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Policy Analysis: Revised Senate Voucher Bill Still Drains State Dollars from Public Schools

By Ann Beeson

A substantially reworked version of the SB 3 voucher bill, sponsored by Senator Larry Taylor, is slated for a full Senate floor vote as soon as today (March 29). The bill differs significantly from the version voted out of the Senate Education Committee last week. [With the limited information we have](#) about the substitute bill, it is clear that SB 3 remains the wrong solution for Texas children.

Recommendation: Given the massive implications for Texas children, for the state budget, and for public schools across Texas, CPPP calls on the Senate to delay debate on this rushed, revised bill until Senators, their staff and other experts have time to fully assess the revised proposal's implications. Should the Senate go forward with the vote, we urge Senators to vote no. Instead of using taxpayer dollars to subsidize private school education through vouchers, the Texas Legislature should remodel Texas' outdated school finance system to ensure that there is sufficient financial support for all kids to get a quality public education, no matter where they live or what their background.

Analysis

The new substitute bill for SB 3 has not been distributed publically. From the limited information we have seen, the revised bill appears to:

- Adjust eligibility requirements so that only low-income families could participate in the ESA voucher program
- Limit eligibility to counties with over 50,000 people
- Limit eligibility to students who have attended a Texas public school for one year prior
- Reduce the annual cap for the tax credit voucher program from \$100 million to \$25 million¹

Vouchers – by any name – are bad for Texas children and their families. The revised bill would still:

- Divert significant public resources from Texas' already under-funded public school system to subsidize private school tuition.
- Reduce overall state funding for education (public and private).
- Offer no real choice to low-income families, because the high cost of private tuition would not be fully covered by the vouchers.
- Provide no solution for low-income families living in rural areas.
- Enable the use of tax dollars without adequate accountability to ensure the quality of education.
- Have a negligible impact on student achievement.

Because ESA voucher payments would not cover the full cost of private school tuition or expenses, families would have to pay the difference. The table below shows the remaining cost for families.

SB 3 vouchers offer no real choice to low-income families due to high cost of private school tuition

Example Estimates for Families of 2 adults 1 child in high school

SB 3 income range for 3-person families ²	Scenarios	Total potential voucher \$	\$ Family still owes for private high school tuition ³	Additional tuition costs as percentage of family income
\$0 - 75,078	ESA only ⁴	\$6,767	\$2,906	\$75,000 = 4%
				\$50,000 = 6%
				\$30,000 = 10%
	Tax Credit Vouchers only	\$7,767 ⁵	\$2,096 or more	\$75,000 = 4% or more \$50,000 = 6% or more \$30,000 = 10% or more
	ESA and Tax Credit Vouchers	Up to \$10,672 ⁶	\$0-2,906 ⁷	\$75,000 = 0-4% \$50,000 = 0-6% \$30,000 = 0-10%

Even as revised, SB3 depletes substantial resources from our public school systems.

Supporters of the bill continue to vastly underestimate the financial impact of the ESA provision on public schools by underestimating the number of eligible students who will opt for ESA vouchers. **Even in the revised bill, there is still no cap on the overall amount of state tax dollars that could be spent annually on ESA vouchers (in contrast to the revised \$25M cap in the tax credit voucher provision).** The number of eligible students entitled to get ESA vouchers is limited only by the income eligibility requirements. **Our analysis showed that 3,229,786 public school students in Texas fall within the income guidelines for ESA vouchers.**⁸

Any financial impact analysis should at least assume a range of possible usage rates based on data from other voucher states. Those rates vary, but two state programs mentioned by the bill sponsors include the Florida voucher program, with a 4% usage rate, and the Indiana program, with at 3% usage rate.⁹ The table below shows the financial impact on all Texas school districts assuming a 5%, 3%, and 1% usage rate. We also prepared a table showing the financial impact of the revised SB 3 voucher scheme on specific school districts across Texas, [available here](#).

