

FISCAL NOTE
Requested by Legislative Council
02/07/2017

Amendment to: HB 1382

- 1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2015-2017 Biennium		2017-2019 Biennium		2019-2021 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations						

- 1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2015-2017 Biennium	2017-2019 Biennium	2019-2021 Biennium
Counties			
Cities			
School Districts			
Townships			

- 2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

Engrossed House Bill 1382 provides for a legislative management study of the feasibility and desirability of developing a school choice program.

- B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

The fiscal impact of Engrossed House Bill 1382 would be limited to the cost of completing the legislative management study during the interim if chosen by legislative management.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

- A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*
- B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*
- C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

Name: Ryan Skor

Agency: Office of State Treasurer

Telephone: (701)328-2643

Date Prepared: 02/07/2017

FISCAL NOTE
Requested by Legislative Council
01/16/2017

Bill/Resolution No.: HB 1382

- 1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2015-2017 Biennium		2017-2019 Biennium		2019-2021 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations						

- 1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2015-2017 Biennium	2017-2019 Biennium	2019-2021 Biennium
Counties			
Cities			
School Districts			
Townships			

- 2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

House Bill 1382 establishes an education savings account program to be administered by the Office of State Treasurer. The fiscal impact of this bill is unable to be determined.

- B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Because of the uncertainty in expected participation rates and costs associated with the program, an exact fiscal impact of House Bill 1382 is unable to be determined.

HB 1382 creates a program which would set up educational savings accounts for children who have been attending public school and whose parents elect to have the child educated through an alternative education program. In funding these accounts, a portion of the state aid payments to school districts that would have been followed these students to their local school district would be redirected to their individual education savings accounts.

The State Treasurer would be responsible for the administration of the program which would include creating and adopting rules, procedures, and forms, contracting with a third party to administer the accounts, commissioning a parent-controlled board, promoting awareness of the program, and auditing a sufficient number of program accounts. Although the total cost of administering this program is not able to be determined, the Office of State Treasurer estimates it would need to add at least 2 FTEs to facilitate the administration of the educational savings account program.

In order to cover the State Treasurer's cost of overseeing accounts and administering the program, HB 1382 provides for up to 3% of the program funds to be deducted from the payments to the accounts. Depending on the participation in the program, this 3% deduction may or may not be sufficient to cover all related costs, including the salaries and benefits of the needed FTEs. Whether or not these administration fees will be sufficient, there will be a need to provide a certain level of up-front funding to cover the costs of starting up this program.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

As explained above, the exact expenditure amount required to implement HB 1382 is unable to be determined. However, our initial research into this program indicates the need for, at a minimum, 2 new FTEs to administer the program. The costs for these FTEs, along with the initial administration costs of setting up the program, may ultimately be covered by fees charged to the accounts. But until significant participation in the program is obtained, there will need to be some amount of up-front funding provided to implement.

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

Name: Ryan Skor

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Date Prepared: 01/20/2017

2017 HOUSE EDUCATION

HB 1382

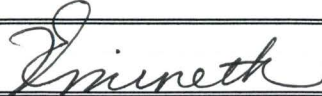
2017 HOUSE STANDING COMMITTEE MINUTES

Education Committee
Coteau A Room, State Capitol

HB 1382
1/24/2017
27343

- Subcommittee
 Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

Relating to the establishment of an education savings account program

Minutes:

5 attachment

Chairman Owens: opened the meeting for HB 1382.

Rep. Rick Becker: attachment 1 for testimony HB 1382 the educational savings account. I hope you give this thoughtful consideration.

Chairman Owens: Any questions?

Vice Chairman Schreiber-Beck: 18:50 when you go into the small rural school. When you are talking about money, have you done the numbers on small rural schools. Have the numbers been around on that.

Rep. Rick Becker: I don't think numbers have been run but when we look at rural schools one of the push backs that I had on this bill is people's perception is doesn't help the rural schools as much as it helps the urban schools. What this does for rural students it allows them to have options. The options are more limited rurally than urban. the differential in dollars. I am not sure how the numbers will be run.

Chairman Owens: Any other questions.

Vice Chairman Schreiber-Beck: you are looking at the student and not the overhead. Are you looking at consolidation? You would still have the overhead if you still had smaller percentage.

Rep. Rick Becker: 22:16 I am not trying to give an unlined argument for what I think could affect rural less. The overhead you are right bigger schools with more students is going to have more overhead than a smaller school.

Vice Chairman Schreiber-Beck: 22:47 It is still per pupil if you figure out what the overhead is, I think is much larger for a small school district.

Rep. Rick Becker: In my example you are talking about two percent that is with all options available, and two percent can be more impactful for rural than urban school. When we have a certain number transferring to ESA it makes sense to also assume that is going to be a lesser amount in rural because of the very reason that I have complains that this doesn't address needs as much because there are private schools around. I don't know how the numbers could not be less than an urban area.

Chairman Owens: One of the concerns that was in eastern North Dakota are they going to lose money if one of the school districts lose a large amount of children to another school does the money follow the student? Will this go to the supreme court because it is a church verses the state situation? Are we really do what is best for the student?

Rep. Rick. Becker: I will address your questions the best that. If a parent determines that he wants to send his child private school, they will be in a ESA program. Any of the option that I mention including a tutor that comes to the home has no impact to the anyone to the state.

Once it is in ESA the parent has the freedom. As far as the supreme court, but I think it is somewhat unlikely. The supreme court always looks for precedent. Splitting money for public and nonpublic, and are we doing what is best for the students. If they think that for their particular student is the best, there are a small percentage of people. We cannot legislate parenting away. We are coming into this whole new world; it becomes more competitive. There are numerous studies that confirm but I don't have the answers for that.

Rep. Mock: Following up with Rep. Rich S. Becker questions. 30:27 If a parent were to choose to send their child to Sacred Heart School in East Grand Forks or East Grand Forks Public School would there any restrictions against that?

Rep. Rick Becker: 31:07 There is no restriction about the nonpublic.

Rep. Mock 31:49 So then there is nothing prohibiting that in this bill?

Rep. Rick Becker: 32:04 Not that I am aware of.

Rep. Mock: Forgive me but I have not gone over the whole bill. How does this legislation effect a parent's ability to send their child to a different school district of which they live?

Rep. Rick Becker: It wouldn't effect that or change that.

Rep. Mock: On page 2 subsection 3 where it says a parent may choose any education method including non-public school private etc. the current law talks about enrollment would trump what is said here in this would we still have to follow enrollment laws?

Rep. Rick Becker: 33:45 yes.

Chairman Owens: Any other questions?

