

Vouchers: The Basics

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Introduction

In 2007, the Utah Legislature passed the Parent Choice in Education Program, which, if implemented, will provide scholarships (vouchers) to children to attend private schools. Unlike voucher programs in other states that limit scholarships to only low-income students or students with disabilities, the Parent Choice program will provide scholarships to all Utah students who meet basic criteria. The Center for Public Policy and Administration has completed an analysis of the Parent Choice in Education Program. This analysis provides a thorough examination of the Parent Choice program by addressing who is eligible, the standards for private schools, and the fiscal impact on the state and school districts.

Background of Utah's Voucher Law

During the 2007 Legislative Session, the Utah Legislature passed two bills that provide state-funded scholarships for qualifying children to attend private schools. The first bill, HB 148 established the Parent Choice in Education Program. The Parent Choice program will provide scholarships between \$500 and \$3,000 for students to attend private schools. However, students must meet certain requirements to receive the scholarship. Also, not all private schools will be eligible to participate in the program and some private schools will choose not to participate in the program. The second bill, HB 174, makes changes to that program: 1) requires parents to acknowledge that they are responsible for transportation costs; 2) requires private schools that accept scholarship students to employ teachers who have completed a criminal background check; 3) disqualifies a school that encourages illegal conduct; 4) requires verification of parent income; 5) changes the date for the legislative audit of the program to the 2011-12 school year instead of 2013-14 school year; and 6) appropriates an additional \$100,000 to the Utah State Board of Education for administration of the program.

The scholarship program was set to begin in the 2007-2008 school year; however, “The Utah Supreme Court ruled that if a majority of voters vote in favor of implementation of HB 148, then the Parents Choice in Education Program under HB 148 and HB 174 will be established. If a majority of voters vote against implementation of HB 148, then the Program will not be established” (Utah Legislative Research and General Council 2007).

The Parent Choice in Education Program

The Parent Choice in Education Program, if implemented, will provide annual scholarships to qualifying children to attend private schools in Utah. The scholarships range between \$500 and \$3,000 per student, depending upon family size and income. In order to qualify for the program, a student's custodial parent or legal guardian must reside in Utah. The student must be between 5 and 19 years of age (except that a student who has not graduated from high school may qualify up to age 21). Students must also **meet at least one** of the following criteria:

- Be born after September 1, 2001;
- Be enrolled as a full-time student in a Utah public school on January 1, 2007;
- Not be a Utah resident on January 1, 2007; or
- Be in a lower income family (student qualifies for reduced lunch)

These four criteria prohibit students currently enrolled in private schools from receiving the voucher scholarship, unless the student's family is low income. Therefore, the students who will qualify for the scholarship are those just entering kindergarten, those who were enrolled in a Utah public school on January 1, 2007, students who lived outside of Utah on January 1, 2007, or students from low-income families who are now enrolled in private schools.

Again, scholarship amounts are based upon the size of the student's family and the family's income.¹ The amount of the scholarship may not exceed the actual amount of tuition the student pays to attend the private school. The chart below shows the scholarship amounts for which students may qualify based upon family size and income. For example, a family of four (two parents and two children), with a family income of \$50,000 would qualify for a \$2,500 voucher for each child to attend a private school. A family of three (two parents and one child), with an income of \$90,000 per year, would qualify for an annual \$500 voucher. The scholarships will apply to all grades. However, the full-year scholarship for kindergarten is .55 times the amount of the scholarship award for grades 1-12.

¹ Income is based upon adjusted gross income as listed on the income tax forms; if a parent is exempt from filing federal and state income tax forms, income shall be based on income earned from work.

**Table 1: Per Student Scholarship Amounts
Based on Family Size and Income**
(2007-2008 School Year)

| Family Size [includes parent(s)] | Family Income | | | | | | |
|--|---------------|----------|----------|----------|----------|-----------|-----------|
| | \$30,000 | \$40,000 | \$50,000 | \$70,000 | \$90,000 | \$110,000 | \$160,000 |
| 2 | \$2,750 | \$2,250 | \$1,750 | \$500 | \$500 | \$500 | \$500 |
| 3 | \$3,000 | \$2,500 | \$2,250 | \$1,000 | \$500 | \$500 | \$500 |
| 4 | \$3,000 | \$2,750 | \$2,500 | \$2,000 | \$1,000 | \$500 | \$500 |
| 5 | \$3,000 | \$3,000 | \$2,750 | \$2,250 | \$1,750 | \$500 | \$500 |
| 6 | \$3,000 | \$3,000 | \$2,750 | \$2,500 | \$2,000 | \$1,750 | \$500 |
| 7 | \$3,000 | \$3,000 | \$3,000 | \$2,750 | \$2,250 | \$2,000 | \$500 |
| 8 | \$3,000 | \$3,000 | \$3,000 | \$2,750 | \$2,500 | \$2,000 | \$500 |

Source: Calculations by authors based upon HB 148.

