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AVAILABLE SEATS?

Survey Analysis Of Missouri Private School Participation In Potential State Scholarship Programs

By James V. Shuls, PhD

EXECUTIVE SUMMARY

Around the country, states are creating and expanding educational options through the use of vouchers, education savings accounts (ESAs), and tax credit scholarships. Similar proposals have been put forth in Missouri. To inform the discussion regarding these proposals, the Show-Me Institute conducted a survey of private school leaders in Kansas City and Saint Louis. The survey asked school leaders to indicate their willingness to participate in a state-sponsored private school scholarship program at various price points and with varying regulations. This paper presents the findings of our survey. Additionally, we use the survey responses to generate estimates of the costs or cost-

savings that would be incurred if the state created a private school scholarship program. The research questions and some of the key findings are below.

At what price point are private schools willing to fill available seats with students supported by a state-sponsored scholarship program?

- Seventy percent of private school leaders in Kansas City and Saint Louis indicated they are interested in a state-sponsored scholarship program.
- A relatively modest scholarship of \$3,000 would entice more than half of the schools to participate in the program, opening up more than 2,000 seats to new students.

Though it seems clear that families want choices, some seek to prevent further choice and competition in education.

What regulations or program requirements are private schools willing to accept when participating in a state-sponsored scholarship program?

- Private schools are sensitive to program requirements and are less inclined to participate when strings are attached. Specifically, most private schools want to maintain their current admissions procedures and they are less likely to participate if they are required to provide transportation.
- Religious private schools are concerned about maintaining their religious identity. Seventy-one percent indicated they would not participate if they students were allowed to opt out of religious services or classes.

INTRODUCTION

A Kansas City parent recently told me, “Public schools should be our best option.” Unfortunately for her, they were not, so she enrolled her child in a private school. Like this parent, many parents in Missouri find that the district-run public schools in their area simply are not the best option for their children. Approximately 37 percent of public school students attend charter schools in Kansas City and 25 percent attend charter schools in Saint Louis. In 2010, approximately 10 percent of all Missouri children attended private schools.¹ These numbers demonstrate that there is a demand for school choice.

Seeing the demand for educational options, other states have created programs that expand educational opportunities beyond public schools, through the use of vouchers, education

What would be the fiscal impact of a state-sponsored private school scholarship program?

- Estimates vary depending on the scholarship amount and the assumptions in the model, but a well-designed voucher/ESA or tax credit scholarship program could save state and local school districts millions of dollars. The most cost-savings would be realized with a scholarship of \$3,000.
- Vouchers and education savings accounts could generate significant cost-savings, but the biggest savings could come from a tax credit scholarship program where the credit is worth less than 100 percent of the donation. This type of program could generate cost-savings in excess of \$20 million.

savings accounts, and tax credit scholarships.² Some have called for similar programs in Missouri. However, questions remain about the appropriate funding level for these types of programs and the types of accountability that should be in place. This essay explores these questions.

Specifically, this paper analyzes three specific research questions:

1. At what price point are private schools willing to fill available seats with students supported by a state-sponsored scholarship program?
2. What regulations or program requirements are private schools willing to accept when participating in a state-sponsored scholarship program?
3. What would be the fiscal impact of a state-sponsored private school scholarship program?

The data used in this analysis were gathered via a survey of private schools in Kansas City and Saint Louis regarding their possible participation in a state-sponsored private school choice program. Expected costs and cost-savings for private school choice programs have been computed using the data from the surveys and financial data from the Missouri Department of Elementary and Secondary Education (DESE). This analysis makes it clear that a private school choice program would expand educational options for families and have the potential to save taxpayers millions of dollars, dollars that could be funneled back into public schools or used in other productive ways.

LITERATURE REVIEW

Though it seems clear that families want choices, some seek to prevent further choice and competition in education. In a recent position paper, the Cooperating School Districts of Greater St. Louis urged the state to “move beyond providing choice options.”³ They claim that choice and competition work in the private sector, “But is [sic] does not work in public schools, at least not in Missouri.”⁴ The academic literature suggests otherwise.

The Friedman Foundation for Educational Choice’s review of the literature on private school voucher programs notes that 11 of the 12 “gold standard” studies — randomized control trials — find positive benefits for all or some students who participate in the voucher programs.⁵ These studies make use of a lottery to assign students to the treatment and control groups. This is the closest to a true experiment that we can get in

social science research. Moreover, the Friedman Foundation review notes that 23 non-experimental studies have examined the impact on public schools when they face competition. All but one found some positive benefits from schools facing competition. That is to say, the students who remain behind in the traditional public schools are better served, on average, when their schools face competition.

The academic literature also finds that parents are more satisfied with their child’s school when they have expressed choice. Randomized control trials have also consistently found that the use of a voucher to attend a private school increases parental satisfaction.⁶ For example, parents of children who were awarded a scholarship to attend a private school through the Washington D.C. Opportunity Scholarship were far more likely to give their child’s school an “A” or “B” grade — 74 percent compared to just 55 percent in the control group.⁷ Survey research of tax credit scholarship programs and education savings accounts has found similar results — parents are satisfied when they are able to choose.⁸ This was apparent in a report that the National Center of Education Statistics (NCES) released.⁹ The NCES researchers found that parents who chose their child’s school, whether public or private, tended to have higher levels of satisfaction.

PRIVATE SCHOOL SURVEY

Would private schools in Kansas City and Saint Louis be willing to participate in a scholarship program? To answer this question, the Show-Me Institute conducted a survey of private schools in the two cities. We identified a total of 91 private schools with unique

Seeing the demand for educational options, other states have created programs that expand educational opportunities beyond public schools, through the use of vouchers, education savings accounts, and tax credit scholarships.

administrators.¹⁰ A survey was sent to each school leader.¹¹ A total of 50 responses were received for a response rate of 55 percent.