Rep. Johnson: 34:27 It is already in statue with the neighboring 3 states as far as cross border student's tuition follows the students.

Chairman Owens: any other questions? Anyone else in support of HB 1382?

Mark Dosh: 35:40 (attachment 2) support of HB 1382.

Chairman Owens: Are there any questions, any support for HB 1382?

Cathy Schwartz (no testimony) I am here in support of the bill. 42:42 I am here because it has greatly benefited us to homeschool our children. Our child was in the public school; he could not read at the end of the fourth grade. We don't know what we need to do with Eddie. So we brought him home. we did not know what he had wrong. He is now a general manager in Texas, we have seven children all of them home schooled the point is that all her children were home schooled. Being able to educate our children at home has helped us. She is able to learn at home. "A lot of repetition as she spoke". We have to educate at their pace. Albert Einstein has anemic awareness. I am so thankful that the state allows us to home school our children.

Ken Schwartz: (no testimony) I want to address one of the concerns on the e-mail, concerning of the best interest of the child. The anemic problem is not addressed properly by the public school system. The first man says there will be rare example where the parent fails the child, well there is a rare example where schools fail the children. Our child Luke would not be confident if he had stayed in the public school system. Negative things that come from school. I am in support of this because this bill would have made it a lot easier to educate our children.

Lisa Schwartz: (No testimony) 53:05 I also support HB 1382 I live in Mandan my children have gone to private school. My oldest child my bullying issues she was shoved, and the school did not do anything about it. My youngest has an IEP, and when she was in preschool they wanted her to be in preschool at Fort Lincoln in Mandan and she would go year around and the preschool class there the other kids in preschool there were crawling instead of walking and they were wearing diapers and going in their pants and she did not and I did not want her to regress so that is why I chose private school That is why we are in support of HB1382. In the summer time she needs extra help, we need OT for education base. We do some part of homeschooling.

Chairman Owens: Additional support of HB1382.

Justin Gerhardt: I have 4 kids and 3 are in the private school system. I think people chose to put their children into the school of their choice for many different reasons. I think the public schools do a fair job of educating the children, but they don't serve every child the way parents wish they would. 56:51 This bill would go a long way to help parents because tuition is a huge hurdle for parents who would like to send their children to a private school. But

they simply cannot afford to do that. This bill is needed. A bill like this would allow me to direct some of my tax dollars. I think this is a great step.

Chairman Owens: Any additional support for 1382. Opposition for 1382.

Nick Archuleta: I am the President of the North Dakota United. I urge a do not pass on HB 1382 (see attachment 3)

Chairman Owens: Any questions from the committee?

Rep. Heinert: In your third paragraph second sentence, could you expound on that.

Nick Archuleta: 1:03;20 That money will have to be split. There are certain costs to running a school. Those costs will remain even if the money doesn't come. And that would mean fewer dollars per student.

Chairman Owens: Any other questions?

Nick Archuleta: The answer is no, the only constitutional case is in Nevada. This plan or scheme is suspended in Nevada.

Chairman Owens: Anyone else opposed to 1832?

Anita Thomas: (Attachment 4) I respectfully request that you give a do not pass to HB 1382.

Chairman Owens: Any questions?

Amy Copas: (see attachment 5) We ask for do not pass for HB 1382.

Chairman Owens: any questions?
Anyone else in opposition to HB 1382?

Aaron Burk: I represent North Dakota Small Organized Schools I am a tax payer in Jamestown. I am semi-retired. Right now we are paying zero for parent choice. Figures from this bill go from 70 million to more money than what we are going to spend.

Chairman. Owens: any questions any opposition to HB1382? Is there any neutral testimony to HB 1382? Closing the hearing to HB 1382.

2017 HOUSE STANDING COMMITTEE MINUTES

Education Committee
Coteau A Room, State Capitol

HB 1382
1/31/2017
Job 27690

- Subcommittee
 Conference Committee

Committee Clerk Signature

Explanation or reason for introduction of bill/resolution:

Relating to the establishment of an education savings account program.

Minutes:

Attachment 1, 2a, 2b, 2c, 2d, 3, 4, 5.

Chairman- Mark S. Owens: we are going to reconvene for HB 1382, we are going to hear testimony from both sides.

Representative Becker: Is handing out the attachments for his expert's testimony. I believe that this 1382 educational choice, educational savings account is a critically important bill, it comes at a critically important time, and I really do think it is worth every moment you are able to place on this bill, reading about it, fully understanding it, and understanding the implications. There are a couple of people here that are representing national organizations that have a great deal of expertise on the issue, the first of which is Ed Failor from Ed Choice, he has a handout. Following Mr. Failor is Martin Luekin, and following him we have a representative from the Heartland Institute. I will leave you with the experts.

Ed Failor: see attachment 1 for testimony.

Chairman- Mark S. Owens: any questions.

Vice Chairman- Cynthia Schreiber-Beck: where is ed choice based out of and where does it function.

Ed Failor: we are out of Indianapolis, Indiana.

Vice Chairman- Cynthia Schreiber-Beck: ok thank you. Administrative costs to administer the program, I did not see anything in here, or I missed it. Could you comment on that please?

Ed Failor: Initiative costs range from 3% to 5%, they tend to be higher in the first year, it starts out high at 5% then it dwindles down to 3% on average, Nevada in their ESA program, I know that their goal is to take administrative costs to zero.

Vice Chairman- Cynthia Schreiber-Beck: to continue, my understanding. Is Nevada in the courts, which does not allow them to do this program. It was legislatively approved, what have I read.

Ed Failor: they are moving forward, with the legislation this year, the governor put it in his budget, the 2 cases that were brought up in Nevada, one was about public money going to private religious schools, and that one was ruled in favor of the legislation, the legislature did not appropriate the money for the program, and that is what they are going back to fix this year.

Vice Chairman- Cynthia Schreiber-Beck: in my research, so many with the states. Excluding Nevada, worked only with special education students receiving the school vouchers, is that correct that it was not your academic students, but those receiving special education, is that correct.

Ed Failor: that is correct, the legislation that passed in Mississippi, Florida, and Tennessee were specifically for special needs students, same goes for Arizona, but then they expanded it to 200% of lunch.

Vice Chairman- Cynthia Schreiber-Beck: in that regard when you are looking at school savings. What would you suspect would be the average cost of educating any special education students, which could range between 3 or 4 pairs per student, obviously if the school is not educating those students, special education is a whole different ballgame then when looking for public education students. Would you agree or disagree?

Ed Failor: I would agree, there is no arguing that the cost to educate special needs students is higher than regular public school students, I will not speak to the fiscal effects specifically, Dr. Lueken will speak to that next, and you can ask that question of him, he is the expert.

