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# The Facts on School Vouchers:

## Entitling private schools to tax dollars without accountability or better results

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### Executive summary

Public education is the bedrock of an informed democracy and the bridge to lifelong opportunities. As a state, we rely on our public schools to develop a talented workforce and promote shared prosperity. To fulfill that promise, our public school system needs sufficient resources to enable all Texas kids to get a quality education, regardless of their background or where they live. Unfortunately, the Texas school finance system is like an old house that has fallen into disrepair and is in need of serious renovations. Rather than focus on these much-needed repairs, some policymakers have proposed school vouchers that use tax dollars to pay for private schools. While it is understandable that policymakers are searching for solutions to ensure that all children get a quality education, school vouchers are not the right answer for Texas children. Vouchers would:

- Divert public resources from Texas' already under-funded public school system to subsidize private school tuition for wealthier families.
- Enable the use of tax dollars with no accountability standards to ensure the quality of education, and no clear standards to protect against misuse of public funds.
- Offer no real choice to low-income families or families living in rural areas.
- Are not a targeted response to the challenges faced by low-income children attending low-performing public schools.
- Have a negligible impact on student achievement.

**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taxpayer dollars to subsidize private school education through vouchers, the Texas Legislature should remodel Texas' outdated school finance system to ensure that there is sufficient financial support for all kids to get a quality public education, no matter where they live or what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.

### Background

A voucher refers to any system in which taxpayer funds are diverted from the public education system to pay for private school tuition or for education-related products or services from private vendors. This policy brief discusses two types of voucher programs:

- Education savings account (ESA) vouchers take a portion of public funds that would have been used to educate a child in public school and place the funds into a special savings account for the child's family to spend on private tuition and other education-related expenses.
- Tax credit vouchers allow corporations to obtain a tax credit in exchange for donating a portion of their tax liability to a fund created to provide student scholarships for private school tuition and expenses, as well as certain public school expenses.

The impact of particular voucher programs on individual families and on public education will vary depending on how narrowly they are targeted and whether they include standards for educational quality and accountability.

## **Voucher proposals in the 85<sup>th</sup> Legislative Session**

Texas lawmakers have introduced bills in the current legislative session that propose multiple types of vouchers. Lieutenant Governor Dan Patrick and Governor Greg Abbott have listed vouchers as a top legislative priority, and Lt. Gov. Patrick has fast-tracked Senate Bill 3 (SB 3). SB 3 would create two distinct programs: an Education Savings Account Program and a Scholarship and Educational Expense Assistance Program. Regardless of academic need, to pay for private school tuition and expenses by using debit cards loaded

The Education Savings Account Program (ESA voucher) would enable parents of all income levels, with taxpayer money that would otherwise support the public education system and other critical public services. The amount of money provided to parents would vary depending on family income and whether the student has a disability.

The amount provided to the family's voucher account would be based on a percentage of the statewide average cost per student. Using the 2015 statewide average of \$9022<sup>1</sup>, the amounts would be: low income-75% (\$6767), all other income levels- 60% (\$5413), disabled- 90% (\$8120). The Comptroller may deduct 5% or less from the payments to families to cover administrative costs.

For the first year per new voucher student only, the state would direct a small payment back to the student's public school district; the one-time payment would be equal to 50% of the difference between the statewide average cost per student and the actual voucher account payment to the parents, which would be \$451 for disabled students, \$1128 for low income students, and \$1805 for all other voucher students.

SB 3's Scholarship and Educational Assistance Program (tax credit voucher) would create a new voucher program funded through tax credits to provide scholarships to certain eligible students who attend K-12 private and public schools. A student would be eligible to receive tax credit vouchers if she had attended public school during preceding academic year or is starting school for the first time, but only if the student is also in foster care, institutional care, has a parent on active duty in the military, has a disability, or is from a low-income family. Funding for the program would be provided through donations paid by insurance companies in return for tax credits against insurance premium taxes due. The tax credit voucher for eligible students may include two components, a tuition scholarship and a voucher for educational expenses. The maximum tuition scholarship that could be awarded would be either 75% or 50% of the statewide average cost per student depending on the income level of the family. The maximum voucher that could be awarded for educational expenses is \$500, and could be used to help cover a range of expenses including facilities fees, tutoring, academic after-school programs, and transportation expenses. Lower income families could utilize both ESA vouchers and tax credit vouchers, but only to cover the tuition shortfall in coverage from the ESA voucher; they would also be eligible for \$500 annually for transportation expenses.<sup>2</sup>

