

Personalizing Learning in Kentucky through Education Savings Accounts  
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**About the Bluegrass Institute for Public Policy Solutions**

The Bluegrass Institute for Public Policy Solutions (BIPPS) works with Kentuckians, grassroots organizations and business owners to advance freedom and prosperity by promoting free-market capitalism, smaller government and the defense of personal liberties.

**About the Author**

*Personalizing Learning in Kentucky through Education Savings Accounts* is a special publication of the Bluegrass Institute for Public Policy Solutions (BIPPS) by Vicki Alger, Ph.D., prepared in conjunction with her testimony before the Kentucky Legislature's Interim Joint Committee on Education delivered on Monday, October 12, 2015. Alger is a member of the Friedman Foundation for Educational Choice Speakers Bureau. She is also a Research Fellow at the Independent Institute in Oakland, California, with a forthcoming book on the history of the U.S. Department of Education. Alger holds Senior Fellowships at the Fraser Institute in Vancouver, British Columbia, and the Independent Women's Forum in Washington, D.C. The author is grateful to Jim Waters and the talented staff of the Bluegrass Institute for their thoughtful comments, questions and insights regarding education savings accounts and improving education for all Kentucky students.

## Executive Summary

Sixty years ago the late Nobel Prize-winning economist Milton Friedman published a radical idea: just because we fund schools through government doesn't mean elected officials know how to run schools or what education is best for other people's children.

To improve American education for all students, Friedman argued that parents should decide what schools are best for their children, schools and teachers should be free to innovate and public funding should follow students to schools of their parents' choice.<sup>1</sup> "Education spending will be most effective," Friedman explained, "if it relies on parental choice and private initiative—the building blocks of success throughout our society."<sup>2</sup>

Similar to Adam Smith, Thomas Paine and John Stuart Mill, Friedman advocated a system of publicly-funded vouchers because it would free parents to choose the schools they thought were best for their children, regardless of where they could afford to live, and schools would have to compete for students and their associated funding.

Today parental choice in education not only includes publicly-funded voucher scholarship programs but also privately-funded tax-credit scholarship programs, as well as personal use tax credits and deductions to help offset out-of-pocket costs of private schooling, homeschooling, special education and related expenses. Altogether these programs are helping more than 1.2 million students.<sup>3</sup>

### **Figure 1. Private & Home School Parental Choice by the Numbers**

Nearly 149,000 students participate in 24 voucher scholarship programs in 13 states and the District of Columbia.

Fully 212,000 students are helped through 20 tax-credit scholarship programs in 16 states.

Nine personal use tax credit and deduction programs in eight states assist nearly 865,000 families offset out-of-pocket educational expenses.

Another 1.8 million students are currently homeschooled, and their numbers are growing by as much as 8 percent annually.

*Sources: The Friedman Foundation for Educational Choice, the National Home Education Research Institute and the U.S. Department of Education.*

Education savings accounts (ESAs) are the latest advance in educational choice, fostering an unprecedented level of personalized learning opportunities for students customized by those who know and love them best: their parents.

The concept behind ESAs is simple. Parents who do not prefer a public school for their child simply withdraw him or her, and the state deposits most or all of what it would have spent into that child's ESA instead. Parents receive a type of dedicated-use debit card to pay for authorized expenses, including private school tuition, online courses, testing fees, tutoring, and special education therapies. Any leftover funds remain in the child's ESA for future education expenses, including college.

ESAs are also fiscally responsible. ESA funds are disbursed quarterly, but only after parents submit expense reports with receipts for verification. Regular audits also help prevent misspending. If parents misuse funds they forfeit their child's ESA and must repay misused funds or face legal prosecution.

Today ESAs are helping nearly 3,000 Arizona and Florida students, and so far this year ESA programs have been enacted in Mississippi, Tennessee and Nevada. If recent polling results are any indication, several more states should follow suit—including Kentucky.

Fully 62 percent of American voters support ESAs, and they are up to 40 percent more likely to vote for pro-ESA political candidates. Operational and recently enacted ESA programs offer important lessons for state policymakers, including:

1. Make ESAs universal
2. Fully fund ESAs
3. Blow the lid off program caps
4. Beware of pilots
5. Let all education providers compete
6. Private administration is best

ESAs empower parents to customize their children's learning to degrees no one-size-fits-all system could ever match—no matter how lavishly funded.

## **Introduction**

Using public dollars for private education providers is not an earth-shattering idea. Currently, nearly 9 million college students nationwide are using more than \$32 billion in Federal Pell Grants to attend the colleges and universities of their choice, public and private, nonsectarian and religious alike. In fact, more than 131,000 Kentucky undergraduate students are using nearly \$468 million in Federal Pell Grants to attend postsecondary institutions, including more than 42,000 students who are using \$150 million in public funds to attend private and proprietary postsecondary institutions.<sup>4</sup>

In just a few years most of those students will likely graduate and become parents themselves; however, they will largely be restricted from using public dollars to send their own children to the elementary, middle and high school programs of their choice—until, of course, those children turn 18 when they too will be allowed to use public funds for their personal higher education choices.

Education savings accounts, or ESAs, expand the kind of personalized learning that has long been available for higher education students but not for school-age children—like Austin Fox, who has Asperger's syndrome.

Before 2011 when Arizona enacted the country's first ESA program, Austin was a sophomore on the verge of dropping out of his public high school. "He wasn't receiving an education," explained Austin's mother Crystal. "He was just being moved on." All that changed once Arizona enacted ESAs.<sup>5</sup>

ESAs are akin to dedicated-use education debit cards. Parents who do not prefer a public school for their child simply withdraw him or her, and the state deposits most or all of the funds it would have spent into an ESA designated for that child instead. With those funds parents can pay for authorized education expenses, including private school tuition, online courses, testing fees, home schooling curricula, tutoring and special education therapies. What's more, any leftover funds remain in the child's ESA and can be used for future education expenses, including eventually college.

When Crystal told Austin that he could choose any school he wanted thanks to his ESA, Austin says he was “overjoyed.” After touring a number of schools, Austin and his mother found one that he describes as “the perfect fit.” Austin’s teachers report that he came “out of his shell” and began thriving socially and academically. In fact, within just two years Austin’s grades soared from a C average to straight A’s, he earned high ACT and SAT scores and upon graduation he had multiple college offers. Crystal credits the ESA program with “saving Austin’s life.”<sup>6</sup>

There is no good reason Kentucky schoolchildren should be denied the educational opportunities a growing number of students like Austin now have.

### **Kentucky Education Options**

Today 43 states and Washington, D.C., have charter schools.<sup>7</sup> Another 16 states have tax-credit scholarship programs, and currently 14 states and Washington, D.C., have publicly-funded voucher scholarship programs. Nine more states allow individual tax credits or deductions to help offset out-of-pocket education costs. And, as of this writing, five states have ESA programs.<sup>8</sup>

In stark contrast, Kentucky is one of just five states that limits parental choice to district public schools,<sup>9</sup> and with few exceptions, public school options in Kentucky are largely rationed based on where families can afford to live. This practice has a devastating impact on students and parents, like mother Zainab Wiseman who desperately wanted her son to attend Stopher Elementary School in her resident district, Jefferson County Public Schools.

Although Wiseman completed the necessary paperwork and was assured by a district official that her son had a good chance of getting in, Wiseman’s son was not accepted to Stopher. Only after fighting “tooth and nail” was Wiseman’s son allowed to transfer into the school she thought was best for him. According to Wiseman:

My child’s future is too important to leave up to chance...No matter what, parents don’t want to move and buy a house in a certain area and then find out their child is not going to go to that school...if I had a choice, I would not live in Louisville [because of the uncertainty over school placements].<sup>10</sup>

In Kentucky public school choice outside of children’s resident school districts (interdistrict open enrollment) is limited to students from low-performing schools.<sup>11</sup> In other instances, school district officials and school boards decide how many non-resident students to accept. School districts may also charge non-resident students tuition amounting to thousands of dollars.<sup>12</sup>

These practices are at odds with state education officials’ stated goal of increasing parental involvement and educational choice. For example, former Education Commissioner Terry Holliday recently insisted, “I have always been an advocate of school choice. Anything that gets parents more involved in educational decisions should be supported.” Yet he qualified that sentiment stating, “However, school choice should be controlled by the local school board, which has the responsibility for the schools in its community.”<sup>13</sup>

Pitting parental choice against local control in education is disingenuous at best because there is nothing more local than parents empowered to decide the kind of education that is best for their children. If state and local policymakers insist on denying parents this meaningful decision upfront, then they have no right to complain later on that parents are not “involved” enough in the schools or programs that other people picked for their children.

Rigidly constraining education options also results in high dissatisfaction levels. In fact, according to a recent survey of likely Kentucky voters, less than one out of four respondents (23 percent) consider the state's public school system "good" or "excellent." Slightly lower satisfaction levels were documented for respondents who identified themselves as union members (22 percent). Survey participants indicated that Kentucky public schools are "crowded," "unequal" and "expensive," with 70 percent of respondents saying that public school funding is "about right" or "too high." In fact, more than twice as many respondents indicated that a "lack of accountability" is an ongoing problem with Kentucky public schools (22 percent) compared to those who said a "lack of funding" is a chronic issue (9 percent).<sup>14</sup>

Encouraging more options, not more of the same, is the way to improve education for all Kentucky students. Expanding parental choice in education makes it more likely that students will find the education providers that are the best fit for them, and research also overwhelming shows that competition for students improves student achievement and public school performance.

By putting parents in charge of their children's education funding, ESAs are empowering parents to customize their children's learning regardless of where they can afford to live. Recent opinion polls also confirm that parents and voters overwhelmingly support ESAs and the expanded options they make possible.

### **Education Savings Accounts Offer Unlimited Choices**

ESAs turn the prevailing one-size-fits-all wisdom of the schooling establishment on its head by personalizing learning to unprecedented levels.<sup>15</sup> Not only are parents more satisfied having greater options, students are thriving academically and socially for less than what it costs in a typical public school setting. The rapid expansion of ESA programs also shows that there is tremendous demand for more customization in education—not less.

Since 2011 Arizona has annually expanded its ESA program to include more students, such as those who would otherwise attend failing public schools, students in or adopted from the foster care system, children of Active Duty military parents who reside in state or who were killed in the line of duty, eligible kindergarteners, siblings of current and former ESA students and children who reside within Indian Reservation boundaries.<sup>16</sup> The program is so popular participation has roughly doubled each year, growing from around 130 students in 2011 to more than 1,300 today.<sup>17</sup>

The freedom to choose not simply where but *how* their children are educated results in high parental satisfaction with ESAs. An unprecedented 100 percent of participating Arizona parents report being satisfied with the program, with 71 percent reporting they are "very satisfied." In contrast, just 43 percent of parents reported any level of satisfaction with their children's previous public schools.<sup>18</sup> While low, this satisfaction rate for Arizona ESA parents who withdrew their children from public schools is still nearly twice as high as Kentucky voters who have no parental choice programs.

Not feeling trapped likely contributes to higher public school satisfaction levels among Arizona ESA parents. And, unlike other parental choice programs that let parents pick where their children are educated, ESAs empower parents to determine how they are educated. A recent analysis found that more than one-third of Arizona parents use their children's ESA funds to pay for multiple education options, not just private or home schools. Parents are purchasing specialized curricula and/or private tutoring to enhance their children's learning. They are also taking advantage of online courses and curricula for their children. Finally, a significant number of parents are paying for special education services and therapies to meet their children's unique needs.<sup>19</sup>

ESAs are also expanding to students well beyond the Grand Canyon State. Florida was the second state to adopt ESAs for special needs students in 2014, and 1,700 students participated.<sup>20</sup> The 2014-15 school year had barely finished when it was reported that close to 2,000 ESA applications had already been submitted for the upcoming school year.<sup>21</sup> Meanwhile, in June 2015 funding for the program was tripled from \$18 million to \$54 million, and student eligibility was expanded to include a greater number of diagnosed disabilities.<sup>22</sup>

This is great news for Florida parents of special needs children like Stacey, who reports that the freedom to use her young son's education funding for the tailored services he needs has sparked dramatic improvements in his learning. "Liam...is reading on grade level, which is huge. ... It's helping his speech...and his overall communication has improved. ...This program is just such a game-changer for parents."<sup>23</sup>

These results are especially impressive since under existing programs ESAs are funded at just 90 percent of what states would have otherwise spent to educate students. They also undermine another common refrain that more spending—rather than more efficient spending—is what schools need to achieve better results.

