

## POLICY BRIEF: EDUCATION SAVINGS ACCOUNTS

Education Savings Accounts (ESA) are the latest trend in publicly subsidized private school education. Also known as Education Scholarship Accounts, Personal Learning Scholarship Accounts (PLSA), or an Individualized Education Account Program (IEAP), the common factor is that these programs pay parents all or a large portion of the money the state would otherwise have spent to educate their children in exchange for an agreement to forego their right to a public education.

Funds deposited into such accounts may be used for any number of expenses, including private school tuition, fees, and textbooks; tutoring and test prep; homeschooling curriculum and supplemental materials; special instruction and therapeutic services; transportation; and management fees. These programs also permit parents to roll over unused funds for use in subsequent years and to invest a portion of the funds into college savings plans. Consistent with all voucher programs, they divert taxpayer funds to subsidize private choices and undermine principles of equity and accountability, all while doing nothing to improve the quality of education.

### The wave of the future?

Advocates for ESAs include the American Federation for Children, the American Legislative Exchange Council (which both offer model legislation<sup>1</sup>), and the Friedman Foundation

for Educational Choice. Bills have been introduced in dozens of states, but as of 2015, only five states had enacted them.

In 2011, Arizona enacted the first ESA, which targeted students with special needs. Since then, the program has expanded to include students attending low-performing schools, students in foster care, students living on American Indian reservations, and students who previously received a voucher. Prior enrollment in public school is not required for students entering kindergarten, children of active duty military, or children who lost a parent in the line of duty.

Although proponents claim that the program provides parents needed flexibility to devise customized education plans, data indicate that most families apply nearly all the funds spent on private school tuition, just as in a traditional voucher program. Furthermore, almost one-third of funds disbursed go unspent.<sup>2</sup>

Florida's PLSAs are available to state residents who are eligible to enroll in preschool or K-12, and who have an Individualized Education Program (IEP) but are not already enrolled in one of the state's other voucher programs. Funds may be used for tuition and fees at approved schools or services, and to fund virtual education. Funds may also be contributed to a prepaid college fund.

Nevada's legislature enacted the most expansive legislation thus far, authorizing participation by any student who had attended public school, full- or part-time, for 100 days (regardless of family income, public school quality, or other need). Litigation challenging the constitutionality of the program enjoined its implementation.<sup>3</sup>

Mississippi and Tennessee also enacted ESAs limited to students with special needs. Fewer than 300 students participated in the Mississippi program during its first year. Tennessee's program is scheduled to begin in the 2016-17 school year.

**Vouchers, including ESAs, do nothing to improve the education system. Indeed, they threaten irreparable harm.** Even the most thoughtfully designed programs

have failed to achieve meaningful positive effects on student achievement.<sup>4</sup> Furthermore, there is no evidence that competition improves the performance of public schools.<sup>5</sup> Meanwhile, these programs divert scarce resources from public schools and offer taxpayers virtually no oversight for how that money is spent, undermining principles of accountability, equity, and democracy.

► ***ESAs represent potentially devastating funding losses.***

Each account created for a student represents a loss of funds for schools in the district in which that student resides (whether the student attended public school or not). School districts cannot reduce their fixed costs (e.g., utilities, debt services, maintenance, and transportation) at a rate that matches the funding losses. ESAs would, therefore, inevitably lead to staff reductions and larger class sizes, and the elimination of discretionary programs such as music, art, and sports.<sup>6</sup>

► ***ESAs are virtually free of oversight.***

Although parents must commit to provide their children an education in certain minimum subjects as a condition of receiving funds, ESA programs impose no standards to ensure the quality of that education. Private schools and other providers are held to none of the curriculum, licensure, or accreditation standards that public schools are required to meet. The textbooks, curriculum, tutoring, or supplemental materials parents can purchase with taxpayer funds are subject to no state oversight. Nor are ESA-funded students required to participate in state assessments.

States also exercise little fiscal oversight over ESAs and the vendors paid through these accounts. Few accounts are audited, and the procedures for recovering misspent funds are vague and potentially more costly.<sup>7</sup> Since vouchers were first introduced in 1990, we have become too familiar with stories of voucher schools operating in strip malls, run-down buildings lacking valid certificates of occupancy, and even in public parks. ESAs offer no assurance of greater accountability. If anything, they offer less. Our students deserve better, as do the taxpayers who fund these programs.

► ***ESAs undermine principles of equity and democracy.***

Research indicates that voucher programs increase social, economic, and racial stratification.<sup>8</sup> ESAs promise to reinforce that result by being of greater utility to affluent

families and to students who do not have disabilities, limited English proficiency, or other disadvantages.

Data from both Nevada and Arizona confirm that these programs appeal more to affluent families and also favor those in urban and suburban settings over rural districts, which frequently lack sufficient population to make choice feasible.<sup>9</sup> Accordingly, ESAs represent tax transfer programs that divert the taxes paid by taxpayers in rural districts to subsidize the private school education of children in urban districts.

Even where choices exist, it is the private schools that exercise that choice. Private schools may reject applicants based on academic record, language proficiency, disability, homelessness, gender or gender identity, sexual orientation (of students and parents), and other criteria. Despite legal prohibitions, many still also practice de facto discrimination based on race.<sup>10</sup>

Even if accepted, private school students forfeit due process and other constitutional and statutory rights guaranteed in public schools. Students with special needs forfeit their rights under the Individuals with Disabilities Education Act (IDEA) when they accept a voucher. Private schools may decline to provide services taken for granted in public schools, such as compensatory programs for disadvantaged students, bilingual education, free and reduced price lunch, and counseling.

