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THE 21ST CENTURY EDUCATION SAVINGS ACCOUNTS: PEER REVIEWS, BRANDING AND CONSUMER REPORTS AS PARENT TOOLS

By Inez Feltscher

WHAT IS AN EDUCATION SAVINGS ACCOUNT (ESA)?

School choice programs, from charter schools to voucher and tax credit scholarship programs, enjoy bipartisan support and are growing quickly across a majority of states. However, not all school choice programs are created equal. Education savings accounts, sometimes called flexible education spending accounts or ESAs, are “the new kid on the block” in the arsenal of innovative programs that allow parents to direct funds toward the educational opportunities that best suit their child. ESAs take Milton Friedman’s initial voucher plans to the next logical step: allowing parents to fully control the dollars the state allocates for the education of their pupil.

When a parent applies for an ESA program in one of the five states that have programs—Nevada, Arizona, Florida, Tennessee and Mississippi¹—a percentage (usually 80 to 100 percent) of the funds, goes into a restricted-use bank account controlled by the parent instead of going directly to the school district in which the child is geographically registered. In some states, such as Arizona and Nevada, the parent then is given a debit card with certain anti-fraud safeguards to use for pre-qualified education expenses, from individualized therapy and tutoring, to online

coursework, community college classes, curricula, school tuition and much more. Similarly to the way a food stamp program recipient’s card cannot be used to purchase alcohol or lottery tickets, an ESA recipient would not be able to use the card at a gas station or for other unapproved expenses not related to educating his or her child.

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The “savings” part of education savings accounts comes from the potential to roll over funds to future years, and eventually into a college savings account or toward post-secondary credentialing apprenticeships. This incentive to hunt for value takes ESAs out of what Milton Friedman called the worst category of spending—spending someone else’s money on someone else—which incentivizes neither shopping for quality nor value. Traditional vouchers incentivize shopping for quality, as families choose where to spend someone else’s dollars. However, the student loan-tuition increase cycle² should warn K-12 reformers of the possibility of price inflation in this kind of market, where no one has a direct incentive to care about value for the dollar.

Enter ESAs, which introduce that incentive to save by allowing parents to roll over funds for the more expensive high school years or for post-secondary education and training. ESAs, unlike other school choice options, help parents shop for the best-quality educational options at the best price.

ESAs are just one more example of the states taking the lead and producing real reform while the federal law stagnates. While 2011 was named “the Year of School Choice” by the *Wall Street Journal*³, the 2016 and 2017 legislative sessions are likely to produce the “Year of Education Savings Accounts,” with legislation introduced in Alabama, Arkansas, Delaware, Georgia,

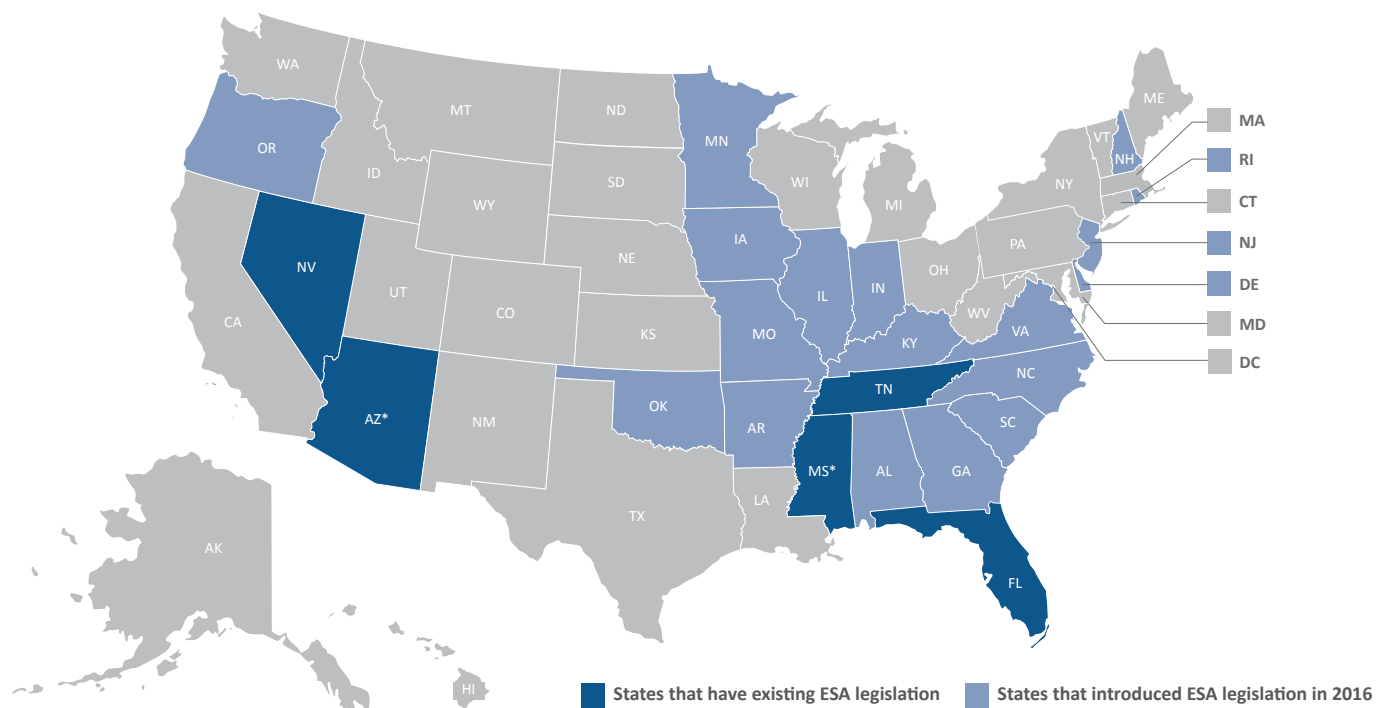
Iowa, Illinois, Indiana, Kentucky, Oklahoma, Oregon, Minnesota, Missouri, New Hampshire, New Jersey, North Carolina, Rhode Island, South Carolina and Virginia. The 21st century revolution of a sector that has seen precious little reform for a century is on the cusp of arrival.