This year Mississippi,<sup>24</sup> Tennessee<sup>25</sup> and Nevada also enacted ESAs. Nevada's program stands out for making all public school students eligible, not just those with special educational needs or circumstances.<sup>26</sup> If recent polling results are any indication, several more states will likely adopt ESAs as well.

### **ESAs are a Popular Form of Parental Choice**

A national poll released by the Democratic Beck Research firm in early 2015 found that close to seven out of 10 likely voters support greater parental choice in education and believe competition improves public schools.<sup>27</sup> A subsequent nationally representative poll released in June indicates that ESAs are the most popular form of parental choice among Americans. Fully 62 percent of respondents favored ESAs compared to favorable ratings of 61 percent for voucher scholarships, 60 percent for tax-credit scholarships and 53 percent for charter schools.<sup>28</sup>

Support for ESAs is also strong across nearly all demographics, especially adults ages 18 to 34 (75 percent). Importantly, support for ESAs is strong across the political spectrum, at 60 percent or higher for both Democratic and Democratic-leaning respondents as well as Republican and Republican-leaning respondents, and nearly two-thirds (65 percent) of Independents.<sup>29</sup> In fact, respondents who favor ESAs indicate that they are far more likely to vote for pro-ESA political candidates, ranging from 25 percent more likely among middle-income voters up to 40 percent more likely among voters ages 18 to 34.<sup>30</sup>

Finally, contrary to prevailing political wisdom that holds parental choice programs should be limited to certain groups of students, two out of three respondents believe that all students should be eligible for ESAs, not just students with special needs or circumstances.<sup>31</sup>

### **Kentucky Voters Want Parental Choice**

Support for parental choice among likely Kentucky voters is similarly strong. Given a chance, more than eight out of 10 likely Kentucky voters (86 percent) would prefer choosing among education options that include private schools, public charter schools, virtual schools and home schools.<sup>32</sup> Survey author Paul DiPerna summed up the results by stating, "Rich or poor, Republican or Democrat, rural or urban, the results are clear: Voters want more options in the education of their children...The support for school choice concepts—such as tax credits, vouchers, and charter schools—cuts across numerous demographic groups."<sup>33</sup>

A recent survey by the Black Alliance of Education Options (BAEO) also found that 88 percent of African-American voters in Kentucky agree that government should empower parents with as many education choices as possible for their children. Among Kentucky's African-American voters the more they learn about public charter schools the more they support them, increasing from 64 percent in favor to 82 percent in favor.<sup>34</sup>

Those results echo the sentiments of the Kentucky Education Restoration Alliance (KERA), a group that includes African-American pastors, civil rights leaders and retired educators in Louisville. Frustrated with the status quo, African-Americans in Kentucky want more—and more innovative—options. “If you ask African-Americans about a proposal that would improve their education,” said KERA Chairman and Midwest Church of Christ Pastor Jerry Stephenson, “they will say ‘Yes, let’s try it,’ even if they don’t know what it is.”<sup>35</sup>

ESAs offer unprecedented levels of choice by empowering parents not just over *where* their children are educated, but *how* they are educated. Parental choice in education is not only popular, it also has a proven track record of success.

### **Parental Choice Works**

Kentucky parents clearly want more education options, and research backs them up. Today, significant numbers of children with special needs and circumstances struggle academically, including students with disabilities, from military families, the foster care system and those who are in failing public schools.<sup>36</sup> Students in schools plagued by violence and chaotic classrooms also suffer academically.<sup>37</sup>

Research consistently shows that parental choice improves academic outcomes of participating students, most of whom are disadvantaged.<sup>38</sup> In fact, 13 of 14 “gold standard” random assignment studies to date find that disadvantaged students, including low-income and minority children, who use scholarships to attend the schools their parents think are best perform better in reading and math, have higher high school graduation rates, college attendance rates and higher college graduation rates than their peers who do not use scholarships. No study to date has ever demonstrated negative impacts on students’ academic outcomes. Moreover, the sole study finding no impact was subsequently discredited for its unscientific methodology. Upon re-analysis using scientifically sound methodologies, researchers from Harvard University documented statistically significant improvements in student achievement.<sup>39</sup>

Parental choice programs also introduce competition for students and their associated funding – putting powerful pressure on public schools to improve, thereby benefitting public school students as well. In fact, 22 out of 23 empirical studies show positive impacts from school competition, including improved reading and math achievement, and none found negative effects.<sup>40</sup> Researchers from Columbia University’s Teachers College also reviewed more than 200 scientific analyses and concluded that competition benefits public schools “across all outcomes,” including higher student achievement, graduation rates, efficiency, teacher salaries and smaller class sizes.<sup>41</sup>

Education economics research also shows that simply letting parents pick their children’s public schools “is the most powerful market force in American public education,” improving school productivity up to 28 percent.<sup>42</sup> Increasing parents’ educational freedom to choose public or private schools yields the same math improvement as increasing per-pupil funding by more than \$3,450<sup>43</sup> or raising median household income by \$8,876.<sup>44</sup>

Likewise, evaluations of Florida’s McKay Scholarship Program, the country’s largest scholarship program for special needs students, show that parental satisfaction rates with their children’s chosen private schools are nearly three times greater than with their previous public schools (93 percent compared to 33 percent). Participating private schools were also more responsive to children’s unique needs, scholarship students had



fewer behavioral problems, were victimized less and enjoyed smaller class sizes.<sup>45</sup> Competition for students from the McKay Program also had positive effects on public school student math and reading performance.<sup>46</sup>

By expanding the realm of parents' education choices beyond where their children are educated to how they are educated, ESAs maximize the positive effects of existing public and private school choice programs since a greater number and variety of education providers can compete to meet children's unique educational needs. Additionally, ESAs have several program advantages state policymakers should consider as they work to expand education options.

### **ESAs are Easy to Use**

Though all ESAs operate similarly, each state's program is unique – from which students are eligible to funding levels to certain mechanics. These elements are detailed in the Summary Appendix Table 2 at the end of this report. In general, parents of eligible students who do not prefer a public school education for their child simply inform their state education agency. They sign a contract promising not to enroll their child in a public school as long they are using an ESA, and the state deposits 90 percent of what it would have spent into a designated ESA for that child instead. Specifically, the state deposits 90 percent of base funding plus any additional funding weights the child's district would have received, such as per-student disability, poverty or grade-level weighted funding. ESA programs in Tennessee and Nevada stand out for depositing 100 percent of that funding into students' ESAs. Under ESA programs in Arizona, Tennessee and Nevada, quarterly deposits are made and parents make education-related purchases with dedicated-use debit cards.

Florida parents of special education students apply to one of the two non-profit scholarship funding organizations authorized to oversee the ESA program and inform their local public school that their child will be participating in the ESA program instead. The non-profit then deposits an amount worth 90 percent of what the state would have spent into the child's ESA.<sup>47</sup> The two Florida non-profits overseeing the ESA program have similar procedures for participating families. One issues unique identification cards for parents to access their child's ESA account and submit quarterly preauthorized payments and expense claims.<sup>48</sup> The other authorizes debit transfers for pre-approved purchases.<sup>49</sup> Mississippi's ESA program also transfers reimbursements for authorized education purchases. With such approaches, it is important to have policies in place, as the Florida non-profit Step Up for Students does, to assist low- and moderate-income families who cannot afford upfront, out-of-pocket expenses. For example, parents can request that Step Up for Students pay education providers directly so they do not have to have to find the funds themselves and wait to be reimbursed.<sup>50</sup>

### **ESAs are Fiscally Responsible**

As Friedman noted decades ago, we make better choices when we're spending our own hard-earned money. Thus the more we avoid third-party payer schemes, the more sensitive we are to prices, costs and most important, value. ESAs go a long way toward achieving that goal by putting parents directly in charge of their children's education funding and accounting for every expenditure—down to the last penny each quarter before additional funds are disbursed.

By design most ESAs are funded at 90 percent of state per-pupil public school amounts. Thus, even if parents spent all of their children's ESAs each year, the state would still realize a savings. For example, one analysis of Arizona's ESA program estimates that the state saves approximately \$2.5 million for every 1,000 students who use ESAs, increasing to more than \$12 million for every 5,000 students.<sup>51</sup>

A back-of-the-envelope estimate for Kentucky based on funding reported by the state to the U.S. Department of Education indicates that if a statewide program were enacted funding student ESAs at just 90 percent of current

state per-pupil funding, the median student ESA value would be just under \$5,700, and school districts would keep approximately \$4,600 in remaining state, local and federal per-pupil funding. The funding districts would keep is likely higher because per-pupil state revenue includes several sub-categories that would not be deposited into students' ESAs, including funding for staff improvement, capital outlay and debt service, school lunch programs and school employee benefits.

While actual student ESA deposits and the balances retained by school districts would vary depending upon individual students' SEEK funding adjustments, the district-by-district figures presented in Summary Appendix Table 1 at the end of this report show that under an ESA program, Kentucky school districts would retain significant amounts of per-pupil funding for ESA students they do not enroll. Those retained funds would be distributed across a smaller student population, which would result in higher per-pupil funding for districts.

Additionally, ESA programs have built-in transparency and accountability requirements that most public school finance systems would struggle to meet, starting with providing current-year, quarterly reporting that is actually comprehensible. Today, most states' public school finance systems make sense to almost no one except a relative handful of seasoned experts capable of navigating the complexities of prior-year budgeting and byzantine formulas. Thus the simplicity and transparency of ESAs alone is a significant advantage, especially since K-12 education spending typically represents the largest share of states' general fund budgets, averaging 35 percent nationally. Kentucky's K-12 spending represents an even larger share at 43 percent.<sup>52</sup>

There is growing recognition that a student-centered funding approach would serve children far better and streamline states' bureaucratic public school financing schemes.<sup>53</sup> Because ESAs are a student-centered finance approach instead of a system-centered one, reporting requirements are about as challenging as balancing the family checkbook. Participating parents must submit quarterly expense reports, with supporting documentation, to the agencies or organizations overseeing the programs, typically state education departments and/or treasury departments. They are also required to abide by clearly defined parent responsibilities. Administering agencies are also required to conduct quarterly, annual and/or random account audits themselves or hire independent, licensed public accounting agencies. Arizona also has established anonymous toll-free telephone and online fraud reporting, and Tennessee plans to follow suit. Such hotlines can provide another layer of security that increases public confidence that taxpayer funds are being used for the education of students. To be truly effective, however, such hotlines should have policies and procedures in place to ensure legitimate reports are investigated and illegitimate ones do not trigger a needless investigation of law-abiding ESA parents.

Administering agencies must also ensure all prior quarter ESA expenses are legitimate before disbursing subsequent quarterly funds. Parents who do not comply forfeit their child's ESA. Arizona's program, for example, has a zero-tolerance policy for misspending. ESA accounts are immediately frozen if there is any suspicion of misspending. If substantiated, parents are removed from the program, and they must repay misspent funds or face legal prosecution.<sup>54</sup> Programs in other states have similar sanctions for ESA misspending or fraud.

