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Expanding School Choice

Education Savings Accounts Raise Cost, Accountability Concerns

Education savings accounts are the newest, most expansive evolution of school choice programs in the United States, already adopted by several states and under consideration in many others, including Louisiana. The programs promise to revolutionize how K-12 education is structured, steering public tax dollars to private educational options for students.

The Public Affairs Research Council of Louisiana has long supported school choice programs, including vouchers and charter schools, and finds potential benefits in creating ESAs. However, PAR has concerns about the specific version of the program proposed in Louisiana, particularly its potential cost in a state already facing significant budget gaps and the accountability metrics used to determine if the program is improving student achievement. The proposed program would be stronger if it focused on students in failing schools, from poorer families or who have disabilities – and if it ensured better data collection for performance analysis.

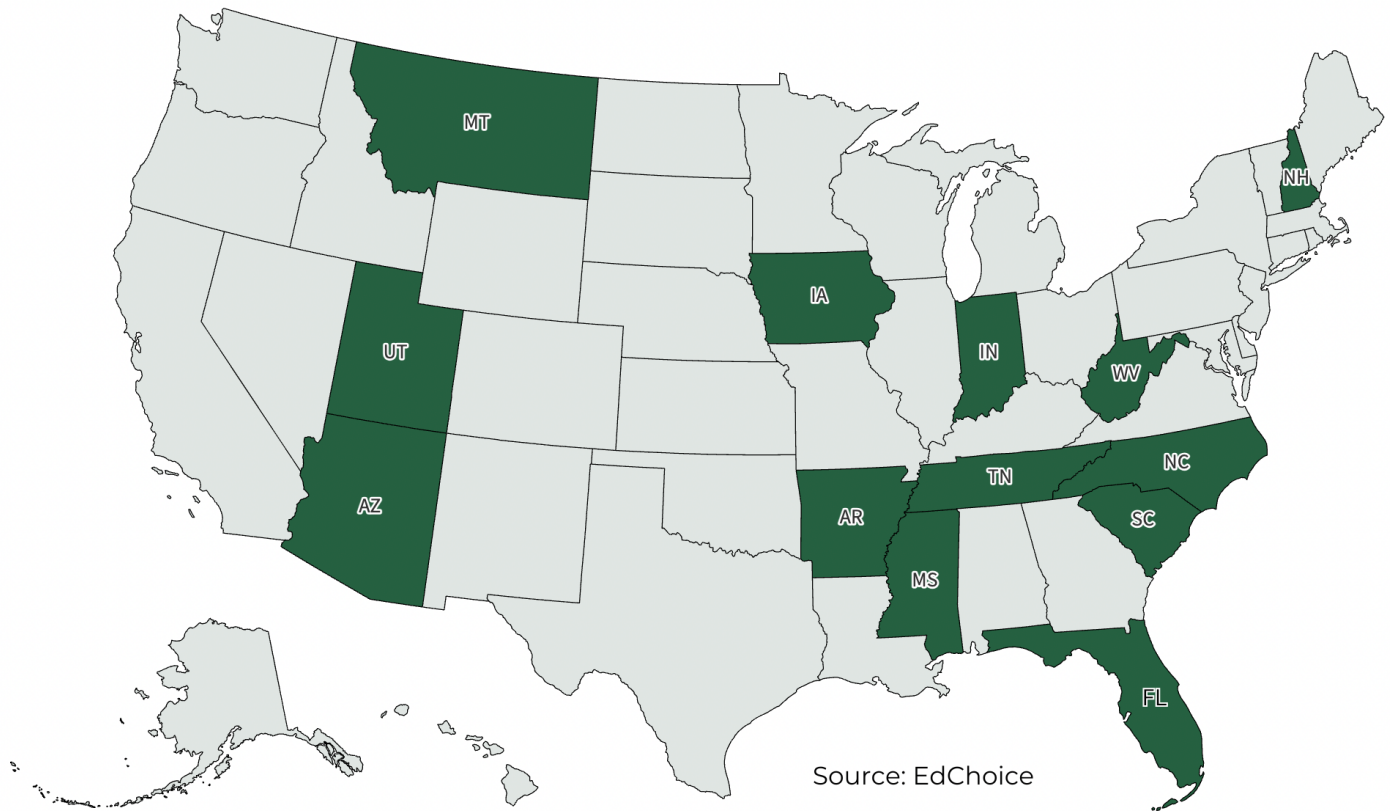
What are Education Savings Accounts?