ESA SUCCESS

Arizona has the longest-running ESA program with the highest enrollment, and as such provides an instructive example. While initially the program made only children with special needs eligible, in 2012 the program expanded to allow children in underperforming schools graded as “D” or “F” by the state, children of active duty military members and those killed in the line of duty, and children adopted out of the foster care system. Later expansions included Native American children living on reservations, otherwise-qualifying entering kindergarteners, and siblings of those already in the program. While 2,500 students are enrolled in the program this school year, the program has grown between 75 and 150 percent in size each year. Almost one-fifth of Arizona students are now eligible.

About two-thirds of families in an initial survey done in Arizona use their education savings accounts similarly to a voucher, meaning they use it to pay for tuition and expenses at a pri-

States that Have or Introduced ESA Legislation in 2016



* Current as of April 2016, Florida is considering amendments to its pre-existing ESA bill.

vate school of their choice.⁴ The schools chosen by ESA parents showcase a panoply of educational foci and styles, from schools specializing in a particular type of disability, to parochial schools from varying religious traditions, to Montessori and Waldorf academies.

But nearly one-third of families in the initial survey were using their ESAs at two or more education providers, meaning they were taking full advantage of the customization ESAs offer. In the most recent survey, those customization numbers have dropped to just below 30 percent, reflecting an ongoing high rate of customization because the program's initial participants were nearly all special needs families, who have a higher need for customization due to particularized challenges.⁵

Parental satisfaction provides another way to measure the success of the program. In Arizona, parents are extremely satisfied. Ninety percent of parents surveyed reported either being “satisfied” (19 percent) or “very satisfied” (71 percent), while a further ten percent were “somewhat satisfied.”⁶ Not one single parent surveyed indicated that they were even neutral toward their experience, let alone dissatisfied. This stands in sharp contrast to these same parents’ attitudes toward their children’s previous public school experiences, where nearly half reported being unsatisfied.⁷

Among low-income families, who frequently are stuck with the worst the public school system has to offer, the change in satisfaction rates was even more dramatic. A majority of these parents—56 percent—were “very unsatisfied” with their public school options, an indictment on a system that would make that option their only choice. Among these parents, 89 percent—nearly nine in 10 parents—reported that they were “very satisfied” with their ESA.⁸

In other states with programs too new or small to have been studied in depth, anecdotal evidence suggests that this can be a lifesaver for many parents, especially those whose children have special needs. To showcase just a single example, Floridian parent Julie Kleffel’s daughter, Faith, has Down syndrome, and has already had to face many challenges in her young life.⁹ With her ESA, Julie has created a customized educational program made up of one-on-one tutoring and therapy for her daughter that has helped Faith become a “bubbly seven-year-old,” a program which as a widow, Julie has had difficulty paying for. Before the program was enacted, Julie was forced to forgo additional services and therapies she believes would

have helped for financial reasons. But with Florida’s ESA program, Julie has been able to avoid the tough choices in the past that have limited Faith’s therapies. She has called the program “life-changing” for her family.



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POLICY DESIGN CONSIDERATIONS

Universality

Last year, in a tremendous leap forward for the school choice movement, a near-universal ESA program was passed in Nevada, excluding only those who did not attend public school for 100 days. Nevada’s example shows that it is absolutely possible to create transformative change in a way that does not divide children into groups, but rather strives to offer each and every child the best educational opportunities.