In addition to their structural program accountability, ESAs incentivize responsible stewardship and fiscal discipline. Unlike many government agency accounting schemes that encourage use-it-or-lose-it spending sprees near the end of each fiscal year, all existing ESA programs allow parents to roll over unused funds from one year to the next. This policy gives parents powerful motivation to find the best quality programs at the best prices and conserve leftover funds. For example, more than \$670,000 in total Arizona ESA funds were left over at the end of the program's first year alone, averaging nearly \$5,200 per student ESA.<sup>55</sup> This is a significant finding since Arizona's program was originally limited to children with special education needs, which typically result in public school district expenditures that are at least double the average per-student spending. Programs in Arizona,

Florida and Tennessee maximize this value proposition by allowing parents in those states to save unused funds for even more distant education expenses, such as college tuition.

### **ESAs Pass Constitutional Muster**

Regardless of how effective or popular parental choice programs are, opponents have tried to litigate them to death for more than two decades, insisting they violate bedrock constitutional principles. ESAs are no exception. The ink was barely dry on the enabling legislation when lawsuits to kill newly-enacted ESA programs in Arizona<sup>56</sup> and Florida<sup>57</sup> were filed by teachers, school boards and public school employee union members, among others. Courts in those states, however, have consistently ruled that ESAs pass constitutional muster for several reasons, summarized in Summary Appendix Table 2 at the end of this report.

- First, ESAs are neutral with regard to religion because they make a variety of educational options available to parents, and they—not government—do the choosing.
- Second, ESAs do not run afoul of constitutional religious aid bans or Blaine Amendments because funds are for the benefit of students, not schools, and no ESA funds are ever directed by government to any particular education provider.
- Third, state courts have made clear that ESA students do not forfeit their rights to a free public education because they can re-enroll in public schools if they leave an ESA program.
- Finally, the courts have rejected out-of-hand the notion that parental choice through ESAs harms public schools, students or teachers by, as opponents frequently put it, “draining money.” In fact, if that were the case no family would ever be allowed to move away from their current neighborhood, much less out of state, since local public schools would lose students’ associated funding in a subsequent budget year.

These state court rulings regarding ESAs reflect recent U.S. Supreme Court decisions upholding publicly-funded voucher scholarships (*Zelman v. Simmons-Harris*, 2002) and privately-funded tax-credit scholarships (*Arizona Christian School Tuition Organization v. Winn*, 2011).<sup>58</sup> They also bode ill for the pending lawsuit brought by the American Civil Liberties Union (ACLU) of Nevada on August 27, 2015, against the state’s ESA program. The claim alleges that because Nevada’s ESA program allows parents to choose religious educational options for their children, it furthers a religious and sectarian purpose. The Institute for Justice successfully defended Arizona’s ESA program, which served as a model for Nevada’s program, and it is now helping defend Nevada’s ESA. According to Institute for Justice Senior Attorney Tim Keller,

The ACLU claims the ESA program unconstitutionally furthers a religious or sectarian purpose because it allows parents to choose religious educational options for their children...But it is precisely the independent decision-making by parents that severs any link between church and state. As with all constitutional educational choice programs, parents—and not the government—decide the best educational setting for their child. ...The Supreme Court of the United States, as well as numerous state supreme courts, have already held that educational choice programs, like Nevada’s ESA Program, are constitutional...We expect the same from Nevada courts.<sup>59</sup>

### **Conclusions and Recommendations: The Time is Now for ESAs in Kentucky**

A schooling system that largely rations education based on where children’s parents can afford to live is a relic of a by-gone era that cannot provide the customized preparation students need to succeed in a rapidly

changing, increasingly competitive world. ESAs are popular, easy to use, fiscally responsible and constitutional. Best of all, they empower parents to choose *how*, not just *where*, their children are educated, which customizes learning to degrees no one-size-fits-all system could ever match—no matter how lavishly funded.

Operational and recently enacted ESA programs offer important models for state policymakers interested in expanding such learning opportunities. Lessons from these programs include:

**1. Make ESAs universal.** Of the five enacted programs, Nevada’s ESA makes the most students eligible, both disadvantaged students as well as general education public school students. Although Arizona’s ESA makes several targeted populations of students eligible, and will likely include more groups in the future, this approach involves practical and principled problems. Annually re-writing and promulgating new regulations, not to mention expansive handbooks and applications, adds hefty administrative burdens to regular ESA program management. As a matter of principle, every student has unique academic needs and deserves a personalized education their parents can customize for them. A Kentucky ESA program should be truly universal by making all school children eligible, including those who currently attend private schools or are educated at home. After all, these children’s parents pay taxes, too, and should not be discriminated against because they prefer non-public education providers.

**2. Fully fund ESAs.** Advancing parental choice programs is politically challenging enough for state lawmakers. That is why so many programs are designed to achieve positive fiscal notes. Though understandable, it’s worth recalling that taxpayer funding for education is supposed to be for the benefit of students, not a single provider. Tennessee and Nevada fully fund ESAs for special needs and low-income students; however, this practice should be the rule for all students as a matter of fundamental fairness. Furthermore, even at 90 percent funding, as is the case with the remaining ESA programs and regular education students under Nevada’s program, it will be interesting to see how just how much education funding remains at the end of each school year with parents in charge of purchasing decisions. For instance, altogether Arizona parents currently have hundreds of thousands of dollars left over at the end of each year for future education expenses. This reality is even more striking given that participating students are disadvantaged and likely require more expensive educational services than general education students. Such results challenge claims that public education is under-funded. State policymakers should keep this lesson in mind because ESA results to date certainly appear to show that it is indeed possible to do more with less once we stop subsidizing costly overhead and administration along with various bells and whistles that have little to do with actual student learning.

**3. Blow the lid off program caps.** At best program caps are unnecessary, and at worst they are unjust. Limiting participation in parental choice programs is a common strategy state lawmakers use to pacify opposition just enough to enact or advance programs. For example, Mississippi caps the number of ESAs at 500 for the first year, increasing by 500 each subsequent year. Yet it is important to recognize—and counter—the illogic of calls for capping parental choice programs, including ESAs. If parents are indeed satisfied with existing education options under the status quo, as parental choice program opponents often insist, then it makes no sense to cap non-existent demand. It is probably more accurate to say what opponents fear most is unleashing pent-up parent demand for more personalized education options—even in states like Arizona that have had a variety of expansive parental choice programs for nearly two decades. As part of its ESA expansion in 2013, Arizona capped the number of ESAs at no more than 0.5 percent of total prior-year public school enrollment (approximately 5,400 ESAs) until 2020. The official bill analysis at the time concluded that the cap would likely not be reached based on prevailing growth projections.<sup>60</sup> Yet program growth has far exceeded expectations, roughly doubling each year. With more than 1,300 ESAs as of the 2014-15 school year, the cap could be reached as early as the 2016-17 school year if the empirical growth trend is any indication, potentially leaving thousands of students languishing on waiting lists for years.

**4. Beware of pilots.** Similar to program caps, enacting pilot programs rather than full-scale programs is a common political compromise. Currently, only Mississippi has enacted its ESA as a five-year pilot program. State lawmakers, however, should be wary of pilots for several reasons. Knowing a program may not last can discourage parents from enrolling their children. Pilot programs also often limit the types of students and education providers who can participate. These consequences have several negative ripple effects. Diminished enrollment makes it easier for political opponents to claim the program is unnecessary, unwanted or ineffective. Also, in spite of well intentioned efforts to phase in programs that are pilot-tested to improve program awareness, pilots are rarely meaningful tests of full-scale parental choice programs. From a practical standpoint, with few exceptions (notably, Florida's McKay Scholarship Program), historically parental choice opponents have successfully directed substantial resources toward killing smaller pilot programs or preventing their expansion.<sup>61</sup>

**5. Let all education providers compete.** Government should not be in the business of cherry-picking service providers. Parents know and love their children best, so they should be in charge of choosing their children's education service providers. If parents are not satisfied, ESAs make it easy for them to choose better providers. Such freedom introduces immediate rewards for success and consequences for failure. This approach better ensures program accountability and efficiency than top-down mandates, which are expensive and can take years to enforce. Similarly, government is simply not well situated to pick winners and losers, particularly given the break-neck speed of technological and other advances that can benefit students. To maximize personalized learning opportunities for students, state lawmakers should foster diversity and competition among all education providers and be open to including future kinds of providers as well.

**6. Private administration is best.** Ensuring taxpayer dollars are used as intended is a core government responsibility. Most ESA program oversight and administration is handled by state education agencies and/or treasury departments. Administrative fees for existing ESA programs range from 3 percent (Florida) to 6 percent (Mississippi). Those fees are needed to cover the labor and overhead costs associated with processing applications, quarterly expense reviews, ongoing ESA audits and other tasks. Administration costs must be accounted for in any parental choice program to ensure program continuity. However, good government oversight does not require government administration. In fact, this structure is far from ideal because no matter how supportive government agencies may be of ESAs and parental choice in general now, there is no guarantee that the political tides will not turn after the next election. Moreover, customer service is not exactly a hallmark of government bureaucracies—even ones that perform well by public-sector standards. For example, Arizona's ESA is administered by the state education department, and the program garnered a 100 percent parental satisfaction rate. Participating parents even ranked the department as the most helpful of several available information resources. Nevertheless, it rejected close to half of the 2,300 ESA applicants for the 2014-15 school year.<sup>62</sup> The department claimed those applicants simply were not eligible, but it was criticized for failing to answer applicants' phone calls and for conducting informational workshops during regular working hours when most parents are at their jobs.

Thus, even as supportive as Arizona's education department is to ESAs and other parental choice programs, commonsense practices that are standard for the private sector are still exceptional in government, including hiring personnel to staff 24-hour information hotlines and online web chats, conducting live interactive online workshops that can be recorded and archived for viewing later by parents who could not attend in person, providing web-based ESA applications, and having personnel available to help non-native English speakers with ESA application questions. In contrast, non-profit scholarship organizations handle ESA administration in Florida, which helps overcome the innate inertia and inflexibility of government bureaucracy and minimizes the potential for program politicization.<sup>63</sup> Other private-sector administration models exist as well.

Private financial institutions already have the infrastructure in place for defined-use debit or credit cards and detailed expense reports, not to mention highly trained staff and streamlined processes to answer cardholders'

questions and process paperwork. For example, the military uses pre-programmed travel cards that allow authorized purchases, flag questionable purchases that may have to be refunded unless subsequently approved or decline if a charge is obviously not travel-related. Moreover, travel cards can be automatically de-activated during non-travel periods to prevent fraudulent purchases. Online banking also provides real-time transparency, the tools to scan transaction receipts, and the ability to generate reliable expense reports. Additionally, categorized annual spending reports can be generated automatically like the ones most credit card companies already provide to customers. Using existing private-sector capacity would help provide necessary ESA program oversight at a fraction of the government-sector overhead and labor cost.

Every student, regardless of his or her circumstances, should have the opportunity for personalized learning. Parents empowered over their children's education funding in a growing number of states are now free to seek a variety of service providers. And, because education providers are not constrained to work within a rigid, bureaucratic public school system, more providers can enter the education marketplace where they have the freedom to innovate and tailor their services to the needs of individual students. This situation increases competition for students and introduces powerful pressure on all providers to offer effective, high quality programs at reasonable prices or lose students to other providers. ESAs are a student-centered funding mechanism that can personalize learning for all students by putting their parents in charge. This policy approach is a win-win for students, families and taxpayers.