As Virginia Governor Terry McAuliffe noted in his message vetoing an Education Savings Account, “Our goal is to support and improve public education... for all students, not to codify inequality.”<sup>11</sup>

**America’s children deserve better.**

Vouchers are not a strategy to improve student achievement, and the National Education Association has consistently and unequivocally opposed voucher plans, tuition tax credits, and other funding arrangements that pay for students to attend private schools. All of our students, regardless of zip code, deserve the tools and resources to help them learn. Rather than fund costly, wasteful and ineffective experiments designed to favor the most advantaged at the expense of the least, policymakers should instead invest in proven reform strategies and effective programs, and provide our students and teachers sufficient funding so that all students have equal access to the resources they need to succeed.

## Endnotes

- <sup>1</sup> <https://www.alec.org/model-policy/the-education-savings-account-act> ; See also, <http://www.federationforchildren.org/wp-content/uploads/2015/11/Model-Legislation-The-Education-Savings-Account-Act.pdf>
- <sup>2</sup> Jonathan Butcher and Lindsey M. Burke, "The Education Debit Card II: What Arizona Parents Purchase with Education Savings Accounts," Friedman Foundation for Educational Choice (2016). Available at <http://www.edchoice.org/wp-content/uploads/2016/02/2016-2-The-Education-Debit-Card-II-WEB-1.pdf> .
- <sup>3</sup> Order Granting Motion for Preliminary Injunction, *Lopez v. Schwartz*, (1st District Nevada Case No. 150C002071B) (Jan 11, 2016)(ruling that plaintiffs presented sufficient evidence that they would prove at trial that the program would divert from and reduce the amount available to public schools the legislative appropriation deemed sufficient for their operation, causing irreparable harm to students). Available online at <http://www.edlawcenter.org/assets/files/pdfs/lopez/lopez%20trial%20documents/Order%20Granting%20Motion%20for%20Preliminary%20Injunction.pdf>
- <sup>4</sup> Alexandra Usher and Nancy Kober, Center on Education Policy, *Keeping Informed about School Vouchers: A Review of Major Developments and Research* (2011), available at <http://goo.gl/faCu4s>.
- Dennis Epple, Ricard E. Romano and Miguel Urquiola, National Bureau of Economic Research Working Paper, *School Vouchers: A Survey fo the Economics Literature* (Sept 2015), available at <http://goo.gl/luOvly>.
- <sup>5</sup> Clive R. Belfield and Henry M. Levin, The Effects of Competition on Educational Outcomes: A Review of U.S. Evidence, 72 Rev. Educ. Res. 2789 (2002), available at <http://goo.gl/BBfPXt>.
- <sup>6</sup> Before the Nevada program was enjoined, state Treasurer Dan Schwartz reported that he would cut \$17 million from the public school budget to fund ESAs in 2016. The Nye County (Nevada) School District predicted that, "Any loss in [state funding] due to lower student numbers will result in the loss of teachers and staff in addition to an increased staff to student ratio." Nevada SB302 Fiscal Note available at <http://www.leg.state.nv.us/Session/78th2015/FiscalNotes/8283.pdf>.
- <sup>7</sup> Despite a "zero tolerance policy" regarding the mis-use of ESA funds, one Arizona parent allegedly used accounts established for her children's education to purchase a high-definition television, computer tablets, a smart phone, and services at a family planning clinic before the misuse was discovered. Efforts to recover funds were unsuccessful, leading to her indictment. Yvonne Wingett Sanchez, *Chandler woman indicted in misuse of sons' scholarship money*, Arizona Republic (Oct 6, 2015), available at <http://azcentral.com/news/local/chandler/2015/10/06/chandler-woman-indicted-misuse>.
- <sup>8</sup> McEwan, P.J. (2001). The effectiveness of public, Catholic, and non-religious private schools in Chile's voucher system. *Education Economics*, 9, 103-128.
- Ladd, H., Fiske, E., and Ruijs, N. (2011). Does parental choice foster segregated schools? Insights from the Netherlands. In M. Berends, M. Cannata, and E.B. Goldring (Eds.), *School Choice and School Improvement* (233-253). Cambridge, MA: Harvard Education Press.
- Hsieh, C.T. & Urquiola, M. (2006). The effects of generalized school choice on achievement and stratification: evidence from Chile's voucher program. *Journal of Public Economics*, 90, 1477-1503.
- <sup>9</sup> Rob O'Dell and Yvonne Wingett Sanchez, "State money helping wealthier Arizona kids go to private schools," AZ Republic, Feb 24, 2016. Available at <http://www.azcentral.com/story/news/arizona/politics/education/2016/02/23/state-money-helping-wealthier-arizona-kids-go-private-schools/80303730/> . Ian Whitaker, "Data: Majority of Nevadans seeking school vouchers live in upscale suburbs," Las Vegas Sun (Oct 29, 2015). Available at <http://lasvegassun.com/news/2015/oct/29/data-majority-nevadans-seeking-school-vouchers-liv/>.
- <sup>10</sup> Southern Education Fund *Race and Ethnicity in a New Era of Public Funding for Private Schools*, 2016. <http://www.southerneducation.org/getattachment/be785c57-6ce7-4682-b80d-04d89994a0b6/Race-and-Ethnicity-in-a-New-Era-of-Public-Funding.aspx>
- <sup>11</sup> Office of the Governor, "Governor McAuliffe Vetoes Legislation Undercutting Public Schools,": Apr 5, 2016. Available at <https://governor.virginia.gov/newsroom/newsarticle?articleId=14826>

## Resources

#ESAisnotOK: A campaign of the Oklahoma Education Coalition  
<http://www.okedcoalition.org/esa-is-not-ok.html>