ESAs are not just a “ticket out” for families with children in failing public schools, although they function as just that for many who are worst-served by the public school system. ESAs have the potential to completely rearrange the education system so that it serves each child at his individual level. Even students in “good” schools may find a better fit elsewhere, so parents should have the opportunity to demand an individually-tailored educational experience from the system. An ESA system merely recognizes the fact that a one-size-fits-all system is not the best way to deliver education when students and families are so diverse in strengths, challenges, learning styles, communities and values.

Some opponents of universal ESA programs argue that they, in contrast to more targeted school choice programs that focus on groups disadvantaged in the current system, will widen the achievement gaps between student groups as well-educated, more-affluent parents take full advantage of the customization possible under the program. But those with the means are often the early adopters of game-changing products and services which then spread and improve options across all socioeconomic groups.¹⁰

Today's cheap, prepaid phones at Walmart, which are sold at a very low price point for the market, nevertheless far outstrip the capacity of the first iPhones that only the wealthy could afford to buy a decade ago. In other words, today's poorest cell phone consumers are able to afford a product of higher quality than the wealthiest consumers just a decade earlier. Similarly, while it is possible—although by no means guaranteed—that parents with more social capital to spare will be the earliest adopters and users of ESAs, their participation will create more and better opportunities for all children, regardless of socioeconomic class or background.¹¹

Furthermore, in order to attract a critical mass of education entrepreneurs—textbook publishers, education technology companies, tutoring services, online course offerings and more—the market of parents with ESA flexibility must be sufficiently large to attract innovators and creators. Tailored programs with narrow eligibility may grant a lucky few a way out of a system that is failing them, but they do little to change the priorities of the education system as a whole or to attract innovators to a field where precious little has been changed in more than a century.

Creating a true market in education, where innovators with great ideas vie with one another to deliver the best educational options to parents and students, requires more than merely an escape route for those currently least well-served by the current system. The more families take advantage of their education purchasing power—which currently goes without their consent and without competition to the traditional public school system—the more incentive there is for entrepreneurs to create higher-quality, groundbreaking educational options for parents. The difference between a specialized program and a universal one is the difference between extending a lifeline to those most impacted by a bad system, and creating a 21st century system that works to provide better educational opportunities for every student, no matter his or her background.¹²

Funding

ESAs are usually implemented as a state-funded “voucher”, meaning the state simply deposits the money directly into the parents’ special account, which they can then use to purchase education items a la carte or turn over to a school as a lump sum. However, an ESA program¹³ could also be funded through a tax credit scholarship program, where instead of getting a lump-sum scholarship to go to a particular school as recipients of the tax credit scholarship program do in Florida, parents would instead get access to that money in an account and use it the same way parents would use a directly state-funded ESA.¹⁴

Generally, tax credit programs tend to be less-regulated than voucher programs,¹⁵ and are often in a stronger position to be upheld under state Blaine Amendments,¹⁶ since they deal with private funds that never pass through government hands. On the other hand, tax credit programs may have a scale problem; Florida’s program has almost 80,000 kids enrolled, and may already be pushing the outer limits of what tax credit donors can support.¹⁷ Additionally, a potential problem may arise when scholarship-giving organizations try to control use of the funds, especially if they are not awarding scholarships to enough students to take advantage of the kind of large-scale anti-fraud protections in use in food stamp programs. The expense—in time and money—of making sure funds are being used appropriately may be a tough task for smaller SGOs, creating pressure for consolidation or even monopolization in the market.



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Regardless of what path the money takes into a parent's account, the key attribute that separates an ESA from other school choice options is the flexibility given to the recipient.

Accountability

ESA programs must strike a delicate balance between accountability for taxpayer dollars and not too tightly circumscribing parent choice. The goal of accountability provisions in ESA programs should be preventing fraud, not superseding parents' decisions about what educational program works best for their child.

Analysis of the recent negative academic results from the Louisiana voucher program suggests that overregulating parents' choices can also have a negative impact on the quality of the options to which they have access. Highly-regulated programs may actually drive away providers in a position to leave money on the table because their services are high-quality and already have sufficient private demand.¹⁸

For example, while some states do not require students to be tested at all, like Arizona, others have required ESA students to take their parents' choice of any nationally norm-referenced tests to measure their academic success and make comparisons between different educational programs possible. Other states have found that requiring parents to administer their choice of nationally norm-referenced tests provides a balance between gathering academic data and not limiting parent options.

Restricting assessment options to the state test may have backfired in Louisiana, where only one-third of the private schools in the state participate in their school choice programs.¹⁹ The schools that are incentivized to take on the burden of administering the state test and other stringent regulations are those which are more likely to have declining enrollment prior to entering the program.