Vice Chairman- Cynthia Schreiber-Beck: I have statements of when I did my research, that I read ESA represent potentially devastating funding loses, can you comment.

Ed Failor: again I will defer to Dr. Lueken, but I think it is false.

Vice Chairman- Cynthia Schreiber-Beck: ESA's are free of oversight. Is that true that there is no requirement once they are in place, if the state is providing the funding that there is zero accountability, or there is there accountability.

Ed Failor: the ultimate accountability falls to the parents, when they access that ESA they are in control where they want to take that money, and what school they want to go to, and if they are happy in that current situation the teacher and the school is directly accountable to them, however the legislation ESA programs that have been enacted up to this point have had standardized testing as part of the accountability factor.

Vice Chairman- Cynthia Schreiber-Beck: I have received e-mails from current home schoolers. They are concerned that they would not want to be involved because I believe that the state would require some oversights, and testing, some mandatory items that they

do not want to comply with, so have you had that from home schoolers that they would prefer not to be in this type of a voucher system.

Ed Failor: in ESA's, in any ESA program no home schooling family or private school is forced into the program.

Vice Chairman- Cynthia Schreiber-Beck: in retrospect can you answer the question, have you heard that before, is that a concern that you have heard, or is that something that I have one or two parents that are concerned about that.

Ed Failor: I have not ever heard of that being a major concern, because it is so easily alleviated by not having to enroll in the program.

Chairman- Mark S. Owens: any other questions. out of the 4 states you mentioned, and you said that three of them began are just for special needs now, or were and now expanded. Are any of them for homeschooling?

Ed Failor: I do not know the answer to that specifically, I am happy to find that answer and get back to you.

Chairman- Mark S. Owens: seeing no other questions thank you. Next testimony will be over the phone. We welcome your testimony on finances. (testimony is given over the rooms conference call telephone, the room is able to hear the testimony, it was not picked up on the recording equipment).

Martin Lueken: see attachment 2a, 2b, and 2c for testimony.

Chairman- Mark S. Owens: committee does anyone have any questions. you talked about variable costs, what is included in the variable costs vs the fixed costs.

Martin Lueken: (no audio)

Chairman- Mark S. Owens: under total cost burden relief to school districts for redirecting students, is that based on the assumption of X number of students multiplied by the ESA or per pupil payment.

Martin Lueken: (no audio)

Chairman- Mark S. Owens: yes, the total cost of the burden relief to the state, where you are showing the positive return, because they are dealing with redirection of students, is that number computed from the per pupil payment. Based on that multiplied by the number of students that you are estimating are in ESA's.

Martin Lueken: (no audio)

Chairman- Mark S. Owens: you just did that based on the variables you said, prior to calling you Mr. Failor gave us a quick overview of ESA's from Ed Choice, and he was talking about Louisiana. He stated that the findings there are easily explained, because by low private

school participation. The reason that I am asking you this, is that we do not have a lot of private schools in North Dakota. There are large sections of North Dakota where we do not have a lot of private schools, we do not have enough private schools in specific areas.

Martin Lueken: private school choice policies. Before those types of models. With an ESA you can use some or most of the funds. They can hire a tutor; they can do an online course. So, it's in my view, ESA is very beneficial. They would be able to access other educational services. In respect to the Louisiana studies, there was a paper out, a report by Patrick Wolf, where they surveyed all the private schools in Louisiana. One third of the programs. The question is what school is choosing to opt in and which are choosing not to opt in. (no audio).

Chairman- Mark S. Owens: I did appreciate that point. As a matter of fact, that is what caused me to question the private schools in Louisiana, the fact that only 1/3 of them signed up, would be more along the lines of what we might experience here, and that we have so few private schools across the state. We would not have that many and I was just wondering if the result of very few schools would help create a negative result, if that was because of not enough schools, or if there were some other factors there that are not being listed.

Martin Lueken: (no audio).

Chairman- Mark S. Owens: you go to my next question. I keep hearing about charter schools, private schools, but you have brought up, during this conversation about accessing other educational opportunities, and online courses, tutors and educational therapist. Is home school included in any of the other ESA's out there. Can you give me an idea of how pervasive it is?

Martin Lueken: home school can access the ESA. It also can help students with disabilities. (no audio)

Chairman- Mark S. Owens: any other questions from the committee. Seeing none, is there anything else you wanted to share with us.

Martin Lueken: (no audio)

Bette Grande: see attachment 3 for testimony.

Chairman- Mark S. Owens: any questions.

Mark Jorritsma: see attachment 4 for testimony.

Chairman- Mark S. Owens: are there any questions

Vice Chairman- Cynthia Schreiber-Beck: I see in here you talk about the Nevada program which is widely hailed by educational choice proponents as the strongest program, I understand it is hardly in its infancy at this point, and has undergone some court battles, so can you tell me why it is the strongest program right now when I do not think there are any stats available on it.

Mark Jorritsma: Its most comprehensive program, it is the one that provides the most choice for parents of children in Nevada.

Vice Chairman- Cynthia Schreiber-Beck: we do not know if it is effective yet.

Mark Jorritsma: it is still in its infancy.

Vice Chairman- Cynthia Schreiber-Beck: I would have a problem with it being the best, because we do not know how it works yet. Thank you.

Chairman- Mark S. Owens: any other questions. today was to go over the finances, and everything, and to have the out of state people talk, I had promised the other side that they would get equal billings, anyone in opposition to what they have heard is welcome to come forward, and add to their understanding, or to our understanding actually.

Amy Copas: see attachment 5 for testimony

Chairman- Mark S. Owens: any questions.

Vice Chairman- Cynthia Schreiber-Beck: when you did the calculations we keep hearing that overhead has no impact, and that was when the Dr. Baesler was speaking, that the overhead amount does not matter, because those are some fixed costs, in my estimation I cannot get that out of my mind that overhead still makes a big difference. If I was at my business and I have one employee vs seven yes my overhead cost is the same, but my customers are going to have to pay \$500 an hour vs when I have seven I can probably charge \$70 to cover my overhead. Not calculating the overhead I just keep thinking for small schools and the loss of students, I cannot imagine how they can survive, and I see this as an elimination of small if they lost enough students, or consolidations, or I am not sure. I do not know if I am thinking right, or if I am missing something, I don't know if someone else can respond out of the audience. Do you have any thoughts on that?

