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Education Expenditures

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April 19, 2016

THE FISCAL EFFECT OF ELIMINATING THE LOUISIANA SCHOLARSHIP PROGRAM ON STATE EDUCATION EXPENDITURES

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Executive Summary

Eliminating the Louisiana Scholarship Program has been proposed as a way to reduce state education expenditures for the upcoming fiscal year. Drawing upon Louisiana's education funding formulas, we determine that the overall effect of removing the program will increase state education expenditures. It is true that the state would avoid $41.6 million of spending if the voucher program is eliminated. However, each current voucher student who returns to a public school increases the local district's necessary education expenditures without increasing the local tax revenue for schools, obligating the state to provide increased funding to the district. While our results depend on which assumptions we use, our analysis generally indicates the net effect of eliminating the program is an increase in state funding to local districts. In particular, we find evidence of the need for additional funding in nearly all scenarios in which the program is eliminated unless at least 13.52% of current voucher users stay in private schools and pay tuition out of pocket or through other private means.

Keywords: school vouchers, school choice, public program evaluation, fiscal effects, school finance

Introduction

Background on Vouchers

In the United States all students are entitled to a Kindergarten through 12th grade education provided by the local public schools at no cost to the student or their family. Most states provide this education by allowing local districts to deliver the education via local public schools with federal, state and local funds covering the costs. The most common arrangement is that students are assigned to a specific public school based on the location of their residence.

All states have some forms of parental school choice. Even in a traditional public school system with residential assignment of students, families choose a school by choosing a housing location in the local district and school zone containing the schools they want their children to attend (Tiebout 1956). Other forms of public school choice include public charter schools, magnet schools, intra-district and inter-district school choice. On the private school side, parents can choose to pay to send their children to private schools, or, if their child is eligible, participate in one of over 50 private school choice initiatives in the U.S. that take the form of education savings accounts, tax credit scholarships, and school vouchers.

Currently, there are school voucher programs in Colorado, Washington DC, Florida, Georgia, Indiana, Maine, Maryland, Mississippi, North Carolina, Ohio, Oklahoma, Utah, Vermont, Wisconsin as well as Louisiana. School voucher programs provide eligible families with public resources to cover all or most of the expense of their child attending a private school of their choosing. If the student using the voucher would have attended the private school in the absence of the voucher, this effectively amounts to a taxpayer subsidy for the family. For this reason, among others, most voucher programs intentionally target disadvantaged students for eligibility. The most common eligibility criteria are a modest household income and a

residentially assigned school that does not meet the student's needs, either because the school has been identified as lower quality or because the student has exceptional needs not met by the local school. Families with modest incomes are unlikely to attend a private school without the assistance of the voucher.

Because voucher programs involve an appropriation, they are an attractive target when states face tough fiscal budget environments. When a voucher program is eliminated or scaled back considerably, the voucher costs avoided do represent a possible benefit to state finances. However, determining the net fiscal impact of eliminating a voucher program involves more complexity than considering the amount of funding previously dedicated to the program. Former participants, for example, are highly likely to return to public schools, thereby increasing the overall cost of the K-12 public education system. Indeed, the only case in which the net fiscal impact of eliminating a voucher program equals the original cost of the program is when all prior participants stay in the private school at their own expense. This is an unlikely outcome in any situation, and even more so when the voucher targets low income families.

When students leave private schools to attend public schools, the state and/or local district become responsible for providing whatever resources are needed to adequately educate the student. This often requires expenditures greater than the voucher costs, as voucher maximum amounts tend to be set at levels below the per-pupil allotment in public schools. The expenditures on a voucher as compared to public school vary, depending on the specifics of both programs. In this paper we consider the net fiscal impact of eliminating the Louisiana Scholarship Program using publically available data and funding formulas.

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The Louisiana Scholarship Program

The Louisiana Scholarship Program is a K-12 voucher program that enables low-income families to choose to send their children to participating private schools. In order to qualify for the LSP, a student's family income must be no greater than 250% of the federal poverty line[1] ($60,625 for a family of four in 2015-16). In this sense, the LSP is more accessible than the federal lunch program which is set at 185% of the federal poverty line ($44,863 for a family of four in 2015-16). Also, a given student must have attended a public school graded C, D, or F in the previous school year, unless they are entering kindergarten and assigned to a C, D or F graded school.[2] The voucher amount is equal to the amount allocated to the school district in which the student resides or the tuition level of the private school that the student attends, whichever is less. In 2015-16, there were 7,110 participating students and the average voucher value was $5,852.