Ironically, Louisiana's experience provides evidence that super-stringent regulation on school choice programs can actually harm the quality of educational options available to parents because it drives out many of the best providers, which sometimes do not see the need to jump through hoops when they are already doing well. This effect would be potentially even larger in the ESA context, because the market there would include not just schools, many of which are used to interacting with government bodies and regulation, but small educational provider start-ups such as tutoring and education technology companies



Government regulation is not synonymous with accountability; indeed it is often the case that government regulation precludes or preempts true accountability from parents.

totally unused to spending money to comply with choking regulatory hoops.

Many regulatory measures are borrowed from the public school system, and sound reasonable on first examination. However, while in the public school system students are trapped in their assigned schools, in a school choice environment such as an ESA program, parents act as the ultimate accountability measure by taking their dollars elsewhere when an educational product or school does not work for their child. Parents can provide better accountability than any government regulation, as the lack of real accountability for results in the traditional public school system can attest. Public schools have webs of "oversight" regulation that supposedly act as quality control, but no one in the public bureaucracy was fired when results on the National Assessment of Educational Progress—known as the nation's report card—declined substantially this past year.²⁰ Government regulation is not synonymous with accountability; indeed it is often the case that government regulation precludes or preempts true accountability from parents.

This is not at all to say that there should be no oversight over ESA program funds. Accountability provisions should be structured with the goal of providing transparency to taxpayers rather than second-guessing parents' choices and educational values; ensuring that ESA taxpayer dollars are going to legitimate education expenses rather than fraudulent purposes. Here too,

lawmakers must be careful not to create too much red tape that is hard for parents, especially lower-income parents with multiple jobs or caretaking roles, to cut through in order to use the program, but strike a reasonable balance between tracking where taxpayer dollars are going and placing the burden of that tracking on parents as an unfunded mandate.

NAVIGATING NEW TERRAIN

ESA opponents, and those who oppose school choice in general, argue that parents cannot handle the responsibility of choosing their children's educational paths. While this argument frequently serves as a smokescreen for paternalism, even legitimate critics might wonder how parents with any number of tasks on their plates—work, childcare and family responsibilities—will find the time to accurately sort through what could very well become a “wild west” of dizzyingly-varied educational options.

Research suggests that, not only do parents choose rationally, they use “various shortcuts in order to arrive at a satisfactory choice in an efficient manner.”²¹ Just like in any other market, parents will use consumer reviews, branding, and expert consulting to sort through the educational market to find the best options for their children. These are the tools consumers in other markets—restaurants (Yelp), sodas (Coca Cola products), and universities (*U.S. News & World Report*; college counselors)—employ to help them make decisions without individually

sifting through every product in a vast array of options. And the home schooling community, consisting of nearly 1.8 million students, proves parents are quite capable of managing a marketplace of curricula, instructional materials, education technology and assessment tools.

Consumer Reviews

There is evidence that parents weigh fellow parents' reviews heavily when selecting between educational options, and that parents seek out this kind of peer information. For example, GreatSchools.org, a website which grades traditional public, private and charter schools on aspects like performance on standardized tests, extracurricular options offered, and advanced program opportunities, recently added a section for parent reviews. In pre-launch research, they determined that parent reviews made a huge difference in how other parents perceived the quality of a school, and that it was at least as heavily-valued a category as test scores. This is not news to anyone familiar with how parents use word-of-mouth to make school choice decisions, but in the Internet age, parents can now harvest information from the opinions of a much wider audience. Most parents are very familiar and comfortable with the concept of both searching for and writing Internet reviews.

There is already at least one example of a parental review network organically popping up to help parents sort through providers to hire with their ESAs. In Arizona, ESA parents set up a message board to swap tips and reviews of schools, tutors and therapy providers. In a world where many more parents have ESAs, such networks are even easier to set up and can cultivate many more reviews.

Alternatively, as reviews become too numerous for message boards to handle, certain trusted reviewers might build followings of those who have found their recommendations valuable in the past. In the home schooling market, this is old hat; trusted blogger Cathy Duffy has been reviewing home-school products since 1984. Her reviews generally run several paragraphs, and include “Instant Keys” on elements like age suitability, whether or not instructors are needed, preparatory time required and religious perspective, so that readers can quickly determine which products they want to consider more seriously.²² But Cathy Duffy Reviews is just a single example, and dozens of homespun review blogs exist in the home schooling community, each with its own following devoted to a certain type of educational perspective.



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The larger the community of parents buying educational products get, the more parents can search for reviews from perspectives similar to their own, from other families who are searching for the same type of educational experiences. Current research suggests that parents participating in school choice programs seek academic quality, small classes, safety and discipline, and an educational environment that mirrors their values.²³ But of those education features, only small class size is objectively quantifiable, while the other three depend heavily on subjective assessments unique to the family. Large-scale peer review will not only enable parents to seek out evaluations of their educational options, it will allow them to sort through those reviews and form online communities with other parents who share their perspective, making information gleaned from both positive and negative reviews that much more accurate and valuable.

