



Debunking the Top Five Myths about Senate Bill 193, Education Savings Accounts

November 7, 2017

The House Education Committee meets on Wednesday, Nov. 8, to consider Senate Bill 193, a bill to establish Education Savings Accounts (ESAs) in New Hampshire. This briefing paper dispels several myths about the bill.

SB 193 would establish ESAs that parents could use to purchase qualifying educational products or services. ESAs work much like Health Savings Accounts (HSAs) do. Parents could use them for education-specific purposes such as textbooks, tutors, transportation to and from school, or tuition at public or non-public schools.

Some of the myths are conceptual in nature (a failure to understand how the bill fits into the state's public education framework). Some are technical in nature. This paper corrects the five biggest myths.

MYTH 1: SB 193 drains money from public education.

REALITY: SB 193 expands public education and empowers families.

This is a common misconception caused by the tendency to think of local public schools as the only providers of public education. In fact, any educational endeavor financed by the public to meet the state's constitutional obligation under Article 83 constitutes public education. In New Hampshire (and in many other states, including Maine and Vermont), public education often is provided through tuition contracts with private schools. Local school boards pay private schools to educate students. SB 193 simply creates a different type of tuition contract.

The SB 193 model grants parents, rather than school boards or superintendents, more say in where state education grant money is spent, but those dollars continue to be spent exclusively on education.

MYTH 2: Administrative expenses are outrageously high under SB 193.

REALITY: SB 193 actually cuts administrative expenses almost in half.

Under SB 193, ESAs would be administered by a scholarship organization. Five percent of a student's per-pupil adequate education grant would be allotted to the scholarship organization to cover administrative costs. Opponents say this wastes money that should be devoted to public education. But that 5 percent fee is about half what the public school system currently spends on administration.

According to state Department of Education data (https://www.education.nh.gov/data/documents/summ_rev15_16.pdf), administration expenses at the public school level come to 5.5 percent (already higher than the 5 percent scholarship organizations receive in SB 193). In addition, school districts have their own administrative expenses, which come to 4.2 percent of school district budgets. The separate category of "business services" adds an additional 0.6 percent.

In total, 9.76 percent of public school system spending in New Hampshire is dedicated to administration if "business services" are included, 9.7 percent if "business services" are excluded. Contrary to opponents' claims, SB 193 *reduces* administrative costs and leaves more state grant money to be spent directly on education.

MYTH 3: SB 193 would benefit only the rich because of private school costs.

REALITY: SB 193 puts educational alternatives within reach of middle-income and low-income families.

The term "private school" conjures images of Harry Potter's Hogwarts, or of real-life elite boarding schools such as Phillips Exeter Academy in Exeter. But elite prep schools do not represent the typical private school in New Hampshire.

Private School Review (<https://www.privateschoolreview.com/new-hampshire>) puts the average private school tuition in New Hampshire at \$8,546 for elementary schools and \$29,383 for high schools, but the handful of elite institutions skews the high school figure. To get a more accurate look at costs, a 2012 Josiah Bartlett Center for Public Policy study (<https://www.jbartlett.org/wp-content/uploads/2012/03/Choosing-to-Learn.2.pdf>) examined the figures for the 10 most populous municipalities in the state (which is where most scholarship activity will take place). The study also obtained, where possible, the actual tuition paid by low-income families, which is typically much lower than the sticker price.

Not surprisingly, the private school tuition sticker price is higher than what families actually pay. The study found the average elementary school tuition to be \$6,328 and the average high school tuition to be \$9,302. Public school costs much more, state figures show (https://www.education.nh.gov/data/documents/ave_pupil15_16.pdf). The average per-pupil expense is \$15,033 at New Hampshire's public elementary schools and \$15,068 at New Hampshire's public high schools.

SB 193 lets families spend 95 percent of their per-pupil adequate education grant of \$3,636, which comes to \$3,454. That sum would cut the average out-of-pocket cost to \$2,874 for elementary school and \$5,848 for high school.

SB 193 also lets students use differentiated aid (extra money given to students who are eligible for free or reduced-priced lunch (\$1,818) or who qualify for special education aid (\$1,956). A low-income special education student would receive 100 percent of differentiated aid plus 95 percent of his or her adequate education grant, for a total of \$7,228. That sum would cover 100% of the average private elementary school cost and 77 percent of the average private high school cost (all but \$2,074).

MYTH 4: Only the best, brightest and most advantaged students will apply.

REALITY: Evidence from existing choice programs shows that they attract more disadvantaged students.

This myth can be tested by looking at New Hampshire's existing Children's Scholarship Fund. Created in 2012 when legislators passed the Opportunity Scholarship Act, the program allows businesses to receive tax breaks for financing scholarships that families can use to pay for private school tuition. Families receiving scholarships must have

incomes no higher than 300 percent of the federal poverty level. Although a family of four with an income of up to \$73,800 qualifies, more than three-quarters of scholarship recipients come from low-income families. Of the 260 Children's Scholarship Fund recipients, 199 (77 percent) come from families that qualify for free or reduced-price lunch, which for a family of four would be \$45,510 or less.

A 2017 Florida State University study (http://www.stepupforstudents.org/wp-content/uploads/FTC_Report1516.pdf) of the nation's largest school choice program, Florida's Tax Credit Scholarships, found that the program attracted higher proportions of minority and low-income students (about 70 percent of participants), and that applicants had lower test scores on average than eligible non-applicants *before* entering the program. The study also found that participants came from lower-performing schools. Moreover, after receiving a scholarship, these low-income students improved their performance to that of the national average for students from all income brackets.

MYTH 5: SB 193 will produce a mass exodus from the public school system.

REALITY: ESAs will likely attract a small percentage of public school students.

This allegation is made against every form of school choice program. It was made against the opportunity scholarship program (see Myth 4) created by the Legislature in 2012, and it turned out to be completely wrong.

In truth, scholarship programs tend to be attractive to families with few economic resources whose children really struggle in a traditional public school setting. A standard bell curve model would suggest that scholarships would appeal to a small number of families on the lower end of the curve, and that has been the experience with the opportunity scholarship program. Now four years old, the program serves only 260 students, and more than three-quarters of them qualify for free or reduced-price lunch.

Even the nation's largest school choice programs typically serve fewer than 5 percent of students, and seldom more than 1 percent in the first year of operation. Rather than being a giveaway to rich families with involved parents, scholarship programs tend to serve low-income families who are desperate to find educational alternatives for their children. This is because ESAs provide options for families who otherwise have none.

It is worth noting that Florida's scholarship program was found last year to increase college attendance by 6 percent (<http://sunshinestatenews.com/story/tax-credit-scholarship-program-students-more-likely-attend-college-study-shows>). Given that scholarship recipients are more likely to be low-income, minority students from poor-performing schools, that is a huge achievement, which we should strive to replicate in New Hampshire.

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