibility criteria, and other metrics and publishes them on its School Choice in America data dashboard.[16]

Given increasing interest by states in education choice programs that are open to all K–12 students, readers should note that the present analysis does not include any education choice program in any universal or near-universal form. To help inform the potential fiscal impacts of these programs, we conduct a supplemental analysis of Arizona's Empowerment Scholarship Accounts Program by analyzing FY 2023 and FY 2024. The analysis can be found on p. 37. The analysis uses data published by Arizona's Department of Education and Joint Legislative Budget Committee.

The analysis that follows provides a fiscal picture for each program that is useful for examining the extent to which these programs generate net fiscal benefits or net costs overall, both in the short run and in the long run.

SHORT-RUN NET FISCAL EFFECT (NFE)

The analysis calculates the short-term net fiscal effect (NFE^S) of education choice programs by using estimates of short-run variable costs. The net fiscal effect on the state budget by a given program is represented by the following formula:

$$NFE^S = [R^S \times E \times s] - [C \times E] \qquad (1)$$

In this equation:

- R^S is the average revenue per pupil retained by the state for a student who leaves a public school system via the choice program.
- *E* is the total number of students who participate in the choice program.
- *s* is the switcher rate (the percentage of program participants who first attended a public school, or who likely would enroll in a public school without the choice program).
- *C* is the average cost per student to provide ESAs, vouchers, or tax credits.

The term [C × E] represents the total cost of a choice program. For tax-credit scholarship programs, the analysis uses tax-credit disbursements. The disbursement amount does not always equal the amount of scholarships awarded.[17] These amounts can differ if the tax-credit rate is not 100% or if a program allows Scholarship Granting Organizations (SGOs) to use a portion of donations for their administrative costs. The term [R^S × E × s] signifies savings from student switchers, representing the financial relief state taxpayers enjoy when students leave the public school system.

People also pay local taxes, and the net fiscal impact on local taxpayers and public schools (NFE^L) is:

$$NFE^L = [AVC \times E \times s] - [R^S \times E \times s] \qquad (2)$$

In this equation:

- *AVC* represents the estimated short-run average variable costs per student in public schools.
- R^S is the cost incurred by public school districts and local taxpayers because they no longer receive state revenue from students who have left the public school via the choice program.

R^S is determined by a state's school funding formula and can vary significantly by school district. This term appears in equations (1) and (2) above. When a student leaves a public school, that student creates both savings for the state and reduced state revenue for their school district. These fiscal benefits for local taxpayers may, though not always, mean lower tax bills. Local governments could choose to reduce taxes, but they often do not.[18] If they do not, they will end up with more resources per student for the fewer students who remain.

Adding (1) and (2) above yields the combined net fiscal effect on state and local taxpayers (NFE) in the short run:

$$NFE = NFE^S + NFE^L = [AVC \times E \times s] - [C \times E] \qquad (3)$$

The term [R^S × E × s] from equations (1) and (2) cancels out in equation (3). It simultaneously represents a budgetary effect on the state and school districts. It represents savings for the state but a revenue reduction for public schools.

Before a state introduces an education choice program, some students ("non-switchers") will have attended private schools without public assistance. Introducing an education choice program will mean that some of these students will become a new cost for taxpayers, reducing the fiscal benefit taxpayers enjoy from the new program. Finally, the greater the migration of students from public schools into a choice program, the greater the savings from the state's point of view and a greater reduction in state revenue that public schools receive, all else equal.[19]

LONG-RUN NET FISCAL EFFECT (NFE*)

A fundamental economic and accounting principle is that in the long run, all costs are variable. Thus, the fiscal benefits from choice programs grow over time as districts face more opportunities to adjust their operations and costs. The long-run fiscal effect (NFE*) of choice programs is estimated by

comparing the total per-student cost of educating students in the public school system (denoted TC) with the public cost of supporting those students in education choice programs:

$$NFE^* = [TC \times E \times s] - [C \times E] \qquad (4)$$

Equation (4) indicates that NFE* is the difference between savings from students in the choice program who are switchers and the total cost of the choice program. This estimate serves as a long-run fiscal effect whereas estimates from equation (3) serve as a short-run fiscal effect. As the new school choice program matures over several years, enrollment stabilizes, and local public school district leaders adapt, the savings are expected to align with these long-run estimates.

Long-run estimates consider all costs, including capital and maintenance expenses. Education choice programs can reduce how much taxpayers owe for these costs. First, as students depart public schools for choice programs, districts may not need to expand as many buildings or to construct new ones. Second, choice programs could prevent some private school closures that would require public schools to make additional capital investments to accommodate students from those closed private schools. Even if these outcomes are not fully realized in all cases, the long-run fiscal effects will likely align closely with the upper bound estimates.

The leading introductory textbook in economics describes this concept of long run as such:

> *"Over a period of only a few months, Ford cannot adjust the number or size of its car factories. The only way it can produce additional cars is to hire more workers at the factories it already has. The cost of these factories is, therefore, a fixed cost in the short run. By contrast, over a period of several years, Ford can expand the size of its factories, build new factories, or close old ones. Thus, the cost of its factories is a variable cost in the long run."*[20] *(p. 271)*

Thus, for choice programs in existence for five years or longer, the long-run estimates are likely close to the actual savings realized by states and school districts.

ESTIMATING SHORT-RUN VARIABLE COSTS

The present analysis's method for estimating short-run variable costs uses school finance data from the National Center for Education Statistics at the U.S. Department of Education and uses the same technique from Lueken (2018).[21] Data are through FY 2022. Variable cost estimates comprise three categorical expenditures: Instruction, Instructional Support Services, and Student Support Services. The analysis treats all other categories of expenditures—including capital, maintenance, debt service, administration, transportation, food service, enterprise operations, and various other categories—as fixed, although some of these, such as transportation and food services, may be variable or partially variable in the short run.

Estimates for short-run variable costs are more conservative compared to methods used by some economists, leading to more modest estimates of savings. For example, Benjamin Scafidi's analysis of average short-run fixed and variable costs was based on the financial experiences of school districts in Georgia that saw notable enrollment declines from one year to the next. His findings indicated that these districts managed to reduce expenditures in several categories as their enrollment declined: instruction, instructional staff support, student support, enterprise operations, and food service. The variable cost estimates used in the current analysis are more conservative than Scafidi's, as they exclude costs for enterprise operations and food service, which are included in Scafidi's variable cost estimates. Furthermore, these estimates are lower than or within the range of variable costs as found in other studies. Examples include one that looks at public schools in Albany and Buffalo, as well as a second study on the fiscal impact of Louisiana's school voucher program on school districts.[22]

The present analysis also includes an adjustment for variable cost estimates specific to students with special needs, which is further elaborated upon later in this report.

ESTIMATING SWITCHER RATES

Students who leave a public school for a nonpublic setting solely due to receiving a scholarship will generate net savings if the short-run variable cost of educating them exceeds the cost of the scholarship program (AVC > C). Conversely, non-switchers—students who would have attended a nonpublic educational setting regardless of the choice program—represent a fiscal cost, without generating any savings. The estimates of the fiscal effects of education choice programs hinge on two primary factors:

1. The number of students who would have attended public schools without the financial assistance from the education choice program (switchers), and

2. The direct educational costs associated with these switchers that the school district no longer incurs (variable costs).

To gather information on the settings from which students were transferring, we reached out to state government agencies and nonprofit organizations that administer these programs. Many programs require first-year participants to have been enrolled in public schools in the previous year. These prior public school enrollment requirements can vary by duration of required enrollment and exemptions for certain groups. For instance, exemptions might apply to kindergarteners, students in foster care, and children of active-duty military personnel.

Appendix Table 1 contains information on these requirements, as well as our assumptions about switchers. We assume that if a program requires all participants to have enrolled in public school—without exceptions—all of participants are switchers. If a program has exceptions, the analysis estimates that 85% to 90% of the exempt students are switchers, with the 85% rate applied to programs without special needs focus and 90% for those targeting special needs.[23]

For programs lacking specific prior public school enrollment requirements, or when prior enrollment data are unavailable, the analysis conservatively assumes an 85% switcher rate. This assumption draws from a review of random assignment studies of private school voucher programs, which provide insights into likely switcher rates.[24] The estimates from these studies are based on real-world experiences with scholarship programs that were oversubscribed, and students were either randomly awarded scholarships or randomly denied scholarships via lottery. Among the students who did not win the lottery, and therefore did not receive a scholarship, about 90% of these students actually ended up attending a public school during the next year. This 90% figure means that only 10% of these students were not switchers, and the 90% would have been switchers from a public to a private school, if they had won the lottery and received a scholarship. Given the large number of these lottery experiences across several programs and states, and given the consistency of this 90% result in the real world, a switcher rate of 90% is reasonable for the analyses in this report.

BREAK-EVEN SWITCHER RATE

The overall break-even switcher rate (BER) indicates the proportion of participants in an education choice program who need to be switchers—students who would otherwise attend public schools—for the program to have no fiscal effect. This rate equates the program's costs with the savings it generates.[25] By setting the Net Fiscal Effect (NFE) to zero in equation (3), the break-even switcher rate is determined by the ratio of the program's average cost per student to the average variable cost per student saved by the school district:

$$BER = C / AVC$$

If the switcher rate exceeds the BER, the program produces net savings in the short run. Conversely, if the switcher rate falls below the BER, the program generates net costs. For instance, if the average voucher amount is $8,000 and the average variable cost to educate a student in public schools is $10,000, the break-even switcher rate would be 80% (=$8,000/$10,000). Therefore, the program will save taxpayers money as long as more than 80% of the participants are switchers.