The program started in 2008 in New Orleans and expanded to the rest of the state with the passage of Act 2 of the Regular Session of the Louisiana Legislature and Senate in 2012. In 2015-16, about a third (121) of private schools in Louisiana are participating in the LSP. In order for these schools to participate they must follow rules outlined by the state. These guidelines include an open admissions process, health and safety codes, annual financial audits, employee background checks, maintenance of a quality curriculum, and administration of all Louisiana state examinations to their voucher students. The state determines whether or not a given school will continue to participate in the LSP based on the school's ability to adhere to the guidelines. Prior research by the School Choice Demonstration Project (SCDP) has examined the short-run effects of the LSP on student achievement and racial integration. This work

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[1] https://aspe.hhs.gov/2015-poverty-guidelines
[2] https://www.louisianabelieves.com/schools/louisiana-scholarship-program

indicates that the LSP has had a negative effect on student math achievement after two years (Mills & Wolf, 2016) and a positive impact on system-wide levels of racial integration in schools (Egalite, Mills, & Wolf, 2016). Some evidence also suggests that competition from the program has improved the performance of affected public schools in the state (Egalite, 2016).

Previous Studies of the Fiscal Impact of Voucher Programs

Many previous studies have found that voucher programs result in a financial benefit to the state, usually due to the fact that, on average, tuitions of private schools participating in voucher programs are less than the per pupil revenue allocated to school districts. In other words, the typical case is that the public funds allocated to the student through the voucher are less than what they would have been if that same student attended a traditional public school.

For example, Jeff Spalding (2014) finds that the Louisiana Student Scholarships for Educational Excellence Program (an earlier pilot program limited to Jefferson Parish and Orleans Parish) saved the state $12.7 million from 2008-09 to 2010-11, when enrollment in the program ranged from 624 to 1,678 students. In addition, Robert Costrell (2011) finds that by fiscal year 2011, the net fiscal impact of the Milwaukee Parental Choice Program, Milwaukee's long-running school voucher initiative, was around $51.9 million. Wolf and McShane (2013) perform a benefit to cost analysis of the DC Opportunity Scholarship Program and find $2.62 in benefits for every dollar spent on the voucher program.

Fiscal Impact of the Louisiana Scholarship Program

The school funding formula in Louisiana is a foundation funding system intended to make sure all districts provide at least an adequate education with a combination of state and local funding.

The state funding formula is broken down into levels. Level 1 determines the base costs and average local tax rate needed so that the state provides 65% of funding and the local district 35%. In Level 1 the costs the district is expected to incur and the ability to generate revenue based on the local tax base are taken into account. Students who likely require additional resources to educate are weighted and Level 1 funding is based on weighted student counts. The local district is never expected to provide more than 75% of Level 1 funding, even if the local economy generates sufficient revenue at current tax rates. The detailed formula for Level 1 will be discussed later.

Level 2 of the funding formula includes incentives to encourage local districts to provide more than the minimum required funding. The Level 2 funding amount is 34% of Level 1 funding or local revenue in excess of Level 1 requirement, whichever is less. Level 2 funding is shared so that the local district provides a larger percentage of Level 2 funds than they do Level 1 and the state's share of Level 2 is smaller than for Level 1. With the current formula, districts that generate local revenue in excess of 58.14% of Level 1 funding receive no state funding for Level 2.

Level 3 funding is related to employee pay raises and other mandated operating costs. Level 4 funding is based on specific needs such as foreign teacher salaries, career development, and supplemental courses.   We will consider the changes in Level 1 and Level 2 funding requirements districts and the state are likely to experience if the LSP is eliminated. The funding for Levels 3 and 4 is less directly influenced by student enrollment and will be assumed to remain fixed for the analysis in this paper.