The survey collected descriptive information about each school first. Then

it asked respondents to complete a series of Likert scale items, a rating scale that is described later in the paper, regarding their possible participation in a state program that would allow students to use public funds to pay for tuition at a private school. The survey indicated that these types of programs have taken many forms in other states, including vouchers, tax credit scholarships, and education savings accounts. The survey asked administrators to assume the program would only apply to new students, not students currently enrolled in a private school.¹²

The descriptive statistics of the private schools represented in the survey responses are presented in Table 1. Most of the schools did not follow traditional breaks in enrollment—elementary, middle, and high school. Forty-two percent of the schools served students in kindergarten through eighth grades while 12 percent served kindergarten through 12th grades. The majority of schools served at least one elementary grade (77 percent). Just 14 percent of the schools were high schools serving grades nine through 12. Most of the schools, 90 percent, have been in existence for more than 10 years. The average tuition is estimated to be just more than \$8,000, significantly less than the \$13,414 spent on operating expenditures in the Kansas City School District and \$14,375 spent in the Saint Louis Public School District.¹³ Though the difference seems large, this is a high estimate of private school tuition; the actual difference may be significantly larger.¹⁴

Interest in a Private School Choice Program

To answer the first research question regarding interest in participating in a private school choice scholarship

TABLE 1: Private School Descriptive Statistics

DESCRIPTIVE CHARACTERISTIC	SAMPLE STATISTIC
Number of School Responses	50
Early Childhood Center (K-1)	6%
Traditional Elementary (K-6)	16%
Elementary and Middle (K-8)	42%
Elementary through H.S. (K-12)	12%
Middle (6-8)	6%
Middle and H.S. (6-12)	4%
High School (9-12)	14%
Average Enrollment	259
Total Enrollment	13,187
Available Spaces	3,122
Average Tuition (by school)	\$8,067
Average Tuition (weighted by school size)	\$8,929
Average Tuition of Available Spaces	\$5,630
Percent of schools that have been in operation more than 10 years	90%
Non-Religious	30%
Catholic	56%
Protestant	10%
Other religion	4%
Race	
White	60%
Black	25%
Hispanic	9%
Offers need based scholarships	84%
National School Lunch Program	38%
Accept special needs students	88%
Use Standardized Tests	88%
After school care	100%

program, school administrators were asked to indicate their level of agreement or disagreement with a series of statements regarding participation. Their responses ranged on a five-point Likert scale from “strongly disagree” to “strongly agree.” The first statement read, “My school is interested in a state-sponsored scholarship program which would enable students to attend private schools.” Seventy percent of respondents indicated they either “agreed” or “strongly agreed” with that statement. Religious schools indicated more interest than non-religious schools (75 percent to 60 percent, Figure 1).

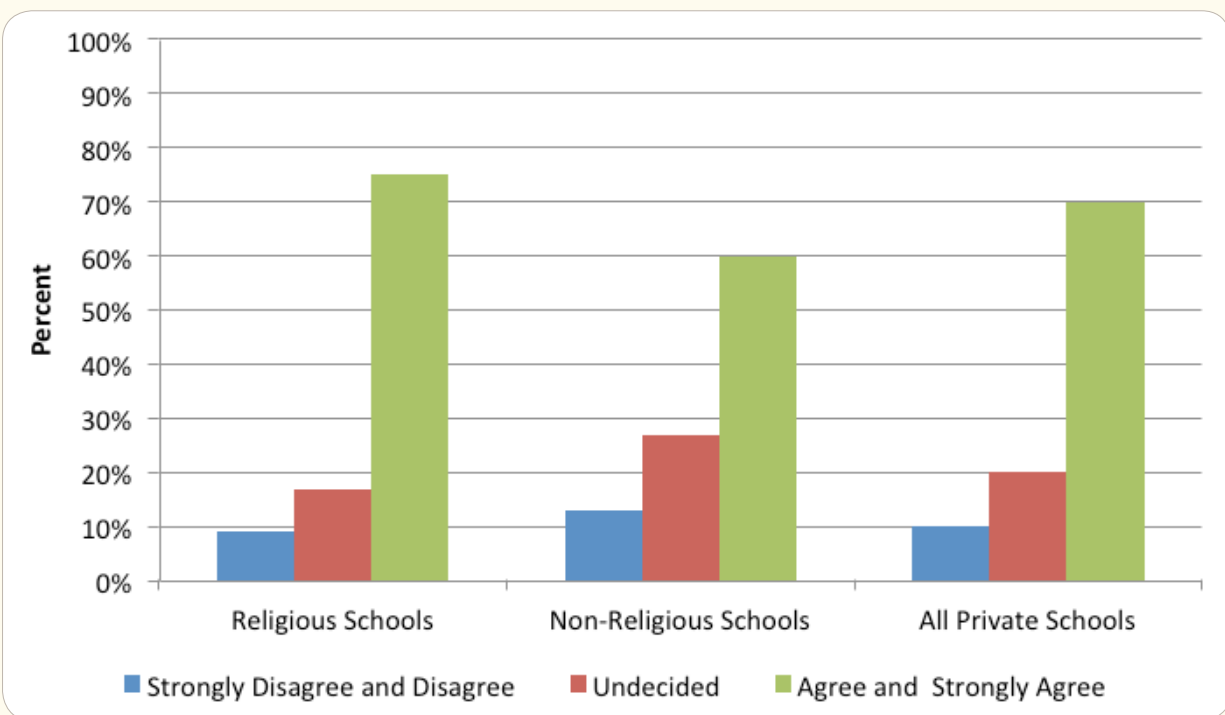
At this point, participants in the survey responded to a nebulous scholarship program or idea. They knew that their answers would only apply to new students, not students currently attending their schools, but they did not have specific details about the scholarship level or requirements.

Using the same method as the previous question, administrators were asked to indicate their level of agreement or disagreement with statements regarding specific scholarship levels and their schools’ participation given various restrictions or requirements.

Participants saw several statements about the value of the scholarship. The statements read, “If the state-sponsored scholarship was in the amount of [dollar amount], my school would attempt to fill our available spaces with students receiving a state-sponsored scholarship.” The dollar value of the scholarship ranged from \$2,000 to \$9,000 (Figure 2). As you might expect, schools would be more likely to participate in a program when the scholarship amount is higher. At \$2,000, just 36 percent indicated they would be willing to fill their seats with scholarship students. That rose to 79 percent at the \$9,000

Randomized control trials, the “gold standard” in social science research, have consistently found that the use of a voucher to attend a private school increases parental satisfaction.

Figure 1: Private School Interest in a Scholarship Program



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level. Though the survey did not state it explicitly, it was implied that schools would not be able to charge students additional tuition on top of the scholarship. If they were able to charge tuition, even a nominal one, more schools may be willing to participate in a scholarship program.