STUDENTS WITH SPECIAL NEEDS

Seventeen of the education choice programs analyzed are solely for students with special needs. For these programs lacking prior public school enrollment requirements, it is assumed that 90% of participants are switchers. The analysis uses this rate because students with special needs often come from disadvantaged backgrounds and incur higher educational costs, making it likely that a high proportion of them are switchers. This 90% rate is more conservative than estimates of previous analyses, which assume 100% of participants are switchers.[26] It is also consistent with switcher rates found in studies of lottery-based programs for non-special needs students, suggesting a cautious approach.

The cost variability for students with special needs is substantial due to the diverse severity of disabilities, which makes it hard to estimate the fiscal effects of these programs.[27] To calculate the average total per-pupil costs for students with special needs, the analysis applies a factor of 1.91 to the current per-pupil total current expenditures for all students in the public K–12 system.[28] For children with autism or multiple disabilities, costs are assumed to be 3.00 times the state's average per-pupil total current expenditures.[29]

Staffing data for special education suggests that the variable cost rate for special needs students exceeds that for their non-special needs counterparts. A child-to-staff ratio of 5.6 exists for students with special needs, compared to a general ratio of 7.5 pupils per public school employee, according to data from the U.S. Department of Education.[30] This reflects the additional resources required for special needs education, with these students having 34% more personnel than typical public school students. Our analysis consequently adjusts the variable cost rate upwards by 30% to account for these higher costs. That is, the analysis first estimates an adjusted total per-pupil cost estimate for students with special needs by multiplying 1.91 by the state's average public school total current expenditures per pupil. Second, the analysis estimates the percentage of total costs that are variable in the short run for all public schools by using the method described in the "Estimating Short-Run Variable Costs" section above. It then adjusts this figure upwards by 30% to estimate an adjusted short-run variable cost rate for students with special needs. Finally, the analysis multiplies the adjusted short-run variable cost rate for students with special needs by the adjusted total per-pupil cost for students with special needs. The result is an estimate for short-run variable costs per pupil for students with special needs.

Students in choice programs for special needs represent a diverse group with varying educational service requirements. If the actual disability distribution of voucher users is less severe than the state average, our estimates could overstate the savings. Conversely, if these students have more severe disabilities than the average, savings could be underestimated.

OVERALL RESULTS

Table 3 below presents the short-run and long-run estimates of the fiscal effects of the 48 education choice programs analyzed. The short-run estimates indicate that most programs result in savings for taxpayers, while the long-run estimates show that all programs generate fiscal benefits. Although the actual fiscal effects are likely to fall somewhere between these two estimates, the results show that current education choice programs benefited state and local taxpayers through FY 2022.

Short-run estimates indicate that, through FY 2022, education choice generated at least $19.4 billion ($3,300 per student) in short-run cumulative net fiscal benefits for state and local taxpayers. For each dollar spent, programs generated at least $1.70 in net fiscal benefits. On average, at least 56% of students in a program would need to be switchers to produce net fiscal benefits.

Long-run estimates indicate that programs generated up to $45.6 billion in cumulative net fiscal benefits for state and local taxpayers through FY 2022 (or up to $7,800 per student). Each dollar spent on choice programs generated up to $2.64 in net fiscal benefits for state and local taxpayers. On average, at least 37% of students would need to be switchers for a program to produce fiscal savings.

Most education choice programs produce net fiscal savings in the short run, but they differ across programs and across states. Five programs have net short-run costs, according to our estimates: Alabama's tax-credit scholarship program, Arizona's ESA program, Florida's tax-credit scholarship program, Nevada's tax-credit scholarship program, and Wisconsin's statewide voucher program. Each of these programs, however, have also operated for at least five years, suggesting that the actual fiscal effects are closer to the long-run estimates, generating net fiscal benefits for state and local taxpayers combined.[31] Savings are likely larger in the long run because districts encounter increasing opportunities to refine their operations and budgets over time.

Although Arizona's ESA program, Florida's tax-credit scholarship program, and Wisconsin's statewide voucher program have net short-run costs, these states operate multiple education choice programs. The analysis includes five programs in Arizona, three in Florida, and three in Wisconsin. For these three states, the short-run net cumulative fiscal effects of their choice programs are positive, suggesting that education choice overall is generating net savings for taxpayers even in the short run. This underscores the importance of considering the number of programs and the environment for choice when weighing the fiscal impacts of choice programs. Focusing on results for one program without considering the effects of other programs can lead to incorrect or misleading inferences about financial impacts from choice.

The tax-credit scholarship programs in Alabama and Nevada appear to be anomalies. Alabama awarded over $24 million in tax credits to taxpayers for contributions to Scholarship Granting Organizations (SGOs) during the first year of its program, while only 20 students enrolled. Similarly, the Nevada Legislature provided an infusion of $20 million in tax credits for FY 2018, resulting in significant amounts of unused funds in subsequent years. These enormous imbalances are atypical for tax-credit scholarship programs and have not yet smoothed out in the subsequent years.

TABLE 3 Summary of Cumulative Savings (or Cost) for 48 Private Educational Choice Programs Through FY 2022

Program Name	State	Program Type	Started	Years in Operation Through FY 2022	Total Number of Scholarships Awarded Since Program Inception
Empowerment Scholarship Account§	AZ	ESA	2011-12	11	52,933
Gardiner Scholarship Program*†	FL	ESA	2014-15	8	95,082
Equal Opportunity for Students with Special Needs Program*†	MS	ESA	2015-16	7	2,699
Personal Education Savings Accounts*†	NC	ESA	2017-18	5	1,902
Individualized Education Account Program*	TN	ESA	2016-17	6	1,027
Succeed Scholarship Program for Students with Disabilities*	AR	V	2016-17	6	1,989
Opportunity Scholarship Program†	DC	V	2004-05	18	26,237
John M. McKay Scholarships for Students with Disabilities Program*§	FL	V	1999-00	23	483,084
Georgia Special Needs Scholarship Program*	GA	V	2007-08	15	54,647
Choice Scholarship Program‡	IN	V	2011-12	11	317,521
Louisiana Scholarship Program†	LA	V	2008-09	14	69,859
School Choice Program for Certain Students with Exceptionalities*†	LA	V	2011-12	11	3,707
Broadening Options and Opportunities for Students Today (BOOST) Program‡	MD	V	2016-17	6	17,097
Dyslexia Therapy Scholarship for Students with Dyslexia Program*	MS	V	2012-13	10	1,633
Special Education Scholarship Grants for Children with Disabilities*§	NC	V	2013-14	9	11,029
Opportunity Scholarship†§	NC	V	2014-15	8	76,247
Cleveland Scholarship Program‡	OH	V	1996-97	26	143,267
Autism Scholarship*†	OH	V	2004-05	18	44,459
Educational Choice Scholarship Program†§	OH	V	2006-07	16	301,447
Jon Peterson Special Needs Scholarship Program*	OH	V	2012-13	10	50,551
Income-Based Scholarship Program†	OH	V	2013-14	9	88,346
Lindsey Nicole Henry Scholarships for Certain Students with Disabilities*	OK	V	2010-11	12	6,928
Carson Smith Special Needs Scholarship*†	UT	V	2005-06	17	12,835
Milwaukee Parental Choice Program†	WI	V	1990-91	32	450,022
Racine Parental Choice Program†§	WI	V	2011-12	11	21,283
Parental Choice Program (Statewide)†	WI	V	2013-14	9	52,972
Special Needs Scholarship Program*	WI	V	2015-16	6	5,394
Education Scholarship Program‡	AL	TCS	2012-13	10	32,354
Original Individual Income Tax Credit Scholarship Program†	AZ	TCS	1997-98	25	480,657
Low-Income Corporate Income Tax Credit Scholarship Program†§	AZ	TCS	2005-06	17	252,930
Lexie's Law for Disabled and Displaced Students Tax Credit Scholarship Program*†	AZ	TCS	2008-09	14	9,423
Switcher Individual Income Tax Credit Scholarship Program†§	AZ	TCS	2011-12	11	120,856
Florida Tax Credit Scholarship Program‡	FL	TCS	2002-03	20	1,094,294
Qualified Education Expense Tax Credit†§	GA	TCS	2008-09	14	175,077
Invest in Kids Scholarship Tax Credit Program†	IL	TCS	2017-18	5	31,284
School Scholarship Tax Credit†	IN	TCS	2009-10	13	101,167
School Tuition Organization Tax Credit†	IA	TCS	2006-07	16	171,538
Tax Credit for Low Income Students Scholarship Program	KS	TCS	2015-16	7	3,326
Tuition Donation Rebate Program‡	LA	TCS	2013-14	9	13,373
Nevada Educational Choice Scholarship Program	NV	TCS	2015-16	7	10,086
Education Tax Credit Program‡	NH	TCS	2012-13	10	5,174
Equal Opportunity Education Scholarships†	OK	TCS	2012-13	10	16,005
Educational Improvement Tax Credit Program†	PA	TCS	2001-02	21	751,806
Opportunity Scholarship Tax Credit Program†	PA	TCS	2012-13	10	142,489
Tax Credits for Contributions to Scholarship Organizations†	RI	TCS	2006-07	16	6,916
Educational Credit for Exceptional Needs Children*†	SC	TCS	2013-14	9	14,009
Partners in Education Tax Credit Program	SD	TCS	2016-17	6	4,223
Education Improvement Scholarships Tax Credits Program†§	VA	TCS	2012-13	10	30,523
All Programs					**5,861,708**

