



Education Money for Families

How Education Savings Accounts can help
children learn in Washington state

**By Liv Finne,
Director, WPC Center for Education**

January 2016



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Key Findings

1. Since 2012, the Washington state legislature has increased school funding by 34 percent, to \$12,500 per student, yet families cannot direct this spending to help their children learn.
2. Giving parents an education choice for their children is the most powerful way to correct the inequities of the monopoly school system.
3. Nevada offers all families an Education Savings Account (ESA) of \$5,100 to pay each child's education expenses and more for special needs students.
4. ESA's are voluntary. Families satisfied with their local public school do not need to request an ESA.
5. ESA funds can be used on private tuition, textbooks, tutoring fees, and other education costs.
6. ESA's allow parents to customize their student's education program using a mix of public and private education services.
7. Nevada's ESA allows unused funds to pay college tuition.
8. ESAs give families an alternative to one-size-fits-all school programs.

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Introduction

People in Washington state have been engaged in a long debate over how to improve the public schools. The debate centers on whether simply increasing spending is enough, or whether changes in the way education money is spent is needed, or a combination of the two approaches, is the best way to improve student learning.

People on one side of the debate argue that spending more public money is the primary way to improve the schools. This view has dominated the public debate in recent years. In 2007, the Washington Education Association union and some school districts sued the state in *McCleary v. State of Washington*. They won. This lawsuit resulted in the January 2012 *McCleary* supreme court decision requiring the legislature to increase funding for education.

In response, the legislature dramatically boosted funding for public schools. Since the decision, the state has increased funding for K-12 schools by nearly \$5 billion, from \$13.5 billion to \$18.2 billion in the state's current two-year budget, spending nearly \$2,500 more per student per year. The size of this increase is historic. Legislators currently devote 48 percent to K-12 spending, the highest percentage in 30 years of the state General Fund budget. Total spending on public education will rise to about \$12,500 per student, or about twice as much as the yearly tuition at many private schools.

People in support of improving the way education money is spent point out that public schools operate as regional monopolies, which typically provide lower-quality services at higher cost. They argue that in most communities children are assigned to a public school based on zip code, not on choices made by families.

The result is wide disparity in educational opportunities available to children. Families have little choice in public education, other than buying a home in a different zip code, paying tuition at a private school or engaging in homeschooling, all of which are beyond the reach of most families.

Proponents of structural reform say giving parents education choice for their children is the most powerful and effective way to correct the inequities

inherent in a monopoly school system, and to help children and families gain access to better schools.

The same problem has been recognized in other states, and a range of parent-directed educational choice programs have become common across the country. In 24 states and the District of Columbia, 51 school choice programs allow more than 300,000 students to receive public funding to which they are entitled while enrolled in a private school that offers them a better education. These school choice programs include school vouchers and tax-credit programs that offer scholarships to children.¹

Policymakers in these states put the focus of state programs on allowing more children to gain access to a high-quality education, by whatever means, rather than on protecting the traditional public school system and adults in interest groups, like unions, that benefit from it.

Recently, lawmakers in Nevada enacted one such school choice program. This innovative educational program represents one of the most promising expansions of family choice in the nation: Nevada Education Savings Accounts. This paper provides a brief overview of how these personalized savings accounts work, the educational benefits they provide to families and children, and how these targeted, tax-free accounts provide one approach for improving access to learning opportunities for families in Washington state.

Nevada Education Saving Accounts

In June, Nevada's Governor Brian Sandoval and the state legislature enacted the most forward-looking school choice law in the country. This progressive program gives parents in Nevada who request one, access to a state-funded Education Savings Account (ESA). The program is voluntary. Parents are not required to take any action under the program if they choose not to, and all children in Nevada retain the right to attend a public school whenever they like.

Under the voluntary ESA program, interested parents can arrange for their children to receive instruction from licensed private schools, other eligible institutions, online programs, accredited tutoring companies, or from parents. The public funding to which their children are entitled under state law is deposited, at the request of the parents, in an account devoted solely to education, a tax-free Education Savings Account. Starting in the fall of 2016, Nevada will place into these parent-requested ESA's the funds the state provides for the education of each children, or about \$5,000 per year.

1 "Transforming labor with school choice; A productive future starts with a shot at an effective education," by Robert Enlow, President, CEO, Friedman Foundation, *Washington Times*, August 31, 2014 at: www.washingtontimes.com/news/2014/aug/31/enlow-transforming-labor-with-school-choice/?page=all.

Parents who are satisfied with their local school don't need to do anything. These families do not need to request an ESA from the state, and their children attend school under Nevada's existing public education program. If a family believes access to an alternative education program is best for the child, including attendance at a private school, the state-funded ESA is available to help pay tuition at that alternative school. Parents are responsible for all education expenses their children incur above the state-approved level of funding.