As ESAs become more mainstream and attract a larger and larger number of parents and education entrepreneurs, parents will be able to rely on the 21st century version of word of mouth—the power of consumer reviews—to gauge and decide between quality educational options.

Branding

Branding has the potential to cut through much of the clutter inherent in an educational marketplace of choice. Parents do not agree on what a “good education” means for their children; in a country as diverse as the United States, forcing the vast majority of children to attend one system of schools sets up society for repeated clashes over the purpose and meaning of education.

Many are already familiar with recognizable brands in the education space: the Catholic education and KIPP charter schools brands mean a high academic bar, Montessori preschool means a focus on small-muscle control, Orton-Gillingham means a successful reading method for children with Dyslexia, Hillsdale College means an education rooted in the philosophies of the American Founding, and so on. ESAs open a new world for these already well-known brands, along with hundreds and probably thousands of new ones, to sell a particular vision of education at the individual parent level, avoiding many of the clashes often taken for granted in our education system today.

One such clash is as old as time: is the purpose of education to get to college and/or career readiness, or is it an end to itself,



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producing citizens with better judgment and character? Changes in curriculum and testing reflecting one view or the other leads to a backlash as parents are enraged because they are stuck in a one-size-fits-all system over which they have little direct control.

Bringing educational choice—and choices between visions of educational purpose—to the individualized level short-circuits the vitriol behind many of these divides. Parents will use branding to find educational programs that best jibe with their own visions of what education ought to be for their children. This burgeoning market will create enormous opportunities for all kinds of reformers, currently all engaged in a battle to seize the system for their own visions.

For example, American companies have long complained that the skills needed in a 21st century workforce have been neglected in the country's schools, and that the system is graduating candidates with little employability in America's business world. Part of their effort to create graduates ready to start careers, however, has meant that parents who believe in different educational goals, such as a classical liberal education, have had to fight political battles to prevent their school systems from moving in a direction many do not want for their children.

In an ESA world, companies could band together to produce a set of standards without political compromise, and contract



The study data suggest that parents balanced academic performance, school safety and other qualities in their decision to continue or to leave the school.

with educational providers to offer a package implementing them in curricula and lessons. There is no reason why in an ESA world, parents could not purchase package-deals of educational services and assessments that are approved by a consortium of business leaders in a particular industry, or section of industries, giving those students a resume line and a leg up into careers in that industry upon completion.

Similarly, parents who are most interested in education as a tool for shaping traditional American citizens with a grounding in the Western canon might turn to a trusted brand like Hillsdale College, known for its rigorous education in the history and founding principles of the United States. Hillsdale College has already opened charter schools under the same brand banner, hoping to spread their vision of education to the K-12 level.

In the home schooling world, Bob Jones University Press serves as a calling card for evangelical Christian home-schoolers, who know that purchasing materials marketed by BJU with their three key values—“biblical worldview, sound education, and joy of learning”²⁴—will not conflict with their values and the type of education they are trying to provide for their children. BJU Press advertises in venues where parents sharing their worldview are likely to be found, such as home-school conventions, talk radio channels and churches.

In an ESA world, Hillsdale College, BJU Press, and college and career-ready standards would compete alongside dozens of other educational visions, from Howard Zinn’s “People’s History” to hands-on learning to STEM-focused blended learning. An education system that allows parents, not politicians and bureaucrats, to resolve the tensions between different visions of the purpose of education is key for America’s diverse republic.

In order to find education providers that match with their vision and children’s learning style, parents may rely on trusted brands. Opponents may worry, though, that parents may be duped by slick branding and advertisements. Fortunately, there is good evidence that this is not the case, and that parents do recognize when an educational experience is out of sync with the presented brand, and furthermore, parents step up to do something about it when they recognize such disparities.

A study by University of Arkansas researcher Patrick Wolf found that in the case of Catholic schools, parents not only had specific expectations based on the Catholic school brand, but in cases where the education delivered was out of step with what was advertised through the brand, there is evidence that some parents reacted to this disappointment with higher attrition rates from the program.²⁵ The study data suggest that parents balanced academic performance, school safety and other qualities in their decision to continue or to leave the school, so it makes sense that there was not a perfect match between those disappointed in a particular brand promise and those choosing to leave entirely.

Contrary to opponents’ assertions, these parents were not the most affluent and well-connected; the parents in the study were those with children enrolled in the voucher program in Washington D.C., which are mostly targeted to specific disadvantaged or low-income populations and where the participants have an average income of less than \$22,000 a year.²⁶

Once parents are empowered to direct the dollars the state already spends on educating their child, the evidence shows they do not act as passive stewards, easily fooled by slick exercises in marketing. Rather, they use branding the same way most consumers use it: as a way of sorting through the many options available. When the branding or advertising conflicts with what parents assumed the educational quality to be, they take steps to rectify that deficit and become their children’s best advocates.