**Summary Appendix Table 1: ESA District-Level Fiscal Estimates, by County**

District	County	City	Total Revenue	Federal	State	Local	Student ESA Value	Revenue Remaining with District
ADAIR CO	ADAIR	COLUMBIA	\$10,428	\$1,674	\$6,868	\$1,886	\$6,181	\$4,247
ALLEN CO	ALLEN	SCOTTSVILLE	\$9,420	\$1,303	\$6,277	\$1,841	\$5,649	\$3,771
ANDERSON CO	ANDERSON	LAWRENCEBURG	\$9,523	\$977	\$5,631	\$2,915	\$5,068	\$4,455
BALLARD CO	BALLARD	BARLOW	\$11,506	\$1,297	\$7,380	\$2,828	\$6,642	\$4,864
BARREN CO	BARREN	GLASGOW	\$9,920	\$1,498	\$6,017	\$2,406	\$5,415	\$4,505
CAVERNA IND	BARREN	CAVE CITY	\$11,680	\$2,516	\$6,324	\$2,839	\$5,692	\$5,988
GLASGOW IND	BARREN	GLASGOW	\$16,900	\$1,699	\$6,131	\$9,070	\$5,518	\$11,382
BATH CO	BATH	OWINGSVILLE	\$9,752	\$1,662	\$6,784	\$1,306	\$6,106	\$3,646
BELL CO	BELL	PINEVILLE	\$11,901	\$2,560	\$7,301	\$2,039	\$6,571	\$5,330
MIDDLESBORO IND	BELL	MIDDLESBORO	\$10,224	\$2,168	\$6,031	\$2,024	\$5,428	\$4,796
PINEVILLE IND	BELL	PINEVILLE	\$10,069	\$1,972	\$7,079	\$1,018	\$6,371	\$3,698
BOONE CO	BOONE	FLORENCE	\$9,942	\$776	\$4,240	\$4,926	\$3,816	\$6,126
WALTON VERONA IND	BOONE	WALTON	\$10,430	\$734	\$5,718	\$3,978	\$5,146	\$5,284
BOURBON CO	BOURBON	PARIS	\$10,253	\$2,095	\$5,384	\$2,774	\$4,846	\$5,407
PARIS IND	BOURBON	PARIS	\$10,776	\$1,738	\$6,535	\$2,503	\$5,882	\$4,895
ASHLAND IND	BOYD	ASHLAND	\$9,656	\$1,808	\$5,684	\$2,163	\$5,116	\$4,540
BOYD CO	BOYD	ASHLAND	\$10,560	\$1,488	\$5,951	\$3,120	\$5,356	\$5,204
FAIRVIEW IND	BOYD	ASHLAND	\$8,633	\$982	\$6,112	\$1,539	\$5,501	\$3,132
BOYLE CO	BOYLE	DANVILLE	\$9,642	\$708	\$5,981	\$2,954	\$5,383	\$4,259
DANVILLE IND	BOYLE	DANVILLE	\$12,565	\$1,467	\$6,249	\$4,850	\$5,624	\$6,941
AUGUSTA IND	BRACKEN	AUGUSTA	\$10,599	\$1,250	\$7,474	\$1,875	\$6,727	\$3,872
BRACKEN CO	BRACKEN	BROOKSVILLE	\$9,293	\$1,169	\$6,618	\$1,505	\$5,956	\$3,337
BREATHITT CO	BREATHITT	JACKSON	\$10,848	\$2,206	\$7,302	\$1,340	\$6,572	\$4,276
JACKSON IND	BREATHITT	JACKSON	\$10,016	\$1,439	\$7,575	\$1,002	\$6,818	\$3,199
BRECKINRIDGE CO	BRECKINRIDGE	HARDINSBURG	\$10,063	\$1,891	\$5,798	\$2,374	\$5,218	\$4,845
CLOVERPORT IND	BRECKINRIDGE	CLOVERPORT	\$11,279	\$1,911	\$8,168	\$1,201	\$7,351	\$3,928
BULLITT CO	BULLITT	SHEPHERDSVILLE	\$9,233	\$926	\$5,177	\$3,129	\$4,659	\$4,574
BUTLER CO	BUTLER	MORGANTOWN	\$10,061	\$1,368	\$7,187	\$1,506	\$6,468	\$3,593
CALDWELL CO	CALDWELL	PRINCETON	\$9,095	\$1,247	\$6,031	\$1,817	\$5,428	\$3,667
CALLOWAY CO	CALLOWAY	MURRAY	\$9,557	\$1,254	\$5,371	\$2,932	\$4,834	\$4,723
MURRAY IND	CALLOWAY	MURRAY	\$11,104	\$2,508	\$5,553	\$3,042	\$4,998	\$6,106
BELLEVUE IND	CAMPBELL	BELLEVUE	\$9,873	\$1,313	\$4,756	\$3,803	\$4,280	\$5,593
CAMPBELL CO	CAMPBELL	ALEXANDRIA	\$10,329	\$838	\$4,605	\$4,886	\$4,145	\$6,185
DAYTON IND	CAMPBELL	DAYTON	\$10,411	\$1,754	\$6,722	\$1,934	\$6,050	\$4,361
FORT THOMAS IND	CAMPBELL	FORT THOMAS	\$10,987	\$534	\$4,796	\$5,657	\$4,316	\$6,671
NEWPORT IND	CAMPBELL	NEWPORT	\$13,089	\$2,463	\$5,892	\$4,735	\$5,303	\$7,786
SILVER GROVE IND	CAMPBELL	SILVER GROVE	\$13,210	\$2,210	\$6,321	\$4,679	\$5,689	\$7,521
SOUTHGATE IND	CAMPBELL	SOUTHGATE	\$11,297	\$1,378	\$5,383	\$4,536	\$4,845	\$6,452
CARLISLE CO	CARLISLE	BARDWEL	\$9,918	\$1,333	\$6,393	\$2,192	\$5,754	\$4,164
CARROLL CO	CARROLL	CARROLLTON	\$12,995	\$2,537	\$5,812	\$4,647	\$5,231	\$7,764

District	County	City	Total Revenue	Federal	State	Local	Student ESA Value	Revenue Remaining with District
CARTER CO	CARTER	GRAYSON	\$10,001	\$1,502	\$7,193	\$1,307	\$6,474	\$3,527
CASEY CO	CASEY	LIBERTY	\$10,726	\$1,875	\$7,316	\$1,535	\$6,584	\$4,142
CHRISTIAN CO	CHRISTIAN	HOPKINSVILLE	\$10,033	\$2,019	\$5,946	\$2,068	\$5,351	\$4,682
CLARK CO	CLARK	WINCHESTER	\$9,966	\$1,374	\$5,023	\$3,570	\$4,521	\$5,445
CLAY CO	CLAY	MANCHESTER	\$11,276	\$2,203	\$7,470	\$1,603	\$6,723	\$4,553
CLINTON CO	CLINTON	ALBANY	\$10,786	\$2,508	\$6,501	\$1,778	\$5,851	\$4,935
CRITTENDEN CO	CRITTENDEN	MARION	\$9,456	\$1,324	\$6,174	\$1,958	\$5,557	\$3,899
CUMBERLAND CO	CUMBERLAND	BURKESVILLE	\$11,045	\$2,086	\$6,691	\$2,268	\$6,022	\$5,023
DAVISS CO	DAVISS	OWENSBORO	\$9,895	\$958	\$5,792	\$3,145	\$5,213	\$4,682
OWENSBORO IND	DAVISS	OWENSBORO	\$11,485	\$1,731	\$6,640	\$3,115	\$5,976	\$5,509
EDMONSON CO	EDMONSON	BROWNSVILLE	\$9,509	\$1,345	\$6,619	\$1,545	\$5,957	\$3,552
ELLIOTT CO	ELLIOTT	SANDY HOOK	\$10,761	\$1,649	\$7,949	\$1,162	\$7,154	\$3,607
ESTILL CO	ESTILL	IRVINE	\$9,961	\$1,861	\$6,755	\$1,346	\$6,080	\$3,882
FAYETTE CO	FAYETTE	LEXINGTON	\$11,473	\$1,155	\$4,323	\$5,995	\$3,891	\$7,582
FLEMING CO	FLEMING	FLEMINGSBURG	\$10,263	\$1,678	\$6,874	\$1,710	\$6,187	\$4,076
FLOYD CO	FLOYD	PRESTONSBURG	\$10,817	\$2,373	\$6,502	\$1,942	\$5,852	\$4,965
FRANKFORT IND	FRANKLIN	FRANKFORT	\$9,993	\$1,253	\$5,435	\$3,305	\$4,892	\$5,102
FRANKLIN CO	FRANKLIN	FRANKFORT	\$10,022	\$979	\$5,308	\$3,735	\$4,777	\$5,245
FULTON CO	FULTON	HICKMAN	\$11,850	\$3,035	\$6,143	\$2,672	\$5,529	\$6,321
FULTON IND	FULTON	FULTON	\$11,635	\$2,180	\$6,580	\$2,874	\$5,922	\$5,713
GALLATIN CO	GALLATIN	WARSAW	\$11,595	\$1,222	\$7,037	\$3,337	\$6,333	\$5,262
GARRARD CO	GARRARD	LANCASTER	\$9,861	\$1,239	\$5,978	\$2,644	\$5,380	\$4,481
GRANT CO	GRANT	WILLIAMSTOWN	\$9,605	\$1,317	\$6,220	\$2,068	\$5,598	\$4,007
WILLIAMSTOWN IND	GRANT	WILLIAMSTOWN	\$9,548	\$1,368	\$6,329	\$1,852	\$5,696	\$3,852
GRAVES CO	GRAVES	MAYFIELD	\$8,940	\$975	\$6,058	\$1,906	\$5,452	\$3,488
MAYFIELD IND	GRAVES	MAYFIELD	\$10,445	\$1,684	\$6,438	\$2,323	\$5,794	\$4,651
GRAYSON CO	GRAYSON	LEITCHFIELD	\$9,360	\$1,361	\$6,199	\$1,799	\$5,579	\$3,781
GREEN CO	GREEN	GREENSBURG	\$10,025	\$1,207	\$7,186	\$1,631	\$6,467	\$3,558
GREENUP CO	GREENUP	GREENUP	\$10,175	\$1,783	\$6,099	\$2,293	\$5,489	\$4,686
RACELAND IND	GREENUP	RACELAND	\$8,744	\$710	\$6,418	\$1,616	\$5,776	\$2,968
RUSSELL IND	GREENUP	RUSSELL	\$9,292	\$909	\$5,428	\$2,955	\$4,885	\$4,407
HANCOCK CO	HANCOCK	HAWESVILLE	\$10,417	\$1,121	\$6,417	\$2,879	\$5,775	\$4,642
ELIZABETHTOWN IND	HARDIN	ELIZABETHTOWN	\$9,509	\$1,093	\$5,825	\$2,591	\$5,243	\$4,267
HARDIN CO	HARDIN	ELIZABETHTOWN	\$10,461	\$1,321	\$6,179	\$2,961	\$5,561	\$4,900
WEST POINT IND	HARDIN	WEST POINT	\$13,317	\$1,829	\$8,146	\$3,341	\$7,331	\$5,986
HARLAN IND	HARLAN	HARLAN	\$8,971	\$1,280	\$6,486	\$1,205	\$5,837	\$3,134
HARLAN CO	HARLAN	HARLAN	\$11,590	\$2,088	\$7,611	\$1,890	\$6,850	\$4,740
HARRISON CO	HARRISON	CYNTHIANA	\$8,851	\$1,180	\$5,798	\$1,873	\$5,218	\$3,633
HART CO	HART	MUNFORDVILLE	\$10,823	\$1,494	\$7,353	\$1,977	\$6,618	\$4,205
HENDERSON CO	HENDERSON	HENDERSON	\$9,606	\$1,012	\$5,858	\$2,736	\$5,272	\$4,334
EMINENCE IND	HENRY	EMINENCE	\$9,582	\$1,429	\$6,187	\$1,967	\$5,568	\$4,014
HENRY CO	HENRY	NEW CASTLE	\$9,908	\$1,119	\$6,350	\$2,439	\$5,715	\$4,193



