

Funding Education Opportunity

Frequent Claims, Fiscal Effects, and Basic Facts

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Iowa Education Appropriations Subcommittee

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*Fiscal Research
& Education Center*
By EdChoice





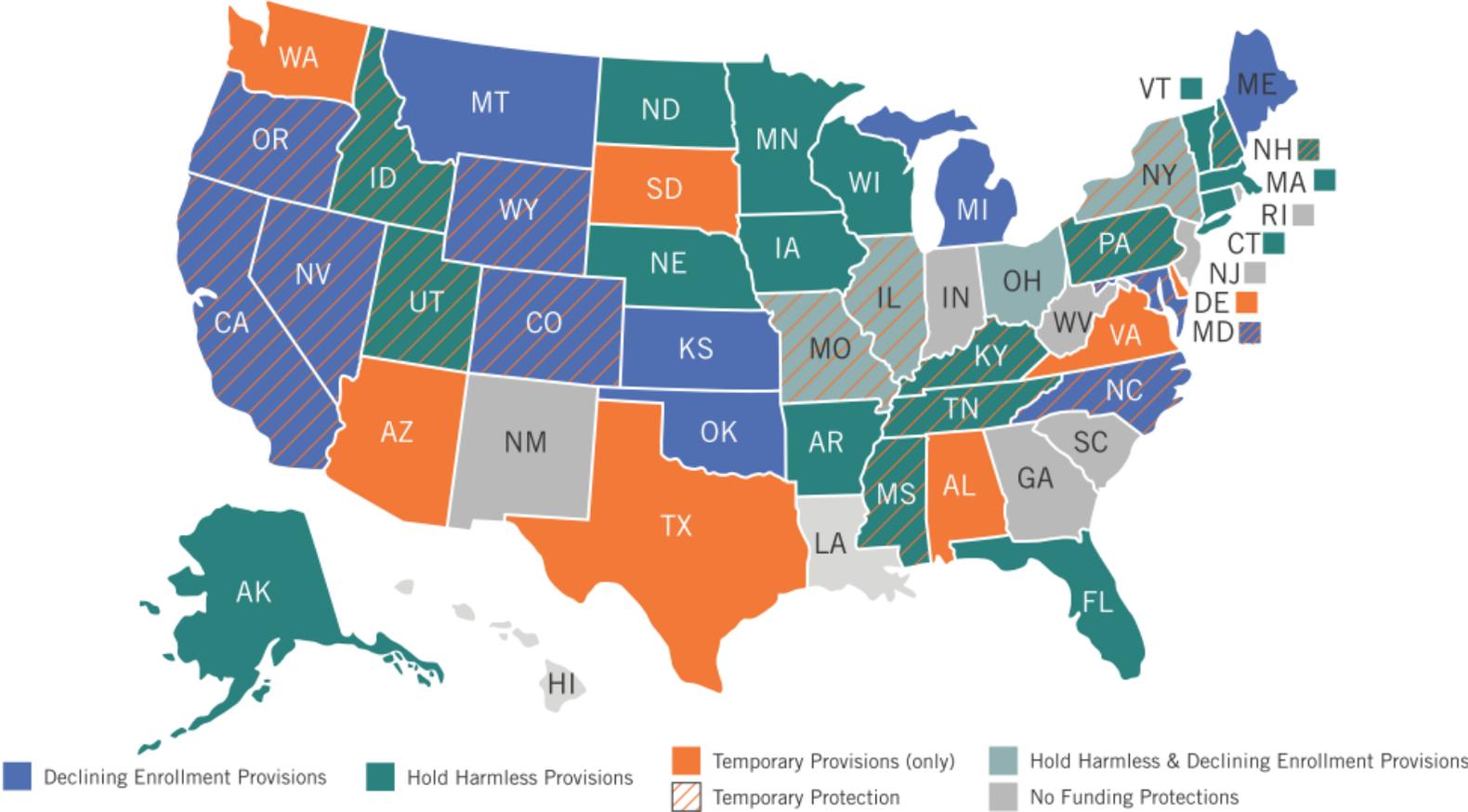
**Claim: Choice drains
resources from public
schools by leading to a
mass exodus of students**



34 states have some form of funding protection, excluding states with temporary provisions.

FIGURE 7

States with Permanent and Temporary (Pandemic) Funding Protections





When districts experience enrollment declines, do they “end up with less”?