ESA = Education Savings Account, V = Voucher, TCS = Tax-Credit Scholarship

* Program serves students with special needs exclusively
† Analysis for this program used data from random assignment studies of educational choice programs to calculate or inform assumptions about switcher rates
‡ Analysis for this program calculated switcher rate based on data publicly reported or directly obtained from administrative agency

Lower Bound (Short-Run) Fiscal Effects				Upper Bound (Long-Run) Fiscal Effects			
Short-Run Cumulative Savings from Inception Through FY 22	Short-Run Cumulative Savings per Student from Inception Through FY 2022	Short-Run Savings for Each Dollar Spent	Short-Run Break-Even Switcher Rate**	Long-Run Cumulative Savings from Inception Through FY 2022	Long-Run Cumulative Savings per Student from Inception Through FY 2022	Long-Run Savings for Each Dollar Spent	Long-Run Overall Break-Even Switcher Rate
($12,774,347)	($241)	$0.98	n/a	$240,219,442	$4,538	$1.35	92%
$480,240,825	$5,051	$1.50	60%	$736,928,244	$7,750	$1.77	51%
$16,836,739	$6,238	$1.97	46%	$27,209,116	$10,081	$2.56	35%
$18,727,292	$9,846	$2.36	38%	$22,702,436	$11,936	$2.65	34%
$9,508,028	$9,258	$2.30	43%	$13,145,223	$12,800	$2.80	36%
$21,197,306	$10,657	$2.74	36%	$30,117,027	$15,142	$3.48	29%
$74,331,143	$2,833	$1.33	67%	$395,092,450	$15,059	$2.76	32%
$3,486,852,513	$7,218	$2.04	49%	$4,939,237,383	$10,224	$2.47	40%
$573,449,156	$10,494	$2.63	37%	$768,815,986	$14,069	$3.25	31%
$579,520,232	$1,825	$1.41	64%	$2,143,885,349	$6,752	$2.52	36%
$80,701,196	$1,155	$1.19	80%	$401,493,999	$5,747	$1.99	44%
$50,820,169	$13,709	$6.91	13%	$67,459,023	$18,198	$8.84	10%
$34,547,589	$2,021	$1.86	20%	$74,470,332	$4,356	$2.85	13%
$14,322,552	$8,771	$2.76	36%	$20,958,816	$12,835	$3.57	28%
$106,078,336	$9,618	$2.54	39%	$138,094,414	$12,521	$3.00	33%
$254,771,894	$3,341	$1.86	52%	$531,315,123	$6,968	$2.80	34%
$553,354,486	$3,862	$2.13	35%	$1,434,990,422	$10,016	$3.93	19%
$238,363,961	$5,361	$1.26	72%	$574,853,802	$12,930	$1.62	56%
$1,210,784,347	$4,017	$1.87	52%	$2,967,399,306	$9,844	$3.13	31%
$512,373,254	$10,136	$2.05	49%	$793,118,692	$15,689	$2.62	38%
$349,656,073	$3,958	$1.92	44%	$824,537,073	$9,333	$3.17	27%
$43,956,593	$6,345	$1.89	53%	$71,040,202	$10,254	$2.44	41%
$58,986,436	$4,596	$1.90	47%	$94,721,815	$7,380	$2.45	36%
$516,075,979	$1,147	$1.17	79%	$2,832,745,650	$6,295	$1.92	49%
$36,570,292	$1,718	$1.22	76%	$175,310,402	$8,237	$2.07	46%
($13,463,997)	($254)	$0.97	91%	$281,116,357	$5,307	$1.65	52%
$47,584,173	$8,821	$1.71	54%	$83,348,678	$15,452	$2.24	40%
($2,021,832)	($62)	$0.99	35%	$113,534,270	$3,509	$1.65	21%
$901,039,614	$1,875	$1.77	57%	$2,355,111,748	$4,900	$3.22	31%
$427,843,909	$1,692	$1.52	61%	$1,300,475,186	$5,142	$3.09	34%
$55,685,981	$5,910	$2.10	43%	$87,608,528	$9,297	$2.73	31%
$217,884,787	$1,803	$1.57	45%	$636,431,111	$5,266	$2.66	25%
($274,747,191)	($251)	$0.96	93%	$3,150,433,367	$2,879	$1.48	61%
$534,026,521	$3,050	$1.70	61%	$1,229,863,538	$7,025	$2.61	39%
$156,233,475	$4,994	$1.81	47%	$361,655,178	$11,560	$2.87	30%
$499,457,613	$4,937	$6.14	16%	$965,885,681	$9,547	$10.95	9%
$984,576,494	$5,740	$6.89	12%	$1,791,178,338	$10,442	$11.71	7%
$7,421,447	$2,231	$1.35	57%	$27,444,050	$8,251	$2.29	32%
$52,201,788	$3,904	$1.91	88%	$124,203,000	$9,288	$3.16	53%
($18,804,461)	($1,864)	$0.76	n/a	$21,730,202	$2,154	$1.28	66%
$48,416,334	$9,358	$4.61	27%	$77,074,009	$14,896	$6.74	19%
$52,928,305	$3,307	$2.71	23%	$110,019,847	$6,874	$4.56	14%
$5,006,534,543	$6,659	$4.94	25%	$9,834,718,926	$13,081	$8.74	14%
$1,017,009,921	$7,137	$3.41	20%	$2,052,939,845	$14,408	$5.87	11%
$52,634,122	$7,610	$3.69	17%	$83,683,965	$12,100	$5.28	12%
$134,212,446	$9,580	$3.32	19%	$208,461,564	$14,881	$4.61	13%
$23,820,347	$5,641	$4.60	36%	$46,329,482	$10,971	$8.00	21%
$213,597,971	$6,998	$4.26	26%	$355,248,862	$11,639	$6.42	18%
$19,433,324,353	**$3,315**	**$1.70**	**56%**	**$45,618,357,457**	**$7,782**	**$2.64**	**37%**

§ Analysis applies adjustment for potential non-switchers who are exempt from public school prior enrollment requirements

** "n/a" in the break-even switcher rate column indicates that the short-run break-even switcher rate is greater than 100%, meaning there is no break-even switcher rate. This implies that the program will generate net costs for state and local taxpayers combined in the short run, regardless of the switcher rate.

TABLE 4 Summary of Cumulative Savings (Or Cost) for 48 Private Education Choice Programs Through FY 2022, by State

State	Number of Programs	Total Number of Scholarships Awarded Since Program Inception	Lower Bound (Short-Run) Fiscal Effects			Upper Bound (Long-Run) Fiscal Effects		
			Short-Run Cumulative Savings from Inception Through 2021-22	Short-Run Cumulative Savings per Student from Inception Through 2021-22	Short-Run Savings for Each Dollar Spent	Long-Run Cumulative Savings from Inception Through 2021-22	Long-Run Cumulative Savings per Student from Inception Through 2021-22	Long-Run Savings for Each Dollar Spent
Alabama	1	32,354	($2,021,832)	($62)	$0.99	$113,534,270	$3,509	$1.65
Arizona	5	916,799	$1,589,679,944	$1,734	$1.51	$4,619,846,016	$5,039	$2.48
Arkansas	1	1,989	$21,197,306	$10,657	$2.74	$30,117,027	$15,142	$3.48
District of Columbia	1	26,237	$74,331,143	$2,833	$1.33	$395,092,450	$15,059	$2.76
Florida	3	1,672,460	$3,692,346,147	$2,208	$1.34	$8,826,598,995	$5,278	$1.82
Georgia	2	229,724	$1,107,475,677	$4,821	$2.00	$1,998,679,524	$8,700	$2.81
Illinois	1	31,284	$156,233,475	$4,994	$1.81	$361,655,178	$11,560	$2.87
Indiana	2	418,688	$1,078,977,845	$2,577	$1.71	$3,109,771,030	$7,427	$3.06
Iowa	1	171,538	$984,576,494	$5,740	$6.89	$1,791,178,338	$10,442	$11.71
Kansas	1	3,326	$7,421,447	$2,231	$1.35	$27,444,050	$8,251	$2.29
Louisiana	3	86,939	$183,723,153	$2,113	$1.39	$593,156,021	$6,823	$2.26
Maryland	1	17,097	$34,547,589	$2,021	$1.86	$74,470,332	$4,356	$2.85
Mississippi	2	4,332	$31,159,291	$7,193	$2.22	$48,167,932	$11,119	$2.88
Nevada	1	10,086	($18,804,461)	($1,864)	$0.76	$21,730,202	$2,154	$1.28
New Hampshire	1	5,174	$48,416,334	$9,358	$4.61	$77,074,009	$14,896	$6.74
North Carolina	3	89,178	$379,577,522	$4,256	$2.01	$692,111,973	$7,761	$2.83
Ohio	5	628,070	$2,864,532,122	$4,561	$1.89	$6,594,899,295	$10,500	$2.96
Oklahoma	2	22,933	$96,884,898	$4,225	$2.21	$181,060,049	$7,895	$3.26
Pennsylvania	2	894,295	$6,023,544,464	$6,736	$4.56	$11,887,658,771	$13,293	$8.03
Rhode Island	1	6,916	$52,634,122	$7,610	$3.69	$83,683,965	$12,100	$5.28
South Carolina	1	14,009	$134,212,446	$9,580	$3.32	$208,461,564	$14,881	$4.61
South Dakota	1	4,223	$23,820,347	$5,641	$4.60	$46,329,482	$10,971	$8.00
Tennessee	1	1,027	$9,508,028	$9,258	$2.30	$13,145,223	$12,800	$2.80
Utah	1	12,835	$58,986,436	$4,596	$1.90	$94,721,815	$7,380	$2.45
Virginia	1	30,523	$213,597,971	$6,998	$4.26	$355,248,862	$11,639	$6.42
Wisconsin	4	529,671	$586,766,446	$1,108	$1.16	$3,372,521,086	$6,367	$1.90
All Programs	**48**	**5,861,708**	**$19,433,324,353**	**$3,315**	**$1.70**	**$45,618,357,457**	**$7,782**	**$2.64**

Table 4 above displays results aggregated by state. Eleven of the 26 states in the study operated multiple education choice programs included in the present analysis, and choice programs generated cumulative net fiscal benefits for 24 of the 26 states in the study. Alabama and Nevada, each with one tax-credit scholarship program, incurred small cumulative net costs in the short run through FY 2022. Choice programs in Georgia and Pennsylvania generated significant fiscal benefits for taxpayers in the long run, worth an estimated $2.0 billion and $11.9 billion, respectively.

