Private School Savings Accounts Lacks Oversight, Could Prove Costly

Bill Analysis: House Bill 482 (LC 33 7253S)
By Claire Suggs, Senior Education Policy Analyst

Georgia lawmakers are considering a plan to allow parents to take state money to pay for private schools and educational services. House Bill 482 creates an individual Education Savings Account, or ESA, program. The program would allow parents to redirect state money to pay for tuition and fees for private schools, postsecondary institutions, online learning programs, private tutoring, textbooks and curriculum materials, and other expenses. It is proposed to be open to most students in Georgia.

The legislation carries a relatively steep cost in lost state revenue, especially over the long term. By the program’s fourth year, the cost could reach as high as $69 million and then escalate each following year.

Overview of Education Savings Account Plan

The legislation proposes to let Georgia parents take state money allotted for public schools and use it to pay for private educational services such as private school or tutoring, as well as tuition and fees at postsecondary institutions. The money is to be deposited into accounts administered by a state agency and given to private providers.

Students who attend a Georgia public school for a year are eligible for the proposed program. Students who do not attend a public school for a year can gain eligibility if they meet one of the following criteria.

- Their family’s income is below 200 percent of the federal poverty line, or $52,200 for a family of four in 2018
- They are adopted from foster care
- They are a child of an active-duty military service member
- They have an Individualized Education Plan due to a special need such as autism, deafness or blindness, or an emotional or behavioral disorder.
- They can document a case of bullying

In the proposed program’s first year, enrollment is limited to 0.25 percent of statewide public school enrollment in the 2017-2018 school year. That amounts to 4,366 students according to an analysis prepared by the Georgia Department of Audits and Accounts. The cap rises in each subsequent year by 0.25 percent of the previous year’s total statewide enrollment. By year four, nearly 18,000 students might participate.

Participating students receive a sum equal to the average per-student amount of all state funds allocated to their local public school district, not only money distributed through Georgia’s K-12 funding formula. Students with special needs would get the amount that the funding formula allocates to their local K-12 district to educate them. This figure would not be reduced by the amount districts contribute to the funding formula, what is commonly referred to as the Local 5 Mill Share.
Students in the proposed program can receive state money until they enroll in a public school, graduate from high school, or reach the age 20 or, for students with special needs, turn 21.

Parents can direct the money to the private school or education provider of their choice, according to the plan. They can also roll over up to 50 percent of the balance from one year to the next. Students can use rolled over funds for educational expenses until age 22.

The program would be administered by the Office of the State Treasurer, which could deduct up to 4 percent from the accounts to cover its costs.

The bill requires participating private schools to administer a nationally norm-referenced test, such as the Iowa Test of Basic Skills, or the tests used by the Georgia Department of Education to measure student learning. The schools are then required to submit results to the state treasurer. The treasurer will prepare an annual report for the General Assembly providing aggregate data on the program by grade level, gender, race, family income level and race.

A Steadily Climbing Cost to Support Private Education

The Educational Savings Account program adds a new cost to the state, one that will go up each year. The new state cost is incurred when students who now attend a private school or are homeschooled establish an account, which is allowed under several of the program’s eligibility categories. The state does not cover the private educational expenses of these students now. The state does not incur a cost for students switching from public schools, as the proposal stands.

The Department of Audits and Accounts outlined a range of state costs based on different levels of private and homeschooled students establishing an account. By year four, the estimated cost ranges from a low of $23 million to a high of $69 million.

### ESA Creates New Expense for State: Additional Cost (millions)

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Number of ESAs</th>
<th>25%</th>
<th>50%</th>
<th>75%</th>
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<tr>
<td>2019</td>
<td>4,366</td>
<td>$5.7</td>
<td>$11.4</td>
<td>$17.1</td>
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<tr>
<td>2020</td>
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<td>$11.5</td>
<td>$22.9</td>
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<td>2022</td>
<td>17,734</td>
<td>$23.1</td>
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</table>

Source: Fiscal Note House Bill 482 (LC 33 7125ERS). Georgia Department of Audits and Accounts.

These estimates do not include state funds spent on the training and experience component of teachers’ salaries. When that money is included, the potential costs climb even higher.
## Extra Teachers’ Salary Cost: Replacing Training & Experience Funds (millions)

<table>
<thead>
<tr>
<th>Fiscal Year</th>
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<th>25%</th>
<th>50%</th>
<th>75%</th>
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</tbody>
</table>

Source: Fiscal Note House Bill 482 (LC 33 7125ERS). Georgia Department of Audits and Accounts.

If a student leaves a public school to take a savings account, the school is not able to make a commensurate reduction in its teaching staff. Districts or the state stand to bear the cost of continuing to cover the training and experience portion of teachers’ salaries.

Lessons from Indiana and other states indicate that ESA and other voucher programs often grow as lawmakers expand eligibility categories and their cost climbs as a result. Indiana’s voucher program was small at first, serving fewer than 4,000 students at a cost of $15.5 million in 2011-2012, the program’s first school year. Most of these students previously attended a public school. In the 2015-2016 school year, after expanding eligibility, Indiana spent $131 million on vouchers for almost 33,000 students. Fewer than half previously attended a public school.

### Plan Lacks Accountability and Oversight

The proposed legislation exempts students in the program from the standards required of public school students. Participating students are not required to take the exams Georgia uses to ensure public school students meet the state’s learning goals. The goals are designed to ensure students are prepared for the demands of postsecondary study and entry into the workforce. Given the poor track record of voucher programs on student achievement, better safeguards are needed.

Private schools participating in the planned ESA program are held to lower standards than public schools. The bill lacks a mechanism to track and measure a private school’s ability to meet student learning goals. In addition, it lacks a mechanism to remove from the program low-performing private schools or other educational service providers offering sub-par services. This contrasts with the accountability measures in place for public school students and the schools they attend, which include annual benchmarks and impose consequences for not meeting them. The proposed plan does not allow the release of basic information about participating schools, including their names.

The plan also lacks sufficient public oversight. Today, the state administers annual audits of all public school systems and requires comprehensive reporting of financial expenditure data for all public schools districts and state charter schools. But the savings account proposal only requires the state treasurer to conduct an unspecified number of random audits each year. The legislation also allows the state treasurer to adopt rules on the eligibility and participation of private schools and service providers without knowledgeable input from the Georgia Department of Education, the Professional Standards Commission, or the university and technical college systems.
Lawmakers Can Promote Choice in More Prudent Ways

The Education Savings Account program proposed by HB 482 stands to drain the state treasury and carries significant shortcomings. If lawmakers want to increase school choice, better options are at hand. Give districts an incentive to expand choice within existing boundaries. Or, through district partnerships, expand choices across boundaries. Legislators can explore the Connecticut model of a district-run regional system of magnet schools or the use of magnet-like schools in Dallas to facilitate choice. These strategies are helping spur creative educational approaches without diverting limited public dollars to private entities. Georgia’s school districts are still coping with an austerity cut of $167 million and a shortfall in the student transportation formula of about $177 million. Now is the time for strategic investments in Georgia’s public schools to blaze a better path to student success instead of sending state dollars to private schools with little accountability.

Endnotes

2 The K-12 funding formula calculates a total amount that each district should receive based on its particular student enrollment. Districts are required to contribute an amount equal to the value of 5 mills of their property tax digest. This amount is deducted from the state’s contribution. The funds allotted to special education students under the proposed legislation is not reduced by the local 5 mill share.
3 A norm-referenced test compares a student’s score against those of other students. A nationally norm-referenced test compare students’ scores to a national sample of test takers.
5 Ibid.