Estimated Funding Lost in One Year to All School Districts from Revised SB3 Vouchers¹⁰

			5%	3%	1%
	Total # of enrolled students 2014-15	Total # of economically disadvantaged students 2014-15	Estimated financial loss in one year to school districts if 5% of eligible students opt for vouchers	Estimated financial loss in one year to school districts if 3% of eligible students opt for vouchers	Estimated financial loss in one year to school districts if 1% of eligible students opt for vouchers
All Eligible Texas School Districts	4,677,391	2,759,661	-\$1,089,238,074	-\$653,542,845	-\$217,847,615

In summary, instead of using taxpayer dollars to subsidize private school education through vouchers, the Texas Legislature should remodel Texas' outdated school finance system to ensure that there is sufficient financial support for all children to get a quality public education.

- 1 Because the revised SB 3 caps the total amount of tax credit vouchers to be distributed at \$25M for the first year, and because the Educational Assistance Organization (EAO) has discretion to decide which students to award scholarships based on their ability to demonstrate "the greatest financial and academic need," only a small fraction of eligible students would receive a tax credit voucher (approximately 14,000 or less than one-half of one). The EAO need not award the maximum amount available either.
- 2 CPPP calculations using criteria from revised SB 3 and 2017 Poverty Guidelines for a family of three.
- 3 Based on average private high school tuition in Texas. Private School Review, Average Private School Tuition Cost by state (2016-17). <http://www.privateschoolreview.com/tuition-stats/private-school-cost-by-state>
- 4 Although eligible to apply for a tax credit voucher, it is unlikely that families would receive one because SB 3 caps the tax credit voucher fund at \$25 million annually.
- 5 This amount includes the assumption that the family would also receive an additional \$500 transportation voucher and a \$500 annual voucher for additional educational expenses, to which they are eligible but not entitled under revised SB 3. We are not counting this additional \$1000 as reducing the family's overall tuition cost as the money is explicitly designated in SB 3 for non-tuition expenses.
- 6 See note 5.
- 7 Under revised SB 3, certain low-income families would be eligible but not entitled to receive both an ESA voucher and a tax credit voucher. The tax credit voucher would be limited to the difference between the amount of the ESA voucher the family receives and the remaining cost of private school tuition. However, the Educational Assistance Organization that would distribute the tax credit vouchers is not required to provide any tax credit voucher, or to cover the full amount of the gap.
- 8 We calculated the number of students that would be income eligible for ESA vouchers under the revised SB 3 using 2015 ACS 1-year data, U.S. Census Bureau. Using 2015 Poverty Guidelines, we estimated the number of children ages 5-17 who live in households with incomes (based on their family size) that are less than the income cutoff defined in the revised SB3 (i.e., 175% of the income cut-off for Free and Reduced-price Lunch), subtracting an estimated 6 percent of students who are already attending private school.
- 9 See <https://www.edchoice.org/blog/americas-school-choice-programs-ranked-by-participation-2016-edition/>
- 10 CPPP analysis using Texas Education Agency 2015 enrollment and economically disadvantaged data (2014-15 School Year), with the voucher and payback parameters defined in revised SB 3. We calculated the financial loss to school districts by multiplying the number of economically disadvantaged students by the 2015 TEA statewide average cost per student (\$9022), and then subtracting the one-time payback payment to the district for those students (\$1128). Under SB 3, the one-time payback payments to school districts would be based on 50% of the difference between the state average cost per student and the ESA voucher amount for the student. Because no data is available regarding the percentage of students in each school district with income levels defined in SB 3, we used TEA data for the percentage of economically disadvantaged students in each district. (Using the economically disadvantaged percentage for our calculations will yield a conservative estimate of money lost to the district, because the economically disadvantaged group is a smaller group than the lower income group defined by revised SB 3 as eligible for the ESA vouchers.) The total number of enrolled students includes K-12 Students. There is some indication that Kindergarteners will be excluded in the revised SB3.