Methods

For the 2015-2016 school year there are 7,110 students attending a private school using the Louisiana Scholarship Program. If this program were to be cancelled, the state avoids the cost of the scholarships for all 7,110 students. The average cost to the state of a scholarship is $5,852[3] for the 2015-2016 school year, so elimination of the program would generate savings to the state of $41,607,720 (7,110 * $5,852) through scholarship payments avoided. Some of the students who lose their scholarships may prefer to stay in the private school and pay tuition from private sources, including family income, in the absence of the scholarship. Each of these students generate a net savings for the state since their education would be funded exclusively from private sources.

Nevertheless, it seems unlikely that *all* former LSP participants will opt to privately pay for their continued attendance in private schools. LSP scholarships are only available to students in families who earn less than 250% of the poverty line. That is $60,625 for a family of four in 2015-16. If the household pays tuition for two students at an average tuition cost of $5,852, private tuition represents 19.3% of pre-tax household income. It is likely many of these families would be unable to pay the tuition without the scholarship, which means many students would return to local public schools. When a student transfers back into a public school, the district incurs costs to provide an adequate education for that student. Since public schools are partially funded by state revenue, eliminating the LSP will cause the state to incur additional expenditures in the form of funding for local districts. The net effect on the Louisiana Department of Education (LDE) budget depends on the number of students returning to public schools (vs. staying in private schools) and the financial situations of the school districts to which they return.

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[3] http://www.thenewsstar.com/story/news/education/2016/03/08/how-much-do-vouchers-cost-la/81496864/

We consider expenditures that the state will incur based on the funding formula for Level 1 and Level 2 funding if there is an increase in the number of students attending local public schools in Louisiana. We examine the funding a school district receives from the state according to the FY 2015-2016 Minimum Foundation Program (MFP) Budget letter[4] and compare it to the funding the school district would receive if it had one additional student. We then compare the additional state educational expenditures to the scholarship payments avoided to determine the expected net effect on state education expenditures. The net effect on the state budget is equal to the total scholarship payments avoided minus the additional Level 1 and Level 2 funding:

$$\text{Net Effect on State Budget} = \text{LSP Scholarship costs avoided} - \text{Additional Level 1 and Level 2 funding based on enrollment}$$

Level 1: Base Costs

Under the Louisiana funding formula, Level 1 calculates the total base costs districts are anticipated to incur and the district's expected financial contribution to those costs. The base costs are determined by the total number of weighted students in the district. Additional weight is assigned to students who have been identified as likely to need extra resources to educate. Adjustments are made for students who are at risk (defined as qualifying for free or reduced lunches or those with limited English proficiency), gifted and talented, enrolled in career and/or technical courses, or have documented exceptionalities. The state also weights student counts to allow for extra funding for districts with fewer than 7,500 students and thus may not be large enough to fully benefit from economies of scale. The cost base in Level 1 is directly determined

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[4] Downloaded from https://www.louisianabelieves.com/resources/library/minimum-foundation-program March 21, 2016.

by the number of weighted students with costs increasing proportionally with the weighted number of students. The base cost is $3,961 for fiscal year 2015-16 per weighted student and projected to be $4,015 for the 2016-2017 fiscal year.

To calculate the Level 1 costs with one additional student we determine the ratio of weighted to unweighted (actual) student counts when the economies of scale weights are excluded. We then apply this ratio to the current student count plus one additional student. This assumes that it costs the same amount to educate this hypothetical returning student as the average student currently enrolled in the district. This is a conservative approach since the returning student is likely to be less advantaged (and therefore more costly to educate) than the average student. We then calculate the new weighted students due to economies of scale at the new, slightly larger school size. The extra allocation of weighted students due to the economy of scale adjustment increases with the number of enrolled students until it reaches a maximum at 3,750 students, and then decreases until it disappears at a district size of 7,500 students. Since this is a non-linear relationship with the number of students, we account for it separately. We assume the local tax base is unchanged with one student transferring from private to public school. From there we apply the funding formulas for Level 1 and Level 2 using the new weighted student counts.