Expert Consulting

Another tool parents in an ESA world might use is expert consulting, whether that is buying professional consumer reports, like the *U.S. News & World Report*, or by hiring a person intimately familiar with the available market to help find exactly the right education providers based on the parent's instructions.

Expert consumer reports are ubiquitous in other markets, from *Car and Driver* to the Zagat guide, and even within higher education, where the *U.S. News & World Report* is so powerful that universities tailor their admissions to its grading categories. For those who home-school, there are professional magazines where experts help parents with everything from curricula decisions to lesson planning.

Similar expert reviews will inform ESA parents and providers on how an educational option's standards align to PISA or AP college credits. While peer reviews help parents with basic quality and experience, expert consumer reports can inform them about alignment with best practices in education; peer reviews may be more helpful regarding "bedside manner" and customer service, while expert consumer reporting can provide a more objective assessment of how well what is provided aligns with various measures of academic success.

The state department's administering of the ESA programs can also be a type of expert review. In Arizona, the department already invites providers to "whitelist" with them for ESA pre-approval. This practice provides two benefits. First, it streamlines the process of approval for families, who can use their ESA debit card at previously-examined whitelisted providers without waiting for anti-fraud processing. Second, the department can act as a gatekeeper, not to exclude non-whitelisted providers, but to become a forum where parents can see some of the bigger and more well-marketed options vetted by the department.

Another type of expert consulting can provide the more personal touch. Wealthy and educated families already hire college admissions consultants for their high-schoolers to help craft their applications, but ESAs would expand access to these services to all families at the K-12 level. Most ESA programs already allow a small percentage of ESA funds to go toward this purpose. Consultants familiar with the education market could be the "guidance counselors 2.0" in an ESA world, helping parents with a vision for their child's education who are struggling to find providers to implement what they have in mind create

reality out of their ideas. Expert counsel will also be helpful in helping parents understand what is marketable in the business world or what makes a good university application.



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WHAT AN ESA WORLD MIGHT LOOK LIKE

So what might a true ESA market in education look like? Parents will be assembling customized education plans for their children—Johnny might take math with the award-winning teacher at the local charter school, be taught English literature at home, and purchase access to a professional biology lab to do dissections. He might excel in history, taking college-level classes online with the help of a professional tutor twice a week. For his dyslexia, he might take one-on-one reading therapy on weekends, assuring that his difficulties are addressed in an individualized way impossible in the public school classroom.

He will not be assessed by how many hours he spends in the classroom, but by how well he has mastered each skill and learned each concept. His learning will take place as quickly or slowly as he needs to go, and being behind in one subject will not jeopardize his advancement in another. His graduation will be competency-based, not merely a marker of showing up and sitting through 13 years of classroom seats.

In order to find the best providers for each of Johnny's strengths and weaknesses as a student, his parents will use the local Yelp-

style review website to vet his tutors before hiring them. They will select his curriculum and lessons based on the brand that best reflects their family's values and aspirations for Johnny's future. And when they have difficulty finding the perfect match for him among the options they can find locally, they will consult with an education market expert who will advise them on how to find what they're looking for, and how their assembled education will stack up against college or career requirements. ESAs have the potential to unlock a true 21st century market in education, real educational choice rather than merely school choice, which is still rooted in the 19th century institution of the school.

A comparison between two markets is illustrative. On the one hand, there is the traditional, top-down model in high school textbooks, where government boards in California and Texas determine the options that are used by more than 50 million public school children in the United States,²⁷ even while technological entrepreneurs like Copia,²⁸ which makes it possible for teachers to select the best portions from multiple textbooks, chapter by chapter, have to battle through an army of regulations and bureaus before being allowed to sell their revolutionary product to school districts.



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In contrast, the burgeoning market in home-school materials is wide open and robust. Parents attend conventions where rows of education providers line exhibit halls, hoping to catch their attention. Peer review blogs, magazines, and branding sorts the material into categories for different types of families. Families share expensive purchases in co-ops, and hand off lesson plans when their own children have outgrown them. Home schooling families do not all look alike or educate alike, and neither do the 87 percent of families²⁹ who are currently sending their children to public schools.

An ESA marketplace would open up the world of customization to the majority of parents who do not have the time, skills, or inclination to school at home. Instead, it would allow them to contract with an army of providers, all competing to create the best possible individualized education for each child, as determined by those who know him best—his parents.

CONCLUSION

ESA programs shift responsibility for a child's education back to parents, but a growing market in education programs, technology and instructors means that parents are not required to actually be their children's full-time teachers. Because of this, ESA programs have the potential to revolutionize the entire education system in a way that home schooling does not, because many more parents will be able to participate in directly overseeing their children's education—using peer reviews, branding and professional consulting to help them find the options and providers that are best for their child—without it becoming too time-consuming an endeavor for the average family.