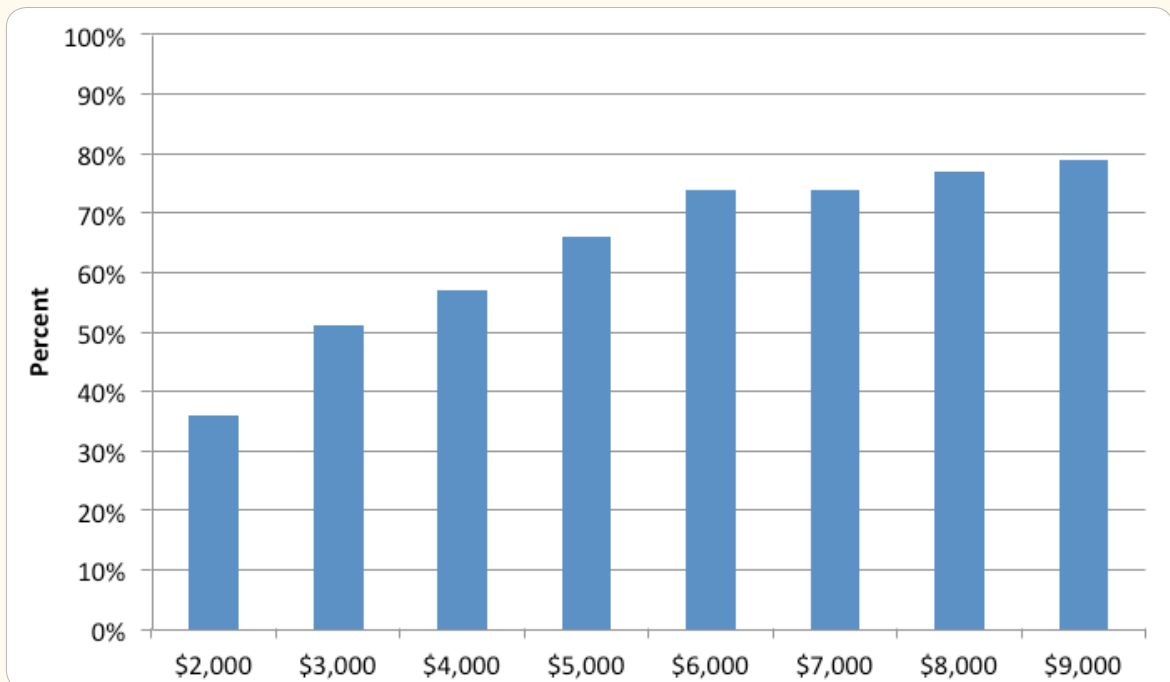
At the \$9,000 level, only two school administrators indicated they would not participate in the program. For the two school officials who indicated they would not participate, \$9,000 would cover the full cost of tuition and both schools have available spaces. Therefore, it seems something other than money would prevent these schools from participating in a state-sponsored scholarship program. Each of these two schools indicated at the outset that they were either undecided or not interested in a scholarship program. It is likely that the school leaders at these schools

are worried about the potential strings attached to state funding, whether it comes directly from the state in a voucher or ESA program or through a private scholarship organization that donations support. Indeed, as detailed in the next section, many of the schools are concerned about the potential for greater government requirements.

Strings Attached to Private School Scholarship Money

States vary in the regulations they impose on private schools when they participate in a voucher, ESA, or tax credit scholarship program. A study by the Thomas B. Fordham Institute found that participation rates in these programs vary.¹⁶ In Louisiana, just 29 percent of private schools participate in the Louisiana Student Scholarships program while 94 percent participate in Cleveland’s Scholarship program.

Figure 2: Percent of Private Schools That Would Participate in a Scholarship Program at Various Price Points¹⁵



Many factors impact a school’s decision to participate in its state’s private school choice program but as we might expect, participation rates tend to be lower when more regulations are imposed.

To better understand which government requirements would deter Missouri private schools from participating in a state-sponsored scholarship program, school leaders were again asked to indicate their level of agreement or disagreement to a series of statements. The answers were on a five-point scale, ranging from “strongly disagree” to “strongly agree.”

In addition to examining participation rates in the various school choice programs, the aforementioned Fordham study also surveyed private schools regarding their participation in a school

choice program. The key difference between the Show-Me Institute survey and Fordham’s is that Fordham surveyed schools in states with existing private school choice programs. Thus, their survey could ask what program requirements most impacted their decision to participate or not participate in the program. The schools in our survey were asked similar questions, but they were answering on a hypothetical because they did not have program specifics to consider.

The schools that Fordham surveyed cited “upholding student admissions criteria” as the most important factor in their decision to participate in their state’s existing private schools, with 52 percent citing it as “very important” or “extremely important.” In our survey,

Many factors impact a school’s decision to participate in its state’s private school choice program but as we might expect, participation rates tend to be lower when more regulations are imposed.

TABLE 2: Private School Responses to Government Requirements

MY SCHOOL WOULD NOT PARTICIPATE IN THIS TYPE OF PROGRAM...	PERCENT INDICATING THEY WOULD NOT PARTICIPATE (AGREE OR STRONGLY AGREE)
...unless I were allowed to use our normal admissions procedures.	77%
...if I were required to provide transportation to state-supported students.	72%
...if students receiving state assistance were allowed to opt out of religious services or classes.	71%
...if I were required to administer state standardized tests (MAP and End-of-Course exams) to students with state-sponsored scholarships.	49%
...unless I were allowed to collect a portion of the difference between the state support and our tuition from the student’s family based on the family’s financial circumstances.	47%
...if I were required to hold a lottery for admission when the number of applicants exceeded our number of available spaces.	47%
...if I were required to use the state content standards.	32%
...if I were required to participate in the National School Lunch Program.	30%
...if our teachers were required to be certified.	23%
...if I were required to abide by an Individualized Education Program (IEP) for students with special needs.	17%
...if I were required to administer a nationally normed achievement test of our choosing.	15%
...if I were required to report how I used scholarship funds.	11%
...if students receiving a state-sponsored scholarship were required to meet state graduation requirements regarding course completions.	9%

One important factor determining whether a school will or will not participate in a private school choice program is the amount of the scholarship.

72 percent of respondents indicated they would not participate in a state-sponsored scholarship program unless they could maintain their current admission practices (Table 2). This made it the most important factor impacting a school’s decision to participate.