In Level 1 the expected local contribution is determined by the local tax base. It is a combination of expected property tax revenue (net assessed property value multiplied by 17.76 mills), sales tax revenue (sales tax base multiplied by school sales tax rate), and other local revenue. The ability to generate tax revenue is determined by property values and local economic activity. While larger markets tend to have a larger tax base and more students to educate, the tax base is independent of the number of students attending *public* school. A student

moving from private to public schools increases the Level 1 cost base, but does not increase the tax base on which local education finances are based. In Louisiana, for the 2015-2016 school year, there are 683,123 students which represent 955,569 weighted students. Each actual student, on average, requires $5,466 in Level 1 costs. The state share of Level 1 costs for each district are total Level 1 costs minus the expected local contribution. Since students transferring from private schools to public schools will increase the local public education costs but not the local education revenue, this becomes an important fiscal consideration in voucher programs as it effectively increases the percentage of Level 1 funding provided by the state as it reduces the percentage of level 1 funding covered by local revenue. (No district is expected to provide more than 75% of Level 1 costs, even if the local tax base generates sufficient revenue.)

We calculate how the Level 1 cost base will change with one additional student enrolled for each district in Louisiana. When we consider all districts in Louisiana, the minimum increase is $3,247 with a maximum of $8,090, and a mean of $5,628[5]. These increased costs are shared between local districts and the state. The increase in the state's share of the Level 1 support ranges from $1,313 to $8,090 with a mean of $5,571. For most districts, the increase in Level 1 costs are funded entirely by the state since the tax base does not change. The only districts that would experience an increase in Level 1 funding obligation are those that currently collect local revenue in excess of 75% of Level 1 costs. These figures include all districts in the state, however 4 districts do not have any schools with C, D, or F grades to trigger program eligibility for local students. An additional 34 districts contain voucher-eligible schools, but do not have

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[5] This is different from the $5,466 stated earlier because this is the mean across districts (districts equally weighted) while the earlier mean was of all students (students equally weighted) in the state. This indicates that the costs would increase more for smaller districts, on average, which is consistent with the non-linear state funding formula generated by the economies of scale adjustments.

any students enrolled in the program. Table 1 contains descriptive statistics for all three

categories of districts.[6]

Table 1: Descriptive Statistics for Increased Level 1 Support

	All Districts		Districts With at Least One Eligible School		Districts With at Least One Student Using LSP	
	Total	State Share	Total	State Share	Total	State Share
Average	$5,628	$5,571	$5,619	$5,559	$5,526	$5,526
Minimum	$3,247	$1,313	$3,247	$1,313	$3,247	$3,247
Maximum	$8,090	$8,090	$8,090	$8,090	$8,090	$8,090
N	69	69	65	65	31	31

Level 2: Local Funding Incentive Support

In Louisiana, Level 2 funding is designed to reward local districts that contribute more than the

minimum amount to education funding, up to a limit based on a percentage of Level 1 costs. The

maximum Level 2 support is 34% of Level 1 costs. Based on state averages, this means the

upper limit rises $1,858 (34% of $5,466) when one additional student enrolls in the district. The

actual change in eligible Level 2 support is a function of how generously the local district funds

its schools. It is possible Level 2 support will be unchanged or increase more than $1,858 for

districts not at the maximum support level. The Level 2 support obligation is shared between the

local district and the state with local revenue share equal to the local percentage share of Level 1

Costs multiplied by 1.72. This means districts that provide more than 58.39% of Level 1 Costs

will receive no state funding for Level 2. (58.39 * 1.72 = 100; making the local district 100%

responsible for providing Level 2 support.)

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[6] There are 2 districts with current students in the LSP program, but no schools currently receiving C, D, or F grades.

If an additional student causes the percentage of Level 1 costs covered by the local

district to fall, then the local share of Level 2 support also falls and the state share of Level 2

support increases. We calculate the change in total Level 2 support for a one student enrollment

increase for every district. We find a minimum of $0 and a maximum of $2,751 with a mean of

$1,036. The state's share of funding for Level 2 support ranges from $0 to $15,674[7] with a mean

of $1,267. The increase in the state share is generally higher than the total increase because the

state now pays a higher percentage of Level 2 support resulting from the way the formula

allocates funding between the local district and the state . We again provide descriptive statistics

for all districts, districts with schools whose students are LSP eligible, and districts with students

using the program to attend private schools.