District	County	City	Total Revenue	Federal	State	Local	Student ESA Value	Revenue Remaining with District
HICKMAN CO	HICKMAN	CLINTON	\$11,020	\$1,329	\$6,779	\$2,912	\$6,101	\$4,919
DAWSON SPRINGS IND	HOPKINS	DAWSON SPRINGS	\$9,444	\$1,058	\$7,313	\$1,074	\$6,582	\$2,862
HOPKINS CO	HOPKINS	MADISONVILLE	\$9,778	\$1,192	\$6,394	\$2,191	\$5,755	\$4,023
JACKSON CO	JACKSON	MCKEE	\$11,350	\$2,076	\$7,930	\$1,344	\$7,137	\$4,213
ANCHORAGE IND	JEFFERSON	ANCHORAGE	\$19,922	\$430	\$5,020	\$14,472	\$4,518	\$15,404
JEFFERSON CO	JEFFERSON	LOUISVILLE	\$12,283	\$1,897	\$4,831	\$5,555	\$4,348	\$7,935
JESSAMINE CO	JESSAMINE	NICHOLASVILLE	\$10,049	\$1,154	\$5,211	\$3,684	\$4,690	\$5,359
JOHNSON CO	JOHNSON	PAINTSVILLE	\$9,889	\$1,561	\$7,028	\$1,301	\$6,325	\$3,564
PAINTSVILLE IND	JOHNSON	PAINTSVILLE	\$10,525	\$1,504	\$5,531	\$3,491	\$4,978	\$5,547
BEECHWOOD IND	KENTON	FORT MITCHELL	\$9,646	\$621	\$4,500	\$4,525	\$4,050	\$5,596
COVINGTON IND	KENTON	COVINGTON	\$13,411	\$2,610	\$6,211	\$4,590	\$5,590	\$7,821
ERLANGER-ELSMERE IND	KENTON	ERLANGER	\$10,141	\$1,073	\$5,405	\$3,662	\$4,865	\$5,277
KENTON CO	KENTON	ERLANGER	\$9,553	\$778	\$4,871	\$3,905	\$4,384	\$5,169
LUDLOW IND	KENTON	LUDLOW	\$10,003	\$1,237	\$6,298	\$2,469	\$5,668	\$4,335
KNOTT CO	KNOTT	HINDMAN	\$10,938	\$2,023	\$5,794	\$3,122	\$5,215	\$5,723
BARBOURVILLE IND	KNOX	BARBOURVILLE	\$8,462	\$1,264	\$5,899	\$1,298	\$5,309	\$3,153
KNOX CO	KNOX	BARBOURVILLE	\$11,425	\$2,276	\$7,668	\$1,482	\$6,901	\$4,524
LARUE CO	LARUE	HODGENVILLE	\$10,473	\$1,325	\$7,396	\$1,752	\$6,656	\$3,817
EAST BERNSTADT IND	LAUREL	EAST BERNSTADT	\$8,750	\$1,233	\$6,720	\$797	\$6,048	\$2,702
LAUREL CO	LAUREL	LONDON	\$9,432	\$1,375	\$6,074	\$1,983	\$5,467	\$3,965
LAWRENCE CO	LAWRENCE	LOUISA	\$9,899	\$1,699	\$6,328	\$1,872	\$5,695	\$4,204
LEE CO	LEE	BEATTYVILLE	\$10,418	\$2,696	\$6,482	\$1,239	\$5,834	\$4,584
LESLIE CO	LESLIE	HYDEN	\$11,450	\$1,976	\$7,006	\$2,468	\$6,305	\$5,145
JENKINS IND	LETCHER	JENKINS	\$10,893	\$1,983	\$7,256	\$1,654	\$6,530	\$4,363
LETCHER CO	LETCHER	WHITESBURG	\$10,589	\$1,569	\$6,758	\$2,262	\$6,082	\$4,507
LEWIS CO	LEWIS	VANCEBURG	\$9,938	\$1,845	\$6,701	\$1,393	\$6,031	\$3,907
LINCOLN CO	LINCOLN	STANFORD	\$10,207	\$1,887	\$6,740	\$1,581	\$6,066	\$4,141
LIVINGSTON CO	LIVINGSTON	SMITHLAND	\$10,530	\$1,645	\$5,621	\$3,264	\$5,059	\$5,471
LOGAN CO	LOGAN	RUSSELLVILLE	\$9,236	\$942	\$6,341	\$1,953	\$5,707	\$3,529
RUSSELLVILLE IND	LOGAN	RUSSELLVILLE	\$10,785	\$1,853	\$6,567	\$2,365	\$5,910	\$4,875
LYON CO	LYON	EDDYVILLE	\$9,960	\$1,076	\$4,090	\$4,794	\$3,681	\$6,279
BEREA IND	MADISON	BEREA	\$10,969	\$1,804	\$6,808	\$2,357	\$6,127	\$4,842
MADISON CO	MADISON	RICHMOND	\$9,758	\$1,185	\$5,614	\$2,960	\$5,053	\$4,705
MAGOFFIN CO	MAGOFFIN	SALYERSVILLE	\$11,862	\$2,333	\$8,139	\$1,391	\$7,325	\$4,537
MARION CO	MARION	LEBANON	\$10,150	\$1,371	\$6,263	\$2,517	\$5,637	\$4,513
MARSHALL CO	MARSHALL	BENTON	\$9,845	\$967	\$5,520	\$3,357	\$4,968	\$4,877

District	County	City	Total Revenue	Federal	State	Local	Student ESA Value	Revenue Remaining with District
MARTIN CO	MARTIN	INEZ	\$11,145	\$2,699	\$6,431	\$2,015	\$5,788	\$5,357
MASON CO	MASON	MAYSVILLE	\$9,618	\$1,183	\$5,467	\$2,968	\$4,920	\$4,698
MCCRACKEN CO	MCCRACKEN	PADUCAH	\$9,805	\$995	\$4,972	\$3,838	\$4,475	\$5,330
PADUCAH IND	MCCRACKEN	PADUCAH	\$11,937	\$2,385	\$5,782	\$3,771	\$5,204	\$6,733
MCCREARY CO	MCCREARY	STEARNS	\$10,582	\$2,194	\$7,352	\$1,037	\$6,617	\$3,965
MCLEAN CO	MCLEAN	CALHOUN	\$9,839	\$1,296	\$6,554	\$1,988	\$5,899	\$3,940
MEADE CO	MEADE	BRANDENBURG	\$9,016	\$850	\$6,389	\$1,776	\$5,750	\$3,266
MENIFEE CO	MENIFEE	FRENCHBURG	\$10,745	\$1,499	\$7,810	\$1,436	\$7,029	\$3,716
BURGIN IND	MERCER	BURGIN	\$9,067	\$748	\$4,931	\$3,387	\$4,438	\$4,629
MERCER CO	MERCER	HARRODSBURG	\$9,998	\$948	\$5,965	\$3,085	\$5,369	\$4,630
METCALFE CO	METCALFE	EDMONTON	\$11,843	\$2,112	\$7,195	\$2,536	\$6,476	\$5,368
MONROE CO	MONROE	TOMPKINSVILLE	\$11,942	\$2,560	\$7,518	\$1,864	\$6,766	\$5,176
MONTGOMERY CO	MONTGOMERY	MOUNT STERLING	\$9,467	\$1,292	\$6,046	\$2,129	\$5,441	\$4,026
MORGAN CO	MORGAN	WEST LIBERTY	\$10,599	\$1,807	\$7,380	\$1,413	\$6,642	\$3,957
MUHLENBERG CO	MUHLENBERG	GREENVILLE	\$11,388	\$1,247	\$6,578	\$3,563	\$5,920	\$5,468
BARDSTOWN IND	NELSON	BARDSTOWN	\$9,604	\$1,005	\$5,341	\$3,259	\$4,807	\$4,797
NELSON CO	NELSON	BARDSTOWN	\$9,774	\$947	\$5,447	\$3,379	\$4,902	\$4,872
NICHOLAS CO	NICHOLAS	CARLISLE	\$9,617	\$1,527	\$6,517	\$1,574	\$5,865	\$3,752
OHIO CO	OHIO	HARTFORD	\$9,561	\$1,166	\$6,358	\$2,036	\$5,722	\$3,839
OLDHAM CO	OLDHAM	BUCKNER	\$9,810	\$633	\$5,055	\$4,122	\$4,550	\$5,261
OWEN CO	OWEN	OWENTON	\$10,141	\$1,179	\$6,540	\$2,422	\$5,886	\$4,255
OWSLEY CO	OWSLEY	BOONEVILLE	\$13,386	\$4,313	\$7,678	\$1,395	\$6,910	\$6,476
PENDLETON CO	PENDLETON	FALMOUTH	\$10,633	\$1,213	\$6,871	\$2,548	\$6,184	\$4,449
HAZARD IND	PERRY	HAZARD	\$9,774	\$1,517	\$6,059	\$2,198	\$5,453	\$4,321
PERRY CO	PERRY	HAZARD	\$10,686	\$1,811	\$6,442	\$2,433	\$5,798	\$4,888
PIKE CO	PIKE	PIKEVILLE	\$10,924	\$1,766	\$6,741	\$2,416	\$6,067	\$4,857
PIKEVILLE IND	PIKE	PIKEVILLE	\$10,953	\$1,072	\$5,155	\$4,726	\$4,640	\$6,314
POWELL CO	POWELL	STANTON	\$9,593	\$1,611	\$6,715	\$1,267	\$6,044	\$3,550
PULASKI CO	PULASKI	SOMERSET	\$9,834	\$1,476	\$5,988	\$2,369	\$5,389	\$4,445
SCIENCE HILL IND	PULASKI	SCIENCE HILLS	\$8,304	\$1,026	\$5,783	\$1,495	\$5,205	\$3,099
SOMERSET IND	PULASKI	SOMERSET	\$9,810	\$1,338	\$5,038	\$3,434	\$4,534	\$5,276
ROBERTSON CO	ROBERTSON	MOUNT OLIVET	\$11,416	\$2,413	\$7,149	\$1,854	\$6,434	\$4,982
ROCKCASTLE CO	ROCKCASTLE	MOUNT VERNON	\$10,046	\$1,643	\$7,230	\$1,174	\$6,507	\$3,539
ROWAN CO	ROWAN	MOREHEAD	\$9,870	\$1,228	\$6,173	\$2,469	\$5,556	\$4,314
RUSSELL CO	RUSSELL	JAMESTOWN	\$10,311	\$1,468	\$6,425	\$2,418	\$5,783	\$4,529
SCOTT CO	SCOTT	GEORGETOWN	\$9,401	\$867	\$5,230	\$3,304	\$4,707	\$4,694
SHELBY CO	SHELBY	SHELBYVILLE	\$10,170	\$899	\$5,610	\$3,661	\$5,049	\$5,121
SIMPSON CO	SIMPSON	FRANKLIN	\$9,724	\$1,136	\$5,982	\$2,606	\$5,384	\$4,340
SPENCER CO	SPENCER	TAYLORSVILLE	\$9,320	\$725	\$5,718	\$2,877	\$5,146	\$4,174
CAMPBELLSVILLE IN	TAYLOR	CAMPBELLSVILLE	\$11,957	\$2,087	\$7,222	\$2,648	\$6,500	\$5,457