Aimee Copas: we live on our finance formula where we are paid on the per pupil, we used to be on the basis of property tax rates, and property evaluations, but we have shifted that per pupil model, those overhead costs truly are not going to change, so then one of the things we look at, not just as school superintendents, but as the legislature you look at school efficiency, so when you look at a school like the size of Ellendale, the loss of 320 students, now I only went off the 9646, I did not play around with the weighted student units, because I did not want it to be too crazy or complicated. When you think about that, the efficiency of Ellendale would go down dramatically, the cost to educate on a per pupil rate would increase dramatically for Ellendale schools, because their amount of dollars to be able to operate efficiently really dwindles, I do understand people wanting school choice, but what I keep going back to, is that school choice right now in North Dakota is free to the state, we do not tell anyone that they cannot school, we do not tell anyone that they cannot attend a private school, I can speak for the private school district here in Bismarck, I know that they do not turn anyone away, and they do their best to ensure if they are fiscally having a challenge to go there, they find a way to help those students go there, it is supported by the Catholic Churches here in town. I am not saying that this is not worth a conversation, I certainly think everything is worth a debate, but I also think a time when we are fiscally challenged, these

numbers just do not play out for me, and I think we are on the same page. That overhead costs do not go away.

Chairman- Mark S. Owens: any other questions.

Rep. Rich S. Becker: numbers speak, and in your examples here they speak quite loudly. Why is it that 20 plus states have found that the numbers add up in their states, and educational savings accounts makes sense, so is there an easy way that you can compare why it is not for North Dakota, but it is for a number of other states.

Aimee Copas: I was looking on education commission of the states, and I pulled up a document that they had on education savings accounts, and it outlined the actual five states that have ESA's, others offered school choice and some vouchers. Specific to this one I looked at that, and all of them are in their infancy and they can't really delegate whether or not it has truly saved their state any money yet, they are making assumptions, and they are running scenarios that say, well maybe. As of yet there is no determination out there, and one of the things that I also noted. On page 5 and 6 on the pdf I was looking at is each one of those states put a very high focus on the students that can attend there, are special needs students that get the vouchers, or they go under the classifications in their state, and go to a school that is rating very low. For example, they are in a large urban district, and they are in an F school, they would have the opportunity to get out of a school that was not doing so well for them, and try something different. Very different from this broad based plan, as the speaker right before me said, Nevada is in its infancy, so there is much we do not know. In a year where we are struggling to try to figure out how to make ends meet as a state, I just hesitate to walk into a scenario where there is so much we do not know.

Chairman- Mark S. Owens: any other questions. anyone wants to share their views. Seeing none, anyone has a question. Closing the hearing on HB 1382.

2017 HOUSE STANDING COMMITTEE MINUTES

Education Committee
Coteau A Room, State Capitol

HB 1382
2/6/2017
Job 27952

- Subcommittee
 Conference Committee

Committee Clerk Signature

Explanation or reason for introduction of bill/resolution:

Relating to the establishment of an education savings account program.

Minutes:

No Attachments.

Chairman- Mark S. Owens: the first one is HB 1382, you have the amendment in front of you. That is the ESA accounts, we literally held hearings twice on this bill. There is so much information answering a lot of questions, but every question we got an answer to it created 3 more. I was thinking that there is enough positive there to launch a study in it if we can get it selected as a study.

Rep. Denton Zubke: I will move the amendment 17.0337.05001 for HB 1382.

Chairman- Mark S. Owens: we have a motion do I hear a second, seconded by Rep. Mary Johnson. OK you want to discuss this.

Rep. Brandy Pyle: I do not think that we fully understand why it is being sent as a study, right.

Chairman- Mark S. Owens: I have to agree with you, like I said for every question we developed three new ones. Any additional discussion. Voice vote for amendment, and it passed. What is the committees desire?

Rep. Denton Zubke: I move a do pass on HB 1382 as amended.

Chairman- Mark S. Owens: we have a motion, and seconded by Rep. Mary Johnson, is there any discussion.

Rep. Andrew Marschall: I am all in favor of ESA's I do not believe that they need to be a study, I think that they should be passed, that is my personal opinion, I like ESA's, I like what they do for parents, and I am in total agreement with them. I don't think they jeopardize public schooling, I think they are good, and right for parents. They have worked in other places, and I think the state of North Dakota can do it, since we do have scholarships through

the state of North Dakota that goes, not directly to parents, or directly to students, so they do not violate state law, and I do not think it would violate state law either.

Chairman- Mark S. Owens: that is your opinion, and I do not know if that is the case myself or not, just washing it through a checking account doesn't seem to me like we are getting around big constitutional issue we have that other states do not have.

Rep. Andrew Marschall: that is my opinion.

Chairman- Mark S. Owens: any further discussion. We have a do pass vote as amended for HB 1382. 9-3-2, Rep. Mary Johnson will be carrying this bill.

*ONE
2/16/17
for*

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1382

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to provide for a legislative management study of the feasibility and desirability of developing a school choice program.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. LEGISLATIVE MANAGEMENT STUDY - SCHOOL CHOICE PROGRAM. During the 2017-18 interim, the legislative management shall consider studying the feasibility and desirability of developing a school choice program to provide parents of students with options, funding, and support in selecting charter schools, magnet schools, private schools, or home schooling for their children. The study must include the design, application, operations, and costs associated with the implementation of the program. The study also must include a review of the best practices across the nation for similar programs and the associated requirements for guidance and monitoring of the program by the department of public instruction. The legislative management shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-sixth legislative assembly."

Renumber accordingly

Date: 2/16/17

Roll Call Vote # 1

2017 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1382

House Education Committee

Subcommittee

Amendment LC# or Description: 17.0337.05001

- Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Rerefer to Appropriations
 Place on Consent Calendar
- Other Actions: Reconsider _____

Motion Made By Rep. Zubke Seconded By Rep. M. Johnson

Representatives	Yes	No	Representatives	Yes	No
Chairman- Mark S. Owens			Rep. Andrew Marschall		
Vice Chairman- Cynthia Schreiber-Beck			Rep. Bill Oliver		
Rep. Rich S. Becker			Rep. Brandy Pyle		
Rep. Pat D. Heinert			Rep. Matthew Ruby		
Rep. Dennis Johnson			Rep. Denton Zubke		
Rep. Mary Johnson			Rep. Ron Guggisberg		
Rep. Donald W. Longmuir			Rep. Corey Mock		

Total (Yes) _____ No _____

Absent _____

Floor Assignment Rep. _____

If the vote is on an amendment, briefly indicate intent: Amendment passes, through voice vote.

