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Policy Analysis: Voucher Bill Passed by the Senate Still Drains State Dollars from Public Schools

By Ann Beeson

A substantially reworked version of the Senate Bill 3 voucher bill, sponsored by Senator Larry Taylor, passed the Senate on March 29, 2017. While the bill differs significantly from the version voted out of the Senate Education Committee, it is clear that SB 3 remains the wrong solution for Texas children.

Recommendation: Instead of using taxpayer dollars to subsidize private school education through vouchers, the Texas Legislature should remodel Texas' outdated school finance system to ensure that there is sufficient financial support for all kids to get a quality public education, no matter where they live or what their background. CPPP respectfully urges members of the Texas House to vote no on SB 3.

Vouchers – by any name – are bad for Texas children and their families. As passed by the Senate, SB 3 would:

- Divert significant public resources from Texas' already under-funded public school system to subsidize private school tuition.
- Reduce overall state funding for education.
- Offer no real choice to low-income families, because the high cost of private tuition would not be fully covered by the vouchers.
- Provide no solution for low-income families living in rural areas.
- Enable the use of tax dollars without adequate accountability to ensure the quality of education.
- Have a negligible impact on student achievement.

Vouchers offer no real choice to low-income families

Because Education Savings Account (ESA) voucher payments would not cover the full cost of private school tuition or expenses, families would have to pay the difference. The table below shows the remaining cost for families.

SB 3 vouchers offer no real choice to low-income families due to high cost of private school tuition

Example Estimates for Families of 2 adults and 1 child in high school

SB 3 income range for 3-person families ¹	Scenarios	Total potential voucher \$	\$ Family still owes for private high school tuition (avg. cost \$9,672) ²	Remaining private school tuition costs as percentage of family income
\$0 - 75,078	ESA only ³	\$6,767	\$2,906	\$75,000 = 4%
				\$50,000 = 6%
				\$30,000 = 10%
	Tax Credit Vouchers only	Up to \$7,767 ⁴	\$2,406 to \$9,672	\$75,000 = 3-13%
				\$50,000 = 5-19%
				\$30,000 = 8-32%
	ESA and Tax Credit Vouchers	Up to \$10,672 ⁵	\$0-2,906 ⁶	\$75,000 = 0-4%
				\$50,000 = 0-6%
				\$30,000 = 0-10%

The tax credit vouchers in SB 3 also fail to provide a realistic alternative to most students, because they would be available only to a tiny fraction of eligible students. SB 3 now caps the total amount of tax credit vouchers to be distributed at \$25M for the first year, so only 14,000 or less students would receive a tax credit voucher – which is less than one-tenth of one percent of all eligible students.⁷ The Educational Assistance Organization (EAO) need not award the maximum scholarship amount either and has discretion to decide which students would receive scholarships based on their ability to demonstrate “the greatest financial and academic need.”

Vouchers deplete substantial resources from our public schools.

Supporters of the bill continue to vastly underestimate the financial impact of the ESA provision on public schools by underestimating the number of eligible students who will opt for ESA vouchers. **Even in the bill that passed the Senate, there is still no cap on the overall amount of state tax dollars that could be spent annually on ESA vouchers (in contrast to the revised \$25M cap in the tax credit voucher provision).** The number of eligible students entitled to get ESA vouchers is limited only by the income eligibility requirements and the exclusion of rural counties with a population of less than 285,000 (as of the 2010 Census).

Any financial impact analysis should at least assume a range of possible usage rates based on data from other voucher states. Those rates vary, but two state programs mentioned by the bill sponsors include

the Florida voucher program, with a 4 percent usage rate, and the Indiana program, with at 3 percent usage rate.⁸ The table below shows the financial impact on all Texas school districts assuming a 5 percent, 3 percent, and 1 percent usage rate. We also prepared a table showing the financial impact of the final SB 3 voucher scheme on specific school districts across Texas, [available here](#).

Estimated Funding Lost in One Year to All School Districts from SB3 Vouchers⁹

			5%	3%	1%
	Total # of enrolled students 2014-15	Total # of economically disadvantaged students 2014-15	Estimated financial loss in one year to school districts if 5% of eligible students opt for vouchers	Estimated financial loss in one year to school districts if 3% of eligible students opt for vouchers	Estimated financial loss in one year to school districts if 1% of eligible students opt for vouchers
All Eligible Texas School Districts	3,659,180	2,160,715	-\$852,834,318	-\$511,700,591	-\$170,577,864

In summary, instead of using taxpayer dollars to subsidize private school education through vouchers, the Texas Legislature should remodel Texas’ outdated school finance system to ensure that there is sufficient financial support for all children to get a quality public education

1 CPPP calculations using criteria from SB 3 as passed, and 2017 Poverty Guidelines for a family of three.

2 Based on average private high school tuition in Texas. Private School Review, Average Private School Tuition Cost by state (2016-17). <http://www.privateschoolreview.com/tuition-stats/private-school-cost-by-state>

3 Although eligible to apply for a tax credit voucher, it is unlikely that families would receive one because SB 3 caps the tax credit voucher fund at \$25 million annually.

4 This amount includes the assumption that the family would also receive an additional \$500 transportation voucher and a \$500 annual voucher for additional educational expenses, to which they are eligible but not entitled under SB 3 as passed. We are not counting this additional \$1000 as reducing the family’s overall tuition cost as the money is explicitly designated in SB 3 for non-tuition expenses.

5 See note 3.

6 Under SB 3 as passed, certain low-income families would be eligible but not entitled to receive both an ESA voucher and a tax credit voucher. The tax credit voucher would be limited to the difference between the amount of the ESA voucher the family receives and the remaining cost of private school tuition. However, the Educational Assistance Organization that would distribute the tax credit vouchers is not required to provide any tax credit voucher, or to cover the full amount of the gap.

7 SB 3 would cap the tax credit voucher fund at \$25 million per year. CPPP calculated the percentage of students who are potentially eligible for tax credit vouchers based on family income and residency in counties with a population more than 285,000, based upon the 2010 Decennial Census from the U.S. Census Bureau. Based on the average cost across Texas private schools, \$8,522 (see note 2), each student would still have to pay \$1,755 on average for private school tuition even after receiving an ESA. Assuming the tax credit voucher fund pays all remaining private school costs for as many children as possible, this would only cover approximately 14,000 kids, or less than one 10th of one percent of the 2.16 million eligible students (based on our conservative eligibility calculation using only Economically Disadvantaged students).

8 See <https://www.edchoice.org/blog/americas-school-choice-programs-ranked-by-participation-2016-edition/>

9 CPPP analysis using Texas Education Agency 2015 enrollment and economically disadvantaged data (2014-15 School Year), with the voucher and payback parameters defined in SB 3 as passed. This version of our calculations is updated to reflect that the final version passed by the Senate excludes counties with a population less than 285,000, based upon the 2010 Decennial Census from the U.S. Census Bureau. We calculated the financial loss to school districts by multiplying the number of economically disadvantaged students by the 2015 TEA statewide average cost per student (\$9022), and then subtracting the one-time payback payment to the district for those students (\$1128). Under SB 3, the one-time payback payments to school districts would be based on 50% of the difference between the state average cost per student and the ESA voucher amount for the student. Because no data is available regarding the percentage of students in each school district with income levels defined in SB 3, we used TEA data for the percentage of economically disadvantaged students in each district. (Using the economically disadvantaged percentage for our calculations will yield a conservative estimate of money lost to the district, because the economically disadvantaged group is a smaller group than the lower income group defined by SB 3, as passed, who are eligible for ESA vouchers.)