District	County	City	Total Revenue	Federal	State	Local	Student ESA Value	Revenue Remaining with District
TAYLOR CO	TAYLOR	CAMPBELLSVILLE	\$9,337	\$1,420	\$5,932	\$1,985	\$5,339	\$3,998
TODD CO	TODD	ELKTON	\$9,836	\$1,261	\$6,805	\$1,771	\$6,125	\$3,712
TRIGG CO	TRIGG	CADIZ	\$9,673	\$956	\$5,399	\$3,319	\$4,859	\$4,814
TRIMBLE CO	TRIMBLE	BEDFORD	\$10,269	\$1,705	\$5,859	\$2,705	\$5,273	\$4,996
UNION CO	UNION	MORGANFIELD	\$10,437	\$1,164	\$6,127	\$3,146	\$5,514	\$4,923
BOWLING GREEN IND	WARREN	BOWLING GREEN	\$10,700	\$1,218	\$6,345	\$3,136	\$5,711	\$4,990
WARREN CO	WARREN	BOWLING GREEN	\$9,212	\$1,117	\$5,012	\$3,083	\$4,511	\$4,701
WASHINGTON CO	WASHINGTON	SPRINGFIELD	\$10,817	\$1,506	\$6,595	\$2,716	\$5,936	\$4,882
MONTICELLO IND	WAYNE	MONTICELLO	\$10,109	\$1,700	\$7,574	\$834	\$6,817	\$3,292
WAYNE CO	WAYNE	MONTICELLO	\$10,642	\$1,722	\$7,305	\$1,615	\$6,575	\$4,068
WEBSTER CO	WEBSTER	DIXON	\$9,541	\$1,174	\$6,288	\$2,079	\$5,659	\$3,882
CORBIN IND	WHITLEY	CORBIN	\$9,240	\$1,384	\$6,352	\$1,504	\$5,717	\$3,523
WHITLEY CO	WHITLEY	WILLIAMSBURG	\$10,891	\$2,210	\$7,469	\$1,212	\$6,722	\$4,169
WILLIAMSBURG IND	WHITLEY	WILLIAMSBURG	\$9,831	\$1,573	\$6,747	\$1,512	\$6,072	\$3,759
WOLFE CO	WOLFE	CAMPTON	\$13,401	\$3,056	\$8,335	\$2,009	\$7,502	\$5,900
WOODFORD CO	WOODFORD	VERSAILLES	\$9,633	\$980	\$4,773	\$3,880	\$4,296	\$5,337
<b>Medians</b>			<b>\$10,089</b>	<b>\$1,377</b>	<b>\$6,323</b>	<b>\$2,372</b>	<b>\$5,690</b>	<b>\$4,579</b>

Source: Author's table based on data from the U.S. Department of Education's Elementary and Secondary Information System (EISI).

Notes:

1. Per-Pupil figures are presented in unadjusted amounts for the 2011-12 school year, the most recent year financial data are available.
2. "Student ESA Value" represents 90 percent of the per-pupil state revenue that would be deposited into students' ESAs. These amounts are likely overstated because they include several sub-categories of state revenue that would not be deposited into students' ESAs, such as state revenue for staff improvement, capital outlay and debt service, school lunch programs and school employee benefits.
3. "Revenue Remaining with District" represents the state, local and federal revenue that districts would keep because those funds would not be deposited into students' ESAs. These amounts are likely understated because, as explained in note 3, several sub-categories of state revenue would not be deposited into students' ESAs.

**Summary Appendix Table 2: Existing ESA Programs**

States	Arizona	Florida	Mississippi	Tennessee	Nevada
<b>PROGRAM OVERVIEW</b>					
<b>Official ESA program name</b>	Empowerment Scholarship Accounts (ESAs)	Personal Learning Scholarship Accounts (PLSAs)	Equal Opportunity for Students with Special Needs Program, 5-Year Pilot	Tennessee Individualized Education Account Program (IEA)	Education Savings Accounts
<b>Year Enacted</b>	2011	2014	2015	2015	2015
<b>Year Operational</b>	2011	2014	2015	2016	2016
<b>Students participating: 2014-15</b>	1,311	1,627	n/a	n/a	2,200 applicants as of Aug. 27, 2015
<b>Student Funding</b>	90% of charter school base funding amount	90% state and local public school funding	\$6,500	100% state and local public school funding	<ul style="list-style-type: none"> <li>●100% public school funding, special needs &amp; low-income students</li> <li>●90% all other students</li> </ul>
<b>Current Amount</b>	<ul style="list-style-type: none"> <li>●\$5,300 average general ed.</li> <li>●\$3,500 - \$26,000 average special ed.</li> </ul>	\$10,111 average	\$6,500	\$6,200 average	<ul style="list-style-type: none"> <li>●\$5,700 average at 100%</li> <li>●\$5,100 average at 90%</li> </ul>
<b>Student Eligibility</b>	<p>State resident and at least one of the following:</p> <ul style="list-style-type: none"> <li>●Identified with a disability; or</li> <li>●In/would otherwise attend a failing public school; or</li> <li>●Parent/guardian is Active Duty military stationed in AZ or killed in the line of duty; or</li> <li>●In/adopted from the foster care system; or</li> <li>●Sibling of a current/former ESA recipient; or</li> <li>●Pre-K or K student eligible to attend a public school; or</li> <li>●Received a tax-credit scholarship as a student with disabilities or from the foster care system</li> <li>●Child residing within an Indian Reservation</li> </ul>	<p>State resident ages 3 through grade 12:</p> <ul style="list-style-type: none"> <li>●With an IEP; or</li> <li>●Diagnosed disability; or</li> <li>●Kindergarteners deemed "high risk" for developmental delays</li> </ul>	<p>State resident identified with an IEP in the past 18 months.</p>	<p>Eligible to enroll in K-12 public schools, identified with an IEP, diagnosed with a disability, and one of the following:</p> <ul style="list-style-type: none"> <li>●Enrolled in a state public school during the previous two semesters; or</li> <li>●Will be attending a public school for the first time; or</li> <li>●Received an IEA in the previous school year</li> </ul>	<p>All students who attended a state public school at least 100 days prior to ESA application.</p>

States	Arizona	Florida	Mississippi	Tennessee	Nevada
<b>LEGAL STATUS</b>					
<b>Legal Challenge(s)</b>	<i>Yes-Niehaus v. Huppenthal (2011)</i>	<i>Yes-Faasse v. Scott (2014)</i>	No	No	<i>Yes-Duncan vs Nevada</i>
<b>Filed By</b>	<ul style="list-style-type: none"> <li>●AZ School Boards Association;</li> <li>●AZ Education Association;</li> <li>●AZ Association of School Business Officials; and</li> <li>●Sharon Niehaus, Continental Elementary School District (in Green Valley) Governing Board member</li> </ul>	<ul style="list-style-type: none"> <li>●FL Education Association;</li> <li>●Tom Faasse, FEA member, public school teacher, and parent; and</li> <li>● three more public school parents</li> </ul>			<ul style="list-style-type: none"> <li>●ACLU of NV on behalf of individuals: Ruby Duncan; Rabbi Mel Hecht; Howard Watts III; Leora Olivas; and Adam Berger</li> </ul>
<b>Status</b>	<p>Program upheld in 2012 &amp; 2013-ESAs are:</p> <ul style="list-style-type: none"> <li>●Neutral toward religion- parents have a variety of educational choices; and parents choose, not government.</li> <li>●Do not violate the "Aid Clause"- beneficiaries are students, not schools; and no public funds are earmarked for a particular private school;</li> <li>●Do not forfeit students' right to a "free public education"- they can re-enroll, just like home- and private-schooled students; parents are not coerced into accepting ESAs; and ESAs expand education options, not restrict them</li> </ul> <p><i>2014-AZ Supreme Court refuses to review appeal, so the program remains constitutional.</i></p>	<p>Program upheld in 2014-Plaintiff's motion dismissed with prejudice for: Failure to show special injury, as claimed, to public school children and teachers because public schools will lose funding</p>	n/a	n/a	<p>Filed in Clark County District Court, Aug. 27, 2015. Claims ESA program violates:</p> <ul style="list-style-type: none"> <li>●Article XI, Section 10 (the No-Aid Clause);</li> <li>●Article XI, Section 2 (Uniformity Clause)-creates a competing, non-public education system; and</li> <li>●Article XI, Section 2 (Uniformity Clause)-claims religious schools may discriminate on the basis of "religion, sexual orientation, gender identity"</li> </ul>

States	Arizona	Florida	Mississippi	Tennessee	Nevada
<b>PROGRAM MECHANICS</b>					
<b>ESA Fund Disbursement</b>	Prepaid, dedicated-use debit card through private bank account. State agency makes quarterly deposits upon submission and approval of quarterly expense reports. Leftover funds roll over.	Direct deposit reimbursement of approved expenses (pre-authorization recommended for items not on pre-approved expense list); or direct payment can be sent to approved providers. One non-profit has policies for parents who cannot afford out-of-pocket expenses.	State Education Department reimburses parents quarterly after review of reimbursement form and documentation. Funds can also be paid to education provider directly if parent approves.	Prepaid, dedicated-use debit card through private bank account. State agency makes quarterly deposits.	Private financial management firms approved by the State Treasurer. State agency makes quarterly deposits.
<b>Unused Funds Rollover</b>	Yes	Yes	Yes	Yes	Yes
<b>Eligible for College Savings</b>	Yes	Yes	No. Return to state upon completion of high school.	Yes	No. Return to state upon completion of high school.
<b>RULES &amp; REGULATIONS</b>					
<b>Family Income Limit</b>	No	No	No	No	No
<b>Prior Year Public School Requirement</b>	Yes-with exceptions	No	No-but preference is given to public school students.	Yes-with exceptions	Yes
<b>Private School Students Eligible</b>	Yes-if meet exceptions	Yes-if meet qualifications	No	No	No
<b>Home School Students Eligible</b>	Yes-if meet exceptions	No-current homeschoolers ineligible	No	Yes-if meet exceptions	No-current homeschoolers ineligible
<b>ESA Funds Used for Homeschooling</b>	Yes	Yes	No	Unclear	Yes.
<b>Geographic Limit</b>	No-Statewide	No-Statewide	No-Statewide	No-Statewide	No-Statewide
<b>Enrollment Cap</b>	Yes-0.5 percent of total traditional public and public charter school students through 2019: ~5,400 students.	No	Yes-500 in 2015-16; increases by 500 students each year thereafter.	No	No
<b>Account Cap</b>	90% of charter school per-student base funding amount	90% state and local public school funding	\$6,500 in 2015-16; tied to proportional annual base cost changes	100% of state and local formula funds and categorical grants for students with special needs	100% public school base formula funding.
<b>Testing Mandates</b>	No	State or nationally norm-referenced test	No	State or nationally norm-referenced test	State or nationally norm-referenced test

States	Arizona	Florida	Mississippi	Tennessee	Nevada
<b>OVERSIGHT &amp; ACCOUNTABILITY</b>					
<b>Administering Agency</b>	State Department of Education; Treasurer	State-approved non-profits (currently 2)	State Board of Education; State Department of Education; approved non-profit	State Board of Education	State Treasurer; approved private financial institutions
<b>Agency Administration Fee</b>	Yes-State Department of Education can retain up to 5%; 1% of that amount must go to Treasurer	Yes-non-profits have an allowance worth 3% of total awards	Yes-State Board of Education can retain up to 6%	Yes-State Department of Education can retain up to 4%	Yes-State Treasurer to establish "reasonable fees" for management of ESAs.
<b>Expense Reports</b>	Yes-quarterly	Yes-quarterly	Yes-quarterly	In development	In development
<b>Audits</b>	Quarterly and annually all accounts; random audits; and anonymous fraud reporting, phone and website	Annual Auditor General audit of all non-profit PSLA accounts	Random throughout the year. Biennial Program reviews starting in 2019.	Quarterly and annually all accounts; random audits; and anonymous fraud reporting, phone and website	Randomly and annually by a CPA/licensed public accountant. State Treasurer can require additional audits.
<b>Sanctions for Misspending</b>	Account frozen or terminated if not repaid; legal action to recover funds.	Commissioner of Education can deny, suspend, or revoke funds.	Any fraudulently spent funds must be repaid. Fraudulent providers will be removed from program. Violators may be referred to appropriate law enforcement agency.	In development	Accounts frozen or dissolved; legal action to recover funds.
<b>PROTECTONS FOR PARENTS &amp; PRIVATE PROVIDERS</b>					
<b>Express Prohibition Against Treating ESAs as Taxable Income</b>	Yes	Yes	Yes	Yes	Yes
<b>Express Prohibition Against State Control of Private Schools/Providers</b>	Yes	Yes	No	Yes	Yes

Sources: Author's table based on data from the Friedman Foundation for Educational Choice, the Institute for Justice, the Heartland Institute and respective state legislatures and education agencies. Last updated October 1, 2015.