At first blush, the difference between the Fordham figure of 52 percent and our figure of 72 percent seems quite large. However, there are two likely explanations. As mentioned before, the participants in the Fordham study were commenting on existing programs whereas the participants in our survey were commenting on a hypothetical. Additionally, the statement in our survey reads as, “My school would not participate in this type of program unless I was allowed to use our normal admissions procedures.” It is not clear from this statement if it is referencing admissions procedures for all students or just for new students. Thus, some respondents may have wondered if the scholarship program would change their admissions process for their non-scholarship students. Only 47 percent indicated they would not participate if they were required to use a scholarship

when the number of applicants exceeded the number of spaces. Thus, when thinking of only new students on scholarship and having program specifics, the number of schools saying they would not participate drops.

In all, there were seven items on our survey that closely resembled items on the Fordham survey and the responses are similar (Table 3). After admissions criteria, allowing students to opt out of religious services is the second most important factor. On the opposite end, a few school leaders report a hesitancy to disclose how scholarship funds are spent.

COST OR COST-SAVINGS?

Our survey of private schools indicates that there is interest in a private school choice program amongst private school administrators. One important factor determining whether a school will or will not participate in a private school choice program is the amount of the scholarship. Scholarships worth a small amount might entice a few schools to participate, or if schools do participate, they may accept a few students. A higher scholarship may entice more

Table 3: Rank Order of Survey Items From Show-Me Institute Survey and Fordham Study

SHOW-ME INSTITUTE STUDY

Admissions Criteria

Opt out of religious activities

Requirement to participate in state testing

Limits on charging additional tuition

Curriculum Standards

Teacher certification requirements

Financial disclosure

FORDHAM STUDY

Admissions Criteria

Opt out of religious activities

Limits on charging additional tuition

Requirement to participate in state testing

Teacher certification requirements

Curriculum Standards

Financial disclosure

schools to open their doors to students with scholarships. Moreover, large scholarships may even entice schools to expand, add additional grades, or open new schools. Most programs in other states tend to be of the former variety. That is, they fill vacant seats but do not entice new schools to enter the market.

One reason scholarship programs with a low tuition amount are the norm is that they can result in cost-savings for the state. If a student leaves the public school system to attend a private school with a scholarship that is less than the amount that would have been spent on that child, the result is a cost-savings. For example, the St. Louis Public School District spent nearly \$12,000 per pupil from state and local sources in 2013.¹⁷ This does not include funding for school buildings. If a student used a voucher or ESA worth less than that amount, it would generate cost-savings.

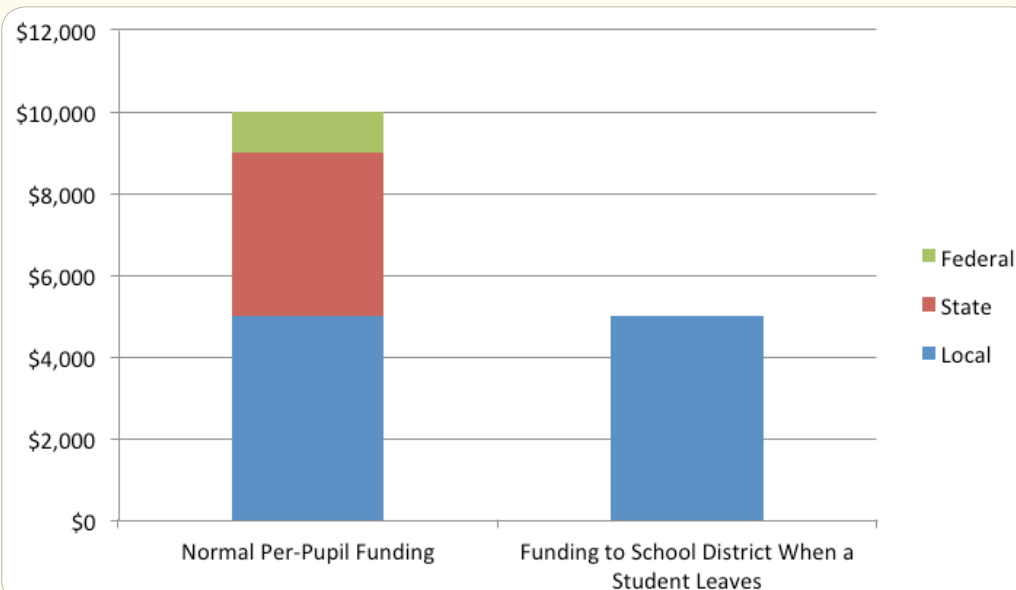
Complicating this matter slightly is Missouri's foundation formula, which allots money to school districts based on a complex system of local and state dollars.¹⁸ In Saint Louis and Kansas City, the state portion of the funding is relatively small. Thus, if only state dollars are used to provide a scholarship, it would have to be less than the per-pupil amount that the state allots for the state to see a cost-savings. If the scholarship amount is more than the state spends per pupil, it would

result in additional costs for the state.

Looking only at state dollars, however, does not provide a complete picture. After all, the foundation formula was established to ensure school districts have an adequate amount of funding from a combination of state and local dollars. When a student leaves the district to attend another district or to attend a private school, all of the local dollars stay within the district. In Figure 3, a hypothetical district that spends \$10,000 per pupil is presented: 50 percent from local sources, 40 percent from the state, and 10 percent from the federal government. When a student leaves, the district loses the state and federal dollars that are awarded on a per-pupil basis. However, they keep all of the funding raised through local sources.¹⁹ Thus, when a student leaves, but all of the funding does not leave with him or her, the district

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Figure 3: Illustration of How Local Dollars Remain in a School Choice System



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benefits and will see an increase in per-pupil funding.

