

# Educational Freedom & School Choice

## The Issue

Every Texan should have the freedom to select the best school for their child. In Texas, 94.4% of school students attend a public school. This gives the government a virtual monopoly over K-12 education. There is a remarkable difference between Texas' K-12 schools and its higher education system. In the latter, colleges and universities must compete for enrollment by meeting student needs. Ultimately, the choice is in the consumer's hands.

In the K-12 system, on the other hand, students are assigned to a school based on their zip code. Such a system leaves students with little choice over their education. A family's only alternatives are to move to a different neighborhood, send their child to a private school, or homeschool. All three of these alternatives require an extraordinary time or financial commitment from parents. For example, homeschooling is exceptionally difficult for a single working parent. Similarly, private school tuition is difficult to afford for a low-income or large family.

Why shouldn't all families have freedom of choice, especially if allowing them to do so would provide taxpayers with huge savings? Some parents, rich or poor, have children who do not feel safe at their assigned school. Some students have special needs which might be best met with a different setting. Some parents may have religious concerns over what is being taught. Freedom demands that individuals make individual choices. It would be irrational to demand that every Texan purchase their groceries at HEB, and pay for them even if you didn't eat them.

In economic terms, it is very difficult to address diverse needs with a uniform product: how difficult would it be for automobile manufacturers, restaurants, hairdressers, and barbers to satisfy all of their clients with a single, uniform product or service? Fundamentally, preserving freedom and liberty is the very purpose of public education as it is established in Article VII, Section 1 of Texas' Constitution. It would be contradictory if the education established to protect freedom and liberty eroded both.

Texas teachers also deserve greater freedom. An often heard complaint is that teachers are not treated as professionals. Just as students are trapped in a one-size-fits-all system, teachers are too. A more robust choice system would enable greater freedom for teachers to practice their profession in environments which they choose. In addition, teachers could earn considerably more money if universal school choice were adopted in Texas. As several experts testified in the 2013 trial, districts now have monopsony power over the teacher labor market and therefore keep salaries artificially low. With additional competition for their services teachers would earn more. In fact, Dr. Jacob Vigdor, an expert witness hired by the school districts that are suing the state for more money, testified that Texas should not pass school choice because then school districts would have to pay teachers higher salaries.

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## Educational Freedom & School Choice (cont.)

The empirical evidence is overwhelming: With school choice traditional public schools would improve, students would be better served, teachers would make more money and enjoy better working conditions, the Texas overall economy would receive a major boost, Texas' system of public free schools would be more efficient, and depending on how the choice program were structured, taxpayers could save billions. A focus on these principles could make Texas the national leader in K-12 education.

Two ways to achieve this objective are **Taxpayer Savings Grants** and **Taxpayer Savings Credits**.

**Taxpayer Savings Grants** would make Texas the nation's education leader. Herbert Walberg, a Harvard economist, has said that this plan "may be the last, best hope for American K-12 education." The voluntary program would allow parents to seek out a school beyond the one to which their child is assigned. In accordance with Article VII, Section 1 of the Texas Constitution, by which the state has the duty to provide the public with an education, parents would be given a grant for their child's education.

As proposed by SB 1575 and HB 3497 in the 82nd Texas Legislature, the grant would provide 60% of the state average Maintenance & Operation (M&O) expense. With the most recent average M&O expenditure at \$8,276 per student, parents would receive about \$5,000 per child. Based on the most aggressive participation rates, the program would roughly offset current public school enrollment growth.

The Taxpayer Savings Grant program would also provide significant savings to the state. Using the best projections, the savings would be about \$2 billion in the first biennium. Using more moderate participation rates from TEA and LBB, the savings would still be substantial. Per the TEA projections, \$2 billion could be saved over about five years, and with the most conservative participation estimates of the LBB, \$2 billion would be saved over about seven years.

**Taxpayer Savings Credits** are another alternative to provide Texas children the ability to search out and enroll in a school that meets their particular needs. This credit would allow parents or businesses to claim a credit against their tax bill if they pay for tuition or provide financial assistance to fund scholarships. Parents who don't pay enough property taxes to get an adequate credit would then be able to draw on these funds by applying for scholarships for their child.

Like the Taxpayer Savings Grant, the maximum scholarship could be set at 60% of M&O expenditures, or about \$5,000. Some combination of a corporate and individual tax credit has been adopted in 13 states: Alabama, Arizona, Florida, Georgia, Indiana, Iowa, Louisiana, New Hampshire, Oklahoma, Pennsylvania, Rhode Island, South Carolina, and Virginia. The credits in these states have led to the establishment of scholarship funds totaling about \$550 million in the 2013-14 school year. These scholarship tax credit programs give families greater access to high-quality schools by providing incentives for businesses and individuals to get involved in education reform.

## The Facts

- Teachers now earn less than they could due to the monopsony power districts have over the labor force. Additional competition for teachers’ services will positively impact teacher pay.
- Studies indicate that where school choice has been implemented public schools have improved. Additionally, school choice will offset public schools’ enrollment growth.
- The purpose of the education clause in the Texas Constitution is the preservation of the liberties and rights of the people.
- School choice has the potential to save taxpayers billions while at the same time providing superior educational opportunities to Texas students.
- At present, Texas has very few policies that encourage competition and efficiency in its public schools.
- With passage of either the Taxpayer Savings Grant or Taxpayer Savings Credit the financial effect on a public school will be exactly the same as if a student moves out of the district.

