

## Your Question:

You asked for information around education savings accounts, including approaches in other states and research on the topic.

## Our Response:

Private school choice encompasses a range of options including the use of public funds to allow a student to attend a private school. The most common school choice programs are vouchers, scholarship tax credits and education savings accounts.

- **Vouchers:** Payment the government makes to a parent, or an institution on a parent's behalf, to be used for a child's education expenses.
- **Scholarship Tax Credits:** Reductions to a corporation or individual's tax liability for donations to a Scholarship Granting Organization that distributes scholarships to eligible students.
- **Education Savings Accounts (ESAs):** A private savings account managed by a parent who receives a deposit from the government, to be used for a child's education expenses.

The use of ESAs is limited in comparison to the other types of school choice programs, as only five states (**Arizona, Florida, Mississippi, North Carolina and Tennessee**) currently have active ESA programs. According to an [EdChoice](#) examination of private school choice programs used each year, about 299,050 scholarship tax credits, 218,007 vouchers, and 21,738 ESAs were used in 2019-20.

## Background

A [series of prominent court rulings](#) have impacted the implementation of school choice efforts and ESA programs across states. Currently, 38 states have Blaine Amendments or other no-aid provisions in their state constitutions, which prohibit the use of public funds on religious schools. These amendments and provisions "[vary considerably in their application, ranging from restrictive to permissive](#)" across states. Questions regarding the application of no-aid provisions to school choice programs have altered the implementation of such programs.

In the case [Espinoza vs. Montana Department of Revenue](#), the U.S. Supreme Court ruled against the Montana Department of Revenue's regulation on the use of tax-credit scholarships at religious schools, claiming that "a State need not subsidize private education. But once a State decides to do so, it cannot disqualify some private schools solely because they are religious." The impact of this ruling on the enforcement of other states' provisions remains to be seen.

## Policy Components

Existing policies establishing ESA programs typically contain common policy components:

- **Eligibility requirements:** Aside from Nevada's ESA program which offers universal access, other state policies explicitly define which students are eligible to participate. In many cases, ESA programs are available to students with special needs.
- **Funding:** State policies establishing ESA programs determine how much funding is provided to program participants. In some cases, the amount is given as a percentage of the state's per-pupil funding amount. In other cases, a set dollar amount is given.
- **Allowable use of accounts:** State policy explicitly defines how allocated funds may be used, outside of covering a student's private school tuition. Participants may be able to use funds from ESA programs for a

variety of expenditures, including tutoring, supplemental services, recognized achievement tests, college entrance exams, textbooks and access to a complete course of study in a non-academic program.

### **State Examples**

Currently, five states have active ESA programs: **Arizona, Florida, Mississippi, North Carolina and Tennessee.** **Nevada** has an ESA program as well, but it is currently inactive due to pending litigation. The following examples illustrate unique approaches states have taken in establishing and designing ESA programs.

#### **Arizona**

Arizona was the first state to establish an ESA program, creating Arizona Empowerment Scholarship Accounts through [S.B. 1553](#) in 2011. The program was originally only available to students with disabilities, but was eventually [expanded](#) to include students whose parents are in the military, wards of the state, students attending failing schools, students living on an Indian reservation, or siblings of students using an ESA. Other [proposed expansions of the program](#) considered including students attending a Title I school or children living in a zip code where the median income is 185% or less of the federal poverty threshold for a family of four.

#### **Nevada**

Through the enactment of [S.B. 302](#) in 2015, Nevada became the first state to establish an ESA program with universal eligibility. The program provides 90 percent of the statewide average basic per-pupil support amount to program participants or 100% of the amount for students with disabilities or students at a set family income level. Following rulings by the [Supreme Court of Nevada](#), the program is currently inactive. Members of the state Legislature have since introduced bills, such as [A.B. 218](#) of 2019, to revise and fund the program.

#### **Tennessee**

Tennessee enacted its ESA pilot program through [H.B. 939](#) and [S.B. 795](#) in 2019. The program is limited to select districts and is capped at a total number of students each year. Students must meet household income eligibility guidelines in order to participate in the program. Participants may use funds for private school tuition and educational services. As a condition of participating in the program, participants must take periodic state assessments.

### **Examples of Recently Introduced Legislation**

While six states have successfully established ESA programs since 2011, several states have introduced legislation on the topic over the last few legislative sessions. Below are examples:

#### **Alabama [H.B. 84](#)** (Failed, 2016)

Would have established an ESA program in which participants would receive 90% of the per-student funding value.

#### **California [SB 1344](#)** (Failed, 2018)

Would have established an ESA program to allow students to move from their assigned school to any accredited school, and to receive an amount equal to the student's share of the state's Proposition 98 funding allocation. Would allow for unused funds each year to be saved and used to pay for college or a vocational training program upon graduation from high school.

#### **Idaho [H.B. 253](#)** (Failed, 2019)

Would have established a state ESA program.

#### **Maryland [H.B. 1552](#) / [S.B. 418](#)** (Failed, 2020)

Would have established an ESA program. All legal residents of the state who are eligible to enroll in public schools would have been eligible for participation. Approved uses included tuition and fees at qualifying schools, textbooks, uniforms, private tutoring and transportation.

**North Dakota [S.B. 2142](#)** (Failed, 2019)

Would have required the state treasurer to establish and administer an ESA program. The program would have allowed for the choice of any education method, including nonpublic school, private tutor, online learning, or other qualified provider. The bill describes funding levels for various program participants.

**Virginia [H.B. 389](#)** (Vetoed, 2016)

In 2016, the Legislature passed a bill to establish an ESA program for students with disabilities. Gov. Terry McAuliffe [vetoed the legislation](#), citing three reasons: 1) potential constitutional concerns, 2) the diversion of funds away from public schools, and 3) inequities in ESA scholarship amounts, which varied by district.

**[Research on ESA Programs](#)**

Research on ESA programs or other school choice programs generally is limited. A 2017 Education Commission of the States [policy report on voucher programs](#) discusses some of the limitations of and findings from various research conducted on the topic. Limitations include the lack of ESA programs generally, the influence of other factors (such as class size or peer effects) on academic performance, and a lack of research on the quality of private schools accessed with vouchers. The brief compiles findings around academic achievement, funding and other issues related to voucher programs.

A 2018 brief by the [National Education Policy Center](#) examines the state of ESA programs, including research in the area. ESA programs have only existed for a relatively short period of time, limiting the potential for data collection and measurement of outcomes. The brief finds that ESAs “have not been the subject of peer-reviewed research,” and that research examining more conventional voucher programs is the best available evidence about the efficacy of state-subsidized private education. Such research raises questions about issues of accountability, access, and segregation.