



Expanding Choices with Education Savings Accounts

By Josh Cunningham

The Arizona Legislature created “empowerment scholarship accounts” in 2011. The [Arizona program](#) differs from traditional school vouchers in that qualifying parents have the freedom to use state support for more than private school tuition. In fact, parents can choose not to use the funds for tuition but, instead, use them to pay for a number of products and services—including online courses, textbooks and tutoring—related to educating their children. The Arizona program is an example of a policy concept broadly referred to as [education savings accounts](#) (ESAs).

In ESA programs, restricted-use debit cards are issued to participating parents with the grant amount loaded onto the card either up front or periodically during the year. Parents can use the funds to pay state-approved education vendors for qualifying education expenses.

States must determine the value of the grant. In Arizona, it is 90 percent of the amount the state would have paid for a student to attend a charter school. In Mississippi, parents receive grants of \$6,500 per child for the year. That amount is adjusted each year proportionally to the change in statewide base per-pupil funding. In Nevada, parents receive 90 percent of the state average per-pupil funding allocation unless they have a household income below 185 percent of the federal poverty level or their child has a disability, in which case they receive 100 percent of the allocation.

A state can either manage the payment system itself or, in some cases—such as in Nevada and Tennessee—contract with a private, for-profit financial services company to manage payment verification and processing. If states are not equipped to manage such services, they may benefit by outsourcing them to private companies that manage similar programs—such as flexible spending and health savings accounts. Outsourcing, however, can raise questions about accountability and transparency. It is unclear how much information a private company can be required to share and how much is protected as proprietary.

States also must decide what happens to a parent’s unspent funds each year. In Arizona, they are deposited into a college savings account. In Tennessee, parents can contribute to a federal Coverdell Education Savings Account, allowing excess funds to carry over into future years. Once they complete high school, Tennessee students can use any remaining funds to pay for college courses. Supporters contend that allowing parents to use leftover funds motivates them to be more cautious in spending them. Mississippi, on the other hand, requires that, when students complete high school, any remaining funds be returned to the state.

Did You Know?

- Education savings accounts (ESAs) provide grants for education services beyond tuition.
- More than 7,000 students in five states are receiving ESA money.
- More states considered ESA legislation than traditional school vouchers programs in their 2015 sessions.

Advocates for education savings accounts [argue](#) that, if parents have an array of options on which to spend grant funds, they will be more mindful of both the quality and costs of the services they seek, allowing them to best use the grant. This may increase competition among schools and other qualifying service providers that are vying for parents' business and could lead to decreased costs and increased quality in education. Having options also allows parents to customize their child's educational experience to best meet his or her needs, rather than expecting all children to fit into the traditional school model. Further, such choices may force traditional public schools to compete for students and the funding tied to them, possibly leading to higher academic quality and an improved education system. However, research on school competition has yet to reveal a strong effect on student achievement, except when schools are in close proximity to one another.

Opponents of ESAs worry that accountability is lacking to ensure that participating children are receiving a high-quality education and that funds are being used appropriately. Some critics wonder whether parents would have enough information about the various options to distinguish high-quality services from poor ones. Many also believe ESAs [improperly funnel](#) public dollars to religious schools. Others contend that public funds are being shifted from struggling neighborhood schools and given to private schools that are held less accountable. With that said, no strong evidence exists to tie private school choice programs to long-term funding shortages in public schools. In fact, public schools have always made budget adjustments as students come and leave for various reasons.

State Action

Five states currently offer education savings account programs—Arizona (2011), Florida (2013), Mississippi (2015), Nevada (2015) and Tennessee (2015). Florida, Mississippi and Tennessee limit ESAs to students with disabilities. Arizona offers them to a wide range of students, including those living in the attendance zone of a failing school, foster children, children of active-duty military personnel, students living on reservations and students with disabilities. [Nevada](#) offers grants to all public school students, an estimated 90 percent of all school-age children in the state. Eight additional states introduced legislation on education savings accounts in 2014. In 2015, that number grew to 20 states—more than the 18 states that considered traditional school vouchers.

Federal Action

In *Zelman vs. Simmons-Harris*, the U.S. Supreme Court in 2002 upheld Ohio's Cleveland Scholarship and Tutoring Program, which gives qualifying students tuition aid to attend private schools, including religious schools. The Court held that the program neither advances nor inhibits religion, and that publicly funded school vouchers go to the parents rather than the private schools. This established a legal precedent that government programs providing financial support for private school tuition are in compliance with the First Amendment of the U.S. Constitution.

All five states with ESAs offer them to students with disabilities. The U.S. Department of Education views any parent who accepts an ESA the same as any other parent who voluntarily enrolls a child in private school. These parents waive many of the federal protections given to students with disabilities. They receive no federal funding for education, and the children lose the individual education plan to which they otherwise would be entitled in a public school. Nothing prevents states or private schools from offering similar protections and services.

NCSL Contact and Resource

Josh Cunningham
(303) 856-1354

NCSL, [Private School Choice](#)

Additional Resources

[Friedman Foundation for Educational Choice](#)

[National Education Association: Vouchers](#)