

Senate Education Committee
Written Testimony in Opposition to Senate Bill 3
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The Center for Public Policy Priorities (CPPP) is an independent public policy organization that uses data and analysis to advocate for solutions that enable all Texans to reach their full potential. We believe public education is the bedrock of an informed democracy and the bridge to lifelong opportunities. 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 has fallen into disrepair and is in need of serious renovations. Rather than using state revenue to remodel our school finance system and help all Texas children, SB 3 would use tax dollars to pay for private schools. In the written testimony that follows, CPPP shares our analysis of the financial impact of SB 3 on public school funding and on families based on their income level.

CPPP opposes Senate Bill 3 because it 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 without adequate accountability to ensure the quality of education or to protect against misuse of public funds.
- Offer no real choice to low-income families or families living in rural areas.
- Not be a targeted response to the challenges faced by low-income children attending low-performing public schools.
- Have a negligible impact on student achievement.

Instead of using taxpayer dollars to subsidize private school education, we respectfully urge the Senate Education Committee to pass legislation that would remodel Texas' outdated school finance system to ensure that there is sufficient financial support for all children to get a quality public education, no matter where they live or what their background.

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

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 Education Savings Account (ESA) vouchers, our calculations show that public school funding in Texas would be reduced by more than \$2 billion annually if SB 3 were enacted, even after the small payback payments for voucher students are made to school districts. 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. As the table that follows illustrates, the impact on particular districts would be dramatic.

Estimated Funding Lost in One Year to School Districts from SB 3 Vouchers¹

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

For the convenience of Committee members, we have also calculated the impact on the school districts within each of your Senate districts. Our analysis shows, for example, that Chairman Taylor’s district stands to lose over \$81M annually, and that Senator Bettencourt’s district stands to lose over \$231M.

Estimated Funding Lost in One Year to Senate Education Committee School Districts from SB 3 Vouchers²

Senate District	Total students enrolled in all school districts (2014-15)	Financial loss to school districts if 5% of students opt for vouchers
	All TX school districts	5,210,148
		– \$ 2,012,354,538
Larry Taylor – 11	216,689	– \$ 81,922,591
Eddie Lucio, Jr. – 27	251,184	– \$ 97,703,161
Paul Bettencourt – 7	607,258	– \$ 231,535,621
Donna Campbell – 25	441,102	– \$ 167,293,310
Don Huffines – 16	343,320	– \$ 134,344,366
Bob Hall – 2	436,025	– \$ 167,195,886
Bryan Hughes – 1	158,704	– \$ 60,482,709
Kel Seliger – 31	168,968	– \$ 64,009,322
Van Taylor – 8	275,742	– \$ 102,747,605
Carlos Uresti – 19	327,066	– \$ 125,419,031
Royce West – 23	303,579	– \$ 117,848,446

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. Over time, 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.

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 Texas³

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

Because ESA vouchers would be between \$5,413 and \$6,767 for most eligible students, their families would still owe between \$2,906 and \$4,259 in private school tuition annually even with an ESA voucher. 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. These costs 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.⁴ ESA vouchers would thus exacerbate existing educational inequities based on socioeconomic status, race and ethnicity.⁵ 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.

SB 3 vouchers benefit higher income families more than lower income families⁶

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

SB 3 income ranges for 3-person families ⁷	Example family (annual household income) ⁸	Total potential voucher \$	\$ Family still owes for private high school tuition ⁹	Additional tuition costs as percentage of family income
\$75,554 - no upper limit	Castros (\$100,000) ESA only	\$5,413	\$4,259	4%
\$66,109 - 75,554	Campbells (\$70,000) ¹⁰ Scenario 1: ESA only	\$6,767	\$2,906	4%
	Scenario 2: Tax Credit Vouchers ¹¹	Up to \$4,511	\$4,661 or more	7% or more
\$0 - 66,109	Campas (\$35,000) Scenario 1: ESA only ¹²	\$6,767	\$2,906	8%
	Scenario 2: Tax Credit Vouchers only	\$7,767 ¹³	\$2,096 or more	8% or more
	Scenario 3: ESA and Tax Credit Vouchers	Up to \$10,672 ¹⁴	\$0-2,906 ¹⁵	0-8%