An Educational Assistance Organization (EAO) would be created to administer the program, and could spend up to 10% of the revenue received for scholarships on administrative costs. The total amount of tax credit vouchers to be distributed would be capped at \$100 million for the first year, and would increase by 10% annually. Because of the funding cap and the EAO's discretion regarding which eligible students would receive support, a small fraction of eligible students would receive tax credit vouchers.

### **SB 3 vouchers benefit higher income families more than lower income families<sup>3</sup>**

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

SB 3 income ranges for 3-person families <sup>4</sup>	Example family (annual household income) <sup>5</sup>	Total potential voucher \$	\$ Family still owes for private high school tuition <sup>6</sup>	Additional tuition costs as percentage of family income
<b>\$75,554 - no upper limit</b>	<b>Castros (\$100,000)</b> ESA only	\$5,413	\$4,259	4%
<b>\$66,109 - 75,554</b>	<b>Campbells (\$70,000)<sup>7</sup></b> Scenario 1: ESA only	\$6,767	\$2,906	4%
	Scenario 2: Tax Credit Vouchers <sup>8</sup>	Up to \$4,511	\$4,661 or more	7% or more
<b>\$0 - 66,109</b>	<b>Campas (\$35,000)</b> Scenario 1: ESA only <sup>9</sup>	\$6,767	\$2,906	8%
	Scenario 2: Tax Credit Vouchers only	\$7,767 <sup>10</sup>	\$2,096 or more	8% or more
	Scenario 3: ESA and Tax Credit Vouchers	Up to \$10,672 <sup>11</sup>	\$0-2,906 <sup>12</sup>	0-8%

## Analysis

### I. Education Savings Account Vouchers

***ESA vouchers siphon resources from Texas' already under-funded public school system to subsidize private school tuition for wealthier families.***

SB 3 would create a universal voucher program that would enable families of all income levels who *never attended a public school* to use ESA vouchers to pay for private tuition. All parents of children entering pre-K in 2017 would be eligible, in addition to any child that attended a public school in the preceding academic year. That means the percentage of students who have never attended a public school but are eligible to receive an ESA voucher would increase each year, and by 2030 ESA vouchers would be available to all families regardless of whether they ever attended a public school.

Because the statewide average funding per student is about \$9,022, and ESA voucher payments would range from \$5413 (higher-income students) - \$8120 (students with a disability), students would receive less state funding from an ESA than they would receive to attend public school. See Appendix B.

SB 3 would result in a significant net loss of funding for public education.

- SB 3 would directly deplete the overall amount of state funds available to support public education. The bill does not specify a particular source of state revenue, so presumably ESA payments to family accounts would be withdrawn from General Revenue.
- Individual school districts would receive less money overall because of the decrease in public school enrollment resulting from SB 3.<sup>13</sup>
- Though school districts would receive less money, decreased enrollment would not correspondingly reduce their expenses to educate students, many of which are fixed costs such as facilities, utilities, and programmatic costs.
- Property wealthy school districts subject to recapture would also experience an increase in the amount owed back to the state as the number of students enrolled in their districts decreases due to SB 3.
- SB 3's provision requiring the state to provide a small first-year only payment per student to home districts fails to correct the negative financial impact because the payback represents only a fraction of the funding lost per student, and would be made only the first year per student.

Using enrollment and statewide average cost per student data from the Texas Education Agency for 2015, and assuming five percent of all students opted for ESA vouchers, our calculations show that public school funding in Texas would be reduced by more than \$2 billion if SB 3 were enacted, even after the small payback payments for lost students are made to school districts. As the table below illustrates, the impact on particular districts would also be extremely dramatic.