Based on the responses from the survey, we estimate the number of seats that

Table 4: Number of Available Seats in Kansas City and Saint Louis at Various Price Points

SCHOLARSHIP AMOUNT	NUMBER OF AVAILABLE SEATS
\$2,000	1,437
\$3,000	2,241
\$4,000	2,351
\$5,000	2,481
\$6,000	2,595
\$7,000	2,576
\$8,000	2,631
\$9,000	2,655

would be available to students receiving state-sponsored scholarships at each price point (Table 4). Using these figures, we are able to estimate how much a private school choice program would cost or save the state and local school district. Though vouchers, education savings accounts, and tax credit scholarships are treated the same in the survey, a distinction must be made here. Vouchers and education savings accounts are typically funded using dollars from state and/or local means. Tax credit scholarships, on the other hand, are funded through private donations that receive a tax credit. Therefore, in the following section, the cost and cost-savings of these programs is treated separately.²⁰

Vouchers and Education Savings Accounts

In the models, it is assumed that all of the spaces available will be filled with students who otherwise would have attended a public school. A program that included

Table 5: Illustration of Voucher/ESA Cost/Cost-Savings Equation

LEVEL OF SCHOLARSHIP	NUMBER OF STUDENTS	AVERAGE STATE SPENDING PER PUPIL (INCLUDING PROP C FUNDS)	STATE SPENDING PER PUPIL ($P_s \times N$)	COST OF THE PROGRAM (C)	FISCAL COST OF THE PROGRAM (F)
\$2,000	1,437	\$2,724	\$3,913,830	\$ 2,874,000	\$ 1,039,830
\$3,000	2,241	\$2,683	\$6,012,506	\$ 6,723,000	\$ 710,494
\$4,000	2,351	\$2,643	\$6,212,848	\$ 9,404,000	\$ 3,191,152
\$5,000	2,481	\$2,637	\$6,542,675	\$12,405,000	\$ 5,862,325
\$6,000	2,595	\$2,592	\$6,725,487	\$15,570,000	\$ 8,844,513
\$7,000	2,576	\$2,607	\$6,715,698	\$18,032,000	\$11,316,302
\$8,000	2,631	\$2,591	\$6,815,869	\$21,048,000	\$14,232,131
\$9,000	2,655	\$2,574	\$6,834,764	\$23,895,000	\$17,060,236

non-switchers would be more costly, so these estimates may seem high. However, the survey asked school leaders to consider this type of program for students who were not already enrolled. Therefore, it is reasonable for the purposes of this study to assume all of the seats would be filled with students switching from public to private. Table 5 illustrates how the fiscal cost/cost-savings formula applies to the state in a voucher or ESA program.²¹

As already mentioned, the state provides relatively little to the Kansas City and Saint Louis public school districts through the funding formula. This is because the districts have a large local property tax base relative to the state average, which allows each district to generate more funds at the local level. As Figure 4 shows, a scholarship below \$3,000 would yield some cost-savings to the state. However, at \$3,000 or higher, the voucher/ESA would cost the state more than it is currently spending per pupil.

The data from Table 5 are illustrated in Figure 4, but this illustration only tells half the story. School districts are spending local dollars, not just state dollars, on students. When a student leaves the district, the district's costs also decrease. This decrease is known as the marginal cost, which is the cost associated with that one student. However, it is not clear what the marginal cost of one student is. Would one student leaving really save the school district any money?

School districts have many fixed costs. They would still have the same number of teachers and all of the same services. As Podgursky, Brodsky, and Hauke note, "At first blush it is tempting to conclude that the marginal cost of a single student is zero. However, suppose that district enrollment shrinks by 10 percent. Surely, now the district will have some cost-savings – but how much? Will costs shrink by 10 percent? Less than 10 percent? More than 10 percent?"²²

Unfortunately, marginal cost data are not available, but average cost data are – as per-pupil operating expenditures. Following Podgursky, Brodsky, and Hauke, we estimate the cost-savings using 50 percent, 75 percent, and 100 percent marginal costs. A marginal cost of 50 percent would imply that a district would be able to reduce expenditures by half the amount spent per pupil. If the district spends \$10,000 per pupil, then it could cut \$5,000 from the budget when a student leaves. A marginal cost of 100 percent assumes the district could cut

When a student leaves, the district loses the state and federal dollars that are awarded on a per-pupil basis. However, they keep all of the funding raised through local sources.

Figure 4: Cost/Cost-Savings to the State in a Voucher/ESA Program

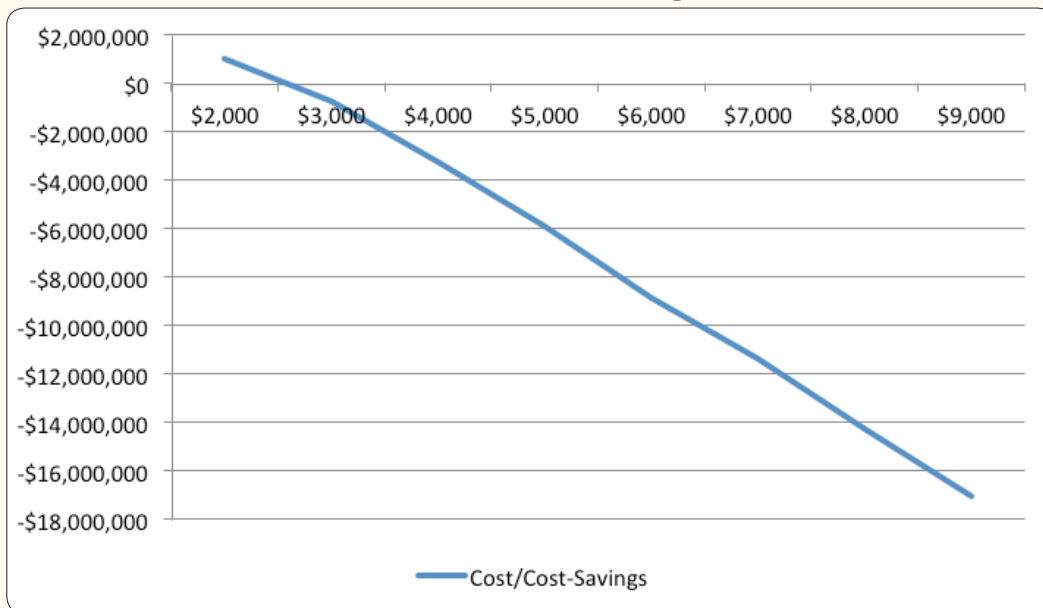
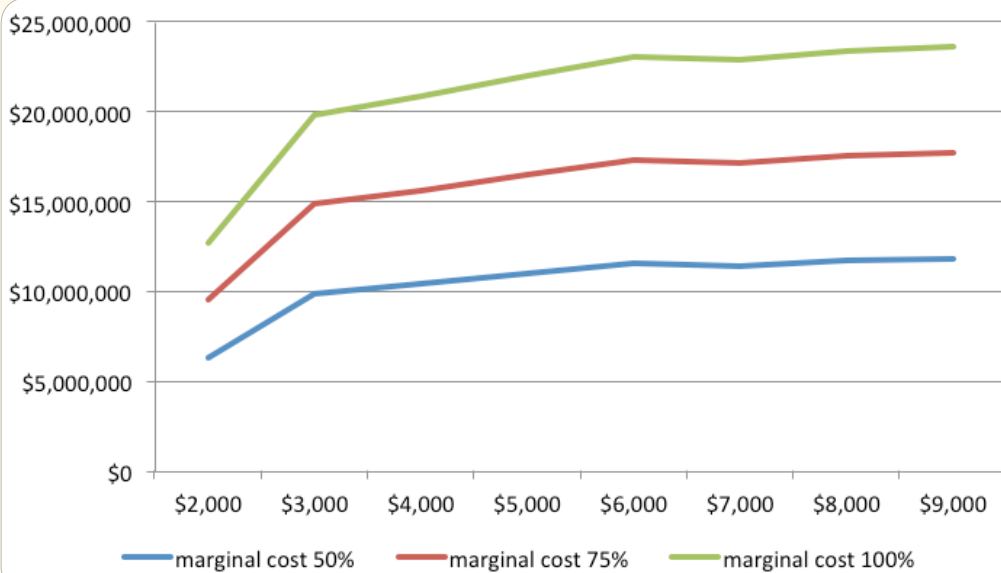