Appendix Table 2 and Appendix Table 3 aggregate the fiscal effects by program years in operation and by program type.

A NEW ERA: UNIVERSAL EDUCATION CHOICE

Since the Covid-19 pandemic, 12 states introduced or expanded choice programs that are open to all or almost all K–12 students: Alabama, Arizona, Arkansas, Florida, Indiana, Iowa, Louisiana, North Carolina, Ohio, Oklahoma, Utah, and West Virginia. None of these universal programs are included in the present fiscal analysis because none of them were universal as of FY 2022. They also lacked at least three years of data, one of the inclusion criteria for this analysis.

Although universal programs have been around for only a couple years, many claims about their potential fiscal impacts have appeared in various

media and social media outlets. For example, one common claim is that 70% to 90% of ESA students were already enrolled in private schools. Consequently, the reporting goes, these programs are causing a "budget meltdown" for some states.[32] Given these claims, and the growing interest of parents, legislators, and others, it is appropriate to investigate their fiscal effects.

SWITCHERS IN UNIVERSAL CHOICE PROGRAMS

Prior to the universal choice era, opponents of education choice often claimed that targeted programs would wreak havoc on state budgets and harm or even destroy public schools. Some critics claimed that voucher programs could "dramatically destabilize public school systems and communities."[33] Those concerns have not materialized, despite decades' worth of choice programs.[34]

As the universal era of choice is upon us, choice opponents levy somewhat different criticisms by claiming that the vast majority of students participating in education choice programs were already enrolled in private schools. Early signs suggest that "doom and gloom" claims may be overstated.

Nearly every ESA, voucher, and tax-credit scholarship program in existence before the recent surge in universal-type choice programs were targeted in their scope. These programs were typically only open to students with disabilities, those from low-income backgrounds, or from some other specific category. Many of them are only open to students who have attended a public school. Random assignment studies of such targeted programs find switcher rates of around 90%, on average.[35]

As states enter a new era of universal education choice, programs are open to students already enrolled in nonpublic education settings such as private schools, home schools, micro schools, and hybrid homeschools. Consequently, the switcher rates for these programs will likely be lower than for programs with more limited eligibility. A universal program could have important fiscal implications because providing public funds for the education of non-switchers creates a cost, and non-switchers, unlike switchers, do not generate any fiscal savings that offset all or part of the cost of their ESA, voucher, or scholarship.

One claim about switchers tends to be overstated. Opponents insist that 70% to 90% of ESA students were already in private schools, but this claim is misleading and lacks proper context. Government and media reports disclose the number of ESA students who were in public school immediately before ESA enrollment.[36] For example, the state of Arizona reports the percentage of ESA students "attending public school immediately before ESA enrollment." Choice opponents use this data point to claim that 20% of ESA students are switchers. This is a poor proxy, however, for the switcher rate in states that operate multiple choice programs. This approach significantly underestimates the true switcher rate because it fails to account for students enrolled in public schools before transferring from *other* choice programs.

These reports lack the number of ESA students who transferred from other choice programs. Opponents and some reports mistakenly include these students in the "non-switcher" column and insinuate that these students do not generate fiscal benefits. This error significantly understates the switcher rate because some ESA students switched from public schools to private settings via other choice programs. Reporting the share of ESA students who were in public school prior to participating in *any* choice program would allow more accurate inferences about switcher rates, though this approach does not solve the bias issue entirely. For example, kindergarten students usually don't have a record of prior public school enrollment, though some of these students are diverted from enrolling in public schools when they participate in a choice program.

ESA programs in Iowa and New Hampshire also allow students already enrolled in nonpublic schools to participate. Although these programs currently have income limits, they do not require prior school enrollment, so they can provide some insight into universal programs elsewhere.[37]
Opponents argue that 89% of participants in New

Hampshire's ESA program were already in private school during the program's first year, suggesting a switcher rate of merely 11%.[38] A more detailed examination, however, suggests the true rate is significantly higher at roughly 45%—more than four times the initially cited 11%. The 11% switcher rate is based on the number of ESA students enrolled in public schools immediately before signing up for the ESA program. This is a poor proxy for the switcher rate because 70% of students in New Hampshire's ESA program transferred from the state's tax-credit scholarship program. Again, choice critics erroneously count all these students in the "non-switcher" column when many of them originated in public schools before they participated in any education choice program.

In Iowa, media reports claimed 66% of ESA students were already outside the public education sector.[39] This suggests a 34% switcher rate. However, when considering more complete data, as done in a recent policy brief, the actual switcher rate for the program is likely significantly higher (around 70%).[40]

The switcher rate is a key component to any fiscal analysis of any choice program, including Arizona's universal ESA program. Government agencies and program administrators should collect better data to provide policymakers with a more accurate understanding of universal choice programs. This will also help improve fiscal analyses of these programs.

ARIZONA FISCAL ANALYSIS

In this section, we conduct a fiscal analysis of Arizona's ESA program in its universal form. The program was expanded to allow all K–12 students in the state to be eligible starting in FY 2023. Because the main analysis relied on federal data that were available through FY 2022, the analysis could not include Arizona's ESA program in its universal form. The analysis in this section uses FY 2023 and FY 2024 data from the Arizona Department of Education and Joint Legislative Budget Committee.[41]

One challenge to any fiscal analysis of a choice program is properly accounting for the group of participating students who are switchers rather than non-switchers. Some of the Arizona Department of Education's quarterly reports on the ESA program can help. The information reported, however, is incomplete, as it reports the number of new ESA students "in public school immediately before ESA enrollment."

Roughly one in five ESA students (21%) in FY 2023 were enrolled in a public school in the year before participating in the program. For FY 2024, this rate was 47%. But these rates are likely inaccurate, as an undetermined number of ESA students had been participating in one of the state's four tax-credit scholarship programs. These former tax-credit scholarship students are likely switchers because these programs target disadvantaged students. Moreover, the Low-Income Corporate Income Tax Credit Scholarship Program and "Switcher" Individual Income Tax Credit Scholarship Program both have public school prior enrollment requirements. Thus, the 21% and 47% figures may underestimate the true switcher rates for FY 2023 and FY 2024 and consequently underestimate potential savings from the program.

These switcher rates are likely significantly below the truth because they count students who transfer from the tax-credit scholarship programs to the ESA program as "non-switchers." Therefore, the analysis adjusts for this bias by first assuming that 70% of new ESA students transferred from other programs. This assumption is based on data from New Hampshire's ESA program, where 70% of ESA students transferred from the Education Tax Credit program. The analysis then assumes that 85% of students who used tax-credit scholarships before joining the ESA program are switchers. This assumption is based on the body of random assignment research on private choice programs, discussed in the Methods section of this report.

The analysis assumes that 65.8% of total costs are variable in the short run. This estimate is based on data the Arizona Department of Education reported to the U.S. Department of Education.[42] The Methods section above (page 28) includes details about how this calculation is derived. For FY 2023, the estimated short-run variable costs per student is $9,225 (= 0.658 x $14,025). For FY 2024, this estimate is $9,651.

This analysis also accounts for the cost differential for educating students with special needs. It uses the same estimated variable cost for students with disabilities as the national analysis in a prior section of this report, or $16,986 (=1.91 x $10,401 per-pupil current expenditures). The Methods section includes details about this calculation. Notably, more than half of ESA students with disabilities either have autism or have other severe or multiple disabilities which the analysis does not account for. The estimated savings again will be underestimated, providing another layer of caution.