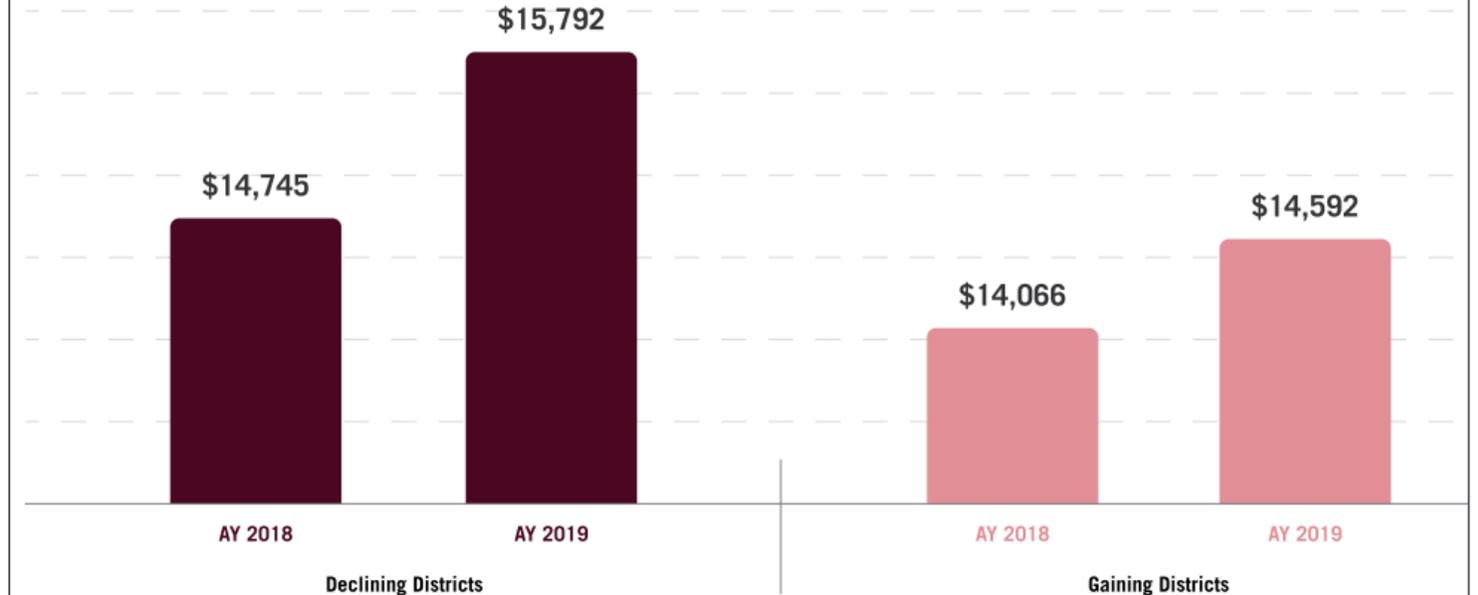


The average district with declining enrollment spent more per student. They also saw a larger increase in total expenditures per student compared to the average district gaining enrollment (7.1% vs. 3.7%, both above inflation).

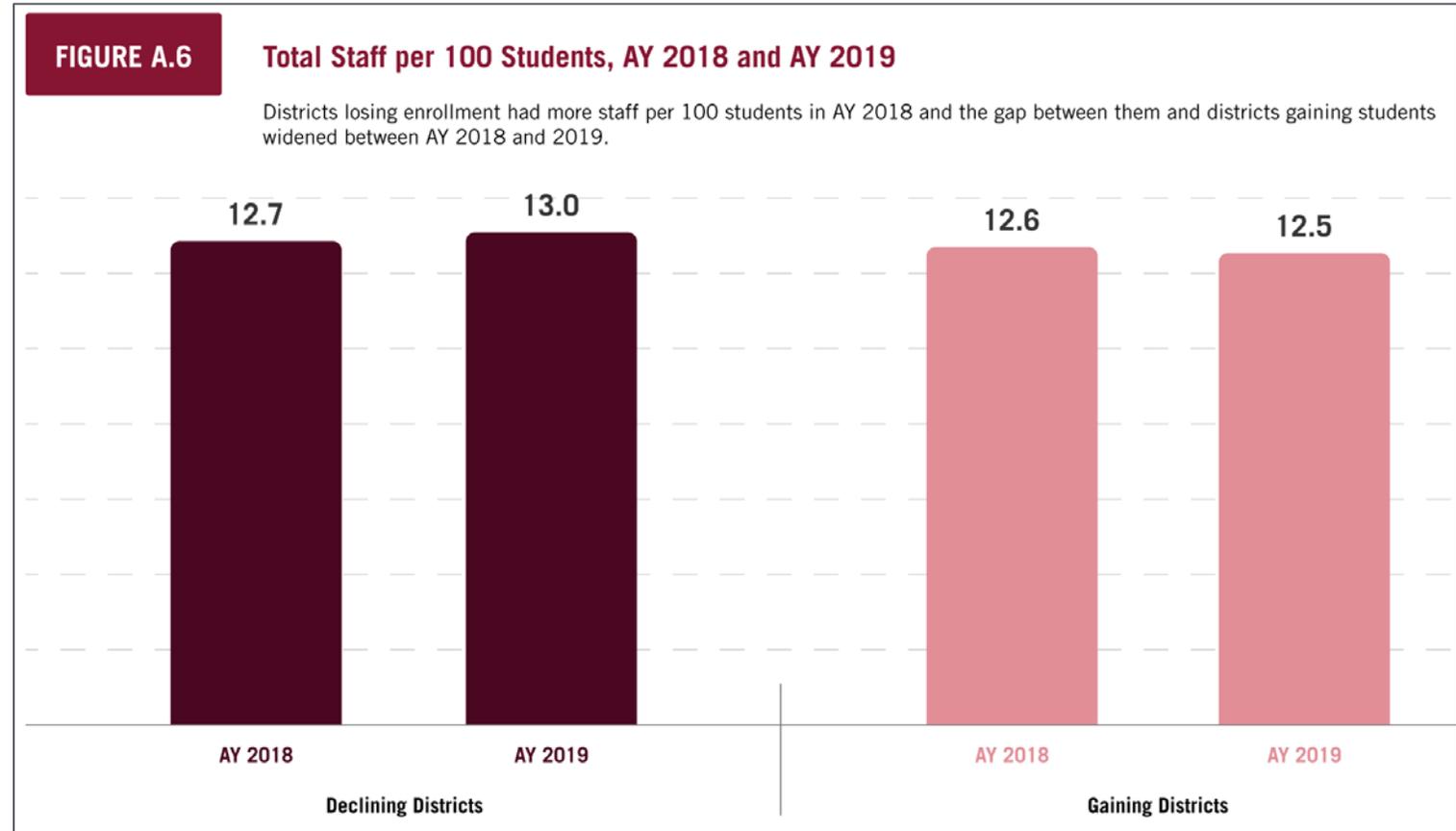
FIGURE A.3

Total Expenditures per Student, AY 2018 and AY 2019

The average district with declining enrollment spent more per student and saw a larger increase in total expenditures per student as compared to the average district gaining enrollment.