Parents can keep their children enrolled in a traditional public school and use their dedicated ESA education funding to pay for additional private school instruction, online courses or for private tutoring services as needed.² The flexibility of an ESA allows parents to access educational options tailored to the specific learning needs of their children, using a mix of public and private education services. Family-based ESAs avoid the one-size-fits-all restrictions of traditional public schools.

Nevada State Senator Scott Hammond, a teacher for 16 years before becoming a legislator, introduced Nevada's ESA law as SB 302.³ As signed by Governor Sandoval, this law:

- Gives parents of every Nevada student the ability to request a family-based Education Savings Account;
- Gives special needs students and students from low-income families access to 100 percent of the amount the state provides for their education, or \$5,700 in 2016;
- Gives all other students of families that request an Education Savings Account access to 90 percent of the amount the state provides, or \$5,100 in 2016.

The law allows parents to use the public money to which their children are entitled to pay for any legitimate expenses that serve the learning needs of students, such as:

- All or part of tuition at a private school;
- Textbooks;
- Tutoring fees;
- Test fees;
- Transportation costs;

2 "Archimedes was right," by Joel Belz, *World Magazine*, June 26, 2015 at www.worldmag.com/2015/06/archimedes_was_right.

3 "Nevada Legislators Create the Nation's Most Inclusive ESA Program," by Heather Kays, *School Reform News*, June 27, 2015, at news.heartland.org/newspaper-article/2015/06/27/nevada-legislators-create-nations-most-inclusive-esa-program.

- Therapy sessions for children with special needs.

The Nevada ESA is also a college savings account. Any unused funds remaining in a family-based Education Savings Account can be used to pay a student's college tuition and other higher-education expenses.

The state treasurer's office is responsible for auditing these accounts to ensure that public money is used for educational purposes. Participating students must take a nationally recognized test in math and English every year to demonstrate progress toward state-approved learning standards.

The state-funded family choice program is for Nevada residents. Students must attend a public school in Nevada for at least 100 days before parents can request access to education funding through an ESA.

Nevada is the fifth state to provide parents with a voluntary ESA program, but it is the only universal program in the nation, open to all families on an equal basis.

Arizona lawmakers were the first in the nation to make voluntary Education Savings Accounts available to some families, but this education funding option is limited to students assigned to failing public schools, students with disabilities, students placed in foster care and students from active-duty military families. Recently Arizona extended its ESA program to cover students living on American Indian reservations. The states of Florida, Mississippi and Tennessee also have ESA programs, creating voluntary education accounts for students with disabilities.

Policy Analysis

Parents are the primary educators of children. A parent's presence in the life of a child is permanent and ongoing, while teachers and administrators have a more transitory relationship with students. For this reason it is important for state policymakers to recognize, and respect, the role of parents in the educational development of children. Parents think deeply about the long-term welfare of their children and are constantly seeking better opportunities for them.

In nearly all areas of nutrition, growth and development, parents make the important decisions in the life of a child. In education, however, the choices of parents are severely limited by the current structure of the public school system.

Traditional public schools operate as local monopolies, which typically place children into a one-size-fits-all program. The greatest single factor in determining the quality of the public education a child can receive is geography. Families that can afford to buy homes in upscale school districts, who have the choice of paying for private school, or who have the time and dedication to homeschool their children, have access to a range of educational opportunities for their children not available to most families.

In contrast, public policy sharply limits the options for low-income and working families. These families are often restricted to a choice of one: assignment to the local public school, based on zip code.

The people of Washington favor giving parents more school options and opportunities. In the mid-1990s, the legislature created Family Choice, a progressive program that gives families the opportunity to attend the school they choose through inter- or intra-district transfers.

However, school districts are not required to accept students from other districts if they can claim a lack of space.⁴ The law only grants the absolute right to choose a school to parents who are full-time employees of the school district.⁵ Most parents are forced to accept the school to which their child is assigned by school officials, not the school which best meets the child's needs.

In 2005, Governor Christine Gregoire and the legislature passed a law to allow students expanded access to online learning courses and to online school programs. In school year 2013-14, over 23,000 Washington students enrolled in nearly 73,000 K-12 online courses.⁶

In November 2012, the people indicated their support for giving parents additional school options by passing Initiative 1240, to allow up to 40 public charter schools to open in Washington. In a system of 2,097 schools, this small program means only very few families in Washington will be able to enroll their children in charter schools. Yet charter schools are popular. Demand for these schools is so high that most new charter schools conduct lotteries for limited places to determine which children can attend.⁷

Administrators at traditional public schools, with their guaranteed funding, have little incentive to improve services or resist the political pressures of adult interest groups that benefit financially from the system. By contrast, in the private sector consumer choice prevents the accumulation of monopoly power, forcing educators to pursue excellence, serve students, and give parents an ever-wider variety of options, at controlled costs.