## Endnotes:

- <sup>1</sup> “Milton Friedman, “The Role of Government in Education,” Friedman Foundation for Educational Choice, <http://www.edchoice.org/who-we-are/our-founders/the-friedmans-on-school-choice/article/the-role-of-government-in-education/>.
- <sup>2</sup> Milton Friedman, “Our Best Chance for Better Schools,” *New York Post*, February 10, 2002, <http://nypost.com/2002/02/20/our-best-chance-for-better-schools/>.
- <sup>3</sup> Friedman Foundation for Educational Choice, Fast Facts as of September 30, 2015, <http://www.edchoice.org/our-resources/fast-facts/>. Home school figures as of 2012 from the U.S. Department of Education, *Digest of Education Statistics*, Table 206.10, prepared November 2014. Home school growth figures from Brian D. Ray, “Research Facts on Homeschooling,” National Home Education Research Institute, January 6, 2015, <http://www.nheri.org/research/research-facts-on-homeschooling.html>. Leading reasons parents choose homeschooling is personalizing learning and better academics. Research confirms that regardless of parents’ socioeconomic status or education levels, homeschooled students typically score 15 to 30 percentile points higher than their public school peers on standardized tests. *Ibid*.
- <sup>4</sup> U.S. Department of Education, Office of Postsecondary Education, *2012-2013 Federal Pell Grant Program End-of-Year Report*, Table 22, <http://www2.ed.gov/finaid/prof/resources/data/pell-2012-13/pell-eoy-2012-13.html>.
- <sup>5</sup> Arizona Gov. Jan Brewer signed Senate Bill 1553 on April 12, 2011.
- <sup>6</sup> Institute for Justice, “Ariz. Supreme Court Declares Edu. Choice Program Constitutional,” Freedom Flix, <https://www.youtube.com/watch?v=0TX2wGjlsKY..>
- <sup>7</sup> As of this writing, eight states have not adopted charter school legislation: Alabama, Kentucky, Montana, Nebraska, North Dakota, South Dakota, Vermont, and West Virginia. See the Center for Education Reform, *Charter School Laws Across the States: 2015 Rankings and Scorecard*, Appendix A, p. 92, <https://www.edreform.com/wp-content/uploads/2015/07/CharterLaws2015.pdf>. On September 4, 2015, the Washington State Supreme Court struck down charter schools for not being overseen by local school boards, but currently enrolled students are still attending their charter schools. See the Center for Education Reform, “CER Condemns WA Charter Ruling, Urges Supporters to Take Action,” <https://www.edreform.com/2015/09/cer-condemns-wa-charter-ruling-urges-supporters-to-take-action/>.
- <sup>8</sup> Friedman Foundation, Fast Facts.
- <sup>9</sup> States that do not allow public charter school choice and do not have a single private school parental choice program are: Kentucky, Nebraska, North Dakota, South Dakota, Montana and West Virginia. See also Jim Waters, “Kentucky Voters Want School Choice, Poll Shows,” *School Reform News*, Heartland Institute, October 1, 2009, <http://news.heartland.org/newspaper-article/2009/10/01/kentucky-voters-want-school-choice-poll-shows>. Kentucky is also one of just eight states that do not allow public charter schools.
- <sup>10</sup> Allison Ross, “JCPS seeks to demystify school choice,” *The Courier-Journal*, November 25, 2014, <http://www.courier-journal.com/story/news/education/2014/11/24/jcps-seeks-demystify-school-choice/70067778/>; cf. Jefferson County Public Schools, Student Assignment, accessed September 30, 2015, <http://www.jefferson.k12.ky.us/departments/StudentAssignment/Index.html>.
- <sup>11</sup> Education Commission of the States, Open Enrollment Online Database, accessed September 30, 2015, [http://www.ecs.org/html/educationissues/OpenEnrollment/OEDB\\_intro.asp](http://www.ecs.org/html/educationissues/OpenEnrollment/OEDB_intro.asp); and State Profiles - Open Enrollment Database, accessed September 30, 2015, <http://ecs.force.com/mbdata/mboe13map?rep=OE132ST>.
- <sup>12</sup> Kendra Peek, “Parents pay tuition for students in public schools,” *Central Kentucky News*, August 31, 2014, [http://www.centrankynews.com/amnews/news/local/boyle/parents-pay-tuition-for-students-in-public-schools/article\\_0e8a2c86-14cc-5126-839e-acfce63c60d2.html](http://www.centrankynews.com/amnews/news/local/boyle/parents-pay-tuition-for-students-in-public-schools/article_0e8a2c86-14cc-5126-839e-acfce63c60d2.html); “Tuition going up next year for non-resident students at Corbin Independent School,” WKYT News Release, August 21, 2013, <http://www.wkyt.com/home/headlines/Tuition-going-up--220607131.html>; and “What is School Choice?” Freedom Kentucky, updated May 2, 2011, [http://www.freedomkentucky.org/index.php?title=What\\_Is\\_School\\_Choice%3F](http://www.freedomkentucky.org/index.php?title=What_Is_School_Choice%3F).
- <sup>13</sup> Terry Holliday, “Turning around low-performing schools,” Doc H’s Blog, August 14, 2015, <http://education.ky.gov/CommOfEd/blog/Documents/081415Low%20Performing%20Schools.pdf>.
- <sup>14</sup> Paul DiPerna, “Kentucky’s Opinion on K-12 Education and School Choice,” Friedman Foundation for Educational Choice, August 3, 2009, pp. 8-9, <http://files.eric.ed.gov/fulltext/ED508327.pdf>.
- <sup>15</sup> Lindsey Burke, “The Education Debit Card: What Arizona Parents Purchase with Education Savings Accounts,” Friedman Foundation for Educational Choice, August 28, 2013, <http://www.edchoice.org/CMSModules/EdChoice/FileLibrary/1015/THE-EDUCATION-DEBIT-CARD-What-Arizona-Parents-Purchase-with-Education-Savings-Accounts.pdf>.



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- <sup>16</sup> Jonathan Butcher, *A New Day for School Choice: Education Savings Accounts Turn 3 Years Old*, Goldwater Institute Policy Brief No. 264, December 16, 2013, [https://www.heartland.org/sites/default/files/esa\\_year\\_3.pdf](https://www.heartland.org/sites/default/files/esa_year_3.pdf).
- <sup>17</sup> Participation increased from approximately 130 students in 2011 to 1,311 students in 2015. Steve Schimpp, "Fiscal Note: SB 1363, Empowerment Scholarship Accounts Expansion," Joint Legislative Budget Committee, Arizona State Legislature, February 25, 2013, <http://www.azleg.gov/legtext/51leg/1r/fiscal/sb1363.doc.pdf>; and Friedman Foundation for Educational Choice, *ABCs of School Choice 2015 Edition*, pp. 15-16.
- <sup>18</sup> Jonathan Butcher and Jason Bedrick, *Schooling Satisfaction: Arizona Parents' Opinions on Using Education Savings Accounts*, Friedman Foundation for Educational Choice, October 2013, p. 13, <http://object.cato.org/sites/cato.org/files/articles/bedrick-friedman-foundation.pdf>.
- <sup>19</sup> Burke, "The Education Debit Card," pp. 2 and 11.
- <sup>20</sup> Florida Gov. Rick Scott (R) signed SB 850 on June 20, 2015. Stephanie Linn, "Florida Governor Signs Nation's Second ESAs, Expands Tax-Credit Scholarships," Friedman Foundation Blog, June 20, 2014, <http://www.edchoice.org/florida-governor-signs-nations-second-esas-expands-tax-credit-scholarships/>; Mary C. Tillotson, "Florida's new school choice law likely to spark others," *FloridaWatchdog.org*, Franklin Center for Government & Public Integrity, June 23, 2014, <http://watchdog.org/155758/florida-school-choice/>; and Erin Kourkounis, "Lawmakers Triple Funding for Special-Needs Scholarships," *Tampa Tribune*, June 30, 2015, <http://tbo.com/news/education/lawmakers-triple-funding-for-special-needs-scholarships-20150630/>.
- <sup>21</sup> Kourkounis, "Lawmakers Triple Funding."
- <sup>22</sup> Heather Kays, "Florida Special-Needs Choice Program Expands," *School Reform News*, Heartland Institute, July 13, 2015, <http://news.heartland.org/newspaper-article/2015/07/08/florida-special-needs-choice-program-expands>.
- <sup>23</sup> See "Stacey and her son Liam" video via Step Up for Students, Hear from our Families, <https://stepupforstudents.org/special-needs-scholarship/hear-from-our-families>.
- <sup>24</sup> Mississippi Legislature, Senate Bill 2695, signed by the governor on April 16, 2015, <http://billstatus.ls.state.ms.us/2015/pdf/history/SB/SB2695.xml>; cf. "Mississippi Governor Phil Bryant Signs Bills Creating New School Funding Accounts for Students with Special Needs," Goldwater Institute Press Release, April 16, 2015, <http://goldwaterinstitute.org/en/work/topics/education/education-savings-accounts/mississippi-governor-phil-bryant-signs-bills-creat/>.
- <sup>25</sup> Tennessee General Assembly, Senate Bill 27/House Bill 138, signed by the governor on May 18, 2015, <http://wapp.capitol.tn.gov/apps/BillInfo/Default.aspx?BillNumber=SB0027>; cf. "Governor Haslam signs Individualized Education Act," WGNS News Radio AM 1450, May 18, 2015, <http://wgnsradio.com/governor-haslam-signs-individualized-education-act-cms-26552>.
- <sup>26</sup> Gov. Brian Sandoval signed Senate Bill 302 on June 2, 2015, <https://www.leg.state.nv.us/Session/78th2015/Reports/history.cfm?ID=705>; cf. Michael Chartier, "Everything You Need to Know About Nevada's Universal ESA Bill," Friedman Foundation Blog, May 29, 2015 (updated June 2, 2015), <http://www.edchoice.org/everything-you-need-to-know-about-nevadas-universal-esa-bill/>.
- <sup>27</sup> American Federation for Children, "New National Poll Shows Growing Momentum for School Choice as 2016 Race Kicks Off," January 22, 2015, <http://www.federationforchildren.org/new-national-poll-shows-growing-momentum-school-choice-2016-race-kicks-off/>.
- <sup>28</sup> Paul DiPerna, *2015 Schooling in America Survey: Perspectives on School Choice, Common Core, and Standardized Testing*, Friedman Foundation, Polling Paper No. 24, June 2015, pp. 33, 39, 47, and 53; cf. "Poll Shows Nationwide Support for Emerging School Choice Program," Friedman Foundation Press Release, June 30, 2015, <http://www.edchoice.org/media/poll-shows-nationwide-support-for-emerging-school-choice-program/>.
- <sup>29</sup> *Ibid.*, pp. 47-48. The one demographic group not expressing strong support for ESAs were those 55 and older, with 45 percent in favor of ESAs and 41 opposed.
- <sup>30</sup> *Ibid.*, p. 70.
- <sup>31</sup> *Ibid.*, pp. 48 and 52.
- <sup>32</sup> DiPerna, "Kentucky's Opinion on K-12 Education and School Choice," pp. 8-9.
- <sup>33</sup> Quoted in Jim Waters, "Kentucky Voters Want School Choice, Poll Shows," *School Reform News*, Heartland Institute, October 1, 2009, <http://news.heartland.org/newspaper-article/2009/10/01/kentucky-voters-want-school-choice-poll-shows>.
- <sup>34</sup> "A Survey Report on Education Reform, Charter Schools, and the Desire for Parental Choice in the Black Community," Black Alliance for Educational Options (BAEO), 2013, pp. 7 and 11, [http://scoter.baeso.org/news\\_multi\\_media/20130723-Survey%20Report-NEW%5B9%5D.pdf](http://scoter.baeso.org/news_multi_media/20130723-Survey%20Report-NEW%5B9%5D.pdf); cf. Katie Ash, "Black Parents in the South Favor Increased School Choice, Says New

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<sup>35</sup> Quoted in Waters, “Kentucky Voters Want School Choice, Poll Shows.”