### **Estimated Funding Lost in One Year to School Districts from SB3 Vouchers<sup>14</sup>**

School District	Total # of enrolled students 2014-15	Financial loss to school districts if 5% of students opt for vouchers
<b>All Texas School Districts</b>	5,210,148	<b>– \$2,012,354,538</b>
<i>Urban Districts</i>		
<b>Houston ISD</b>	214,462	<b>– \$82,863,757</b>
<b>Dallas ISD</b>	160,148	<b>– \$ 62,441,716</b>
<b>San Antonio ISD</b>	53,701	<b>– \$ 21,043,455</b>
<b>Amarillo ISD</b>	33,169	<b>– \$ 12,721,739</b>
<i>Suburban Districts</i>		
<b>Garland ISD</b>	57,323	<b>– \$ 21,858,743</b>
<b>Pasadena ISD</b>	55,395	<b>– \$ 21,428,815</b>
<i>Town and Rural Districts</i>		
<b>Pharr-San Juan-Alamo ISD</b>	32,272	<b>– \$ 12,610,165</b>
<b>Greenville ISD</b>	4,727	<b>– \$ 1,817,600</b>
<b>Prairiland ISD</b>	1,131	<b>– \$ 428,787</b>
<b>Wheeler ISD</b>	486	<b>– \$ 182,770</b>

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*Public school funding in Texas would be reduced by more than \$2 billion if SB 3 were enacted.*

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***ESA vouchers enable the use of tax dollars with no accountability standards to ensure the quality of education, and no clear standards to protect against misuse of public funds.***

Unlike other voucher bills previously considered and rejected by the Texas Legislature, SB 3 explicitly rejects accountability and testing standards. It would exempt private schools and educational product and service vendors from regulation, and enable the use of state dollars for explicitly religious educational content. The bill would not require schools or programs to administer a nationally norm-referenced assessment test to measure educational progress.

SB 3 goes far beyond authorizing the use of tax dollars for private school tuition, and could be used to pay for expenses that have multiple purposes beyond education, including computers and televisions.

SB 3 has insufficient standards to protect against misuse of public funds. Similar voucher programs in other states have led to fraudulent use of funds. One audit report concerning a similar voucher program in Arizona found more than \$100,000 in misspending in one semester, which included “parents who spent program monies after enrolling children in public school, parents who did not submit required quarterly expense reports, and parents who purchased un-allowed items.”<sup>15</sup>

***ESA vouchers offer no real choice to low-income families.***

Because ESA voucher payments would not cover the full cost of private school tuition or expenses, families would have to pay the difference.

Average cost of private school tuition in Texas<sup>16</sup>

- All schools: \$8,522
- High schools: \$9,672
- Elementary schools: \$7,190

Even with an ESA voucher, most eligible students would still owe between \$2,906 and \$4,259 in private school tuition annually.<sup>17</sup> Parents would also have to pay for other education-related expenses that would be covered or partially subsidized if they attended public school, including most notably transportation and food. That would render ESA vouchers out of reach for most low-income families. Rather, as research from other states with voucher programs has shown, the beneficiaries of SB 3’s public tax dollars are likely to be wealthier families who already send their children to private schools.<sup>18</sup> ESA vouchers would thus exacerbate existing educational inequities based on socioeconomic status, race and ethnicity.<sup>19</sup> Unlike public schools, private schools can discriminate based on past academic performance and student behavior, which is likely to further increase inequities for low-income families.

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*Even with an ESA voucher, a student would still owe between \$2,906 and \$4,259 in private school tuition.*

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***ESA vouchers are not a targeted response to the challenges faced by low-income children attending low-performing public schools.***

SB 3 would make ESA vouchers available to parents of all income levels, regardless of academic need. Because SB 3 does not apply only to families whose children attend low-performing public schools, families will be able to use ESA vouchers for private school tuition even if their public schools are high-performing. Yet ESA vouchers would still leave private schools financially out of reach for families most in need – low-income families who attend low-performing schools.