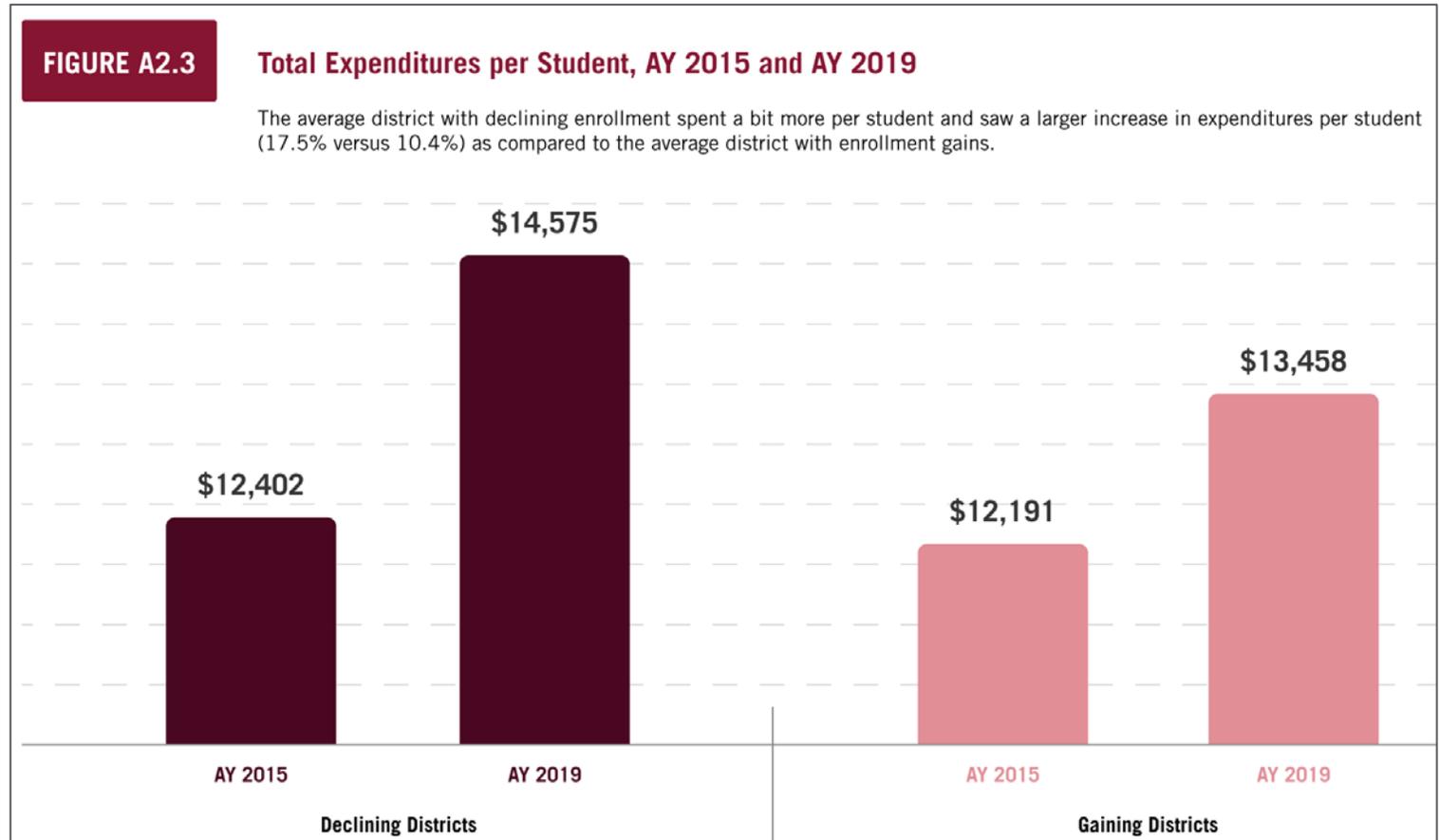


Districts losing enrollment had more staff per 100 students in 2018. The gap between declining enrollment districts and gaining enrollment districts widened between 2018 and 2019.