Generally, ESAs involve a set of state policies that give families public funding to pay for educational expenses, a sort of “voucher-plus” program. Allowed expenses primarily include tuition at private schools but can also include tutoring, textbooks, uniforms, computers and other education-related devices and uniforms.

While ESAs have existed in various forms for more than a decade, enrollment boomed after the COVID-19 pandemic. Thirteen states have one or more versions of an education savings account program, according to EdChoice, a pro-school choice nonprofit. Those programs are growing in enrollment, with more than 326,000 students using ESAs in 2023, a nearly 1,000% increase from 31,000 students in 2022.

Several additional states, such as Louisiana, are considering creating their own ESAs. Details of each state’s program vary. Five programs cap the income of eligible families or prioritize families with lower incomes, an approach that PAR supports, but most state ESA programs do not. Five programs have an enrollment limit. The amount of money each student receives is typically tied to the state’s K-12 public school funding formula.

States with Education Savings Account Programs



What is Proposed in Louisiana?

The Louisiana proposal, supported by Gov. Jeff Landry and legislative leaders, is similar to programs in other states with a few nuances.

The state Board of Elementary and Secondary Education would receive a year to develop implementation details before ESAs start to phase in during the 2025-26 school year. Initial eligibility during the first year would cover students already enrolled in the state's existing voucher program and students entering kindergarten, previously enrolled in public school or from a family below 250% of the federal poverty guidelines (\$78,000 a year for a family of four).

The second year would expand eligibility to include those students who live in households below 400% of the federal poverty guideline (\$124,800 annually for a family of four). And in the third year, the program would become universal, open to all families regardless of income.

Home school students would not be eligible for ESAs.

The amount each student receives would vary but would be some portion of the average state and local per pupil amount in Louisiana's K-12 public school funding formula, which is \$9,437. If a child's family makes below 250% of the federal poverty guidelines, its award would be

ESA Award Amounts

Student/Household	ESA Amount
250% of federal poverty level	\$7,550
Student has disability	\$5,662
All others	\$5,190

Source: La. Department of Education/PAR Analysis

80% of the state and local average, or \$7,550. A student with certain disabilities defined in law would receive 60%, or \$5,662. Otherwise, the student’s award would be 55% of the state and local per pupil amount, or \$5,190.

This proposed system would be relatively more expensive than the approach of other states, but it provides more resources to those who are more likely to need additional help.

What Could a Universal Program Cost Louisiana?

PAR’s analysis suggests the universal education savings account program proposed in Louisiana, if fully funded and fully phased in, could cost the state \$520 million annually over the long-term, even after other savings are included. That’s a significant price tag that could see the state paying for private school costs for some families that never intended to send their children to public school, a questionable use of limited state tax dollars.

Important to note, lawmakers could constrain the program’s cost simply by refusing to fully pay for it. But that would undermine some of the ESA supporters’ arguments for creating the new financing tool.

The state’s cost for ESAs would vary for each type of student, public vs. private, below 250% of the poverty guideline or not. The state also would see some savings because it would no longer pay for the cost of students participating in the program to attend public schools, so those savings must be backed out of any cost analysis.

For example, the cost for a public school student above the poverty limit enrolled in an ESA would be \$5,190. However, the state would save \$5,462 in dollars it wouldn’t have to send the same student to a public school, for a net savings of \$272 per student.

Students below the poverty limit would cost \$7,550 each in the ESA program, but again the state would not spend \$5,190 for public school, providing a net cost of \$2,088. PAR used the state Department of Education’s statistic that 72.5% of all public school children are economically disadvantaged to determine how many students fall above or below the poverty line.

ESA State Components

Family Before Using ESA	Net Per Student	Students	Net Cost
Public School			
From families < 250% of Poverty	\$2,088 State Cost	19,826	\$41,388,983
From families > 250% of Poverty	\$272 State Savings	7,520	(\$2,042,875)
Private School	\$5,190 State Cost	92,578	\$480,514,298
Total Net Cost			\$519,860,406

Source: Louisiana Department of Education/PAR Analysis

The analysis did not include voucher students since the cost is roughly neutral. The addition of Louisiana's 5,500 voucher students (who currently each receive on average \$6,900 per school year) could either be a slight savings or an increase in cost depending on the poverty level of the participants. The estimate is a cost understatement because it did not include students with disabilities or a projection of administrative costs, which could reach 5%.

The biggest cost driver would involve paying for students who would have otherwise been enrolled in a private school even without the state assistance. Assuming each of these private school students lives in a household above the poverty guidelines, then each additional one that enrolls would cost Louisiana \$5,190 with no offset.