Date: 2/6/17

Roll Call Vote # 2

2017 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1382

House Education Committee

Subcommittee

Amendment LC# or Description: _____

Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Rerefer to Appropriations
 Place on Consent Calendar
Other Actions: Reconsider _____

Motion Made By Rep. Zubke Seconded By Rep. M. Johnson

Representatives	Yes	No	Representatives	Yes	No
Chairman- Mark S. Owens	✓		Rep. Andrew Marschall		✓
Vice Chairman- Cynthia Schreiber-Beck	✓		Rep. Bill Oliver	✓	
Rep. Rich S. Becker	✓		Rep. Brandy Pyle	✓	
Rep. Pat D. Heinert	✓		Rep. Matthew Ruby	✓	
Rep. Dennis Johnson		✓	Rep. Denton Zubke	✓	
Rep. Mary Johnson	✓		Rep. Ron Guggisberg	AB	
Rep. Donald W. Longmuir		✓	Rep. Corey Mock	AB	
	5	2		4	1

Total (Yes) 9 No 3

Absent 2 absent, Rep Mock, and Rep Guggisberg.

Floor Assignment Rep. Mary Johnson

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

HB 1382: Education Committee (Rep. Owens, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends **DO PASS** (9 YEAS, 3 NAYS, 2 ABSENT AND NOT VOTING). HB 1382 was placed on the Sixth order on the calendar.

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to provide for a legislative management study of the feasibility and desirability of developing a school choice program.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. LEGISLATIVE MANAGEMENT STUDY - SCHOOL CHOICE PROGRAM. During the 2017-18 interim, the legislative management shall consider studying the feasibility and desirability of developing a school choice program to provide parents of students with options, funding, and support in selecting charter schools, magnet schools, private schools, or home schooling for their children. The study must include the design, application, operations, and costs associated with the implementation of the program. The study also must include a review of the best practices across the nation for similar programs and the associated requirements for guidance and monitoring of the program by the department of public instruction. The legislative management shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-sixth legislative assembly."

Renumber accordingly

2017 SENATE EDUCATION

HB 1382

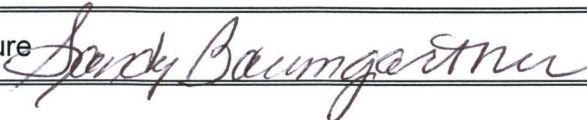
2017 SENATE STANDING COMMITTEE MINUTES

Education Committee
Sheyenne River Room, State Capitol

HB 1382
3/6/2017
Job Number 28711

- Subcommittee
 Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

Study of the feasibility and desirability of developing a school choice program

Minutes:

#1, #2, #3, #4, #5

Vice-Chair Rust: Meeting called to order for HB 1382.

Repr. Rick Becker: District #7 Bismarck: Testimony #1 Develop a school choice program where the money follows the child for an educational savings account.

Senator Oban: Do you know the percentage of students in ND are educated in a sparsely populated district?

Repr. Rick Becker: No.

Senator Oban: It is 94%. I am trying to understand how could a ESA in Ray, ND where there is no school choice. The money is going to come from the overall budget that funds public education in our state. How could this benefit a kid in Ray, unlike a kid in Bismarck where there are some school options?

Repr. Rick Becker: It seems odd that only 6% of ND kids are in urban areas. With regard with a child in a sparsely populated area like Ray, there may or may not be opportunities for school choice like in Bismarck or Fargo. The question isn't whether there are equal opportunities. There isn't now like for extracurricular and AP classes. You brought up, will they be disadvantaged by kids in urban areas? The state contributes to the funding and every kids that goes into the ESA program, less than 100% funding, so in other words 60-76% of that funding would go to the ESA. So the state is actually paying out less than a whole. The kids that go to Ray still have the 100% funding according to the funding formula. There isn't less money available for them.

Senator Oban: We have a pot of money to fund per student in the public school system, that number will go down under this scenario. If kids are going to leave the public school system with this ESA program that pot of money is going to go down. The cost to heat a building and pay teachers is not going to go down.

Repr. Rick Becker: What about the school districts where several kids will be in the ESA program won't those school districts receive less dollars from the state? I will talk about that, but your question was what about the kids in Ray where they don't have choice and not kids will be entering ESA program. Then they are not being affected because the state is still sending the same number of dollars.

Senator Oban: But there are fewer dollars coming into the pot of money.

Repr. Rick Becker: The state doesn't have less money. It still has it money from its usual sources.

Senator Oban: There will be money put into savings account. Monies will be taken out of the pot.

Repr. Rick Becker: The money comes from tax and revenues. A portion of the state's money based on the formula of the number of the students in the district is going to the school district. The State is paying around \$9600.@ student in each district. If a student in Fargo goes to an ESA program the school district is going to pay \$5000.00 to the debit account and will keep the rest. That is why Ray is not hurt.

Senator Davison: What is the fiscal note on the bill?

Repr. Rick Becker: I believe they couldn't come up with one.

Senator Davison: We really have school choice already now. It doesn't impact the low income kids as much as we think. We are talking about where the money flows to. It is a tax break for the wealthy, because they are already footing the bill to go to private. Do you agree that it is about the money?

Repr. Rick Becker: It is about the money and sets up an account. When it was said it was a tax break for the wealthy, it indicates they are the only ones with a choice. It would be a tax break for everyone. Families whom can't afford private school now would have that choice.

Vice-Chair Rust: I know that the bill is a study. It is a back door method of getting money?

Repr. Rick Becker: It does get around the method of the Blaine amendment.

Senator Oban: Do you think anyone should get a saving account? Examples followed. Why is it only in education where those dollars should go into choice?

Repr. Rick Becker: We are looking at the constitution to provide an education for K-12 and tax dollars going to that area. Parents across the state have different views on what they think is best for their kid. This is an option for parents to have for a better choice in their child's education. The school would still receive the extra that the parent doesn't get.

Vice-Chair Rust: Testimony in favor of 1382? Opposition?

Nick Archeletta: President of ND United: Testimony #2

Vice-Chair Rust: Address the bill. Why should we study?

Nick Archeletta: What outcome would we come to, why study?

Senator Oban: Do you think we would find out anything else since we are rural state?

Nick Archeletta: I think we have records of studies that have already been done. They can be accessed.

Anita Thomas: General Council of ND School Boards Association: Testimony #3.

Vice-Chair Rust: Any other testimony? Agency? Neutral?

Casey Buchmann: Parent from Washburn. Testimony #4.

Vice-Chair Rust: Are you currently serving on a school board?

Casey Buchmann: No, I am just a parent of a 16- year old.

Aimee Copas: North Dakota Council of Educational Leaders; Testimony #5. I will walk you through the fiscal note.

Vice-Chair Rust: Why study this?

Aimee Copas: Why study when we know the result?

Vice-Chair Rust: Any other testimony? None, we will close the meeting.