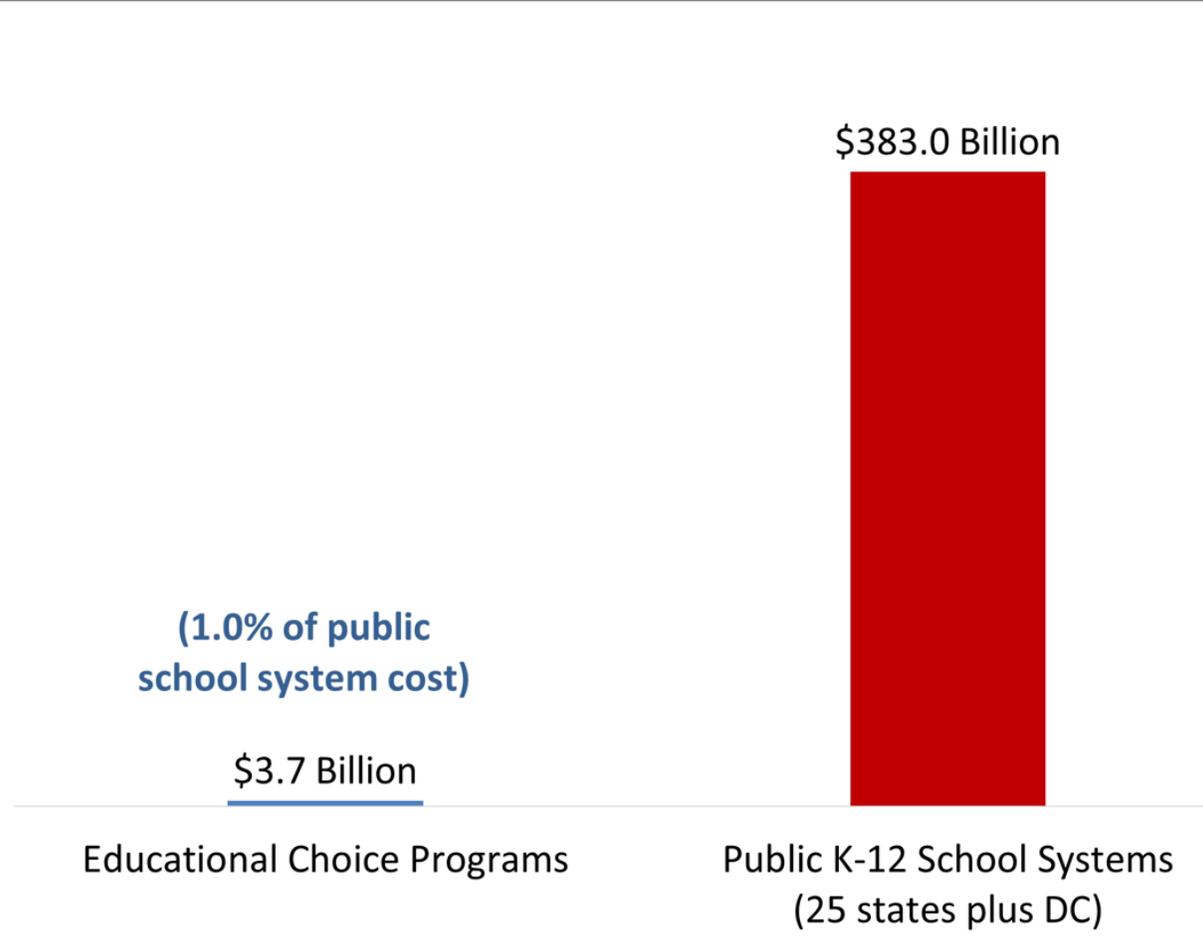
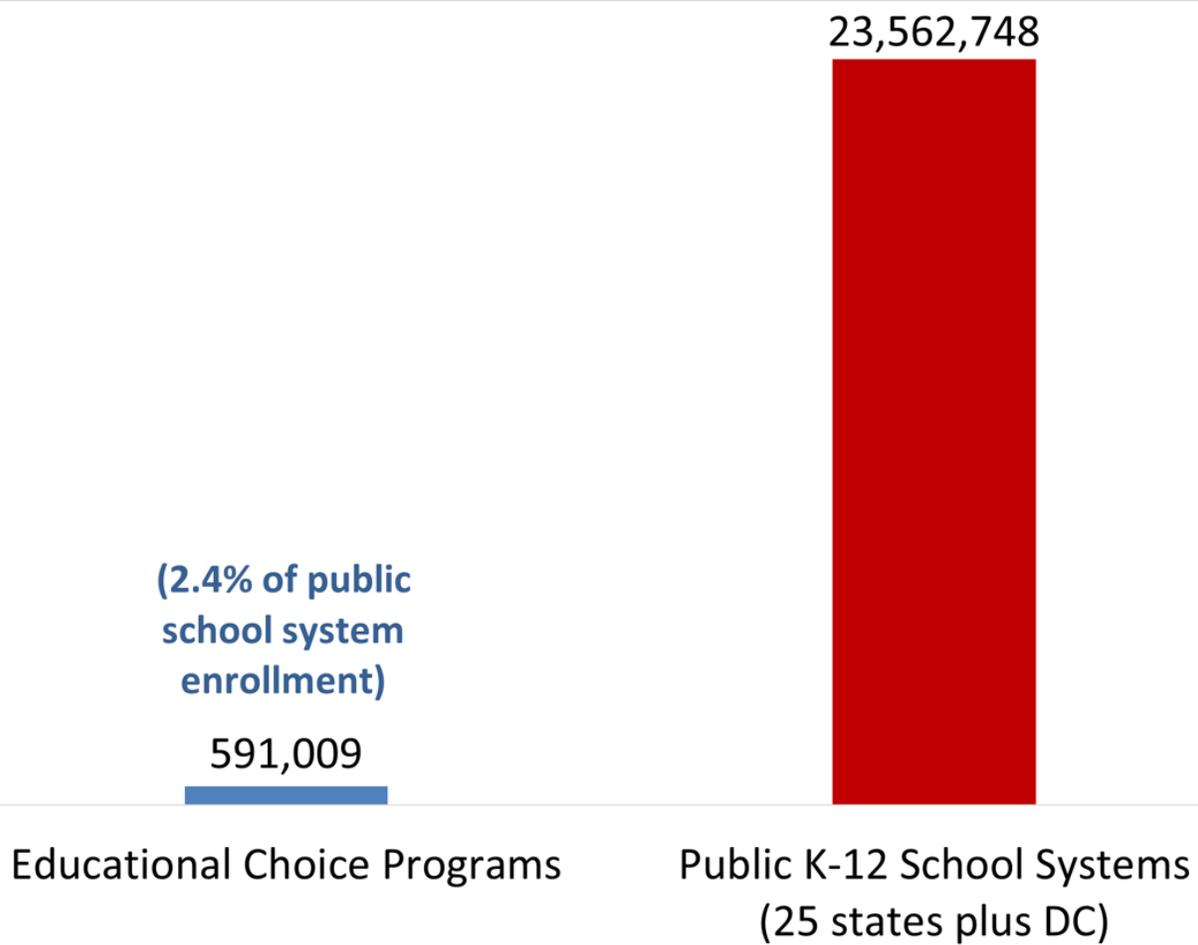
Data indicate similar patterns for rural districts. Rural districts were not “left with less.”