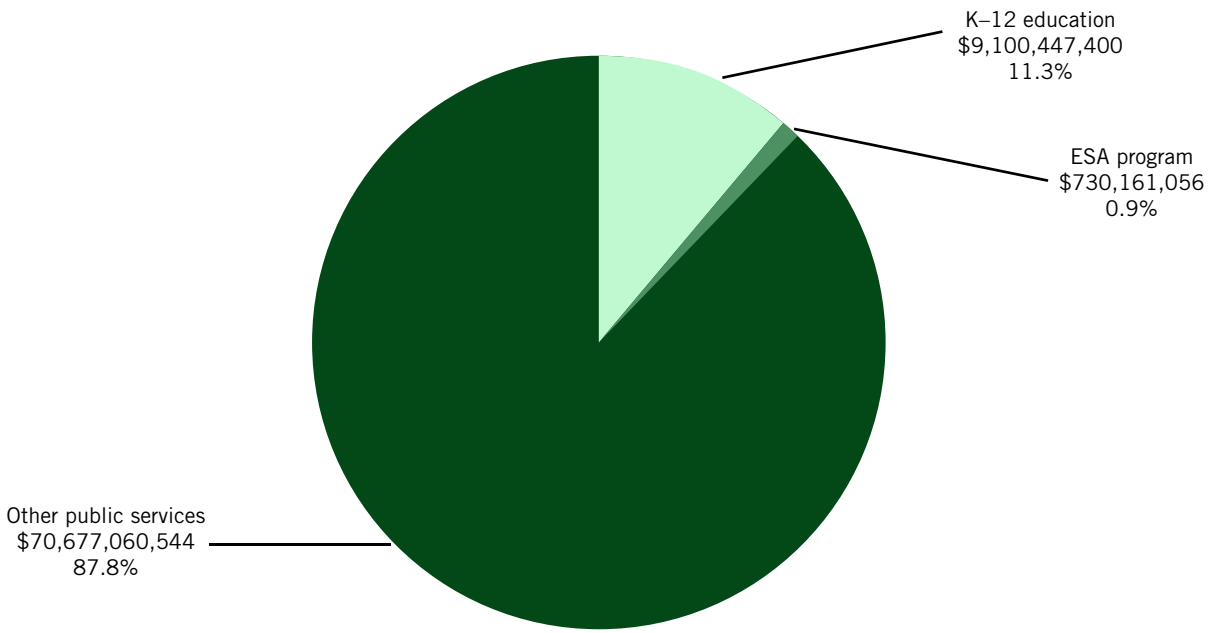
Estimates for fiscal effects use the same methods as the previous national analysis. The following section walks through the calculations for estimating the fiscal effects of the Arizona ESA program on state and local taxpayers combined for FY 2024. It does not isolate the fiscal impact on the state's budget. Rather, it provides an overall fiscal effect estimate from the perspective of an Arizona taxpayer.

Short-Run Fiscal Effects Estimates, FY 2024

According to state data, 74,996 students participated in the ESA program through March 31, 2024.[43] Of these students, 13,216 had disabilities while 61,780 students did not have a documented disability.

Of the 61,780 ESA students without disabilities, the Arizona Department of Education (AZ DOE) identified 47%, or 29,037 ESA students, as being enrolled in public school immediately prior to receiving an ESA (i.e., switchers). Thus, 32,743 ESA students without disabilities were enrolled in a nonpublic school setting immediately before entering the ESA program. Some of these students, however, likely transferred from one of Arizona's four tax-credit scholarship programs. As the AZ DOE does not report this information, the present analysis applies an adjustment to the estimated number of switchers. It first assumes that 70% of the students in this group transferred from one of Arizona's four tax-credit scholarship programs into the ESA program, or 22,920. It then assumes that 85% students in this group are switchers prior to participating in a tax-credit scholarship program, or 19,482 (= 0.85 x 22,920). Thus, there are an estimated 48,519 ESA students who are switchers.

FIGURE 10 **Arizona State Expenditures on ESA Program, K–12 Education, and Other Public Services, FY 2024**



Sources: Arizona Department of Education; National Association of State Budget Officers (2023), 2023 State Expenditure Report: Fiscal Years 2021-2023, https://higherlogicdownload.s3.amazonaws.com/NASBO/9d2d2db1-c943-4f1b-b750-0fca152d64c2/UploadedImages/SER%20Archive/2023_State_Expenditure_Report-S.pdf

(29,037 switchers identified in the AZ DOE report) + (19,482 switchers who transferred from a tax-credit scholarship program to the ESA program) = 48,519 total switchers

The average ESA amount is $9,736 and represents 66% of the average total cost per student for K–12 public schools.

Prior to the consideration of savings, the total expenditure of the ESA program for the state is about $730 million:

(74,996 ESA students) x ($9,736 per ESA) = $730,161,056

This amount represents 0.9% of all other state-funded public services (Figure 10).

State and local taxpayers enjoy nearly $225 million in short-run benefits from ESA students with disabilities switching from the public school system:

(13,216 ESA students with disabilities) x ($16,986 average short-run variable cost per student with a disability) = $224,486,976

The short-run fiscal benefits from ESA students without disabilities who are switchers is even greater:

(48,519 switchers) x ($9,651 average short-run variable cost per student) = $468,277,422

The combined short-run fiscal benefits are nearly $700 million:

($224,486,976 fiscal benefits from ESA students with disabilities) + ($468,277,422 fiscal benefits from switchers) = $692,764,398

The short-run net fiscal impact for state and local taxpayers combined is a net cost of $37 million:

($692,764,398 fiscal benefits from ESA students with disabilities and switchers) – ($730,161,056 cost for ESA program) = –$37,396,658 net cost

The short-run net fiscal impact for state and local taxpayers combined is a cost of $37 million, or $34 for each public school student in Arizona. Note that this short-run net cost represents 0.2% of all local, state, and federal funding that taxpayers direct to the state's public school systems. It also represents 0..05% of the state's total budget for all service areas.

Long-Run Fiscal Effects Estimates, FY 2024

Over time, districts will be able to reduce educational expenses by cutting costs in response to having to care for fewer students. Reductions in educational costs means lower property taxes that Arizona households must pay to support K–12 public schools. Alternatively, if districts choose not to reduce spending given their lower costs, then students who remain will have access to more resources on a per-pupil basis. The analysis assumes the long-run benefit for each ESA student diverted from public school is the same as the average total cost per student for Arizona public school systems, or $14,673. The estimated amount for students with disabilities is $19,865.

The total cost of the ESA program for the state is $730 million:

(74,996 ESA students) x ($9,736 per ESA) = $730,161,056

The long-run fiscal benefits for state and local taxpayers not educating ESA students with disabilities in the public school system is more than $260 million:

(13,216 ESA students with disabilities) x ($19,865 average long-run variable cost per student with a disability) = $262,535,527

The long-run fiscal benefits from ESA students without disabilities who are switchers is $712 million:

(48,519 switchers) x ($14,673 average long-run variable cost per student) = $711,919,287

The combined long-run fiscal benefits is nearly $975 million:

($262,535,527 fiscal benefits from ESA students with disabilities) + ($711,919,287 fiscal benefits from switchers) = $974,454,814

The long-run net fiscal effect for state and local taxpayers combined is more than $244 million in savings:

($974,454,814 fiscal benefits from ESA students with disabilities and switchers) – ($730,161,056 cost for ESA program) = $244,293,758 net fiscal benefits

For the FY 2024 cohort of ESA students, the long-run net fiscal impact for state and local taxpayers combined is a net benefit of $244 million annually, or $219 for each public school student in Arizona. During the first few years from when this cohort of students enters the program, the combined state and local fiscal effects will be close to the short-run estimates. As time goes on and districts face more opportunities to adjust their operations and budgets, the net fiscal effects from this FY 2024 cohort of students on state and local taxpayers combined will be closer to the long-run estimates.

The fiscal effects for the program's first year of universality are much smaller and qualitatively similar to those for FY 2024. One difference is that the short-run net fiscal impact for FY 2023 is an estimated small fiscal benefit while the present analysis estimated a small negative net fiscal effect in the short run for FY 2024.

This analysis is exceedingly cautious and understates the actual savings because it does not account for the greater savings from students with severe or multiple disabilities. Table 5 summarizes the results.

TABLE 5 Summary of Fiscal Effects Results for Arizona ESA Program, FY 2023 and FY 2024

	FY 2023	FY 2024
Average ESA award per student	$9,858	$9,736
Number of ESA students	29,176	74,996
ESA program cost	$287,617,008	$730,161,056
Participation		
Total number of ESA students	29,176	74,996
Number of ESA students enrolled in public school immediately before entering the ESA program (per AZ DOE report)	6,157	29,037
Number of ESA students likely transferred from a tax-credit scholarship program	8,287	22,920
Number of ESA students likely transferred from a tax-credit scholarship program who are switchers	7,044	19,482
Est. total number of switchers	13,201	48,519
Short-run fiscal effects estimates		
Total short-run fiscal benefits	$311,685,216	$692,764,398
Short-run net fiscal effect	**$24,068,208**	**($37,396,658)**
Total taxpayer support for AZ K–12 public schools	$15,574,343,400	$16,356,203,800
Net fiscal effect as % of taxpayer support for AZ K–12 public schools	0.2%	0.2%
Total state expenditures (all services)	$80,507,669,000	$80,507,669,000
Net fiscal effect as % of total state budget for all public services	0.03%	0.05%
Long-run fiscal effects estimates		
Total long-run fiscal benefits	$407,234,461	$974,454,814
Long-run net fiscal effect	**$119,617,453**	**$244,293,758**

Sources: Arizona Department of Education; Arizona Joint Legislative Budget Committee; U.S. Department of Education, National Center for Education Statistics; National Association for State Budget Officers
Note: Parentheses denotes a negative value.

INDIRECT BENEFITS

Choice programs can have direct financial benefits for taxpayers, but they also can be good in less obvious ways. For instance, some studies indicate that choice programs can lower crime rates, teen pregnancy, adolescent suicide rates, and adult mental health issues, thereby enhancing societal welfare.[44] If this is true, the fiscal savings reported here may understate the fiscal benefits of choice. Additionally, choice programs can sustain private schools that might otherwise close, preventing a scenario where many students might need to transfer to public schools, thus imposing significant fiscal costs on taxpayers. Furthermore, both participants in choice programs and those remaining in public schools may experience benefits such as academic improvements, learning gains, and enhanced civic engagement.[45] These outcomes could provide further economic benefits for society.

CONCLUSION

This report analyzes the fiscal effects of education choice programs on taxpayers. Because taxpayers contribute through both state and local taxes, the analysis estimates the combined fiscal effects on state and local taxpayers.