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 1,800 private schools across 123 Texas counties serving approximately 305,000 students.¹⁶ Of those, only 62 rural counties have private schools, leaving 120 rural counties (64 percent) without a private school in their boundaries.¹⁷

Tax credit vouchers would not be made available to all eligible students, and would still fail to cover the full cost of sending a child to private school.

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. In addition, 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).¹⁸ The EAO need not award the maximum amount available either.

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 because these vouchers are discretionary and capped), 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.

Conclusion

The Center for Public Policy Priorities (CPPP) appreciates the opportunity to present written testimony to the Senate Education Committee. For the reasons stated above, CPPP respectfully encourages the Committee to vote no on SB 3.

¹ 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.

² If school district boundaries cross more than one Senate district, we have included all calculations for the entire school district within the Senate district total.

³ Private School Review, Average Private School Tuition Cost by state (2016-17). <http://www.privateschoolreview.com/tuition-stats/private-school-cost-by-state>.

⁴ 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., & Makek, 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.

⁵ 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; 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 (Voucher programs would increase segregation in private schools and exacerbate the existing extreme patterns of segregation among private schools).

⁶ For detailed table, see Appendix A.

⁷ CPPP calculations using criteria from SB 3 and 2017 Poverty Guidelines for a family of three.

⁸ SB 3 would entitle families of all income levels to receive an ESA voucher.

⁹ 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>

¹⁰ 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.

¹¹ Scenario 2 is unlikely for either the Campbells or Campas, as CPPP estimates that only approximately two percent of potentially eligible students would receive a tax credit voucher. See note 18 for calculations.

¹² Although eligible to apply for a tax credit voucher, it is unlikely that families like the Campas would receive one because only approximately two percent of potentially eligible students would receive one. See note 18 for calculations.

¹³ 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.

¹⁴ For full details, see Appendix A.

¹⁵ 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.

¹⁶ Data from Private School Review. Retrieved on 2/22/17 from <http://www.privateschoolreview.com/texas>.

¹⁷ CPPP calculation using Texas data from Private School Review (see note 3), 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>.

¹⁸ 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 3), 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), 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.

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 ¹	Example Family (Annual Household Income) ²	Average annual cost of private high school ³	Amnt of ESA based on family income ^{4, 5}	Eligible for both ESA and Tax Credit Voucher? ⁶	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 add'l educational expenses			
\$75,554-no upper limit \$66,109–75,554	Castros (\$100,000) - ESA only	\$9,672	\$5,413	No - ESA only	--	--	--	\$5,413	\$4,259	4%
	Campbells (\$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 ⁷	--	Up to \$500	Up to \$5,011 ⁸	\$4,661 or more	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 ⁹			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 ¹⁰	\$9,672	\$6,767	Yes	--	--	--	\$6,767	\$2,906	8%
	Scenario 2: tax credit vouchers only ¹¹	\$9,672	--	Yes	Up to \$6,767 ¹²	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 ¹³	Up to \$500	Up to \$500	Up to \$10,672	\$0-2,906 ¹⁴	0-8%

Appendix A Endnotes

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

² SB 3 would entitle families of all income levels to receive an ESA voucher.

³ Private School Review, Average Private School Tuition Cost by state (2016-17). <http://www.privateschoolreview.com/tuition-stats/private-school-cost-by-state>.

⁴ 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.

⁵ This estimate does not include the potential 5% deduction from the family's voucher by the Comptroller to cover administrative costs.

⁶ 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.

⁷ 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.

⁸ 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 3), 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), 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.

⁹ 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.

¹⁰ 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 8.

¹¹ 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 8.

¹² 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.

¹³ 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.

¹⁴ 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.