***ESA vouchers are not a viable choice for families in rural areas.***

Because private school options in rural areas are few and far between, ESAs do not provide a viable choice for rural families. There is no indication of a significant demand for vouchers from families living in rural areas. Rather, rural families are focused on the specific educational needs of their communities, particularly adequate school funding, and recruitment and retention of high quality teachers. There are just over 1800 private schools across 123 Texas counties serving approximately 305,000 students.<sup>20</sup> Of those, only 62 rural counties have private schools, leaving 120 rural counties (64%) without a private school in their boundaries.<sup>21</sup>

***Research shows that ESAs have a negligible impact on student achievement.***

The dominant argument made by proponents for vouchers is that students attending low-performing schools need alternatives to ensure they can receive a quality education and meet their full potential. But a review of empirical research on the effects of publicly funded voucher programs finds no evidence to support the claim that school vouchers will improve educational outcomes for students. As one study found, “[t]he effects of school vouchers on student outcomes generally are small or insignificant, and do not have the ability to close the racial achievement gap or generate large gains in student outcomes.”<sup>22</sup> Another study summarizing the best available research to date found “relatively small achievement gains for students offered education vouchers, most of which are not statistically different from zero.”<sup>23</sup> Some recent studies, including studies of Ohio and Louisiana’s programs, have found negative effects.<sup>24</sup>

## **II. Tax Credit Vouchers**

***While more narrowly targeted than ESA vouchers, tax credit vouchers would take away much-needed tax dollars for public education, health care, and other critical services.***

SB 3's tax credit vouchers are more narrowly targeted than SB 3's ESA vouchers, but would still divert public education tax dollars for private school tuition. The tax credit vouchers would be available to students who have attended public school during preceding academic year or are starting school for the first time, but only if the student is also in foster care, institutional care, has a parent on active duty in the military, is from a low-income family, or has a disability. These vouchers would cover a different scope of expenses than ESAs as well, including scholarships for tuition, a maximum \$500 voucher for other educational expenses, and for some students, a separate \$500 voucher for transportation. The tax credit voucher program imposes more standards on participating schools, including the annual administration of a nationally norm-referenced assessment test, but accountability standards still fall far short of what is required of public schools and public charter schools.

The funding mechanism for SB 3's tax credit vouchers would also be different than for ESA vouchers, but would still result in fewer tax dollars for public education. Funds would be donated by insurance companies in exchange for an insurance premium tax credit. Insurance premium taxes currently contribute to General Revenue and the Foundation School Fund (which funds public education). Currently, 75% of insurance premium taxes go to General Revenue, and 25% go to the Foundation School Fund. During the first year of operation when the tax credit scholarship program is capped at \$100M, the program would take away \$25M in tax dollars from the dedicated fund for public schools and \$75M in tax dollars from other critical public services supported through General Revenue (including health care).

Though public school students are eligible to apply, the majority of tax credit vouchers are likely to be distributed to private school students because expenses for attending private schools are far greater than for public schools.

***Unlike ESA vouchers, tax credit vouchers would not be made available to all eligible students.***

Because SB 3 caps the total amount of tax credit vouchers to be distributed at \$100M for the first year, and because the Educational Assistance Organization (EAO) has discretion to decide which students to award scholarships based on their ability to demonstrate "the greatest financial and academic need," only a small fraction of eligible students would receive a tax credit voucher (approximately 57,000 or only two percent).<sup>25</sup> The EAO need not award the maximum amount available either.

***Even for the small percentage of children eligible to receive both an ESA voucher and a tax credit voucher to attend a private school, the funds would fail to cover the full cost of sending a child to private school.***

Under SB 3, some low-income students would be eligible to receive both an ESA voucher and a tax credit voucher. Even assuming an eligible student actually received both (and there is no guarantee as explained above), the tax credit voucher would be limited to the difference between the ESA voucher payment and "the full tuition amount" for the private school and a \$500 transportation reimbursement. The vouchers would still fail to cover the full cost to families of sending a child to private school, which

include food, uniforms, other school fees, and transportation costs beyond \$500 annually. Depending on the cost of tuition at the private school, the total amount of state support provided would either be less than the child would receive if attending a public school (if private tuition were less than \$9500), or significantly more (since there is no cap, and tuition at some private schools is as much as \$25,000). If such tax credit vouchers were awarded, the tax credit fund would be depleted more quickly and the number of other children who would receive tax credit vouchers would be reduced.