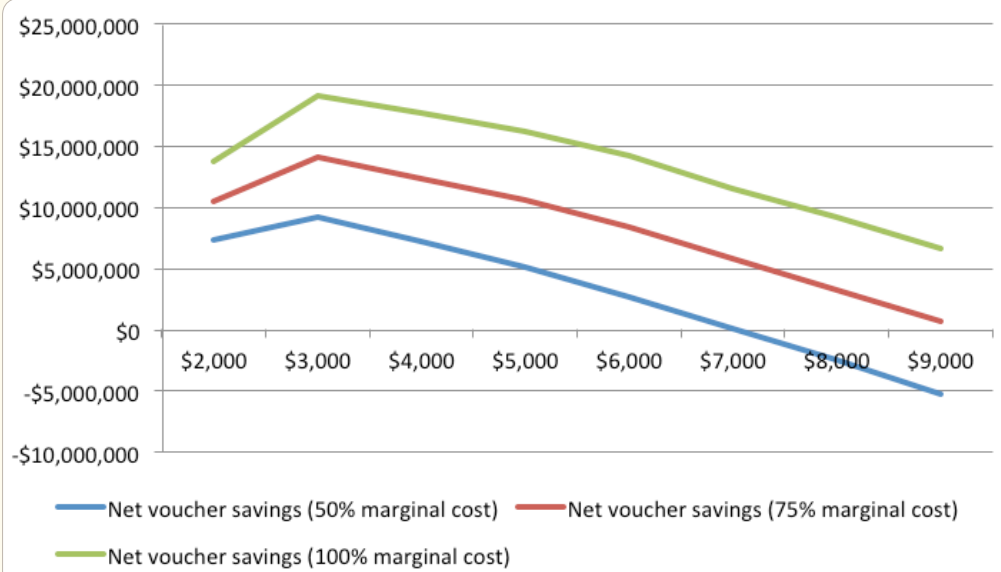
Figure 5: Cost/Cost-Savings to the Local School District



student would be leaving the district. This would result in the loss of state and federal dollars, but all local dollars would remain in the district.

An estimate of the net cost or cost-savings to the state and local school districts in a voucher/ESA program is presented in Figure 6. This is the summation of the state costs or cost-savings and the costs or cost-savings of the local school district. If we assume a 75 percent marginal cost rate, a voucher or ESA program would generate a net cost-savings for any amount up to \$9,000. At a marginal cost rate of 50 percent, however, a scholarship above \$7,000 would result in additional expenditures. Clearly, vouchers and ESAs have potential to save the state a significant amount of money.

Figure 6: Net Cost/Cost-Savings in State and Local Dollars in a Voucher/ESA Program



Tax Credit Scholarships

Next, we examine the fiscal impact of a tax credit scholarship program. In this type of program, scholarships are funded with private donations that receive a tax credit.²³ If the credit is 100 percent, a donation of \$1,000 would result in a credit of \$1,000 toward an individual's or corporation's income taxes. This would be the same as the cost of the voucher. However, a tax credit of 50 percent would yield a credit of only \$500. This means that a \$2,000 scholarship will cost the

the entire per-pupil expenditure amount when a student leaves.

The cost-savings in Figure 5 would be the same whether the state implements a voucher, ESA, or tax credit scholarship program. In each of these programs, the

state less than \$2,000 when the credit is less than 100 percent. If we assume that every dollar donated goes to a scholarship and a tax credit of 50 percent, then a donation of \$2,000 could provide a scholarship of \$2,000 but would only cost the state \$1,000. Essentially, a tax credit scholarship program with a fifty percent credit would provide the state twice the bang for the buck.

The costs and cost-savings to the state with tax credits of 50, 75, and 100 percent are presented in Figure 7. Once again, it is assumed that all of the available seats will be filled with students switching from public to private schools.

As we can see, even a 100 percent tax credit would yield cost-savings at the \$2,000 scholarship level. A 50 percent credit would yield cost-savings for any scholarship amount up to \$5,000. Once again, we must remember that the local school districts would keep all of their local funds (Figure 5). In Figure 8, the net cost and cost-savings of a tax credit scholarship program in the best- and worst-case scenarios are presented. The best-case scenario, or the scenario that would yield the largest cost-savings, would be a tax credit of 50 percent and a marginal cost rate of 100 percent. The worst-case scenario, or most expensive,