Patterns hold for long-term enrollment shifts (2015 – 2019 and 1998 – 2019)





Basic facts about funding for educational choice programs



Basic Fact #1:

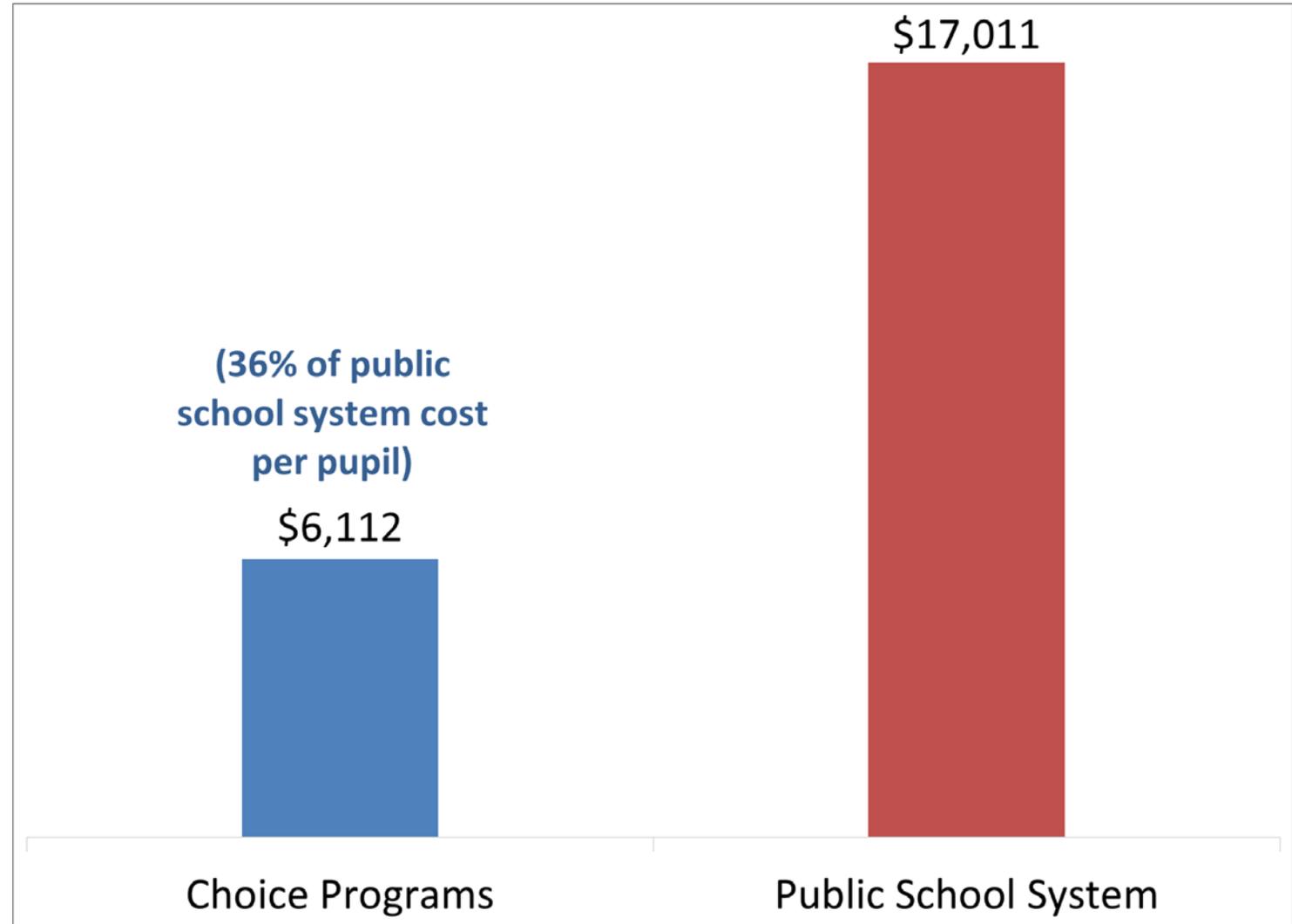
Students in choice programs comprise 2.4% of publicly funded K-12 students nationally.

Basic Fact #2:

Public spending on choice programs represents 1% of total public spending on public K-12.

Basic Fact #3:

Choice programs receive 64% less per student than what public schools receive.