***Tax credit vouchers will not help students with disabilities because private schools are explicitly exempted from the IDEA.***

SB 3's tax credit scholarship program explicitly exempts private school recipients from having to provide the same services for students with disabilities that are provided by public schools, and exempts them from protections under the Disabilities Education Act and other laws governing public education.

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**About CPPP**

The Center for Public Policy Priorities is an independent public policy organization that uses research, analysis and advocacy to promote solutions that enable Texans of all backgrounds to reach their full potential. Learn more at [CPPP.org](http://CPPP.org).

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## Appendix A

### **SB 3 vouchers benefit higher income families more than lower income families**

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

SB 3 Income Ranges for 3-person families <sup>26</sup>	Example Family (Annual Household Income) <sup>27</sup>	Average annual cost of private high school <sup>28</sup>	Amnt of ESA based on family income <sup>29, 30</sup>	Eligible for both ESA and Tax Credit Voucher? <sup>31</sup>	Potential benefit from Corporate Tax Credit Vouchers			Total voucher \$	\$ Family Still Owes for Private High School	Additional tuition costs as percentage of family income
					Tuition Scholarship	Transportation expenses	Annual addt'l educational expenses			
\$75,554-no upper limit	<b>Castros</b> (\$100,000) - ESA only	\$9,672	\$5,413	No - ESA only	--	--	--	\$5,413	\$4,259	4%
\$66,109– 75,554	<b>Campbells</b> (\$70,000)									
	Scenario 1- ESA only	\$9,672	\$6,767	No - would have to choose one	--	--	--	\$6,767	\$2,906	4%
	Scenario 2: tax credit vouchers only	\$9,672	\$0	No - would have to choose one	Up to \$4,511 <sup>32</sup>	--	Up to \$500	Up to \$500	\$5,011 <sup>33</sup>	7% or more

SB 3 income ranges for 3-person families	Example family (annual household income)	Average annual cost of private high school	Amnt of ESA based on family income	Eligible for both ESA and tax credit voucher?	Potential benefit from tax credit vouchers <sup>34</sup>	Max voucher \$	\$ Family still owes for private high school	Additional tuition costs as percentage of family income
					Tuition Scholarship	Transportation expenses	Annual additional educational expenses	
\$0-66,109	Campas (\$35,000)							
	Scenario 1: ESA only <sup>35</sup>	\$9,672	\$6,767	Yes	--	--	--	\$6,767 \$2,906 8%
	Scenario 2: tax credit vouchers only <sup>36</sup>	\$9,672	--	Yes	Up to \$6,767 <sup>37</sup>	Up to \$500 Up to \$500	Up to \$7,767	\$2,096 or more 8% or more
	Scenario 3: ESA and tax credit vouchers	\$9,672	\$6,767	Yes	Up to \$2,905 <sup>38</sup>	Up to \$500 Up to \$500	\$10,672 \$0-2,906 <sup>39</sup>	0-8%

<sup>1</sup> Texas Education Agency Total Operating Expenditures 2006-2015 by School District. SB 3 does not specify how the state would calculate “state average maintenance and operations expenditures per student” for purposes of determining ESA vouchers. The statewide average of All Funds Operating Expenditures per student = \$9,022.

<sup>2</sup> The tax credit voucher proposal would also enable the designated Education Assistance Organization to distribute scholarships and educational expense awards for funds donated from sources other than the insurance tax credit, and those awards would not be subject to the maximum amount limitations.

<sup>3</sup> For full table, see Appendix A.

<sup>4</sup> CPPP calculations using criteria from SB 3 and 2017 Poverty Guidelines for a family of three.

<sup>5</sup> SB 3 would entitle families of all income levels to receive an ESA voucher.