To receive a scholarship a parent must apply for the scholarship from the Utah Board of Education by June 1 preceding the school year. By signing the application, parents acknowledge that:

- A private school may not provide the same level of services that are provided in a public school.
- The private school in which they have chosen to enroll their child has disclosed to them the teaching credentials of the school's teachers and the school's accreditation status.
- They will assume full financial responsibility for the education of their scholarship student if they accept this scholarship.
- Acceptance of this scholarship has the same effect as a parental refusal to consent to services pursuant to Section 614(a)(1) of the Individuals with Disabilities Education Act.

Requirements for Private Schools

Private schools must meet some general criteria in order to enroll voucher students. First, the private schools must have a physical location within Utah where students attend classes and have direct contact with teachers. Second, private schools must comply with the antidiscrimination provisions laid out in the U.S. Code under which students may not be discriminated against because of race, sex, color, national origin, disability, religion, age or status as a parent. Third, private schools must annually assess each student using a norm-referenced test that compares students' performance to national results. Fourth, schools must contract with an independent certified public accountant (CPA) who must submit a financial report at the time the school applies to accept scholarship students and once every four years after. Fifth, there are also requirements for teachers at private schools. Teachers must pass a criminal background check. Teachers must either hold a baccalaureate or higher degree or have special skills, knowledge, or expertise that

qualifies them to provide instruction in the subject(s) taught. Sixth, schools must have an enrollment of 40 students or more. They cannot operate in a private residence nor can residential treatment facilities participate in the program. Lastly, schools that “encourage illegal conduct” are not eligible to participate in the voucher program.

Given the criteria above, not all private schools will be eligible to participate in the voucher program. It is equally important to note that not all private schools will choose to participate in the voucher program.

Fiscal Impact

The funds for vouchers will be transferred from the General Fund to the State Board of Education, which will administer the program.² In addition, \$200,000 will be appropriated from the General Fund to the State Board of Education for administrative costs.

The Parent Choice voucher program will have fiscal impacts on both the state and school districts. Utah school districts receive funding from the state based on the number of students attending. Fifty percent of the average school district’s funding comes from the State.³ When a student leaves a school district to attend a private school, the school district will lose the funding associated with that child. The district costs are reduced as it has one less student to educate. Under the Parent Choice program, the loss of funding for school districts is mitigated for five years after the student leaves (or less if the student graduates within five years or moves outside of the district). When the program is fully implemented in FY 2020, an estimated 25,964 students will receive vouchers. The Office of the Legislative Fiscal Analyst estimated the voucher program will save school districts between \$2,441,570 and \$11,504,617 in FY 2008. In FY 2020, the program may save school districts between \$11,410,969 and \$27,814,011.

The costs to the State of Utah, as estimated by the Office of the Legislative Fiscal Analyst, are shown in the table below. The annual cost is based on the estimated average amount of the vouchers (\$1926 in FY 2008 and \$2826 in FY 2020) and the estimated number of voucher recipients (5416 in FY 2008 and 25,964 in FY 2020).

| Table 2: Costs to the State | | |
|---|----------------|----------------|
| | FY 2008 | FY 2020 |
| Annual Cost of Vouchers | \$9,180,333 | \$70,902,989 |
| Annual Cost of Vouchers (net of transfers to the state) | \$5,317,008 | \$70,902,989 |
| Source: Office of the Legislative Fiscal Analyst | | |

² The State of Utah has two main funds from which state programs are funded, the Education Fund and the General Fund. The Education Fund receives funds primarily (over 99%) from the corporate and personal income taxes. The Education Fund (EF), as its name would suggest, is spent on public and higher education. The General Fund (GF) receives dollars from sales tax (83%) and a number of smaller taxes (liquor, cigarettes, severance, etc.). The GF supports almost all state programs besides public education including higher education, transportation, corrections, health, human services, courts, etc.

³ Office of the Legislative Fiscal Analyst.