Table 2: Descriptive Statistics for Increased Level 2 Support

	All Districts		Districts With at Least One Eligible School		Districts With at Least One Student Using LSP	
	Total	**State Share**	**Total**	**State Share**	**Total**	**State Share**
Average	$1,036	$1,276	$1,007	$1,283	$1,238	$1,774
Minimum	$0	$0	$0	$0	$0	$0
Maximum	$2,751	$15,674	$2,751	$15,674	$2,751	$15,674
N	69	69	65	65	31	31

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[7] The state's share of Level 2 funding exceeds the total increase in Level 2 funding for some districts. This can occur when the district would have a lower percentage contribution to Level 2 with higher enrollment.

Results

Districts Equally Weighted

We consider the net effect on the LDE expenditures for Levels 1 and 2 combined. Across all districts, a one student increase in enrollment with the current funding formula requires the state to provide additional funding of $6,847 on average. Since the state avoids expenditures of $5,852 for each voucher no longer paid, the state *saves* $5,852 for each current voucher student who stays in private schools. The state incurs additional costs of $995 ($6,847 - $5,852) for each voucher student who moves to a public school.

All students using LSP vouchers currently have the option to return to public school at any time, but have not chosen to do so. This suggests current voucher students prefer to attend the private school, which could result in reduced expenditures for the state if the LSP is discontinued. While they may prefer to stay in private school, the income limits for program participation suggest many would be unable to pay the private school tuition without the LSP. In the experimental evaluation of the program, Mills and Wolf (2016) found that only 9% of the students that did not win a scholarship through the lottery still attended private school. Since the eligible LSP applicants who did not win the lottery are similar to LSP lottery winners, on average, in every way except access to the program, the fact that only 9 percent of low-income Louisiana students who wanted to attend a private school actually did without the help of a scholarship suggests that only about 9 percent of current LSP students will remain in their private schools absent the program. Since it is likely some students will stay in private schools while others will return to local schools, we consider the fiscal effects on the state for different proportions of students returning to local districts.

With an average voucher amount of $5,852 and additional state funding of $6,847, eliminating the LSP will have no effect on the state budget if 85.5% of voucher users return to public schools and 14.5% stay in private schools. This also means the state experiences a net increase in education expenditures if more than 85.5% of voucher users return to public schools. But all districts will not see additional students if the LSP is eliminated. If we use only districts where current LSP participants reside to calculate the mean, the mean state expenditures for an additional student are higher ($7,300) and only 79.2% of voucher users can return to public schools before the state expenditures increase. This would require 20.8% of current voucher users to remain in private schools without the voucher.

Costs Based on the Next Student

The above approach weights each district equally, even though not all districts will receive the same number of students if the vouchers are discontinued. To account for this, we weight each district's increase in state funding by the number of current voucher users to get a mean of $7,687. Using this weighted mean expenditure, the state needs 23.87% of current voucher students to remain in private schools without vouchers in order to break even. We also weight each district's marginal funding by the number of voucher-eligible schools within the district (those earning grades of C or lower). Tables 3A and 3B show the net effect to the state finances based on different assumptions regarding how many voucher students would remain in private schools if the program were to be discontinued. Under these assumptions, the state will face a financial loss unless about one out of four low-income voucher students choose to pay for their private school tuitions through private means. This seems overly optimistic given that students must come from a low-income household in order to qualify for the LSP.

**Table 3A: Net Impact of Removing LSP on Public Funds (FY 2016)
(Marginal cost of 1 student per district weighted by current voucher users)**

Assumed % of LSP staying in private	Transfer Costs Incurred	Voucher Costs Avoided	Net Benefit (Loss)	
0%	$54,651,871	$ 41,607,720	$	(13,044,151)
5%	$51,919,278	$ 41,607,720	$	(10,311,558)
10%	$49,186,684	$ 41,607,720	$	(7,578,964)
15%	$46,454,090	$ 41,607,720	$	(4,846,370)
20%	$43,721,497	$ 41,607,720	$	(2,113,777)
25%	$40,988,903	$ 41,607,720	$	618,817