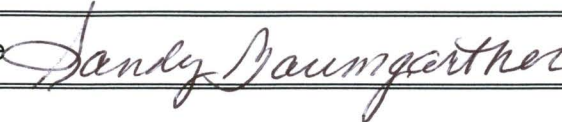
2017 SENATE STANDING COMMITTEE MINUTES

Education Committee
Sheyenne River Room, State Capitol

HB1382
3/8/2017
Job Number 28907

- Subcommittee
 Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

Study of the feasibility and desirability of developing a school choice program.

Minutes:

Chairman Schaible: Return and look at HB 1382 on school choice. I am not against school choice, but it needs to be a win-win for the state and the kids that they do. I think school choice in ND is just looking to get money away from public education with the idea of spreading it across our students. I understand the right to private and home school, but I think public education doesn't need to share that and that is the system we have. If we were going to study something like this and I would say the funding of it would be the benefit of the state and the kids and not the funding mechanism of that. With that I know of at least of 4 other studies that are looking at studying the funding mechanisms. I think we will have a study on funding. Which school choice may be a part of, I don't think we need this one.

Senator Kannianen: The State Home Association weren't contacted in anyway about this. The state home schoolers educate and finance by parents. They don't have any desire to be involved with this. I was asked to co-sponsor this and the fact that the constitution Anita Thomas brought up about providing money for individuals for educating. I don't support it and don't think it is necessary to have a study on it. I make a motion for a Do Not pass.

Senator Oban: I second.

Chairman Schaible: We have a motion and a second. Discussion?

Senator Oban: I want to add how effective Anita Thomas's testimony was and Senator Kannianen's and the home school association that they don't want to be a part of it. I support school choice, but not public money to support it.

Chairman Schaible: Any other discussion? Not, clerk will take the roll.

Roll taken 6 Yeas, 0 Nays, 0 Absent

Senator Kannianen will carry.

Date: 3-08-17
Roll Call Vote #: 1

2017 SENATE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1382

Senate Education Committee

Subcommittee

Amendment LC# or Description: _____

Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Rerefer to Appropriations
 Place on Consent Calendar
Other Actions: Reconsider _____

Motion Made By Kannianen Seconded By Oban

Senators	Yes	No	Senators	Yes	No
Chairman Schaible	✓		Senator Oban	✓	
Vice-Chairman Rust	✓				
Senator Davison	✓				
Senator Kannianen	✓				
Senator Vedaa	✓				

Total (Yes) 6 No 0

Absent 0

Floor Assignment Kannianen

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

**HB 1382, as engrossed: Education Committee (Sen. Schaible, Chairman) recommends
DO NOT PASS (6 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING).**
Engrossed HB 1382 was placed on the Fourteenth order on the calendar.

2017 TESTIMONY

HB 1382

HB1328 ESA - Educational Savings Account. Rick Becker

1/24/17

What is it?

A school choice program, specifically a "money follows the child" program.

Other options have been Vouchers, Tax credit scholarships, and Indiv Tax credits

ESA is the newest and best. Has been most solid as far as standing up to any court challenges.

Most common concern was the Blaine amendment in ND constitution.

Scenario: Parent believes their child will do better with an education program involving online, or home, or parochial or secular private school. They notify the treasurer's office and apply.

Ensure provider is "qualified". Over the course of the school year, debit card account is supplied quarterly with the predetermined amount.

Spend on permitted education-related expenses only.

The bill

Pg 1. Definitions

Pg 2. Definition - Qualified provider

Treasurer administers program.

Amount is 75% of avg state contrib to state aid payments (\$5600)

Or weighted average for students with IEP

Line 21 and 22, parents can choose whatever method(s) best for child

Line 24 - error- 15.1-09-04 should read 15.1-39-04

Pg 3. Eligible if new student or in public school preceding semester

Qualified educational expenses

Pg 5. Achievement Testing, national test. Opt out clause.

Pg 6. Administration, transfer funds quarterly

Remaining funds carry forward

Pg 7. Odds and ends

FN is dependent in large part on "switchers" and "non-switchers" ratio.

This is the School choice that DJT and Betsy DeVos promote. It is part of a paradigm shift that Gov Burgum speaks about. (None have stated support or opposition of this specific bill).

It gives parents flexibility to tailor their child's education as they see best.

It opens more opportunity for participating children.

It decreases cost to the state.

It increases per pupil funding in the school district.

It facilitates innovation and excellence in public schools by way of competition.

SOLUTION 3: IMPLEMENT EDUCATION SAVINGS ACCOUNTS

POLICY TAKEAWAYS

- States without education savings account programs should follow Nevada's lead and establish ESAs for as many students as possible. At the very least, states should establish a pilot ESA program for high-risk students.
- States with existing education savings account programs should expand them to reach more students, ideally all K-12 students.
- In states where ESAs aren't likely to pass, additional forms of school choice – vouchers and tuition tax credits, for example – should be championed.

The current system of public education in the United States is built on a nineteenth century model that emphasizes seat time rather than mastery of subjects. For the most part, students progress from one grade to the next merely by attending classes for the school year, not by proving they've learned grade-level content. This focus on seat time rather than mastery means educators teach to the middle, preventing the accelerated learner from reaching his or her potential and leaving behind those with greater needs.

Societies, economies, and technologies have changed dramatically since the nineteenth century. In the twenty-first century, we expect to be able to make choices narrowly tailored to meet our individual wants and needs. Compared to our nineteenth-century ancestors, today we choose relatively easily where to live, what occupation to work in, and what transportation we'll use. Why should K-12 education be any different?

The 1990 adoption of the Milwaukee Parental Choice Program marked the beginning of the modern "school choice" movement. All forms of school choice – including charter schools, private scholarship programs, tax credit scholarships, voucher programs, education savings accounts (ESAs), and homeschooling – have grown since then. According to the Friedman Foundation for Educational Choice, "During the 2014-15 school year, more than 352,000 pupils utilized vouchers, tax-credit scholarships, and ESAs in the United States. With recent action in the states, that number will grow exponentially. In Nevada alone, more than 453,000 students will be eligible to use an ESA in 2016."¹

School choice improves educational outcomes not only for those who attend schools of choice, but also for those who remain in traditional public schools. In Milwaukee, for example, competition from the choice schools is forcing the Milwaukee Public Schools to improve. Research conducted by Patrick J. Wolf of the University of Arkansas shows the "voucher program ... has led to increased achievement for the children who remain in Milwaukee's public schools while saving the state millions of dollars."²

Twenty-one years after the Milwaukee voucher program was adopted, in 2011 Arizona became the first state to pass an education savings account program. ESA programs for students with special needs went into effect in Florida in 2014 and in Mississippi and Tennessee in 2015. In January 2016, nearly all students in Nevada will be eligible for an ESA program that pays at least \$5,000 per pupil for educational expenses.