The fiscal impacts will also change over time as eligibility changes and school district mitigation efforts are phased out. In the first year it is implemented, the cost saving to school districts may outweigh the costs to the State. By the 13th year of the program, when it is fully implemented, the costs to the state will exceed savings to the school districts by \$43-59 million.⁴

Voucher Program Arguments

Voucher programs currently exist in Arizona, Florida, Georgia, Maine, Ohio, Utah, Vermont, Wisconsin, and the District of Columbia (National Conference of State Legislatures 2007; National School Boards Association 2007; U.S. Department of Education 2007). The voucher programs in these states are aimed at specific populations of students, such as low-income students or students with disabilities. The debate surrounding public funding of private education is not unique to Utah, although there are many general arguments made in favor of vouchers, and in opposition to vouchers. There are arguments that are specific to Utah's voucher law in part because it is the only state-wide voucher law that will provide scholarships to all students who meet the basic criteria outlined above.

Proponents of voucher programs raise several arguments in support of providing public dollars for private education. Most often these arguments begin with a call for improving the quality of education in one of three ways. First, competition between public and private schools will force public schools to improve the quality of the education offered. Second, reducing class sizes in public schools through vouchers will improve education. Third, a better education will be provided in the absence of state bureaucracy. Proponents in Utah also argue that the law will help the state avoid increasing taxes and will increase funding for students in public schools. A final argument presented on behalf of voucher programs is that vouchers provide parents, particularly low-income parents, with a choice in their child's education.

Opponents of voucher programs rebut the arguments presented by pro-voucher supporters. To begin, opponents of vouchers state that it is unclear whether vouchers will improve the quality of education in public schools; specific concerns revolve around the lack of oversight in private schools. Neither of Utah's bills addresses curriculum requirements in private schools, there are more lenient standards for teacher qualifications in private schools, and there are different testing requirements for students attending private schools.

Second, although proponents state that vouchers will provide more opportunities for low and middle income students to attend private schools, opponents argue that voucher scholarships will not make private schools affordable for low income families (see Table 1 above for an outline of scholarship amounts under Utah's law). Further, opponents argue that vouchers can divide public and private schools along socioeconomic lines.

⁴ Office of the Legislative Fiscal Analyst.

Third, there are questions as to whether public schools will be financially harmed by the voucher law. The Office of the Legislative Fiscal Analyst estimates that by the 13th year of the program, when it is fully implemented, the costs to the state will exceed savings to the school districts by \$43-59 million.⁵

Finally, there may be constitutional concerns with Utah’s voucher law. According to the Utah Voter Information Pamphlet, available through the Lieutenant Governor’s Office, under the Parent Choice in Education Program, public funds will be used to provide scholarships for students who attend private schools, including private religious schools. The use of public money for students attending private religious schools may conflict with federal or state constitutional provisions that prohibit the use of public money for religious purposes. In addition, other aspects of the program may conflict with equal protection provisions of the federal or state constitution or with state constitutional provisions relating to the State Board of Education’s authority or the scope of the public education program. Because of the program’s unique characteristics and the lack of a directly applicable court ruling, it is unclear how a court would rule on any of these issues.

Table 3: Voucher Program Arguments

| Proponents of Vouchers | Opponents of Vouchers |
|---|--|
| Gives parents more influence over their child’s education; particularly, the vouchers may provide more educational opportunities to low income families. | The Voucher program wouldn’t help the most disadvantaged. The voucher amounts are inadequate and will not help low income students to attend private schools. May increase the divisions between public and private schools along socioeconomic lines. |
| Makes all schools better: <ul style="list-style-type: none"> • Forces public schools to improve in order to compete with private schools • Reduces class sizes in public schools • Offers a better education due to the absence of bureaucracy | Too little oversight of private schools: <ul style="list-style-type: none"> • No curriculum requirements • Different standards for teachers • Different testing requirements for students |
| Increases funding for public schools and keeps taxes low | Hurts public school funding – diverting money from public schools ultimately weakens them. |
| | Constitutional concerns |

Sources: National Conference of State Legislatures 2007; Utah Voter Information Pamphlet 2007.

⁵ Office of the Legislative Fiscal Analyst.

Conclusion

Utah's state-wide voucher program, the Parent Choice in Education Program, must be approved by Utah citizens in the November election before being implemented. The Parent Choice program will provide scholarship vouchers between \$500 and \$3,000 to students who qualify to attend eligible private schools. This article summarized some of the critical points of the Parent Choice program.

References

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