

## Education Savings Accounts Carry Huge Price Tag

### Fact Sheet: Senate Bill 68 (LC 33 6784)

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Georgia lawmakers are considering a bill to allow parents to take state money to pay for private educational services. Senate Bill 68 proposes an Individual Education Savings Account, or ESA, program. These savings accounts allow parents to redirect public money to pay for private school tuition and fees, private tutoring, textbooks and curriculum materials, tuition and fees at postsecondary institutions and other expenses. The program would be open to all students eligible to enroll in public schools.

The legislation comes with a cost of at least \$38 million in the program's first year that can rise to an estimated \$710 million by the third.

### Overview of ESA Plan

The proposal is to allow parents to take state funds allotted for their children if they enroll in public school and use the money to pay for private educational services such as private school or tutoring, as well as tuition and fees at postsecondary institutions.

All students eligible to enroll in Georgia's public schools could participate in the ESA program including students who now attend private schools or are homeschooled. The state does not currently subsidize educational expenses for these students.

In the proposed program's first year, enrollment is limited to 0.5 percent of statewide public school student enrollment in the 2017-2018 school year. About 8,500 students would participate in the first year, based on data from the 2016-2017 school year.<sup>1</sup> In year two the cap rises to 1.5 percent of statewide enrollment, or close to 26,000 students. The legislation lifts the cap entirely in year three, which opens the program to 156,000 or more students now enrolled in private schools or who are homeschooled.

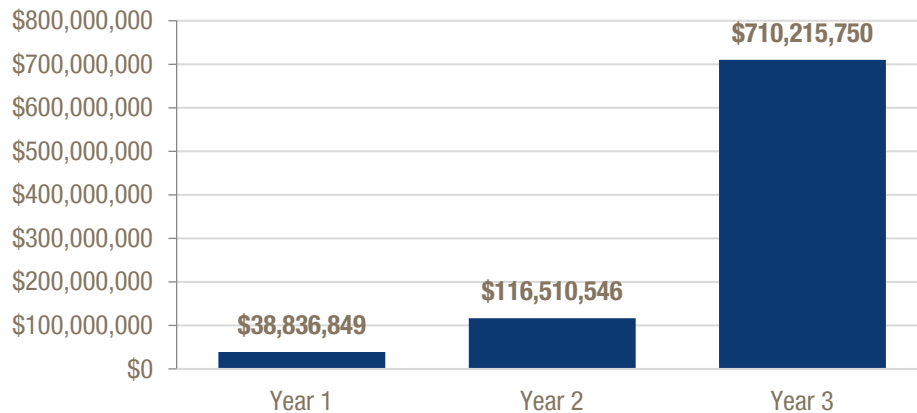
The bill calls for participating private schools to administer a nationally norm-referenced test or the tests used by the Georgia Department of Education to measure student learning and report results to the Georgia Department of Revenue. The revenue department is to provide test results aggregated by students' grade level, family income, race, gender and years in the program. The department would also survey parents on their satisfaction with the program.

Under the proposal, private financial firms certified by the Department of Revenue manage the ESA accounts. The department would conduct random audits of individual ESA accounts each year.

## Georgians to Pay High Price to Fuel Private Education

The ESA program carries an enormous price tag since it is open to all private and homeschooled students. The average per student ESA cost in the proposal is about \$4,500 based on funding levels in the 2017 state budget. The specific amount for an individual student varies based on the school district in which they live. The program carries an estimated cost of \$865 million over its first three years. Up to 3 percent of that, or about \$26 million, would be deducted for the program’s administration costs over this period.

### ESA Program Cost Balloons in Third Year



| Counties with the Most Private Schools <sup>2</sup> |                        |
|---|------------------------|
| County  | No. of Private Schools |
| Fulton  | 110                    |
| DeKalb  | 60                     |
| Cobb  | 50                     |
| Gwinnett  | 47                     |
| Chatham   | 36                     |
| Bibb  | 20                     |
| Forsyth   | 17                     |
| Henry, Cherokee                                     | 16                     |
| Walton, Muscogee, Lowndes                           | 13                     |
| Spalding, Richmond                                  | 12                     |

The program is likely to provide outsized benefit to students from Georgia’s more affluent families. Median family income for private school students in Georgia is 175 percent of median family income for public school students.<sup>3</sup> Students in urban and suburban areas also stand to benefit far more than those in rural communities. Fifty-four of the state’s 180 school districts have no private school and 41 have only one. Fourteen districts in metropolitan areas are home to 63 percent of the private schools in the state.

## Insufficient Accountability

The legislation proposes to exempt ESA students from the standards required of public school students. Participating students are not required to take the exams Georgia uses to ensure students meet the learning goals the state has set for them. The goals are designed to ensure students are prepared for the demands of postsecondary study and entry into the workforce.

Private schools participating in the proposed ESA program also are held to lower standards than public schools. The bill lacks a mechanism to track and measure their ability to meet student learning goals. It also lacks a way to remove low-performing private schools or other educational services providers offering sub-par services from the program. This contrasts with the accountability measures in place for public school students and the schools they attend, which include clear annual benchmarks and impose consequences for not meeting them.