The report provides estimates for the fiscal benefits of education choice programs through FY 2022, with net savings to taxpayers ranging from $19.4 billion to $45.6 billion, or between $3,300 and $7,800 per participating student. For every dollar invested in choice programs, taxpayers received fiscal benefits ranging from $1.70 to $2.64. All programs in the study have operated for at least five years, suggesting that the actual fiscal effects are closer to the long-run estimates, generating net fiscal benefits for state and local taxpayers combined. Savings are likely closer to the long-run estimates because districts encounter increasing opportunities to refine their operations and budgets over time.

Given that education choice programs are financed at a much lower cost than public school systems, the results of this fiscal analysis are consistent with expectations. Although education choice programs serve 2.4% of the publicly funded K–12 student population, they account for just 1.0% of total public educational spending. Policymakers and citizens alike should keep this in mind when they assess claims that private education choice programs disadvantage students who stay in district schools.

States are increasingly expanding educational opportunities for families. Eleven states now offer all or most K–12 families access to public funds that help them choose the educational setting and educational services that best suit their children. As states open choice to students already enrolled in a nonpublic school, more questions and concerns will arise about the fiscal impact of such programs. Arizona expanded its ESA program in FY 2023, making it universal. This expansion led to concerns about the program's effect on the state's budget. After accounting for the propensity of students switching from public schools via choice, the short-run net fiscal impact is a $37 million net cost for state and local taxpayers combined. This net cost represents 0.2% of what the state spends on K–12 public education. It also represents 0.05% of the state's total budget for all public services, including K–12 education. These results should call into question claims that education choice is "blowing a hole" in the state's budget. In addition, as the program matures and school districts can more easily adjust to enrollment declines, Arizona taxpayers will likely reap significant savings from their expanded ESA program in upcoming years, estimated at $244 million annually.

In short, it is hard to argue that expanding educational opportunities through education choice programs would financially harm public school systems. Numerous studies have explored the impact of education choice programs on students in nearby public schools. Almost all report that students who stay in district schools see modest and positive improvements in their learning. This evidence contradicts the claims that students in district schools suffer when education choice expands, suggesting instead that the opposite is true, as students who remain in district public schools experience modest academic gains and even more resources devoted to their education via fiscal savings from choice programs.

APPENDIX 1

Summary of Prior Public School Enrollment Requirements and Switcher Rates Used for Fiscal Analysis

Program Name	Type	Special Needs	Prior public school enrollment requirement
Arizona's Empowerment Scholarship Account*	ESA		Yes, with exemptions
Florida's Gardiner Scholarship Program†	ESA	X	None
Mississippi's Equal Opportunity for Students with Special Needs Program†	ESA	X	None
Personal Education Savings Accounts	ESA	X	None
Tennessee Individualized Education Account Program	ESA	X	Yes
Arkansas Succeed Scholarship Program for Students with Disabilities	V	X	Yes, with exemptions
D.C.'s Opportunity Scholarship Program†	V		None
Florida's John M. McKay Scholarships for Students with Disabilities Program*	V	X	Yes, with exemptions
Georgia Special Needs Scholarship Program	V	X	Yes
Indiana's Choice Scholarship Program‡	V		Yes, with exemptions
Louisiana Scholarship Program†	V		Yes, with exemptions
Louisiana's School Choice Program for Certain Students with Exceptionalities†	V	X	None
Maryland Broadening Options and Opportunities for Students Today (BOOST) Program‡	V		None
Mississippi's Dyslexia Therapy Scholarship for Students with Dyslexia Program	V	X	Yes, with exemptions
North Carolina's Special Education Scholarship Grants for Children with Disabilities*	V	X	Yes, with exemptions
North Carolina's Opportunity Scholarship†*	V		Yes, with exemptions
Ohio's Cleveland Scholarship Program‡	V		None
Ohio's Autism Scholarship†	V	X	None
Ohio's Educational Choice Scholarship Program†*	V		Yes, with exemptions
Ohio's Jon Peterson Special Needs Scholarship Program	V	X	Yes
Ohio's Income-Based Scholarship Program†	V		None
Oklahoma's Lindsey Nicole Henry Scholarship Program for Children with Disabilities	V	X	Yes, with exemptions
Utah's Carson Smith Special Needs Scholarship†	V	X	None
Wisconsin's Milwaukee Parental Choice Program†	V		None
Wisconsin - Racine Parental Choice Program†*	V		Yes, with exemptions
Wisconsin's Parental Choice Program (Statewide)†	V		None
Wisconsin Special Needs Scholarship Program*	V	X	Yes
Alabama's Education Scholarship Program‡	S		Yes, with exemptions
Arizona's Original Individual Income Tax Credit Scholarship Program†	S		None
Arizona's Low-Income Corporate Income Tax Credit Scholarship Program†*	S		Yes, with exemptions
Arizona's Lexie's Law for Disabled and Displaced Students Tax Credit Scholarship Program†	S	X	None
Arizona's Switcher Individual Income Tax Credit Scholarship Program†*	S		Yes, with exemptions
Florida Tax Credit Scholarship Program‡	S		None
Georgia's Qualified Education Expense Tax Credit†*	S		Yes, with exemptions
Illinois Invest in Kids Program	S		None
Indiana's School Scholarship Tax Credit†	S		None
Iowa's School Tuition Organization Tax Credit†	S		None
Kansas's Tax Credit for Low Income Students Scholarship Program	S		Yes
Louisiana's Tuition Donation Rebate Program‡	S		Yes, with exemptions
Nevada Educational Choice Scholarship Program	S		None
New Hampshire's Education Tax Credit Program‡	S		None
Oklahoma Equal Opportunity Education Scholarships†	S		None
Pennsylvania's Educational Improvement Tax Credit Program†	S		None
Pennsylvania's Opportunity Scholarship Tax Credit Program†	S		None
Rhode Island's Tax Credits for Contributions to Scholarship Organizations†	S		None
South Carolina's Educational Credit for Exceptional Needs Children†	S	X	None
South Dakota Partners in Education Tax Credit Program	S		None
Virginia's Education Improvement Scholarships Tax Credits Program†*	S		Yes, with exemptions

ESA - Education Savings Account Program, V - Voucher Program, S - Tax-Credit Scholarship Program

* Analysis applies adjustment for potential non-switchers who are exempt from public school prior enrollment requirements
† Analysis for this program used data from random assignment studies of educational choice programs to calculate or inform assumptions about switcher rates
‡ Analysis for this program calculated switcher rate based on data publicly reported or directly obtained from administrative agency

Exemptions from public school prior enrollment requirements	Switcher Rates	Source Used to Inform Switcher Rates
Entering kindergarten, foster care, resides on Native American reservation, from active duty military families	85% of exempt students	RCT
N/A	90% of all students	RCT
N/A	90% of all students	RCT
N/A	90% of all students	RCT
None	100% of all students	N/A
Received a waiver from district superintendent, military	100% of all students	N/A
N/A	Varies by year	RCT
None prior to FY 2018; from FY 2018, kindergarten students who received specialized services in PK	100% up to FY 2017, 90% of exempt students from FY 2018	RCT, data from govt. agency
None	100% of all students	N/A
Numerous pathways	Varies by year	Estimates reported by other researchers
Entering kindergarten	Varies by year	RCT
N/A	90% of all students	RCT
N/A	Varies by year	Data from govt. agency
State-approved private school that emphasizes dyslexia intervention	100% of all students	Data not available
Received special services in PK, K, G1, military	90% of exempt students	RCT
K, G1, foster, military, adopted	85% of exempt students	RCT, data from govt. agency
N/A	Varies by year	Data from govt. agency
N/A	90% of all students	RCT
Enrolled in private school and entering HS but would o/w attend D/F school; enrolled in K–12 for first time and would be assigned to qualifying school	85% of exempt students	RCT
None	100% of all students	N/A
N/A	85% of all students	RCT
Military, adopted, out-of-home placement	100% of all students	Data not available
N/A	90% of all students	RCT
N/A	90% of all students	Costrell (2010), RCT
Not enrolled in a school previous year, K, G1, G9	85% of exempt students	RCT, data from govt. agency
N/A	85% of all students	RCT
N/A	100% of all students	N/A
Attending school in failing district	Varies by year	Data from govt. agency
N/A	85% of all students	RCT
Kindergarten, SwD, military dependent	85% of all students	RCT
N/A	90% of all students	RCT
Kindergarten, PK SwD, military dependent	85% of all students	RCT
N/A	Varies by year	Data from administrative agency
PK, K, G1	85% of exempt students	RCT
N/A	85% of exempt students	RCT
N/A	85% of all students	RCT
N/A	85% of all students	RCT
Younger than age six	85% of exempt students	RCT
Kindergarten and participated in in LSP in prior year	Varies by year	Data from govt. agency
N/A	85% of all students	RCT
In 2019-20, program will require 40% switchers	Varies by year	Data from govt. agency
N/A	85% of all students	RCT
N/A	85% of all students	RCT
N/A	85% of all students	RCT
N/A	85% of all students	RCT
N/A	90% of all students	RCT
N/A	85% of all students	RCT
PK, K, G1, at-risk 4-year-olds	85% of exempt students	RCT

K - Kindergarten, G1 - First grade, PK - Pre-Kindergarten.

Notes: For programs that do not have exemptions to prior public enrollment requirements, the analysis assumes all students are switchers. Participation data were usually not available for certain groups of students such as students from active duty-military families, students in foster care, and adopted students. For cases where these data are unavailable, the analysis assumes all these students are switchers. For programs that allow exemptions to prior public enrollment requirements for certain grade level students, the analysis assumes a uniform distribution of students across grades when grade-level enrollment data were not available.