Parents in Nevada who use the ESA option will encourage administrators at Nevada's traditional public schools to improve their services to students. Just the existence of the progressive ESA program will provide a quality incentive to traditional administrators who do not want to risk loss of school funding. ESA's introduce to public education the healthy concept of pleasing

4 "Adults, children from other districts, agreements for attending school--Tuition," Revised Code of Washington 28A.225.220, at apps.leg.wa.gov/rcw/default.aspx?cite=28A.225.220.

5 "Intradistrict Enrollment Options Policies, Revised Code of Washington s8A.225.270, at <http://apps.leg.wa.gov/rcw/default.aspx?cite=28A.225.270>.

6 "Online Learning 2013-14 Annual Report," Digital Learning Department, Office of Superintendent of Public Instruction, January 2015, at digitalllearning.k12.wa.us/about/reports/.

7 On September 4, 2015, in a case brought by the state teachers union, the Washington Education Association, the League of Women Voters and the Washington Association of School Administrators, the state supreme court ruled the voter-passed Initiative 1240 law is unconstitutional. Because of this ruling the future of charter schools in Washington state is uncertain.

parents to attract the funding they bring, rather than relying on legislative politics to secure yearly funding.

Best of all, ESA's provide individual families the means to send their children to the best possible school, whether private or public, or a mix of the two.

Four recommendations for a strong ESA program

How a voluntary ESA program is designed is important to its success. The following are four recommendations for an ESA program which maximizes benefits to parents and students.

1. End mandatory public-school attendance as a condition of receiving an ESA.

Some ESA programs require students to attend a public school before parents can use their accounts. Unfortunately this requirement creates an obstacle which frustrates families seeking to immediately help their children learn better. Other methods of anticipating and accommodating ESA choices can be employed which do not erect barriers to participation. Giving parents the means to help their children is the goal of the program, not suiting the convenience of school budget-writers and schedulers.

2. Increase the ESA amount to a level that is closer to the amount received by traditional public schools.

Traditional public schools receive a basic education amount for the education of each child, with more money provided for children with special learning needs. It is only fair and reasonable to provide students with learning difficulties who use an ESA the same funding they would receive in traditional public schools. Alternative schools should not be expected to educate more challenging-to-educate students with dramatically less funding. Students should not receive less money than they would in a traditional public school simply because their parents have decided to use their accounts to access alternative education services.

3. Streamline the amount of paperwork and reports required for participation.

Private schools should not be burdened with paperwork requirements as a condition of participating in parent choice programs. For many private schools with a small staff, the programs can create a significant administrative burden.

4. Hold private schools accountable in ways that do not threaten their independence and autonomy.

Private schools value their autonomy and ability to provide an alternative to public schooling. Regulations that require the adoption of state criterion-

referenced tests or state curriculum standards impede their ability to offer alternative educational approaches.⁸

Conclusion

Washington state officials report in the latest School Achievement Index, that fully one in two public education students attend a school ranked as less than Good; that is, as Fair, Underperforming or Lowest 5 Percent.⁹ State leaders know these children are receiving a sub-standard public education. As a result, these young people face significantly greater obstacles to success in life. This is unfair and inequitable, and violates the state's paramount duty to provide a fair and adequate education for every child.

Officials say spending more money would allow them to improve the schools. Years of experience have shown, however, that providing more money alone does not improve the public schools. Washington assigns a poor-quality education to many children, particularly to low-income and minority children. Much of the reason can be attributed to the entrenched power of the adult special interests in education, which work locally and at the state capitol to block any and all reforms to improve the schools. These established interests also use the court system to roll back popular education improvements enacted directly by the people.

A practical, forward-looking solution lies in providing Washington families with more choice in access to education services. Giving parents voluntary options in the education of their children would especially benefit those children assigned to the state's low-performing schools. Offering fully-funded Education Saving Accounts to all parents in Washington would achieve three benefits:

1. Parents would have the means to choose the best school program for their children;
2. ESA's would provide a healthy competitive incentive for administrators to improve traditional public schools;
3. ESA's would promote equity and fairness in education, and would help end the fundamental injustice of assigning children to failing public schools based on zip code.

8 "Views from Private Schools; Attitudes about School Choice Programs in Three States," by Brian Kisida, Patrick J. Wolf, and Evan Rhinesmith, American Enterprise Institute, January 2015, page ii, at <https://www.aei.org/wp-content/uploads/2015/01/Views-from-Private-Schools-7.pdf>.

9 "2014 Achievement Index," by Liv Finne, Washington Policy Center, June 2015, at www.washingtonpolicy.org/pages/2014-achievement-index.

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