As it stands, the proposed plan also lacks sufficient accountability measures to ensure the effective use of state dollars. The bill requires annual audits of ESA accounts but without a minimum number or percentage of audits.

## Lawmakers Can Promote Choice in More Prudent Ways

The ESA program detailed in SB 68 is burdened with several key shortcomings. It likely comes at a cost of as much as \$865 million over its first three years. It is likely to help more affluent students in metropolitan areas than those from families with lower incomes or who live in rural communities. And, it lacks adequate accountability for student learning and the provision of high-quality services by participating private schools and private educational service providers.

Legislators can better foster greater parental choice by increasing state funding for student transportation. The state covers 18 percent of the operating cost of busing students to and from school, a service it mandates. Increasing transportation funding can allow more districts to offer choice within their boundaries or across them through partnerships with nearby districts.

## Appendix: Methodology

The cost of the proposed ESA assumes students now attending private schools or who are homeschooled will participate in the program. These students do not currently receive public funds.

### Estimated Annual ESA Contribution

This calculation of the amount the proposal will allot each student is based on the state funding provided to school districts through the Quality Basic Education (QBE) formula. It excludes state funding provided through the QBE equalization program based on the Georgia Code Section cited in SB 68. The 2017 fiscal year state allotment sheet reports total QBE earnings are \$9,548,803,924, which includes an austerity cut of \$166,769,853. Full-time equivalent student enrollment for the 2016-2017 school year is 1,733,925. The average amount allotted per FTE student is \$5,507.05. The statewide average local 5 mill share, \$982.72 in 2017, is deducted from this sum. The resulting average ESA award result is \$4,524.33.

The bill says the statewide average per student local 5 mill share is deducted from the state funds to be allotted to each ESA student rather than the district average per student local 5 mill share for the school system in which the student lives. This could result in the inclusion of local funds in the ESA award for students from school systems in which the district average per student local 5 mill share is higher than the state average.

## Students Included in This Analysis

The proposed ESA program is open to all students eligible to attend a public school in Georgia. The state does not incur new costs for current public school students who participate in the ESA program as it already provides funds for them to attend public school. Current private school and homeschooled students project to increase the state's education spending as it adds these students to the total number it funds.

Under the proposal, the participation in the ESA program is capped at 0.5 percent of total student enrollment in the 2017-2018 school year in the program's first year and 1.5 percent of 2018-2019 enrollment in the second year. The cap is eliminated in the third year. This analysis uses 2016-2017 enrollment data to estimate the number of allowed students in the first two years.

In the 2016-2017 school year, 1,716,785 students enrolled in Georgia's public schools, excluding pre-kindergarteners who are not funded under the QBE formula.<sup>4</sup> Based on this, about 8,584 students will enroll in the ESA program in the first year and 25,752 in the second year.

After the cap is eliminated, all private and homeschooled students are expected to enroll in the program. Excluding pre-kindergarten students, 99,983 students enrolled in private schools in 2015-2016, the most current data. Parents reported 56,994 students enrolled in homeschool programs in 2015, the most up-to-date number available.<sup>5</sup> This excludes children identified as one to four years old. About 157,000 students attend private school or are homeschooled in Georgia. This analysis assumes all of these students will participate in the ESA program in the third and subsequent years. Based on these assumptions, the estimated cost of the ESA program's first three years is \$38,836,849 in year one, \$116,510,546 in year two, and \$710,215,750 in year three. The total three-year cost is projected at \$865,563,145.

## ENDNOTES

<sup>1</sup> Georgia Department of Education. Student Enrollment by Grade Level Fiscal Year 2017-1 Data Report. [https://oraapp.doe.k12.ga.us/ows-bin/owa/fte\\_pack\\_enrollgrade.entry\\_form](https://oraapp.doe.k12.ga.us/ows-bin/owa/fte_pack_enrollgrade.entry_form) . Pre-kindergarten enrollment is excluded as these students are not funded through the Quality Basic Education formula for K-12 students.

<sup>2</sup> Georgia Department of Education. School Year 2015-2016 Private School Annual Survey. GBPI data request.

<sup>3</sup> Baker, B., Farrie, D., Johnson, M., Luhm, T., & Sciarra, D. (2017). *Is School Funding Fair? A National Report Card*. Newark, NJ: Education Law Center. <https://drive.google.com/file/d/0BxtYmwryVl00VDhjRGIDOUh3VE0/view>

<sup>4</sup> Georgia Department of Education. Student Enrollment by Grade Level Fiscal Year 2017-1 Data Report. [https://oraapp.doe.k12.ga.us/ows-bin/owa/fte\\_pack\\_enrollgrade.entry\\_form](https://oraapp.doe.k12.ga.us/ows-bin/owa/fte_pack_enrollgrade.entry_form) . Pre-kindergarten enrollment is excluded as these students are not funded through the Quality Basic Education formula for K-12 students.

<sup>5</sup> Georgia Department of Education. Homeschool Enrollment 2015 School Year. GBPI data request.