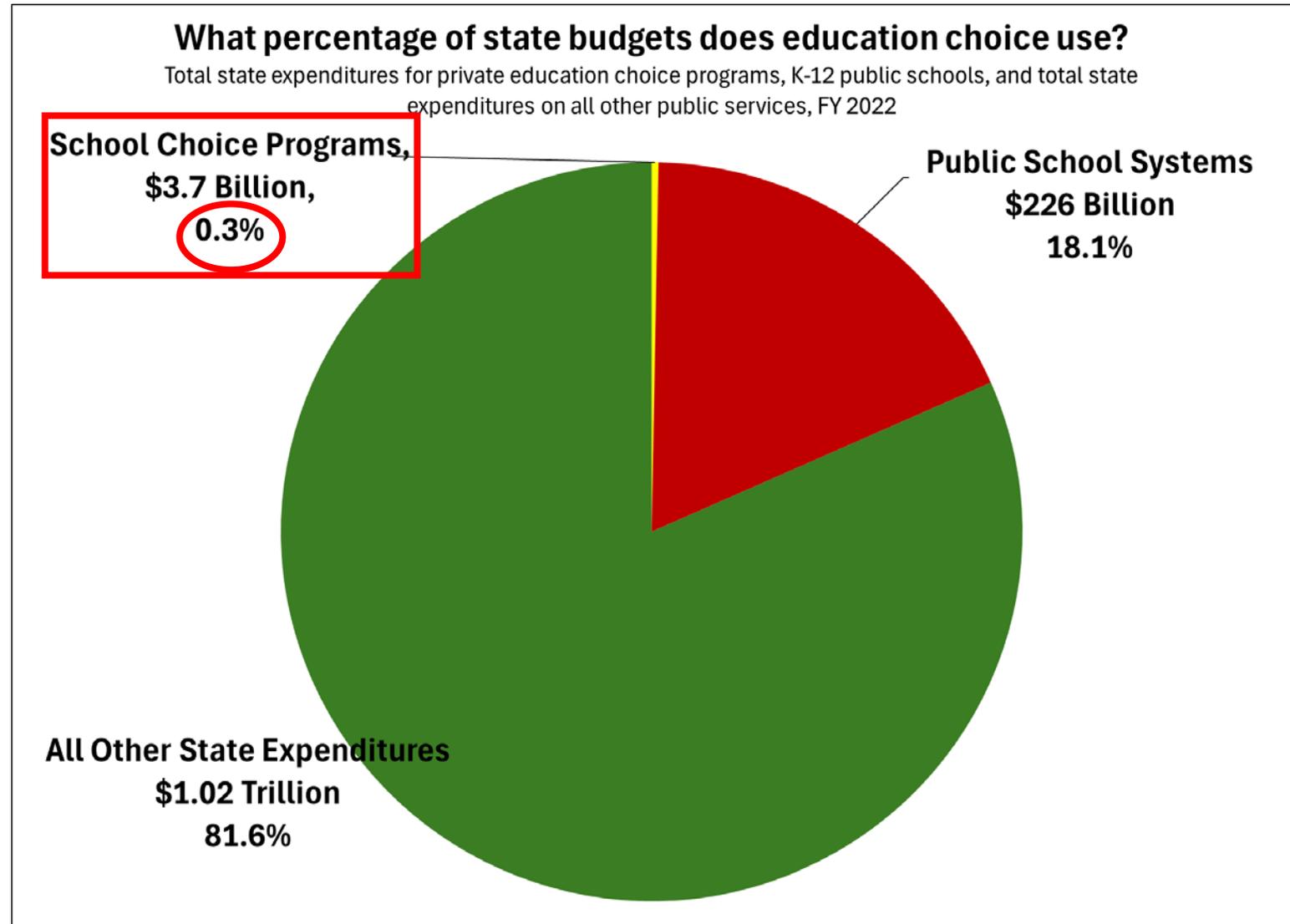


Claim: Education choice programs will “blow a hole” in state budgets



Basic Fact #4:

The cost of choice programs represents 0.3% of states' budgets for all public services.