Breakeven is 23.87%

**Table 3B: Net Impact of Removing LSP on Public Funds (FY 2016)
(Marginal cost of 1 student per district weighted by voucher-eligible schools)**

Assumed % of LSP staying in private	Transfer Costs Incurred	Voucher Costs Avoided	Net Benefit (Loss)	
0%	$55,776,440	$ 41,607,720	$	(14,168,720)
5%	$52,987,618	$ 41,607,720	$	(11,379,898)
10%	$50,198,796	$ 41,607,720	$	(8,591,076)
15%	$47,409,974	$ 41,607,720	$	(5,802,254)
20%	$44,621,152	$ 41,607,720	$	(3,013,432)
25%	$41,832,330	$ 41,607,720	$	(224,610)

Breakeven is 25.40%

Costs Based on the Average of All Students Returning

All of the calculations so far have taken the fiscal effect for a one student change in enrollment

and scaled it up or weighted it based on the number of voucher-eligible schools and/or students

using the program in 2014.   Given the non-linear Louisiana school funding formula, it is likely

that the extra state funding for two students is not simply double the amount for one student. It

could be greater than (or less) depending on a variety of factors. We recognize this possibility

and calculate the additional state funding needed if all of the current voucher users returned to

their residentially assigned district. We again use the ratio of weighted students to student enrollment and then calculate the economies of scale adjustment to find the additional state funding. We divide by the number of additional students to get per student funding. We find a minimum of $5,152 and a maximum of $8,606 with a mean of $6,767 when each district that would experience returning students is equally weighted. When we weight by the number of students currently using the voucher we find a mean of $7,275. With these estimated additional state expenditures, cancelling the LSP allows the state to break even if 13.52% or 19.56%, respectively, of current voucher students remain in private schools. Tables 4A and 4B below show the net effect on state education expenditures when between 0% and 25% of voucher students remain in private school.

Table 4A: Net Impact of Removing LSP on Public Funds (FY 2016)
(Per student costs when all students return, each district equally weighted)

Assumed % of LSP staying in private	Transfer Costs Incurred	Voucher Costs Avoided	Net Benefit (Loss)	
0%	$48,113,536	$ 41,607,720	$	(6,505,816)
5%	$45,707,860	$ 41,607,720	$	(4,100,140)
10%	$43,302,183	$ 41,607,720	$	(1,694,463)
15%	$40,896,506	$ 41,607,720	$	711,214
20%	$38,490,829	$ 41,607,720	$	3,116,891
25%	$36,085,152	$ 41,607,720	$	5,522,568

Breakeven is 13.52%

**Table 4B: Net Impact of Removing LSP on Public Funds (FY 2016)
(Per student costs when all students return, weighted by voucher users
residing in the district)**

Assumed % of LSP staying in private	Transfer Costs Incurred	Voucher Costs Avoided	Net Benefit (Loss)	
0%	$51,726,281	$ 41,607,720	$	(10,118,561)
5%	$49,139,967	$ 41,607,720	$	(7,532,247)
10%	$46,553,652	$ 41,607,720	$	(4,945,932)
15%	$43,967,338	$ 41,607,720	$	(2,359,618)
20%	$41,381,024	$ 41,607,720	$	226,696
25%	$38,794,710	$ 41,607,720	$	2,813,010

Breakeven is 19.56%

Of all the estimates presented, we consider Table 4B to be the best case scenario for the state. These estimates assume all returning voucher users are identical to the typical student currently enrolled in the district. Since LSP students must be relatively low-income in order to qualify, they are more likely to be at risk and therefore more costly to educate.

To calculate the increased per student funding figures in Tables 4A and 4B, which have much less variability than the funding for a one student increase, we assume all current voucher users return to their assigned public district, which would suggest they are most accurate for the top row where 0% of current voucher users remain in private schools. A more likely outcome is that some, but not all, current voucher users return to public schools and individual districts would experience enrollment growth somewhere between 1 student and all of the current voucher users. As a *middle-of-the-road* funding estimate, we take the average between the 1 student and all students returning cost estimates for each district with current voucher users. When we do so, we find the average student funding amount to be $7,481 and a breakeven point of 21.77% students staying in private school. The net effect to the state when the assumed

proportion of students staying in private school varies from 0 to 25% is shown in table 5 below.