APPENDIX 2

Summary of Cumulative Savings (or Cost) for 48 Private Education Choice Programs Through FY 2022, by Years in Operation

Years in Operation	Number of Programs	Number of Students	Short-Run Cumulative Savings from Inception Through FY 2022	Short-Run Cumulative Savings per Student from Inception Through FY 2022	Long-Run Cumulative Savings from Inception Through FY 2022	Long-Run Cumulative Savings per Student from Inception Through FY 2022
3-5 years	2	33,186	$174,960,767	$5,272	$384,357,614	$11,582
6-9 years	15	396,899	$1,505,808,532	$3,794	$3,168,449,883	$7,983
10+ years	31	5,431,622	$17,752,555,054	$3,268	$42,065,549,959	$7,745

APPENDIX 3

Summary of Cumulative Savings (Or Cost) for 48 Private Educational Choice Programs Through FY 2022, By Program Type

Program Type	Number of Programs	Number of Students	Short-Run Cumulative Savings from Inception Through FY 2022	Short-Run Cumulative Savings per Student from Inception Through FY 2022	Long-Run Cumulative Savings from Inception Through FY 2022	Long-Run Cumulative Savings per Student from Inception Through FY 2022
ESA	5	153,643	$512,538,536	$3,336	$1,040,204,461	$6,770
Voucher	22	2,240,554	$8,830,833,682	$3,941	$19,644,122,299	$8,768
Tax-Credit Scholarship	21	3,467,510	$10,089,952,135	$2,910	$24,934,030,698	$7,191

NOTES

1. Hilary Wething and Josh Bivens, "Vouchers Undermine Efforts to Provide an Excellent Public Education for All," Economic Policy Institute, Working Economics Blog, 2024, https://www.epi.org/blog/vouchers-undermine-efforts-to-provide-an-excellent-public-education-for-all/

2. Urban Institute and Brookings Institution, "What Are State Balanced Budget Requirements and How Do They Work?" in *Briefing Book: A Citizen's Guide to the Fascinating (Though Often Complex) Elements of the US Tax System*, Tax Policy Center, updated May 2020, https://www.taxpolicycenter.org/briefing-book/what-are-state-balanced-budget-requirements-and-how-do-they-work. All states, except North Dakota and Wyoming, have balanced budget requirements. While the specifics of these requirements differ, most states enforce stringent regulations.

3. Huriya Jabbar, Carlton J. Fong, Emily Germain, Dongmei Li, Joanna Sanchez, Wei-Ling Sun, and Michelle Devall (2019), The competitive effects of school choice on student achievement: A systematic review. *Educational Policy*, 36(2), pp. 1-35, https://doi.org/10.1177/0895904819874756; Dennis Epple, Richard E. Romano, and Miguel Urquiola, "School Vouchers: A Survey of the Economics Literature," *Journal of Economic Literature* 55, no. 2 (2017): 441–92, http://dx.doi.org/10.1257/jel.20150679; Anna J. Egalite and Patrick J. Wolf, "A Review of the Empirical Research on Private School Choice," *Peabody Journal of Education* 91, no. 4 (2016): 441–454, http://dx.doi.org/10.1080/0161956X.2016.1207436; Anna J. Egalite, "Measuring Competitive Effects from School Voucher Programs: A Systematic Review," *Journal of School Choice* 7, no. 4 (2013): 443–464, http://dx.doi.org/10.1080/15582159.2013.837759

4. Ed Choice, *The 123s of School Choice: What the Research Says about Private School Choice Programs in America, 2024 edition* (2024), https://www.edchoice.org/wp-content/uploads/2024/06/2024-123s-of-School-Choice.pdf. Twenty-nine empirical studies have examined the competitive effects of private school choice programs. Of these, 26 detected that private school choice programs improved the performance of nearby schools, two studies estimated a negative effect, and one study could not detect any effect.

5. There were 61 ESA, voucher, and tax-credit scholarship programs in operation in FY 2022. "School Choice in America Dashboard," EdChoice, last modified June 7, 2024, http://www.edchoice.org/school-choice/school-choice-in-america

6. Because we are comparing the amount of public funding devoted to education choice programs and funding for public schools, we use revenue data instead of total expenditures. Expenditure and revenue amounts are close and render no, or very little, difference in the calculations for the choice shares.

7. This endnote was intentionally removed during editing and left blank.

8. This 1.6% rate reflects total funding for choice programs as a percentage of state spending on both public and private K–12 education.

9. Jabbar et al., "Competitive Effects of School Choice"; Epple, Romano, and Urquiola, "School Vouchers Survey"; Egalite and Wolf, "Review of Private School Choice"; Egalite, "Measuring Competitive Effects."

10. Public school estimates reflect the cost to educate participating students in the public education choice system. Estimates are weighted by students participating in education choice programs and account for the higher cost of serving students with special needs. The analysis assumes that total per-pupil costs for students with special needs is 1.91 times the state's average per-pupil current expenditures for public schools. See Methods section for further details.

11. Arizona Department of Education, *Empowerment Scholarship Account (ESA) Quarterly Report to the Arizona State Board of Education: Fiscal Year 2022 Quarter 4* (July 2022), https://www.azed.gov/sites/default/files/2022/09/FY2022%20Q4%20ESA%20Report.pdf

12. Martin F. Lueken, *How States Protect Funding for K–12 Public Schools: A Summary of State Policies*, EdChoice, 2023, https://www.edchoice.org/wp-content/uploads/2023/11/Hold-Harmless-POLICY-SCAN-1.pdf; Aaron Garth

Smith and Christian Barnard, *Billions: The Cost of State Hold Harmless Policies in K–12 Education*, Reason Foundation, June 2024, https://reason.org/wp-content/uploads/the-cost-of-state-hold-harmless-policies-in-k-12-education.pdf. At least 34 states have declining enrollment provisions, hold harmless policies, or both.

13. Smith and Barnard, Billions: *The Cost of State Hold Harmless Policies*. Roughly 30% of Oklahoma schools, half of Missouri districts, and 85% of California districts received declining enrollment funding in FY 2022 or FY 2023 for students no longer served by the school districts.

14. Figure 9 provides a simplified depiction of the relationship between enrollment and revenue. It is not based on actual data.

15. Benjamin Scafidi, *The Fiscal Effects of School Choice Programs on Public School Districts*, Friedman Foundation for Educational Choice, 2012, https://www.edchoice.org/wp-content/uploads/2015/07/The-Fiscal-Effects-of-School-Choice-Programs.pdf. Scafidi observed that some school districts in Georgia, which lost students for reasons unrelated to school choice, managed to reduce significant costs more than proportionate to their student decline. He also noted, however, that some of these districts increased administrative costs despite losing students for non-school choice reasons.

16. EdChoice, "School Choice in America Dashboard," last modified June 7, 2024, http://www.edchoice.org/school-choice/school-choice-in-america

17. Thus, we use total tax credits per student as the cost of a tax-credit scholarship program, as opposed to using the average scholarship per student. The former concept measures the total cost of the program.

18. James R. Hines and Richard H. Thaler, "The Flypaper Effect," *Journal of Economic Perspectives* 9, no. 4 (1995): 217–26, https://pubs.aeaweb.org/doi/pdfplus/10.1257/jep.9.4.217

19. Lueken, *How States Protect Funding for K–12 Public Schools*. At least 34 states have declining enrollment provisions, hold harmless policies, or both. In the financing of education choice programs, when enrollment shifts trigger a hold harmless provision, this simultaneously creates a fiscal cost for the state and provides a fiscal benefit to public schools. For the purposes of this analysis, it is not necessary to explicitly account for this funding source, as these funds are already incorporated in the R^S variable and are eliminated in equation (3).

20. N. Gregory Mankiw, *Principles of Economics*, 6th ed. (Mason, OH: South-Western, Cengage Learning), 2012.

21. Martin F. Lueken, "The Fiscal Effects of Tax-Credit Scholarship Programs in the United States," *Journal of School Choice* 12, no. 2 (2018): 181–215, https://doi.org/10.1080/15582159.2018.1447725

22. Benjamin Scafidi, *The Fiscal Effects of School Choice Programs*; Robert Bifulco and Randall Reback, "Fiscal Impacts of Charter Schools: Lessons from New York," *Education Finance and Policy* 9, no. 1 (2014): 86–107, http://dx.doi.org/10.1162/EDFP_a_00121; Corey A. DeAngelis and Julie R. Trivitt, *Squeezing the Public School Districts: The Fiscal Effects of Eliminating the Louisiana Scholarship Program*, EDRE Working Paper 2016-10 (University of Arkansas Department of Education), 2016, https://scholarworks.uark.edu/cgi/viewcontent.cgi?article=1019&context=scdp

23. Participation data for some programs were not available for certain groups like students from military families and students in foster care. Because these populations are unique and likely to be quite small, the analysis does not apply adjustments for these students potentially being non-switchers. Given that these student populations are very small, this approach is unlikely to significantly affect the results.