Figure 7: Cost/Cost-Savings to the State in a Tax Credit Scholarship Program

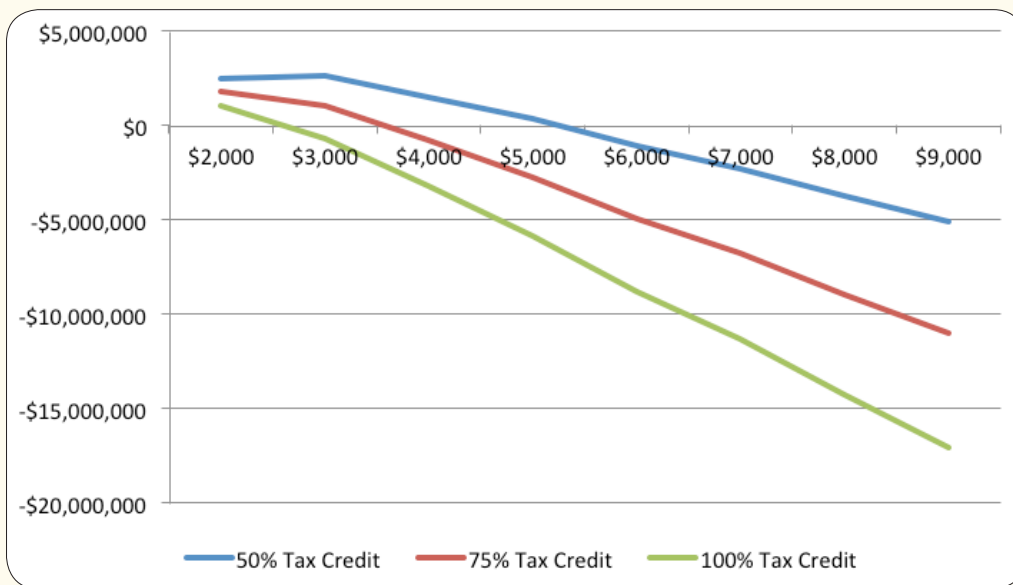
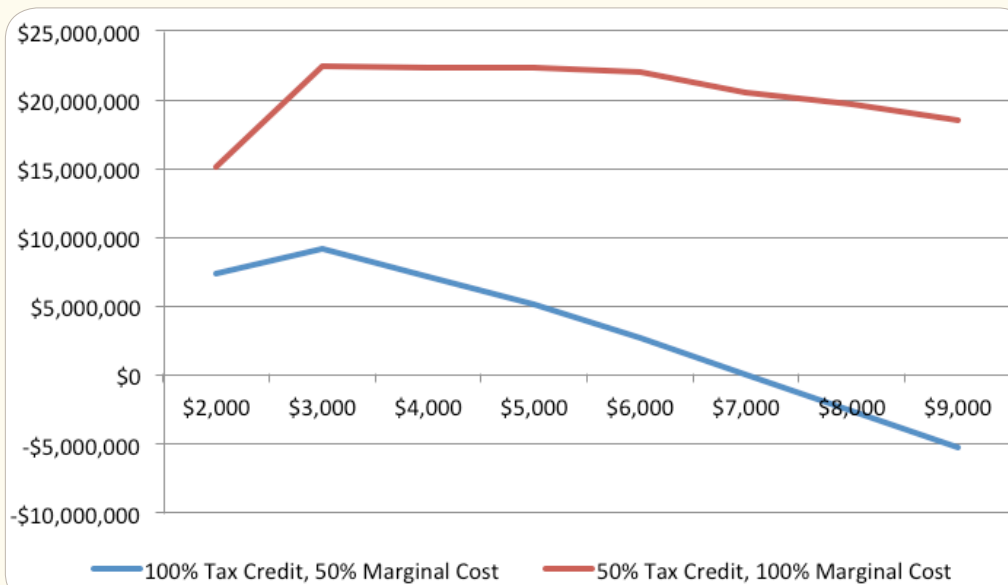


Figure 8: Net Cost/Cost-Savings to State and Local Best- and Worst-Case Scenarios



would be a 100 percent credit and a 50 percent marginal cost rate.

In the most costly scenario, the state could provide a tax credit scholarship of \$7,000 to students and still come out ahead.

In the most generous scenario, the state

... a scholarship below \$3,000 would yield some cost-savings to the state. However, at \$3,000 or higher, the voucher/ESA would cost the state more than it is currently spending per pupil.

could provide a scholarship of \$9,000 to fill the 2,655 available seats and generate a cost-savings of more than \$18 million.

As illustrated in the various figures, a voucher, ESA, or tax credit scholarship program could generate a net cost-savings to the state. Of course, the level of savings depends on the level of the scholarship. It would also depend on the number of students who would switch from public to private schools. It is clear that tax credit scholarships that offer a credit of less than 100 percent provide the most promise for generating cost-savings.

From the responses of the private schools in our survey, it appears that a relatively low scholarship amount of \$2,000 to \$3,000 would open many seats to students and would generate the most cost-savings to taxpayers. However, the low amount most likely would not lead to the expansion of private schools. It also likely would not encourage new schools to enter the market.

CONCLUSION

It is clear that many families value having educational options and that they believe private schools provide quality learning environments for students. The problem is that many families lack the financial means to access private schools. They simply cannot afford the tuition. In this survey of private schools in Kansas City and Saint Louis, we found that private schools have available seats that they are interested in filling. Many of these private schools would be willing to accept additional students at a relatively low tuition level. Thus, by creating a private school choice program, whether it is a voucher, ESA, or tax credit scholarship program, the state could offer additional opportunities to students and save taxpayers money.

Critics of private school choice often worry that private school choice programs will take money away from the public schools. First, it is important to remember that we spend education dollars to educate students, not to prop up school districts. If a portion of those dollars follows the student to a private school that is going to meet his or her needs, then Missouri is still serving the goal of public education.²⁴ Moreover, there are more than 900,000 students in public schools throughout the state and we spend approximately \$11 billion in current operating expenditures.²⁵ Even if the program cost \$30 million to operate, it would be less than three-thousandths of 1 percent of our current operating expenditures.

As this paper has documented, well-designed private school choice programs would not cost taxpayers, they would generate a cost-savings. That is money that could be channeled back into the traditional public schools or spent in other ways. In this analysis, we found that offering fewer than 3,000 students in Saint Louis and Kansas City a scholarship to attend a private school could generate savings in excess of \$20 million. A larger program that is not limited to just Saint Louis and Kansas City could increase the potential cost-savings exponentially.

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NOTES

¹ According to the Private School Universe Survey administered by the National Center for Education Statistics, there were 105,548 students in Missouri private schools. View online here: http://nces.ed.gov/surveys/pss/tables/table_2009_15.asp.

² For more on vouchers, education savings accounts, and tax credit scholarships, see Shuls, James V. "Public Dollars, Private Schools: Examining the Options In Missouri." Show-Me Institute. View online here: <http://www.showmeinstitute.org/publications/essay/education/956-public-dollars-private-schools.html>.