In order for this 21st century vision of education to be realized, programs must be large enough, broad enough and unencumbered enough to spark the interest of education innovators to come compete for parents' dollars. Instead of being mediated by school districts, state boards and legislatures, education providers will be able to go straight to those whose opinions matter most—parents. The evidence, both from studies of school choice programs and from observing the home schooling world, shows that parents will be informed consumers, using peer reviews, branding and expert consulting to sort through the market for the best-fit options.

[End Notes]

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MODEL POLICY

THE EDUCATION SAVINGS ACCOUNT ACT:

Section 1. {The Education Savings Account Act}

Section 2. {Definitions}

(A) “Program” means The Education Savings Account program created in this subchapter.

(B) “Eligible student” means any student who has been enrolled in a public school in {state} during the period immediately preceding the establishment of an education savings account pursuant to this section for not less than 100 school days without interruption. [i]

(C) “Parent” means a resident of this state who is a parent, guardian, custodian, or other person with the authority to act on behalf of the child.

(D) “Department” means the state Department of Public Instruction or an organization chosen by the state.[ii]

(E) “Resident school district” means the public school district in which the student resides.

(F) “Participating school” means any private school that provides education to elementary and/or secondary students and has notified the Department of its intention to participate in the program and comply with the program’s requirements.[iii] (G)

“Private tutoring” means tutoring services provided by tutors accredited by a regional or national accrediting organization. (H)

“Eligible postsecondary institution” means a community college, an accredited university or an accredited private postsecondary institution.

Section 3. {Basic Elements of The Education Savings Account Act}

(A) Any parent of an eligible student shall qualify for the state to make a grant to their child’s education savings account if the parents sign an agreement promising:

- 1) To provide an education for the eligible student in at least the subjects of reading, grammar, mathematics, social studies, and science;
- 2) Not to enroll their eligible student in a district or charter school.

(B) The state shall deposit into an Education Savings Account the dollar amount the resident school district would have received to serve and educate the eligible student from state and local sources had the student enrolled there. A participating student shall be counted in the enrollment figures for his or her resident school district. The funds needed for a scholarship shall be subtracted from the state school aid payable to the student’s resident school district. [iv];

(C) Parents participating in the Education Savings Account program shall agree to use the funds deposited in their eligible student’s accounts for the following qualifying expenses to educate the eligible student:

- (1) Tuition and fees at a participating school.
- (2) Textbooks required by a participating school.
- (3) Payment to a licensed or accredited tutor.
- (4) Payment for purchase of curriculum.
- (5) Tuition or fees for a non-public online learning program.
- (6) Fees for national norm-referenced examinations, Advanced Placement examinations or similar courses, and any examinations related to college or university admission.
- (7) Contributions of up to \$2000 annually to the eligible student's qualified tuition program established pursuant to 26 USC Section 530 or 11 USC Section 529.
- (8) Educational services for pupils with disabilities from a licensed or accredited practitioner or provider. (9) Tuition and fees at an eligible postsecondary institution.
- (10) Textbooks required for college or university courses.
- (11) Fees for account management by private financial management firms approved by the Department.

(D) A participating school, private tutor, eligible postsecondary institution or other educational provider may not refund, rebate, or share a student's grant with a parent or the student in any manner. The funds in an Education Saving Account may only be used for educational purposes.

(E) Parents will be allowed to make payments for the costs of educational programs and services not covered by the funds in their accounts.

(F) A participating student shall be counted in the enrollment figures for his or her resident school district for the purposes of calculating state aid to the resident school district. The funds needed for a grant to an Education Savings Account shall be subtracted from the state school aid payable to the student's resident school district.

Section 4. {Administration of the Education Savings AccountAct.}

(A) The Department[vv] will qualify private financial management firms to manage Education Savings Accounts.

(B) The Department will have the authority to conduct or contract for the auditing of accounts, and will at a minimum conduct random audits of accounts on an annual basis. The Department will have the authority to make any parent of an eligible student ineligible for the Education Savings Account program in the event of substantial misuse of the funds in the account.

(C) The Department will have the authority to refer cases of substantial misuse of funds to law enforcement agencies for investigation if evidence of fraudulent use of an account is obtained.

(D) The Department shall provide parents of participating students with a written explanation of the allowable uses of education savings accounts, the responsibilities of parents and the duties of the Department.

(E) The Department may deduct an amount from the grants to education savings accounts to cover the costs of overseeing the accounts and administering the program up to a limit of 3 percent.

(F) The Department shall establish reasonable fees for private financial management firms participating in the program based upon market rates.

(G) The Department shall make payments to eligible students' Education Savings Accounts on a quarterly basis.