ESAs enable families to customize their children's education. The state establishes an individual account for each child who qualifies for the program and funds that account with 80 to 90 percent of what the state would otherwise have spent to educate that child in a public school. Parents control their child's ESA and can use the money for approved educational expenses such as tuition, tutoring, books, class enrollment fees, and computers. They must submit receipts to document their expenses, and the accounts are subject to quality control audits. A Friedman Foundation survey conducted in 2013 by Jonathan Butcher and Jason Bedrick found "65 percent of parents [in Arizona] used the accounts for private school tuition, 41 percent accessed education therapy, and more than one-third of respondents used the accounts for a tutor for their child."³

ESAs are the ultimate "funding-follows-the-student" reform. They allow parents great flexibility in designing their child's education portfolio. Some providers might be conventional, such as tutors or music or foreign language instructors, but others might be unconventional, such as entrepreneurship training or local businesses that arrange foreign travel for language immersion. Providers could team up with each other or with schools to provide students a portfolio of services offering a full learning experience.⁴

Research shows parents given a choice tend to be more satisfied with their child's education, which leads to more parental involvement in student learning. Seventy-one percent of Arizona parents whose children participate in the ESA program reported being "very satisfied" with their child's education compared with their previous public school. The remaining 29 percent of parents were either satisfied or somewhat satisfied; no parents reported being unsatisfied.⁵

Education savings accounts give parents more flexibility and choice in their children's education. This is especially valuable to low-income families, whose educational options in the traditional public school system are generally limited to the neighborhood public school.

ISSUE EXPERTS

- Jonathan Butcher, education director, Goldwater Institute: jbutcher@goldwaterinstitute.org or 602-462-5000.
- Lennie Jarratt, project manager for education, The Heartland Institute: ljarratt@heartland.org or 312-377-4000.
- Matthew Ladner, Ph.D., senior advisor, Foundation for Excellence in Education: matthew@ExcellinEd.org or 850-391-4090.
- Joy Pullmann, research fellow, The Heartland Institute: jpullmann@heartland.org or 202-271-1433.

RULES & REGULATIONS

STATE	TAX-CREDIT SCHOLARSHIPS	INCOME LIMIT	PRIOR YEAR PUBLIC SCHOOL REQUIREMENT	ENROLLMENT CAP	SCHOLARSHIP CAP	TESTING MANDATES	CREDIT VALUE	TOTAL CREDIT CAP	BUDI CA
AL	Education Scholarship Program	100% x FRL	Conditional	None	\$6,000 (K-5) / \$8,000 (6-8) / \$10,000 (9-12)	State or National	\$50,000 (individual) / 100% (business)	Yes	\$30 m
AZ	Original Individual Income Tax Credit Scholarships	None	None	None	None	None	100%	Yes	None
AZ	Low-Income Corporate Income Tax Credit Scholarships	185% x FRL	Yes	None	\$5,100 (K-8) / \$6,400 (9-12)	None	100%	None	\$51.6 million
AZ	Lexie's Law*#§	None	Yes	None	90% State Funding	None	100%	None	\$5 mi
AZ	"Switcher" Individual Income Tax Credit Scholarships	None	Yes	None	None	None	100%	Yes	None
FL	Florida Tax Credit Scholarship Program	100% x FRL	None	None	\$5,677	National	100%	Yes	\$447.3 millio
GA	Qualified Education Expense Tax Credit	None	Yes	None	\$9,081 (2016)	None	100%	Yes	\$58 m
IN	School Scholarship Tax Credit	200% x FRL	None	None	Full Tuition	National	50%	None	\$8.5 m
IA	School Tuition Organization Tax Credit	300% x Poverty	None	None	Full Tuition	None	65%	None	\$12 m
KS	Tax Credit for Low Income Students Scholarship Program†	130% x Poverty	Yes	None	\$8,000	None	70%	None	\$10 m
LA	Tuition Donation Rebate Program	250% x Poverty	Yes	None	Conditional	State	100%	None	No
MT	Tax Credits for Contributions to Student Scholarship Organizations	None	None	None	50% of State Expenditure	National	100%	\$150	\$3 million
NH	Education Tax Credit Program	300% x Poverty	Yes	None	\$2,541, on average / \$4,447 (special needs minimum) / \$635 (homeschool)	None	100%	None	\$5.1 m
NV	Educational Choice Scholarship Program	300% x Poverty	None	None	\$7,755	None	100%	None	\$5 million
OK	Oklahoma Equal Opportunity Education Scholarships	300% x FRL	None	None	Conditional	None	Conditional	Yes	\$3.5 m
PA	Educational Improvement Tax Credit Program	\$75,000 + \$15,000/child	None	None	Full Tuition	None	75% / 90%	Yes	\$100 m
PA	Opportunity Scholarship Tax Credit Program†	\$75,000 + \$15,000/child	None	None	\$8,500 / \$15,000 (special needs)	None	75% / 90%	Yes	\$50 m
RI	Tax Credits for Contributions to Scholarship Organizations	250% x Poverty	None	None	None	None	75% / 90%	Yes	\$1.5 m
SC	Educational Credit for Exceptional Needs Children*	None	None	None	\$10,000	State or National	100%	Yes	\$8 m
VA	Educational Opportunity Scholarships Tax Credits Program	300% x Poverty (400% for students w/ special needs)	Conditional	None	Conditional	National	65%	Yes (individual) / None (business)	\$25 m

STATE	INDIVIDUAL TAX CREDITS / DEDUCTIONS	REFUNDABLE	INCOME LIMIT	PRIOR YEAR PUBLIC SCHOOL REQUIREMENT	ENROLLMENT CAP	INDIVIDUAL CREDIT / DEDUCTION CAP	TESTING MA
AL	Alabama Accountability Act of 2013 Parent-Taxpayer Refundable Tax Credits†	Yes	None	Yes	None	\$3,563	State or Na
IL	Tax Credits for Educational Expenses	No	None	None	None	\$500	None
IN	Private School/Homeschool Deduction	No	None	None	None	\$1,000	None
IA	Tuition and Textbook Tax Credit	No	None	None	None	\$250	None
LA	Elementary and Secondary School Tuition Deduction	No	None	None	None	\$5,000	None
MN	Education Deduction	No	None	None	None	\$1,625 (K-6) / \$2,500 (7-12)	None
MN	K-12 Education Credit	No	\$37,500	None	None	\$1,000	None
SC	Refundable Educational Credit for Exceptional Needs Children*	Yes	None	None	None	\$10,000	State or Na
WI	K-12 Private School Tuition Deduction	No	None	None	None	\$4,000 (K-8) / \$10,000 (9-12)	None