<sup>6</sup> 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>

<sup>7</sup> Families in the middle-income bracket defined by SB 3 would have to choose between either an ESA voucher or a tax credit voucher. They could not receive both.

<sup>8</sup> Scenario 2 is unlikely for either the Campbell or Campa families as CPPP estimates that only approximately two percent of potentially eligible students would receive a tax credit voucher. See note 25 for calculations.

<sup>9</sup> Although eligible to apply for a tax credit voucher, it is unlikely that families like the Campas would receive it because of the limited amount of money available in the fund. See note 25 for more detail.

<sup>10</sup> 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. 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.

<sup>11</sup> See note 10.

<sup>12</sup> Under SB 3, 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.

<sup>13</sup> The bill directs the commissioner to “adjust enrollment estimates and entitlement for each school district” based on the number of ESA voucher students and the amount of money transferred to accounts for students living in that district.

<sup>14</sup> CPPP analysis using Texas Education Agency 2015 economically disadvantaged and enrollment data (2014-15 School Year), with the voucher and payback parameters defined in SB 3. Under SB 3, the one-time payback payments to school districts are based on 50% of the difference between the state average cost per student and the ESA voucher amount for the student. Our calculations used the 2015 TEA statewide average cost per student (\$9022), and assumed a 5% reduction in student enrollment due to SB 3 vouchers. The payback payment per lower income voucher students would be \$1128, and for higher income voucher students would be \$1805. 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 yields 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 eligible for the higher ESA voucher amount.) We calculated the estimated public school funding lost statewide and for particular districts using the total number of enrolled students and the relevant percentages of economically disadvantaged and other students.

<sup>15</sup> Arizona Department of Education Performance Audit Division, “Department Oversees Empowerment Scholarship Accounts Program Spending, but Should Strengthen its Oversight and Continue to Improve Other Aspects of Program Administration,” June 2016. [https://www.azauditor.gov/sites/default/files/16-107\\_Report.pdf](https://www.azauditor.gov/sites/default/files/16-107_Report.pdf)

<sup>16</sup> Private School Review, Average Private School Tuition Cost by state (2016-17). <http://www.pvtchoolreview.com/tuition-stats/private-school-cost-by-state>

<sup>17</sup> See Appendix A.

<sup>18</sup> See Office of School Finance. (2016). *Choice Scholarship Program Annual Report: Participation and Payment Data*. IN: Indiana Department of Education. <http://www.doe.in.gov/sites/default/files/news/2015-2016-choice-scholarship-program-reportfinal-april2016.pdf>; and Plucker, J., Muller, P., Hansen, J., Revert, R., & Makel, M. (2006). *Evaluation of the Cleveland Scholarship and Tutoring Program*. Bloomington, IN: Center for Evaluation & Education Policy. [http://schottfoundation.org/sites/default/files/resources/200602\\_Clev\\_Tech\\_Final.pdf](http://schottfoundation.org/sites/default/files/resources/200602_Clev_Tech_Final.pdf).

<sup>19</sup> See Fairlie, R. W. (2006). *Racial Segregation and the Private, Public School Choice*. National Center for the Study of Privatization in Education, Teachers College, Columbia University. Retrieved from [http://www.ncspe.org/publications\\_files/OP124.pdf](http://www.ncspe.org/publications_files/OP124.pdf); Reardon, S. F., & Yun, J. T. (2002). Private school racial enrollments and segregation. Cambridge: The civil rights project. Retrieved from [http://civilrightsproject.ucla.edu/research/k-12-education/integration-and-diversity/private-school-racial-enrollments-and-segregation/Private\\_Schools.pdf](http://civilrightsproject.ucla.edu/research/k-12-education/integration-and-diversity/private-school-racial-enrollments-and-segregation/Private_Schools.pdf) (Voucher programs would increase segregation in private schools and exacerbate the existing extreme patterns of segregation among private schools).

<sup>20</sup> Data from Private School Review. Retrieved on 2/22/17 from <http://www.pvtchoolreview.com/texas>.