Section 5. {Accountability Standardsfor Participating Schools.}

(A) Administrative Accountability Standards. To ensure that students are treated fairly and kept safe, all participating private schools shall:

- (1) Comply with all health and safety laws or codes that apply to private schools;
- (2) Hold a valid occupancy permit if required by their municipality;
- (3) Certify that they comply with the nondiscrimination policies set forth in 42 USC 1981;[vii] and (4) Conduct criminal background checks on employees. The participating school then shall:
 - (a) Exclude from employment any people not permitted by state law to work in a private school; and (b) Exclude from employment any people that might reasonably pose a threat to the safety of students.[viii]

(B) Financial Accountability Standards. To ensure that funds are spent appropriately, all participating schools shall:

- (1) Provide parents with a receipt for all qualifying expenses at the school.
- (2) Demonstrate their financial viability by showing they can repay any funds that might be provided from Education Savings Accounts, if they are to receive \$50,000 or more during the school year, by:
 - (a) Filing with the Department prior to the start of the school year a surety bond payable to the state in an amount equal to the aggregate amount of the funds from Education Savings Accounts expected to be paid during the school year from students admitted at the participating school; or
 - (b) Filing with the Department prior to the start of the school year financial information that demonstrates the school has the ability to pay an aggregate amount equal to the amount of the funds from Education Savings Accounts expected to be paid during the school year to students admitted to the participating school.[viii]

(C) Academic Accountability Standards. In order to allow parents and taxpayers to measure the achievements of the program:

- (1) Parents shall ensure that:[ix]
 - (a) Each year their eligible student takes either the state achievement tests or nationally norm-referenced tests that measure learning gains in math and language arts, and provide for value-added assessment;
 - (b) The results of these tests are provided to the state or an organization chosen by the state on an annual basis,[x] beginning with the first year of testing;
 - (c) The student information is reported in a way that would allow the state to aggregate data by grade level, gender, family income level, and race; and
 - (d) The state or an organization chosen by the state will be informed of the eligible student's graduation from high school.
- (2) The state or an organization chosen by the state shall:
 - (a) Ensure compliance with all student privacy laws;
 - (b) Collect all test results;
 - (c) Provide the test results, associated learning gains and graduation rates to the public via a state Web site after the third year of test and graduation- related data collection.[xii] The findings shall be aggregated by the students' grade level, gender, family income level, number of years of participation in the scholarship program, and race;[xiii]
 - (d) Provide rates for high school graduation, college attendance and college graduation for participating students to the public via a state Web site after the third year of test and test-related data collection; and
 - (e) Administer an annual parental satisfaction survey that shall ask parents of students receiving education savings accounts to express:
 - (1) Their satisfaction with the program; and

(2) Their opinions on other topics, items, or issues that the state finds would elicit information about the effectiveness of education savings accounts program and the number of years their child has participated in the program.

(D) Participating School Autonomy. A participating private school is autonomous and not an agent of the state or federal government and therefore:

(1) The Department or any other state agency may not in any way regulate the educational program of a participating private school or education provider that accepts funds from an education savings account; (2) The creation of The Education Savings Account Program does not expand the regulatory authority of the state, its officers, or any school district to impose any additional regulation of private schools or education providers beyond those necessary to enforce the requirements of the program; and (3) Participating private schools and education providers shall be given the maximum freedom to provide for the educational needs of their students without governmental control.

Section 6. {Responsibilities of the Department of Public Instruction}

(A) The Department shall ensure that eligible students and their parents are informed annually of which schools will be participating in the Education Savings Account Program. Special attention shall be paid to ensuring that lower-income families are made aware of the program and their options.

(B) The Department shall create a standard form that parents of eligible students can submit to establish their student's eligibility for the Education Savings Account Program. The Department shall ensure that the application is readily available to interested families through various sources, including the Internet.

(C) The Department may bar a participating school or education provider from the Education Savings Account Program if the Department establishes that the participating school or education provider has: (1) Routinely failed to comply with the accountability standards established in Section 5;[xiii] or

(2) Failed to provide the eligible student with the educational services funded by the Education Savings Account.

(D) If the Department decides to bar a participating school or education provider from the program, it shall notify eligible students and their parents of this decision as quickly as possible.

(E) The Department shall adopt rules and procedures as necessary for the administration of the Education Savings Account Program.

Section 7. {Responsibilities of Resident School Districts.}

(A) The resident school district shall provide a participating school or education provider that has admitted an eligible student under this program with a complete copy of the student's school records, while complying with the Family Educational Rights and Privacy Act of 1974 (20 USC Section 1232 g).

(B) The resident school district shall provide transportation for an eligible student to and from the participating school or education provider under the same conditions as the resident school district is required to provide transportation for other resident students to private schools as per current law. The resident school district will qualify for state transportation aid for each student so transported.

Section 8. {Effective Date.} The Education Savings Account Program will be in effect beginning with the fall semester of the next school year.

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