## Recommendations

- Assure that every Texas child can choose schools that best meet that individual child’s needs.
  - Maximize parental freedom and educational opportunity for all Texas students.
  - Enact the Taxpayer Savings Grant Program.
  - Enact the Taxpayer Savings Credit Program.
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## Resources

*School Choice for Texas: Empowering Parents & Improving the Futures of Texas Students* by James Golsan, Texas Public Policy Foundation (Jan. 2013).

*Expert Witness Report of Allan Parker for Efficiency Interveners* (Oct. 2012).

*Budget Impact of the Texas Taxpayers’ Savings Grant Program* by Joseph Bast, et. al., The Heartland Institute (Apr. 2011).

*How Teachers in Texas Would Benefit from Expanding School Choice* by Joseph Bast, et. al., The Heartland Institute (Apr. 2011).

*Education Vouchers Benefit Edgewood Students* by John Merrifield, The National Center for Policy Analysis (Mar. 2010).

*Should Texas Adopt a School Choice Program?* by John Diamond, Texas Public Policy Foundation (Mar. 2007).

# Innovation in Choice

## The Issue

In 23 states across the nation, there have been 10 distinct programs allowing school choice: Scholarship Tax Credits, School Vouchers, Charter Schools, Education Savings Accounts, Homeschooling, Virtual Schools, Individual Tuition Tax Credits, Magnet Schools, Public School Choice, and Course Choice. These programs promote opportunities for children who would otherwise not have choices in their education.

Texas is behind these states in school choice. Neighbors to the North and East have outpaced Texas. In 2010, the Oklahoma state legislature established the Lindsey Nicole Henry Scholarship Act, a program that would allow special needs children to receive a grant that would follow them to the school of their parent's choice. The grant is valued at either 100% of the state and local public school funding for each child or the tuition and fees of the private school in which the child becomes enrolled. In Louisiana, two broader programs were enacted in 2008 and 2010. In 2008, the state created a program that allowed students who are 1) from low-income families or 2) who attend a school rated C, D, or F or 3) who are entering kindergarten, to receive funding to attend the school of their choice. Funding is equal to the lesser of state and local per-pupil funding or the tuition and fees of the new school. The program has proved popular, with enrollment increasing from 640 children in 2008 to 6,775 children in 2013. In 2010, Louisiana created a program similar to Oklahoma's, which allows special needs children to transfer to the school of their choice. In both programs, all schools comply with nondiscrimination laws.

Our neighbors to the West are also expanding their school choice programs. Arizona is leading the educational choice movement with a variety of options for parents, including Tuition Tax Credit Scholarships, open enrollment charter schools, and Empowerment Scholarship Accounts. (ESAs) An ESA, which is unique to Arizona, allows parents to customize their child's education according to how they learn. ESAs were established in 2011, and give more freedom to parents than any other educational choice program in the entire country. There is not a specific funding appropriation. Rather, parents are given funds by the state to pay for private school tuition, online curriculum, home schooling, tutors, or therapists. The cap on Scholarships is equal to 90% of the charter school per-pupil base funding. Approximately 5,500 new students can receive an ESA each year. ESAs are currently available to students with special needs, children in failing schools, foster children, and children from active duty military families. ESAs are also available to students who were attending public school and then transferred to a qualified private school. Several other eligibility expansion proposals are being considered by Arizona legislators, including eligibility by income and automatically qualifying children of first responders. This would open up the ESA program to half of Arizona's student population. The program is now being considered by legislators in Oklahoma, Iowa, and Mississippi.

## The Facts

- 83% of principals and 78% of teachers identify addressing the individual needs of diverse learners as challenging or very challenging, according to a 2013 national survey of educators.
- Since 1990, 18 states, Washington D.C., and Douglas County in Colorado, have established private school choice programs for a total of 23 states which now have some form of private school choice.
- Since 2000, enrollment in school choice programs has increased from 29,003 students to 308,560 students.
- A total of \$1.2 billion has been expended for private school choice programs: \$662 million for Vouchers, \$551 million for Scholarship Tax Credits, \$10.2 million for ESAs, and \$275 million for Special Needs Scholarship Programs.
- The average scholarship amount to private school choice programs is \$3,780. However, the average cost differs by program: for Vouchers it’s \$6,210; for Scholarship Tax Credits it’s \$2,282; for ESAs it’s \$13,000; for Special Needs Scholarships it’s \$7,025.

## Recommendations

- Consider all forms for expansion of private school choice in order to better serve Texas students and make the system of public free schools more efficient.
- Commission an independent third party to study the efficiency and productivity of K-12 education, with a focus upon gains that can be won through greater competition and supply side change.

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## Resources

*School Choice Yearbook 2013-14: Hope. Action. Results* by Matt Frendewey, et. al., Alliance for School Choice (2014).

*Oklahoma May Become Second State to Offer Education Savings Accounts* by Kathlyn Shirley, The Heartland Institute (Apr. 2014).

*The MetLife Survey of the American Teacher: Challenges for School Leadership* by Dana Markow, et. al., MetLife, Inc. (Feb. 2013).

*The Education Debit Card: What Arizona Parents Purchase with Education Savings Accounts* by Lindsey Burke, The Friedman Foundation (Aug. 2013).

*Education Savings Accounts: Questions and Answers* by Jonathan Butcher, Goldwater Institute (Mar. 2012).

*How Teachers in Texas Would Benefit from Expanding School Choice* by Joseph Bast, et. al., The Heartland Institute (Apr. 2011).