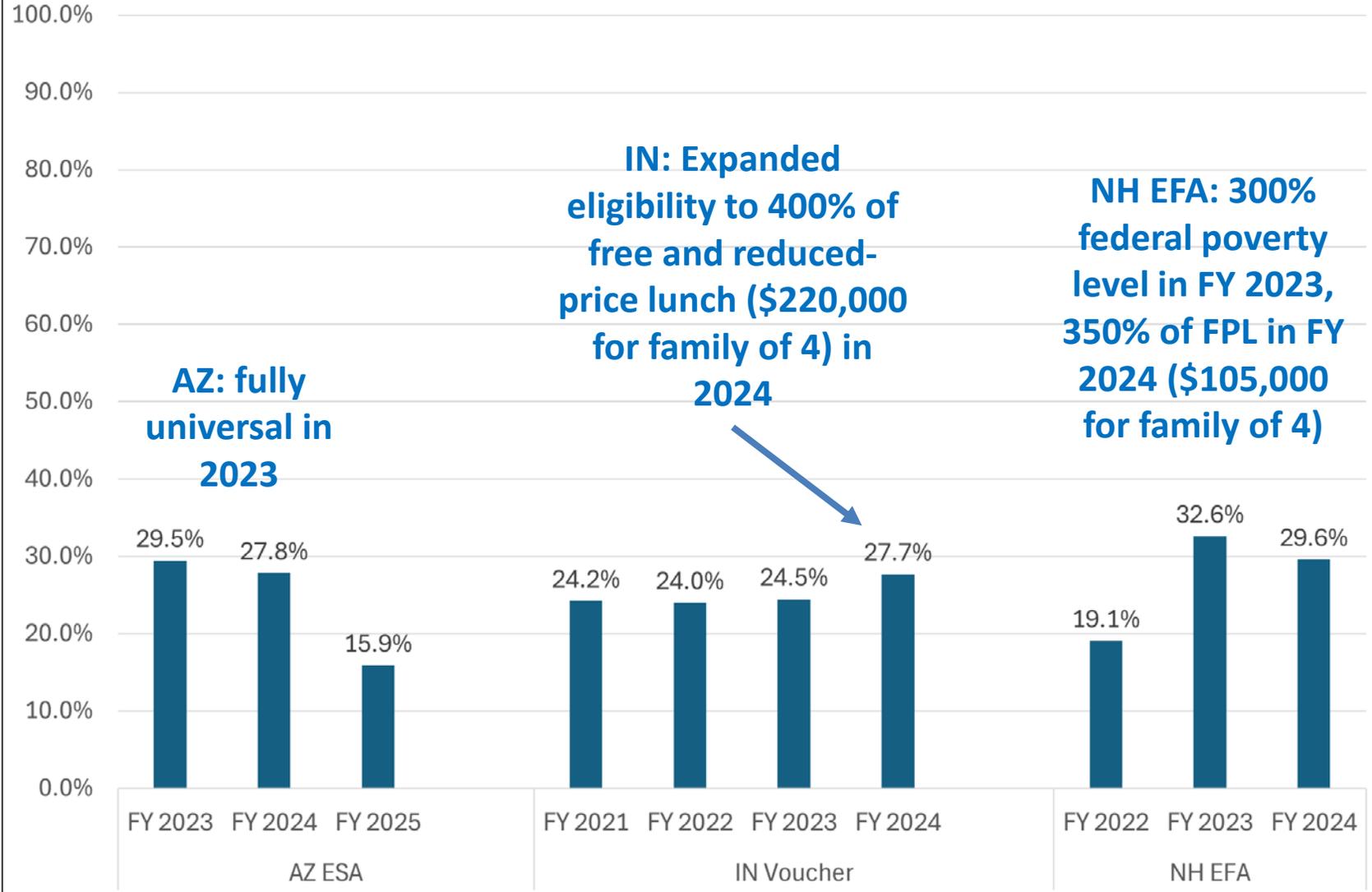




**Claim: ALL private school and
homeschool students already
outside public school systems will
participate in choice programs if
states allow.**



Percent of Eligible Non-Public School Students Participating in Choice Programs in Arizona, Indiana, and New Hampshire



Participation in Government Programs

Take-up rates from other government programs			
Program	Means tested?	TUR	Years after program was created
Pell Grant	Yes	73.2%	46 years
Medicaid	Yes	73%	31 years
Medicare Part B	No	96%	37 years
Unemployment insurance	No	65.8% to 83%	40-50 years
Children's Health Insurance Program (CHIP)	Yes	8.1% to 14%	4 years

Source: Janet Currie (2004). "The Take-up of Social Benefits." *National Bureau of Economic Research*, Working Paper No. 10488. Available at: <https://doi.org/10.3386/w10488>.



Net Fiscal Effects of Educational Choice Programs



Fiscal Effects Studies

These studies examine the fiscal effect that private school choice programs have on taxpayers, state budgets and public school districts.

There have been **75 fiscal studies** of choice programs that account for both costs and savings from these programs.

69*

Net fiscal benefits

*This includes 4 studies which reported net costs in the short run and net benefits in the long run.

5

Cost-neutral

5*

Net costs

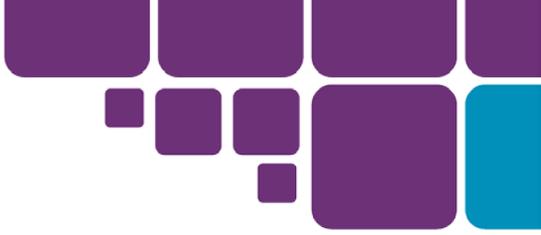
*This includes 4 studies which reported net costs in the short run and net benefits in the long run.



Fiscal study of 48 education choice programs in the U.S. through FY 2022

- **Estimated cumulative net fiscal savings for state and local taxpayers were \$19.4 billion to \$45.6 billion, or up to \$7,800 per student participant**
- **Put another way, for each dollar spent on choice programs, taxpayers experienced between \$1.70 and \$2.64 in fiscal benefits**

***** All programs in the study have been in operation for at least 5 years, suggesting that fiscal effects are closer to the long-run estimates**



**Claims: Choice programs
harm public school
students.**



Effects on Public School Students

These studies examine whether a private school choice program affects the academic outcomes of students who remain in public schools

There have been **29 competitive effects studies** of educational choice programs.

26

Positive Effects

1

No Detected
Effect

2

Negative Effects

Do Educational Choice Programs Harm Public School Students?

A 2019 meta-analysis (statistical analysis for a “study of studies”) concluded:

“In general, competition resulting from school-choice policies does have a small positive effect on student achievement. The lack of an overall negative impact on student outcomes might ease critics’ concerns that competition will hurt those students ‘left behind’ due to school-choice policies.”

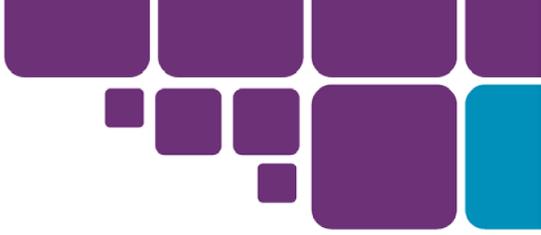
- Jabbar et al. (2019), The Competitive Effects of School Choice on Student Achievement: A Systematic Review, *Education Policy*

What happens when choice programs expand?

When choice programs expand funding and eligibility, students who remain in public schools:

- Improve student learning
- Lower absenteeism
- Lower suspension rates

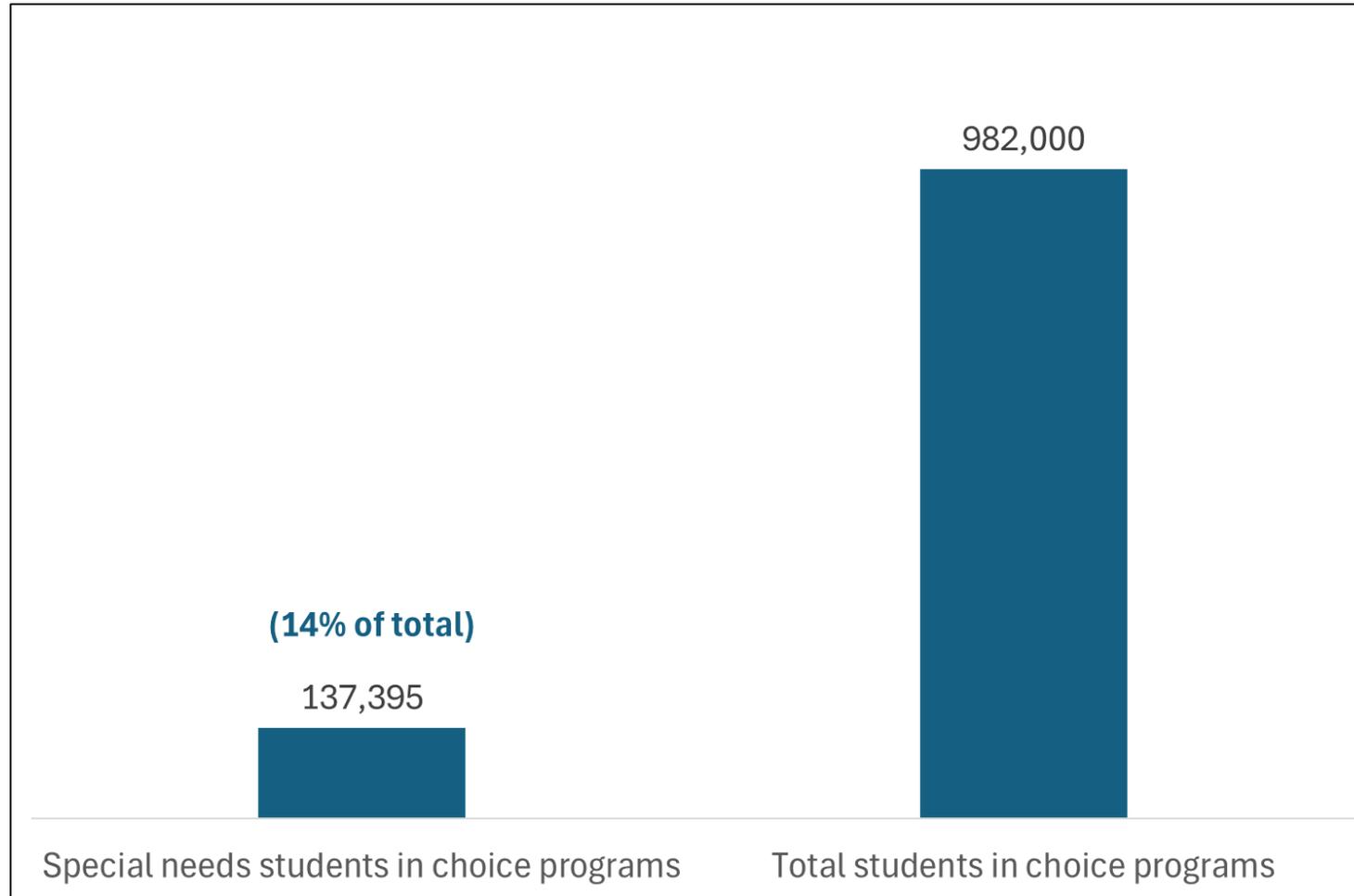
- David N. Figlio, Cassandra M. D. Hart, and Krzysztof Karbownik (2023), Effects of Maturing Private School Choice Programs on Public School Students, *American Economic Journal: Economic Policy*, 15(4), pp. 255-294, <https://doi.org/10.1257/pol.20210710>



**Claim: Private schools
don't serve students with
special needs.**



More than 137,000 special education students participate in private choice programs in 2024. This is 14% of total choice students.





**Claim: Universal choice
programs will raise tuition
for private schools.**



Where does this claim come from?

From a study on private tuition in Iowa (Fontana & Jennings, 2024)

- When eligibility for the ESA program was universal for kindergarten students, private schools raised tuition by 21-25%
- These increases are higher compared to increases for grades with partial eligibility (10-16%)
- Researchers want to measure the effect of an ESA on Iowa by comparing Iowa to an education environment that resembles Iowa but does not have an ESA (Nebraska)
- Study uses “difference-in-differences” models
 - Compare “treatment” schools (Iowa) with “no treatment” schools (Nebraska)
 - Compare before treatment with after treatment

Problems with the Iowa study

Sample period (2022-2024) is insufficient to draw causal conclusions because the study period is post-COVID

- If COVID and ESSER payments affected private school tuition in IA and NE in different ways, then conclusions are not valid
- Need to know if tuition trends were parallel before COVID

School characteristics matter (study can address this but doesn't)

- Schools charging tuition below the ESA amount increase tuition to “catch up” to the ESA amount → accessibility doesn't change
- Schools charging tuition around the same as the ESA amount or higher raise tuition → remain inaccessible to some families

The higher statewide average kindergarten tuition in Iowa (\$6800) is still below the ESA amount (\$7400) in FY 2024. A student attending the average Iowa private primary school could still attend and have money left over for other educational services.

Other studies on private tuition response

Bedrick, Greene, & Burke (2023) directly test the hypothesis: “States with school choice policies should see higher rates of tuition inflation than states without such policies, and states that adopt school choice policies should see their rates of tuition inflation increase at a faster clip than other states.”

- Analyze 10 years of tuition data (FY 2014 to FY 2023) from Private School Review
- Include all states

Main findings:

- States that always had a choice policy during the study period: tuition increased by 15%, on average
- States that never had a choice policy during the study period : tuition increased by 28%, on average
- Considering the timing when choice states adopted choice programs, tuition decreased by \$300, on average, in choice states after they adopted programs compared to before they adopted programs

Conclusion

Based on data, and research, and state experiences we observe, school choice:

- Doesn't dismantle public education, it enhances it
- Doesn't burden state budgets

School choice is about empowering families, fostering healthy competition, and ensuring that every child has access to an education that meets their needs.

Thank you!

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