³ "Improving Unaccredited Schools in Missouri." Cooperating School Districts of Greater St. Louis (2013). P. 1. View online here: http://www.edplus.org/Legislative%20Advocacy/Resources/Unaccredited_Schools_Position_Paper.pdf.

⁴ Ibid. P. 3.

⁵ Forster, Greg. "A Win-Win Solution: The Empirical Evidence on School Choice." Friedman Foundation for Educational Choice (2013).

⁶ Wolf, Patrick J., et al. "Evaluation Of The DC Opportunity Scholarship Program: First Year Report On Participation." Institute of Education Sciences, National Center for Education Evaluation and Regional Assistance, U.S. Department of Education, 2005. Howell, William G., and Paul E. Peterson. "The Education Gap: Vouchers And Urban Schools." Brookings Institution Press, 2006. Greene, Jay P. "Vouchers in Charlotte." *Education Matters* 1.2 (2001): 55-60.

⁷ Wolf, et al. (2005).

⁸ Forster, Greg, and Christian D'Andrea. (2009). "An Empirical Evaluation Of The Florida Tax Credit Scholarship Program." Friedman Foundation for Educational Choice. Kelly, James P., and Benjamin Scafidi (2013). "More Than Scores: An Analysis Of Why And How Parents Choose Private Schools." Friedman Foundation for Educational Choice. Bedrick, Jason (forthcoming in 2014). "Live Free and Learn: A Case Study of New Hampshire's Scholarship Tax Credit Program." Show-Me Institute. Butcher, Jonathan, and Jason Bedrick (2013). "Schooling Satisfaction: Arizona Parents' Opinions on Using Education Savings Accounts." Friedman Foundation for Educational Choice.

⁹ Grady, Sarah, Stacey Bielick, and Susan Aud. "Trends in the Use of School Choice: 1993 to 2007. Statistical Analysis Report. NCES 2010-004." National Center for Education Statistics (2010).

¹⁰ Missouri education officials do not keep a comprehensive list of all private schools. Therefore, the first step was identifying every private

school. We first searched the list of schools on the Private School Universe Survey conducted by the National Center for Education Statistics. This generated a list of 40 private schools in Saint Louis, not including Saint Louis County, and 45 in Kansas City. The latest year for this survey was 2009-10, therefore, it was important to verify the existence of these schools and that the schools serve students between kindergarten and 12th grades. Additionally, we wanted to add schools that opened after the Private School Universe Survey or had not been included. We searched online for each school. Schools that do not serve K-12 were removed from the list, as were schools that had closed. Additionally, we reviewed listings on GreatSchools.org, consulted Catholic Diocese lists, and performed a Google search for private schools within each city. Some administrators had multiple campuses. They were only surveyed one time.

¹¹ The leaders of each of these private schools were asked to complete an online survey via email. The initial request was followed with another email the next week. Thirty-one school leaders completed the online survey, for a response rate of 34.1 percent. To boost the response rate, each school leader was called and asked to complete the survey by phone. This method collected eight more responses. Finally, paper copies of the survey were sent to those who had not completed the survey and we received 12 more responses.

¹² Every participant received the same first survey item in this section regarding his or her interest in a state-sponsored scholarship program. The remaining survey items were presented randomly. These items were also presented randomly in the phone interviews. For the paper surveys, we created three separate versions and randomly assigned them to the remaining participants.

¹³ Missouri Department of Elementary and Secondary Education. View online here: <http://mcids.dese.mo.gov/quickfacts/SitePages/DistrictInfo.aspx>.

¹⁴ The survey asked each private school administrator to identify the price range for tuition (e.g., \$8,000 to \$9,000). We use the higher number to calculate the average private school tuition. The last option on the survey was "more than \$15,000." Five respondents chose this answer. Because we have no way of knowing where their tuition falls beyond \$15,000, we calculated the average by assigning a value of \$20,000 to the tuition of these five schools. This would lead to a higher estimate.

¹⁵ This table assumes that once a school indicates they would participate at a specific dollar amount, they would participate at every higher dollar amount. A few school leaders made switches back and forth on the survey, but the difference was not significant.

¹⁶ Stuit, David, and Sy Doan. "School Choice Regulations: Red Tape Or Red Herring?" Thomas B. Fordham Institute (2013): 15-19.

¹⁷ The district spent \$14,375 per pupil. State and local dollars were 82 percent. The remaining dollars come from the federal government.

¹⁸ Shuls, James V. (2012). "A Primer on Missouri's Foundation Formula for K-12 Public Education." Show-Me Institute. View online here: <http://www.showmeinstitute.org/publications/policy-study/education/878-school-funding-primer.html>.

¹⁹ The district would also lose Proposition C funds, which are counted as local dollars. View online here: <http://dese.mo.gov/divadm/finance/PropCPerWADA.htm>.

²⁰ The formula used to estimate cost-savings for vouchers and education savings accounts in this paper is as follows: $F = (P_s \times N) - C$. In this equation, F represents the fiscal cost of the program; P_s is the amount of per-pupil state spending; N is the number of students receiving a scholarship; and C is the cost of the program. In a voucher or ESA program, C will be the cost of the scholarship times the number of students. In this estimation, we use the amount of funds provided to the school districts through the state portion of the foundation formula plus the money allotted to the school districts through Proposition C funds. Proposition C is counted as local dollars but is awarded from the state per pupil. Consequently, a school district would lose those funds when the student leaves the district.

²¹ The average state per-pupil spending varies because the number of seats in each city varies with the scholarship level, and state funding is not equal in the two school districts.

²² Podgursky, Michael, Sarah Brodsky, and Justin Hauke. (2008). "The Fiscal Effects of a Tuition Tax Credit Program in Missouri." Show-Me Institute. View online here: <http://showmeinstitute.org/publications/policy-study/education/357-the-fiscal-effects-of-a-tuition.html>.

²³ The equation for calculating cost/savings in this type of program remains the same as in a voucher/ESA program: $F = (P_s \times N) - C$. However, there are two differences. P_s is replaced with P_r , local per-pupil expenditures, and the cost is no longer just the cost of the scholarship times the number of students receiving scholarships.

²⁴ Shuls, James V. (2013). "Redefining Public Education." Show-Me Institute. View online here: <http://showmeinstitute.org/publications/essay/education/1006-redefining-public-education.html>.

²⁵ Figure calculated using 2013 total expenditures divided by average daily attendance.



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