With these estimates, the state will have higher education expenditures unless more than one in

five voucher users remain in private schools without the voucher.

Table 5: Net Impact of Removing LSP on Public Funds (FY 2016)
(Average between the per student costs of one student returning and all
students returning, weighted by voucher users residing in the district)

Assumed % of LSP staying in private	Transfer Costs Incurred	Voucher Costs Avoided	Net Benefit (Loss)	
0%	$51,726,281	$ 41,607,720	$	(11,581,356)
5%	$49,139,967	$ 41,607,720	$	(8,921,902)
10%	$46,553,652	$ 41,607,720	$	(6,262,448)
15%	$43,967,338	$ 41,607,720	$	(3,602,994)
20%	$41,381,024	$ 41,607,720	$	(943,541)
25%	$38,794,710	$ 41,607,720	$	1,715,913

Breakeven is 21.77%

Discussion

We present various estimates of the fiscal impact of ending the Louisiana Scholarship Program

on state education expenditures. We think that our estimates are conservative, and that the actual

fiscal effect of ending the program would be somewhat more negative than what we simulate

here. Our analysis indicates that the net effect of ending the LSP is likely to increase state

expenditures unless a large number of voucher users find another way to pay private school

tuition and therefore remain in their chosen private schools. Potential net savings to the state are

only possible if education expenses for voucher students shift from the public sector to the

private sector. The percentage of LSP students who need to stay in the private sector for an

overall net savings ranges from 13.52% to 25.4%, depending on the statistical model. Wherever

our analyses indicate that the state will save money by eliminating the program, those savings are

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quite small, amounting to only a few million dollars. In no case does the state benefit fiscally if

fewer than 13.52% of students remain in the private schools. Even the lowest estimated

requirement is over one and a half times the 9% of control group students that actually chose to

finance their private schooling without voucher funding (Mills & Wolf, 2016).

Furthermore, we only consider the incremental costs of Level 1 and Level 2 funding. If

increased student enrollment would trigger additional funding from the state for Levels 3 or 4,

the costs to the state of ending the LSP would actually be higher. Any claims that eliminating

the LSP will generate a net fiscal benefit for the state are either overlooking the implications of

additional students in the funding formula, or are incredibly optimistic about the ability of low-

income families to pay private school tuition without the aid of the LSP.

Throughout this analysis we have assumed that the only change to the Level 1 and Level

2 funding formulas would be the number of students enrolled. All of the net increases in

educational expenditures we project would go to districts experiencing enrollment increases once

LSP vouchers are eliminated. If the state wishes to eliminate the LSP without increasing net

expenditures (even if all students return to local districts), it is possible. The state could decide

to increase local funding requirements in Level 1 so that the balance remains 35% local funding

and 65% state. With all voucher students returning to local districts, the required local funding

would go from 17.76 to 17.96 mills. This would require *all* districts in the state to provide more

revenue toward Level 1 funding. Since Level 2 support is determined by the excess local

revenue above what is required for Level 1, districts could see Level 2 support fall if the required

millage is increased. The state also has the ability to change the multiplier used to determine the

percentage of Level 2 support the district is expected to provide with local revenue. It is

currently 1.72, but if it is increased, Level 2 support would be shifted so that local districts would

have larger support obligations. Either of these adjustments could prevent a change in the total

state education expenditures, but would do so at the expense of all local districts in the state.

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About the SCDP

Housed within the Department of Education Reform at the University of Arkansas, the School Choice Demonstration Project (SCDP) is an education research center dedicated to the nonpartisan study of the effects of school choice policy. Led by Dr. Patrick J. Wolf, the SCDP's national team of researchers, institutional research partners and staff are devoted to the rigorous evaluation of school choice programs and other school improvement efforts across the country. The SCDP is committed to raising and advancing the public's understanding of the strengths and limitations of school choice policies and programs by conducting comprehensive research on what happens to students, families, schools and communities when more parents are allowed to choose their child's school. Reports from past SCDP studies are available at http://www.uaedreform.org/school-choice-demonstration-project/.