<sup>36</sup> Christopher B. Swanson, *Special Education in America*, Education Research Center, November 3, 2008, [http://www.edweek.org/media/eperc\\_specialeducationinamerica.pdf](http://www.edweek.org/media/eperc_specialeducationinamerica.pdf); Vicki E. Alger, “Gratitude for Our Armed Forces Should Not Stop at the Schoolhouse Door: Providing Educational Choice through Military Education Savings Accounts,” Independent Women’s Forum, May 2012, [http://c1355372.cdn.cloudfiles.rackspacecloud.com/bf4ee144-6355-4644-9cc5-94e3a7f711da/MilitaryEd\\_p3.pdf](http://c1355372.cdn.cloudfiles.rackspacecloud.com/bf4ee144-6355-4644-9cc5-94e3a7f711da/MilitaryEd_p3.pdf); Alger, *Foster-Care Opportunity Scholarships: The Benefits of Expanding Education Options to Students, Public Schools, and States*, Independent Women’s Forum, Position Paper No. 31, July 2010, <http://www.iwf.org/files/3db1c02cddb8c113f12c1f61fa808305.pdf>; and Alger and Evelyn B. Stacey, *Down but Not Out in D.C.: Bi-Partisan, Bi-Cameral Efforts to Continue the Opportunity Scholarship Program*, Independent Women’s Forum, Policy Brief #25, August 2009, <http://www.iwf.org/files/2aca442cb158faeebf599024c5e48199.pdf>.

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<sup>38</sup> Vicki Alger, *Faith-based Schools: Their Contributions to American Education, Society, and the Economy*, Final Report Prepared for the Commission on Faith-based Schools of the American Center for School Choice, November 2013, pp. 19-23, [http://www.amcsc.org/publications/Final-Report\\_Assembling-the-Evidence.pdf](http://www.amcsc.org/publications/Final-Report_Assembling-the-Evidence.pdf).

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<sup>40</sup> Greg Forster, *A Win-Win Solution: The Empirical Evidence on School Choice*, 3rd ed., Friedman Foundation, 2013, pp. 10-13, <http://www.edchoice.org/wp-content/uploads/2015/07/2013-4-A-Win-Win-Solution-WEB.pdf>.

<sup>41</sup> Clive R. Belfield and Henry M. Levin, “The Effects of Competition on Educational Outcomes: A Review of the US Evidence,” National Center for the Study of Privatization in Education, March 2002, p. 2, and Table 1, p. 47, [http://www.ncspe.org/publications\\_files/688\\_OP35V2.pdf](http://www.ncspe.org/publications_files/688_OP35V2.pdf).

<sup>42</sup> Caroline M. Hoxby, “Does Competition among Public Schools Benefit Students and Taxpayers?” *The American Economic Review*, vol. 90, no. 5 (December 2000): 1209; Hoxby, *School Choice and School Productivity (or Could School Choice be a Tide that Lifts All Boats?)*, National Bureau of Economic Research, Working Paper 8873, April 2002, p. 50.

<sup>43</sup> The original per-pupil funding amount of \$2,490 was in 2000 dollars. The \$3,450 figure used is adjusted to reflect 2015 inflation-adjusted dollars. See Jay P. Greene, “2001 Education Freedom Index,” Civic Report 24, January 2002, p. 8, [http://www.manhattan-institute.org/html/cr\\_24.htm](http://www.manhattan-institute.org/html/cr_24.htm).

<sup>44</sup> The original per-pupil funding amount of \$6,405 was in 2000 dollars. The \$8,876 figure used is adjusted to reflect 2015 inflation-adjusted dollars. See Jay P. Greene, “2001 Education Freedom Index,” Civic Report 24, January 2002, p. 8, [http://www.manhattan-institute.org/html/cr\\_24.htm](http://www.manhattan-institute.org/html/cr_24.htm).

<sup>45</sup> Jay P. Greene and Greg Forster, *Vouchers for Special Education Students: An Evaluation of Florida’s McKay Scholarship Program*, Manhattan Institute for Policy Research, Civic Report No. 38 June 2003, [http://www.manhattan-institute.org/pdf/cr\\_38.pdf](http://www.manhattan-institute.org/pdf/cr_38.pdf).

<sup>46</sup> Jay P. Greene, “Public School Response to Special Education Vouchers: The Impact of Florida’s McKay Scholarship Program on Disability Diagnosis and Student Achievement in Public Schools,” *Educational Evaluation and Policy Analysis*, Vol. 33, No. 2 (June) 2011, pp. 138-158; and Jay P. Greene and Marcus A. Winters, “The Effect of Special Education Vouchers on Public School Achievement: Evidence From Florida’s McKay Scholarship Program,” Manhattan Institute for

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<sup>47</sup> Florida Department of Education, Personal Learning Scholarships Accounts Program, <http://www.fldoe.org/schools/school-choice/k-12-scholarship-programs/plsa/>.

<sup>48</sup> Step Up for Students, *Florida Personal Learning Scholarship Accounts (PLSA) Parent and Guardian Support Handbook School Year 2014-15*, <https://www.stepupforstudents.org/docs/default-source/Resource-Library/parent-handbook-2014-15-v1-02-final.pdf?sfvrsn=0>.

<sup>49</sup> AAA Scholarship Foundation, Pre-Authorization for PLSA Purchase of Item and/or Curriculum, online form, <https://web.archive.org/web/20141114025913/http://www.aaascholarships.org/wp-content/themes/aaa/pdf/aaa-florida-payment-forms.pdf>.

<sup>50</sup> Step Up for Students, “Parent Handbook: Personal Learning Scholarship Account (PLSA) Program 2015-16,” p. 7, <https://stepupforstudents.org/docs/default-source/default-document-library/parent-handbook-2015.pdf?sfvrsn=0>.

<sup>51</sup> Jonathan Butcher, “Dollars, Flexibility, and an Effective Education: Parent Voices on Arizona’s Education Savings Accounts,” Goldwater Institute Policy Report No. 263, October 3, 2013, p. 5, [https://www.heartland.org/sites/default/files/gwi\\_policy\\_report\\_esa\\_final.pdf](https://www.heartland.org/sites/default/files/gwi_policy_report_esa_final.pdf).

<sup>52</sup> National Association of State Budget Officers (NASBO), *State Expenditure Report, 2014*, p. 16 <https://www.nasbo.org/sites/default/files/State%20Expenditure%20Report%20%28Fiscal%202012-2014%29S.pdf>; and *The Fiscal Survey of the States: Spring 2015*, p. 1, <http://www.nasbo.org/sites/default/files/NASBO%20Spring%202015%20Fiscal%20Survey%20of%20States%20-%20S.pdf>. Kentucky’s percentage is author’s calculation based on NASBO, *State Expenditure Report, 2014*, Tables 1 and 7, pp. 8 and 18, using fiscal year 2013 actual figures: \$4,141 million in elementary and secondary education spending / \$9,426 million in total general funds = 43 percent.

<sup>53</sup> On Kentucky’s school finance system see, for example, William H. Hoyt, Christopher Jepsen and Kenneth R. Troske, *Educational Spending: Kentucky vs. Other States*, Friedman Foundation for Education Choice, the Bluegrass Institute for Public Policy Solutions, and the Center for Business and Economic Research, December 2008, <http://3u4koj2sbyww2rav1442jky5.wpengine.netdna-cdn.com/wp-content/uploads/2015/09/Educational-Spending-Kentucky-vs-Other-States.pdf>.

<sup>54</sup> HB 2458 with these requirements was signed into law on May 2, 2013, <http://www.azleg.gov/legtext/51leg/1r/laws/0175.pdf>.

<sup>55</sup> Steve Schimpp, “Fiscal Note: SB 1363, Empowerment Scholarship Accounts Expansion;” and Burke, “The Education Debit Card,” p. 13. Author’s average based on the following: \$671,012 in ESA funds unspent / 130 student ESAs during the 2011-12 school year = \$5,161.63.

<sup>56</sup> *Niehaus v. Huppenthal* (2011). See Institute for Justice, *Niehaus v. Huppenthal -Arizona Education Savings*, <https://www.ij.org/arizona-education-savings>.

<sup>57</sup> *Faasse v. Scott* (2014). See Bre Payton and William Patrick, “Judge tosses teachers labor union lawsuit against FL scholarship program for disabled kids again,” *EducationWatchdog.org*, Franklin Center for Government & Public Integrity, January 5, 2015, <http://watchdog.org/190740/scholarship-suit-fea/>; and William Patrick “FL teachers union attack on poor, disabled student scholarships fails — for now,” *FloridaWatchDog.org*, Franklin Center for Government & Public Integrity, September 25, 2014, <http://watchdog.org/173352/union-poor-disabled/>.

<sup>58</sup> Institute for Justice, *Zelman v. Simmons-Harris*, <https://www.ij.org/zelman-v-simmons-harris>; and “U.S. Supreme Court Dismisses Legal Challenge to Arizona School Choice Program,” April 4, 2011, Press Release, <http://www.ij.org/arizona-school-choice-release-4-4-11>.

<sup>59</sup> Quoted in Heather Kays, “ACLU Files Lawsuit Against Nevada ESA Program,” *School Reform News*, Heartland Institute, August 27, 2015, <http://news.heartland.org/newspaper-article/2015/08/27/aclu-files-lawsuit-against-nevada-esa-program>. See also Leslie Hiner, “Educational Choice for Nevada Public School Students Threatened By Lawsuit,” Friedman Foundation for Educational Choice Blog, August 27, 2015, <http://www.edchoice.org/educational-choice-for-nevada-public-school-students-threatened-by-lawsuit/>.

<sup>60</sup> SB 1363 was signed into law on June 20, 2013, <http://www.azleg.gov/legtext/51leg/1r/laws/0250.pdf>. See also Schimpp, “Fiscal Note: SB 1363.”

<sup>61</sup> Joseph Bast and Herbert J. Walberg, “Ten Principles of School Choice, Heartland Institute,” 2004, pp. 22-23, [https://www.heartland.org/sites/all/modules/custom/heartland\\_migration/files/pdfs/16856.pdf](https://www.heartland.org/sites/all/modules/custom/heartland_migration/files/pdfs/16856.pdf).

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<sup>62</sup> Butcher, "Education Savings Accounts Turn 3 Years Old," p. 8; and Associated Press, "Arizona scholarship program turning away hundreds of kids," published in *The Arizona Republic*, August 3, 2014, <http://www.azcentral.com/story/news/local/arizona/2014/08/03/arizona-scholarship-program-turns-down-kids/13559779/>.

<sup>63</sup> Jason Bedrick and Lindsey M. Burke, "On Designing K-12 Education Savings Accounts," *Education Next*, January 26, 2015, <http://educationnext.org/designing-k-12-education-savings-accounts/>.