24. Robert M. Costrell, *The Fiscal Impact of the Milwaukee Parental Choice Program in Milwaukee and Wisconsin, 1993-2008*, Report #2, School Choice Demonstration Project (SCDP Milwaukee Evaluation), 2008, https://cpb-us-e1.wpmucdn.com/wordpressua.uark.edu/dist/9/544/files/2018/10/report-2-the-fiscal-impact-of-the-milwaukee-parental-choice-program-in-milwaukee-and-wisconsin-1993-2008-1tq6aii.pdf; Martin F. Lueken, "The Fiscal Impact of K-12 Educational Choice: Using Random Assignment Studies of Private School Choice Programs to Infer Student Switcher Rates," *Journal of School Choice* 15, no. 2 (2020): 170–93, https://www.

tandfonline.com/doi/abs/10.1080/15582159.2020.1735863. Short-run and long-run weighted average switcher rate estimates were about 85% and 90%, respectively. The long-run estimates are based on students who enrolled in a public school after they applied for an oversubscribed program and lost the lottery. The short-run estimates include statistical adjustments, previously used by Costrell for potential bias from lottery winners who did not use the voucher.

25. From the state's perspective, the break-even switcher rate (BER^S) can be estimated by:
$BER^S = C / R^S$

26. Martin F. Lueken, "The Fiscal Effects of Tax-Credit Scholarship Programs in the United States," *Journal of School Choice* 12, no. 2 (2018): 181–215, https://doi.org/10.1080/15582159.2018.1447725; Jeffrey Spalding, *The School Voucher Audit: Do Publicly Funded Private School Choice Programs Save Money?*, Friedman Foundation for Educational Choice, 2014, https://www.edchoice.org/wp-content/uploads/2015/07/The-School-Voucher-Audit-Do-Publicly-Funded-Private-School-Choice-Programs-Save-Money.pdf.

27. The average variable cost per student using special needs vouchers varies distinctly for each group and will generally be higher than the statewide average variable cost for all students. Additionally, this cost can differ significantly even among students within the special needs category.

28. Current expenditures exclude expenditures on capital outlay, other programs, and interest on long-term debt. If the actual costs of educating participants in the public school system exceed 1.91 times the per-pupil current expenditures for all students in the public K–12 system, then this analysis would understate the savings to taxpayers. Conversely, if the actual costs are lower, then the analysis would overstate the savings.

29. Jay G. Chambers, Jamie Shkolnik, and Maria Perez, *Total Expenditures for Students with Disabilities, 1999-2000: Spending Variation by Disability*, Special Education Expenditure Project (SEEP), Report 5 (American Institutes for Research), https://www.air.org/sites/default/files/SEEP5-Total-Expenditures.pdf; Ariane V. S. Buescher et al., "Costs of Autism Spectrum Disorders in the United Kingdom and the United States," *JAMA Pediatrics* 168, no. 8 (2014): 721-28, https://jamanetwork.com/journals/jamapediatrics/article-abstract/1879723. These factors are derived from a study on educational costs for students with special needs, funded by the U.S. Department of Education. This study was mandated by the 1997 reauthorization of the Individuals with Disabilities Education Act (IDEA). For further details, see the American Institutes for Research, Center for Special Education Finance, *Special Education Expenditure Project*, accessed July 7, 2024, http://www.csef-air.org.

In the fiscal analysis of the Ohio Autism Scholarship Program, the analysis assumes that the variable costs for students with autism is three times the average variable cost for all students. This is based on the SEEP study, which estimated costs by disability type. The study found that educational costs for students with autism were, on average, three times higher than those for students without disabilities.

While this estimated cost may vary from the state's actual costs, it likely reflects the total cost of special education services for students with autism. The estimates used in this analysis are somewhat lower than those reported by Buescher et al. for autistic children aged 6-17. They estimated that the average annual per capita cost of special education for children with autism in 2011 was £27,961 (British pounds sterling), which converts to $57,115 per child in 2022 U.S. dollars.

30. U.S. Department of Education, EDFacts Data Warehouse (EDW), "IDEA Part B Child Count and Educational Environments Collection, 2021-22," https://data.ed.gov/dataset/idea-section-618-data-products-state-level-data-files; U.S. Department of Education, National Center for Education Statistics, *Common Core of Data* (CCD), "Local Education Agency (School District) Universe Survey, 2021-22 v.1a"; U.S. Department of Education, National Center for Education Statistics, *Common Core of Data* (CCD), "State Nonfiscal Public Elementary/Secondary Education Survey, 2021-22 v.1a."

31. Alabama disbursed more than $24 million in tax credits for contributions to SGOs by taxpayers during the first year of the program while just 20 students enrolled that year. This enormous imbalance is unusual for tax-credit scholarship programs and has not smoothed out yet over subsequent years of Alabama's program.

32. Eli Hager, "School Vouchers Were Supposed to Save Taxpayer Money. Instead They Blew a Massive Hole in Arizona's Budget," *ProPublica*, July 16, 2024, https://www.propublica.org/article/arizona-school-vouchers-budget-meltdown

33. Neil Campbell and Catherine Brown, "Vouchers Are Not a Viable Solution for Vast Swaths of America," *Center for American Progress*, 2017, https://www.americanprogress.org/article/vouchers-are-not-a-viable-solution-for-vast-swaths-of-america/

34. Jason Bedrick and Ed Tarnowski, *Who's Afraid of School Choice? Examining the Validity and Intensity of Predictions by School Choice Opponents*, EdChoice, 2021, https://www.edchoice.org/wp-content/uploads/2021/11/Whos-Afraid-of-School-Choice-by-Jason-Bedrick-and-Ed-Tarnowski.pdf; Martin Lueken and Michael Castro, "Tackling the 'Exodus' Claim: The Reality of Take-Up Rates of Private-Education Choice Programs," *Education Next*, 2022, https://www.educationnext.org/tackling-the-exodus-claim-reality-take-up-rates-private-education-choice-programs/

35. Martin F. Lueken, "The Fiscal Impact of K–12 Educational Choice."

36. Center for Evaluation and Education Policy, *Summary of Research on School Vouchers*, Policy Brief #23-2 (Indiana University School of Education), February 2023, https://education.indiana.edu/research/centers/ceep/education-policy/policy-briefs/2023/research-on-school-vouchers.html

37. Starting in 2025-26, all students in the state are eligible for Iowa's ESA program.

38. Center for Evaluation and Education Policy, "Summary of Research on School Vouchers."

39. Kim Jarrett, "More than 16,700 Iowa Students Use Educational Savings Accounts," *The Center Square*, January 26, 2024, https://www.thecentersquare.com/iowa/article_a87a4bf4-bc8b-11ee-b400-77b129d91e29.html

40. For details about this analysis, please see: Martin F. Lueken, *The Reality of Switchers*, Policy Brief (EdChoice), March 2024, https://www.edchoice.org/wp-content/uploads/2024/03/Switcher-Brief.pdf

41. Arizona Joint Budget Legislative Committee, *K–12 Funding (M&O, Capital and Other): FY 2015 through FY 2024 Est*, August 9, 2023, https://www.azjlbc.gov/units/allfunding.pdf.; Arizona Department of Education, *Arizona Empowerment Scholarship Account (ESA) Program: Fiscal Year 2024 Quarter 3 Report Pursuant to Arizona Revised Statutes 15-2406*, https://www.azed.gov/sites/default/files/2024/05/ESA%20FY24%20Q3%20Executive%20%26%20Legislative%20Report%20%283%29%20secured%205.31.24.pdf.

42. Stephen Q. Cornman, Shannon Doyle, Clara Moore, Jeremy Phillips, and Malia R. Nelson (2024). *Revenues and Expenditures for Public Elementary and Secondary Education: School Year 2021-22 (Fiscal Year 2022): First Look* (NCES 2024-301). U.S. Department of Education. Washington, DC: National Center for Education Statistics. Retrieved 5/7/2024 from http://nces.ed.gov/pubsearch.

43. Arizona Department of Education (2024), "Arizona Empowerment Scholarship Account (ESA) Program: Fiscal Year 2024 Quarter 3 Report Pursuant to Arizona Revised Statutes 15-2406, https://www.azed.gov/sites/default/files/2024/05/ESA%20FY24%20Q3%20Executive%20%26%20Legislative%20Report%20%283%29%20secured%205.31.24.pdf

44. Corey A. DeAngelis and Patrick J. Wolf, "Private School Choice and Crime: Evidence from Milwaukee," *Social Science Quarterly* 100, no. 6 (2019): 2302–15, https://doi.org/10.1111/ssqu.12698; Corey DeAngelis and Angela K. Dills, "The Effects of School Choice on Mental Health," *School Effectiveness and School Improvement*, December 3, 2020, https://doi.org/10.1080/09243453.2020.1846569

45. M. Danish Shakeel, Kaitlin P. Anderson, and Patrick J. Wolf, *The Participant Effects of Private School Vouchers across the Globe: A Meta-Analytic and Systematic Review*, EDRE Working Paper, 2016, https://dx.doi.org/10.2139/ssrn.2777633; Leesa M. Foreman, "Educational Attainment Effects of Public and Private School Choice," *Journal of School Choice* 11, no. 4 (2017): 642-54, https://dx.doi.org/10.1080/15582159.2017.1395619; Dennis Epple, Richard E. Romano, and Miguel Urquiola (2017), School Vouchers: A Survey of the Economics Literature, *Journal of Economic Literature*, 55(2), 441–92, http://dx.doi.org/10.1257/jel.20150679

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ACKNOWLEDGMENTS

The author thanks Benjamin Scafidi and James Shuls for their deft reviews of earlier versions of this manuscript. He also acknowledges the research assistance of Brendan Wolf and Cooper Conway. Mike McShane, John Kristof, Colyn Ritter, and Alli Aldis gave useful suggestions. Ann Marie Miller-Silva and John LaPlante provided meticulous and valuable copyediting. Michael Davey and Deisy Rico beautifully designed this report. Any errors are the author's.

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