The Legislative Fiscal Office provides financial analyses (called fiscal notes) with estimated cost projections over a five-year period. This provides guidance to lawmakers they can use to not only judge the bill, but also to adjust budget plans. Universal ESAs would not start until the fourth year under the proposal. Experience across the country shows that these programs can grow quickly. The analysis released by the fiscal office acknowledges the program's potential for long-term growth but doesn't put an estimate on those costs beyond five years. Therefore, PAR decided to provide a long-term fiscal forecast that goes beyond the limits of a traditional fiscal note.

PAR's analysis assumes, based on the experience of Arizona, that about 4% of public school students would enroll in the ESA program. These students would create a net cost of \$39 million. Based on the explosive growth in universal ESA programs as well as the growth of the TOPS college tuition program once income limits were removed, the analysis also assumes that 80% of parents with children in private schools would eventually use ESAs. Little downside exists for those families since those students can stay where they are but with newly obtained state assistance.

Private schools may be hesitant to participate in the ESA program at first. But given the freedom the proposed bill provides over curriculum, admissions and testing, most private schools likely would join the program eventually for the economic benefit they could receive. Even if private school families do not use an ESA for tuition, they could still use it to pay for uniforms, tutoring, after-school and summer activities, computers and education-related travel.

These assumptions, along with the per-student calculations above, would result in a long-term net cost estimate of \$520 million per year. Public student transfers account for \$39 million of the cost estimate, with private school enrollees accounting for the bulk of the cost at \$480 million. To the extent that fewer existing private school students use ESAs, the cost would be lower. For example, if only 50% of these families use ESAs, the cost would be \$340 million.

As a point of comparison, EdChoice produced an estimate for the first three years of the proposed ESA program. That estimate shows a high price tag as well, suggesting the third year would cost the state approximately \$357.6 million. That assumes 30% of currently enrolled private school students would participate. Given that this would be the first year with no income

Impact on Local Schools

The effect of ESAs on local school districts is complicated. Schools would have less funding from the state as enrollment drops. However, they would also have fewer students, which eventually would reduce costs as local systems can adjust class sizes and reduce facilities to the new student level. Public school systems would retain their local funding. Since local funding isn't linked to the number of students enrolled, systems would have more money on a per-pupil basis but less total funding if lawmakers create an ESA program.

restrictions, this seems reasonable. However, given the experience with similar programs, PAR believes it is unlikely that participation would be that low for long.

An important caveat to each analysis is that ESA expenses would be subject to legislative appropriation. In other words, while the cost to provide ESAs for everyone who wants one could be \$520 million, lawmakers may only set aside \$200 million for the program. This acts as a potential check on the growth of the program.

If lawmakers don't intend to fully fund universal ESAs, they should either build in a mechanism to determine who should receive priority for the accounts, such as students with disabilities, low-income families or students who attend failing public schools, or instruct the Board of Elementary and Secondary Education to develop such a priority program.

While it is important to recognize the potential costs of a program, that shouldn't be the only deciding factor. In some cases, additional expenses are worthwhile.

For example, the decision to give additional money to lower-income families, students mired in failing public schools or students with disabilities should be applauded. On the other hand, while funding universal ESAs would seem to advantage middle- and upper-income families, proponents of universal ESAs argue that private school families should not have to pay twice for educating their children, once for the tuition of private school and again for the taxes that support public education.

How Will the State Judge Student Performance?

If enacted, ESAs would represent a fundamental shift to K-12 education in Louisiana.

Such a change needs a robust system that can provide information to citizens and policymakers so they can use that data to adjust the program as needed. This, at a minimum, would require the collection of demographic information about the students and families using ESAs and whether they previously attended public or private schools.

The Department of Education, which would receive wide latitude to manage ESAs, should have clear guidelines for when a school is demonstrating what the bill describes as a "persistent lack of academic competence," and should conduct a periodic review of all schools participating in the program.

Louisiana's voucher program occasionally suffered from "pop-up" schools that arose specifically to serve voucher students and often did not have the expertise or infrastructure to properly educate students. Newly formed schools should receive a higher level of scrutiny before being allowed to participate in the ESA program, if at all.

Unlike the voucher program, which uses the state's LEAP exam for standardized testing, each ESA school could use a nationally normed test approved by the Department of Education under the legislation proposed. This provides flexibility for private schools. However, the department should develop a crosswalk in its reporting that provides an appropriate comparison across tests.

The ability of parents to "vote with their feet" adds a strong layer of accountability to Louisiana's proposed ESA program. But this does not alleviate the need for the state to keep a watchful eye on how well its program performs and its tax dollars are spent.