<sup>21</sup> CPPP calculation using Texas data from Private School Review (see note 16), applying the Texas Department of Health and Human Services’ 2013 Urban-Rural Designations for Texas Counties. Retrieved on 2/22/17 from <http://www.dshs.texas.gov/chs/hprc/counties.shtm?terms=county%20urban%20status>.

<sup>22</sup> Jabbar, H., & Li, D. M. (2016). Multiple choice: How public school leaders in New Orleans’ saturated market view private school competitors. *Education Policy Analysis Archives*, 24 (94). <http://dx.doi.org/10.14507/epaa.24.2382>.

<sup>23</sup> Rouse, C.E., & Barrow, L. (2009). School vouchers and student achievement: Recent evidence, remaining questions. *Annual Review of Economics*, 1, 17–42. <http://files.eric.ed.gov/fulltext/ED505648.pdf>

<sup>24</sup> Mills, J. N., Egalite, A. J., & Wolf, P. J. (2016). *How Has the Louisiana Scholarship Program Affected Students?* New Orleans, LA: Education Research Alliance for New Orleans. <http://educationresearchalliancenola.org/files/publications/ERA-Policy-Brief-Public-School-Choice-160218.pdf>.

<sup>25</sup> SB 3 would cap the tax credit voucher fund at \$100,000,000 for the first year with a 10% increase per year. CPPP calculated the percentage of students who, based on family income, are potentially eligible for tax credit vouchers. Based on the average cost across Texas private schools, \$8,522 (see note 16), each student would still have to pay \$1,755 on average for private school tuition even after receiving an ESA. Assuming the voucher fund pays all remaining private school costs for as many children as possible, this would only cover approximately 57,000 kids. Using 2015 American Community Survey PUMS data, and assuming six percent of students might already be in private school and thus ineligible (see [https://ballotpedia.org/School\\_choice\\_in\\_Texas](https://ballotpedia.org/School_choice_in_Texas)), we estimated approximately 3,165,000 kids ages 5-18 would be income eligible (i.e., family income less than two times the income cutoff for reduced-price lunch) for a tax credit voucher. We estimated that 57,000 students is approximately two percent of the 3.1 million economically eligible students.

<sup>26</sup> CPPP calculations using criteria from SB 3 and 2017 Poverty Guidelines for a family of three.

<sup>27</sup> SB 3 would entitle families of all income levels to receive an ESA voucher.

<sup>28</sup> See note 16.

<sup>29</sup> CPPP analysis using TEA data: (Total 2015-2016 operating expenditures divided by total enrollment = \$9,022 or average cost per public school student) divided by eligible rate defined in SB 3.

<sup>30</sup> This estimate does not include the potential 5% deduction from the family’s voucher by the Comptroller to cover administrative costs.

<sup>31</sup> Tax credit vouchers would be available to students who have attended public school during the preceding academic year or are starting school for the first time, but only if the student is also in foster care, institutional care, has a parent on active duty in the military, is from a low-income family, or has a disability.

<sup>32</sup> SB 3 sets the maximum tax credit voucher at 50% of the average annual public school costs per child for the middle-income category of families.

<sup>33</sup> See note 25.

<sup>34</sup> The tax credit voucher proposal would also enable the designated Education Assistance Organization to distribute scholarships and educational expense awards for funds donated from sources other than the insurance tax credit, and those awards would not be subject to the maximum amount limitations.

<sup>35</sup> In this scenario, the family may have either not applied for the tax credit voucher or applied but did not receive the tax credit voucher. See note 25 for more details.

<sup>36</sup> A family can choose to only apply for a Tax Credit Voucher and forgo the ESA if they choose. This scenario is unlikely because only a small percentage of economically eligible students will likely receive a tax credit voucher. See note 25 for more details.

<sup>37</sup> The maximum amount of a tax credit voucher is 75 percent of the annual statewide average funding per student for the lowest income category of families.

<sup>38</sup> If a student receives an ESA, the maximum tax credit voucher she can then receive is the difference between the cost of private school and the ESA amount.

<sup>39</sup> See note 10.

# SB3 Means Far Less Money for Texas Public Schools

