



TESTIMONY

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MISSOURI EDUCATION SAVINGS ACCOUNT: CUSTOMIZATION, CHOICE, COMPETITION, COLLEGE

By James V. Shuls, PhD

Testimony Before the Education Committee

To the Honorable Members of This Committee:

Thank you for the opportunity to testify. My name is James V. Shuls, and I am an assistant professor of educational leadership and policy studies at the University of Missouri–St. Louis and a distinguished fellow of education policy at the Show-Me Institute, a nonprofit, nonpartisan Missouri-based think tank that advances sensible, well-researched, free-market solutions to state and local policy issues. The ideas presented here are my own. This testimony is intended to summarize the benefits that could be provided by an empowerment scholarship account for students with disabilities, as outlined in Senate Bill 531 (SB 531).

What Is an Empowerment Scholarship Account?

An empowerment scholarship account is a type of education savings account, or ESA. Arizona lawmakers established the first ESA program in 2011. As in the proposal before you, students with special needs are eligible to use Arizona's ESA program. Additionally, Arizona students in a school that has received a letter grade of "D" or "F", students who have been placed in foster care, and students whose parents are active-duty members of the United States Armed Forces are eligible to receive an ESA.¹ In 2014, Florida became the second state to enact an ESA program, and Mississippi became the third in early 2015. Also this year, Arizona

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lawmakers expanded eligibility to students on reservations.

Though the specific details of each ESA program vary slightly, each program has the same general design. The state places a portion of funds that would be spent on a child into a savings account, and the child's parents or guardians become custodians of the account. The family is then able to use those funds to provide a fully customized education for their child. They may use the funds to pay for private school tuition or mix and match a variety of educational services. This is an important distinction.

Critics of ESAs often label these programs as just another voucher scheme, but ESAs are not just another voucher. As Matthew Ladner, senior advisor for policy and research at the Foundation for Excellence in Education, states that ESAs “bring Milton Friedman’s original school voucher idea into the 21st century.”² Voucher programs are single-use programs; they send state taxpayer dollars directly to private schools and only private schools. ESA programs, on the other hand, place the funds in an account that has many uses. The funds could be used for private school tuition, but they could also be used for textbooks, tutoring, or a host of other approved services and products. This key feature has significant implications. It allows families to customize their child’s educational experience, and it has implications for school finance.

Will an ESA Program Cost Taxpayers Additional Money?

If adopted, the current ESA program outlined in SB 531 should save taxpayers money. Eligible families would receive 90 percent of the state adequacy target in the form of an ESA. Currently, the state adequacy target should be at \$6,716, but it has been frozen at \$6,131 due to the current underfunding of the foundation formula. Assuming the lower figure is used, students eligible for an ESA would receive roughly \$5,500. This is a fraction of the cost used to educate students with special needs.

An opponent of the ESA program may be quick to point out \$5,500 exceeds the amount spent by the state under the current system. In most cases, that is true. He or she may then argue that the program would *cost* taxpayers money. There are two problems with this argument. First, it ignores intuition. It seems obvious that \$5,500 spent on a student with disabilities should yield savings; especially when school districts spend roughly \$10,000 per pupil on the average student. Second, it shows a naïve understanding of how the funding formula works. In my paper, *Available Seats: Survey Analysis of Missouri Private School Participation in Potential State Scholarship Programs*, I describe how an ESA program could save taxpayers a significant amount of money. Depending on the size of the program and the assumptions used, the savings could be millions.

The financial benefits of ESAs are not limited to simply giving students less money than they would otherwise receive had they gone to a public school. The “savings account” feature in an ESA has two additional gains for state taxpayers. First, ESAs put a downward pressure on educational prices. As we all know, education spending is continually increasing. Part of the reason for this increase is that there is no market signal that drives down prices and there is no reason to save appropriated funds. ESAs allow families to retain unspent dollars in the account for future use. This feature gives families the incentive to “shop around” and use their money wisely. Second, unused funds revert back to the state.

Do Missourians Support ESAs?

In the spring of 2014, the Show-Me Institute partnered with the Friedman Foundation for Educational Choice to survey potential Missouri voters about school choice programs.³ Braun Research, Inc., conducted the survey, which included 660 Missouri voters. In the survey, Missourians demonstrated clear support for private school choice programs, including ESAs.

When asked, “If it were your decision and you could select any type of school, what type of school would you select in order to obtain the best education for your child?” a plurality of respondents, 39 percent, indicated they would choose a private school. An additional 10 percent indicated they would homeschool. In comparison, 32 percent indicated

they would choose a regular public school.

When given the definition of an ESA program, 60 percent of respondents said they would favor such a program. Just 32 percent indicated they would oppose an ESA program.⁴ Though support varied, a majority of every demographic group—school parents and non-school families, urban and rural, Democrat and Republican, all age groups, all income levels, and all races—favored an ESA program.

Conclusion

Empowerment scholarship accounts, or ESAs, are a relatively new idea in the world of education, but they are spreading fast. In the coming years we will see many more states adopt ESA programs. The fact of the matter is that ESAs have the potential to revolutionize K-12 education. They put parents in control of their child's educational expenses, enabling students to receive a completely customized education. Additionally, they generate cost savings for states and create a mechanism to reign in ever-increasing educational expenses.

NOTES

1 Arizona School Choice, Empowerment Scholarship Accounts, http://www.arizonaschoolchoice.com/EDU_ESA.html.

2 Matthew Ladner, "The Way of the Future: Education Savings Accounts for Every American Family." The Friedman Foundation, 2012, <http://www.edchoice.org/CMSModules/EdChoice/FileLibrary/925/The-Way-of-the-Future--Education-Savings-Accounts-for-Every-American-Family.pdf>.

3 Missouri K-12 & School Choice Survey. "What Do Voters Say About K-12 Education?" Polling Paper No. 19, May 6, 2014, <http://www.edchoice.org/Documents/Research/2014/Missouri-Survey/Missouri-K-12-and-School-Choice-Survey>.

4 Full question: "An 'education savings account' – often called an 'ESA' – allows parents to take their child out of a public district or charter school, and receive a payment into a government-authorized savings account with restricted, but multiple uses. Parents can then use these funds to pay for private school tuition, virtual education programs, private tutoring or saving for future college expenses. In general, do you favor or oppose this kind of 'savings account system'?"



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