* Limited to students with special needs

† Limited to students in low performing schools

§ Limited to children of military members stationed in the state

Limited to students in foster care

FRL = Federal free and reduced price lunch program

RULES & REGULATIONS

STATE	VOUCHERS	INCOME LIMIT	PRIOR YEAR PUBLIC SCHOOL REQUIREMENT	ENROLLMENT CAP	VOUCHER CAP	TESTING MA
AR	Succeed Scholarship Program for Students with Disabilities*§	None	Conditional	None	Conditional	National
CO	Choice Scholarship Program	None	Yes	500	\$5,066	National
DC	Opportunity Scholarship Program	100% x FRL (300% to remain eligible year-to-year)	None	None	\$8,381 (K-8) / \$12,572 (9-12)	National
FL	John M. McKay Scholarships for Students with Disabilities Program*	None	Yes	None	Conditional	None
GA	Georgia Special Needs Scholarship Program*	None	Yes	None	Conditional	None
IN	Choice Scholarship Program	150% x FRL	Conditional	None	90% of State Expenditure	State
LA	Louisiana Scholarship Program†	250% x Poverty	Conditional	None	None	State
LA	School Choice Pilot Program for Certain Students with Exceptionalities*	None	None	None	Conditional	None
ME	Town Tuitioning Program	None	None	None	\$7,933 (K-8) / \$10,339 (9-12)	Conditional
MS	Mississippi Dyslexia Therapy Scholarship for Students with Dyslexia Program*	None	Conditional	None	\$5,355	None
MS	Nate Rogers Scholarship for Students with Disabilities Program*	None	Conditional	None	\$5,355	None
NC	Special Education Scholarship Grants for Children with Disabilities*	None	Conditional	None	\$4,000 per semester	National
NC	Opportunity Scholarships	133% x FRL	Conditional	None	\$4,200	National
OH	Cleveland Scholarship Program	None‡	None	None	\$4,250 (K-8) / \$5,700 (9-12)	State
OH	Autism Scholarship Program*	None	None	None	\$27,000	None
OH	Educational Choice Scholarship Program†	None	Conditional	60,000	\$4,650 (K-8) / \$5,900 (9-12)	State
OH	Jon Peterson Special Needs Scholarship Program*	None	Yes	Conditional	\$27,000	None
OH	Income-Based Scholarship Program	400% x Poverty	None	Conditional	\$4,650	State
OK	Lindsey Nicole Henry Scholarships for Students with Disabilities*	None	Conditional	None	Conditional	None
UT	Carson Smith Special Needs Scholarship Program*	None	None	None	Conditional	Yes
VT	Town Tuitioning Program	None	None	None	Conditional	None
WI	Milwaukee Parental Choice Program	300% x Poverty	None	None	\$7,214 (K-8) / \$7,860 (9-12)	National
WI	Parental Private School Choice Program (Racine)	300% x Poverty	None	None	\$7,214 (K-8) / \$7,860 (9-12)	National
WI	Parental Choice Program (Statewide)	100% x FRL	None	Conditional	\$7,214 (K-8) / \$7,860 (9-12)	National
WI	Special Needs Scholarship Program*	None	Yes	None	\$12,000	None

STATE	EDUCATION SAVINGS ACCOUNTS	INCOME LIMIT	PRIOR YEAR PUBLIC SCHOOL REQUIREMENT	ENROLLMENT CAP	ACCOUNT CAP	TESTING MA
AZ	Empowerment Scholarship Accounts*†§#**	None	Yes	Yes	90% Charter Funding	None
FL	Gardiner Scholarship Program*	None	None	None	90% State and Local Funding	State or Na
MS	Equal Opportunity for Students with Special Needs Program*	None	Conditional	500	\$6,500	None
NV	Education Savings Accounts	None	Yes	None	90% or 100% State Funding	National
TN	Individualized Education Account Program*	None	Conditional	None	100% State and Local Funding	State or Na

* Limited to students with special needs

† Limited to students in low-performing schools

‡ Priority given to families up to 200% x Poverty

§ Limited to children of active military members stationed in the state

FRL = Federal free and reduced-price lunch program

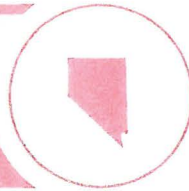
Limited to students previously in foster care

** Or limited to children of military members killed in the line of duty, siblings of current or previous ESA recipients, students eligible to enroll in a program for preschool children with disabilities, and students living on Native American reservations

NEVADA

Education Savings Accounts

Education Savings Account • Enacted 2015 • Launched 2016



Nevada's Education Savings Accounts (ESA) program provides parents funds to pay for a variety of educational services for their children, including private school tuition, distance learning programs, tutoring, curriculum, therapy, in-state post-secondary educational institutions, and other defined educational services.

STUDENT FUNDING

Annual account payments may be worth 100 percent of the statewide average basic support per pupil (\$5,710 in 2015–16) for students with special needs or those from households with incomes up to the level of the free and reduced-price lunch program (\$44,863 for a family of four in 2015–16). For all other students, annual account payments may be worth 90 percent of the statewide average basic support per pupil (\$5,139 in 2015–16).

STUDENT ELIGIBILITY

Students qualify if they attended a Nevada public school for at least 100 days immediately prior to establishing an ESA. Additionally, children of active duty military members and those under 7 years old qualify immediately.

FRIEDMAN FEEDBACK

This program is by far the closest to the type of school choice program Milton Friedman envisioned to date. It also has the highest funded eligibility rate of any program in America to date, 93 percent, and funding amounts for low-income children are set at 100 percent of the average state public school per-pupil funding amount. This program sets the bar that all other school choice programs should try to reach. There is still room for improvement, however. First, additional pathways for eligibility could be added, including a sibling preference, new entrants into the state, and/or low-income students who currently attend private school. Ultimately, every single child in the state should be able to access an ESA. Second, all state expenditures should follow children with special needs, which would provide the most challenged students to access the services they need. Right now, they receive only the base support. Lastly, funding amounts, in general, could be raised to what a public school receives per student. An amount closer to \$7,000 per child would help more families access more private schools, especially those who come from low-income households. This is somewhat mitigated by families' ability to stack the state's tax-credit scholarship program on top of an ESA, but that program also has funding limitations.

LATEST STATS (2015–16)

Students participating: **N.A.**
Schools participating: **N.A.**
Average base account value: **\$5,139**

Percent of Nevada K–12 students
eligible for Nevada's Education
Savings Accounts

96%

STO REQUIREMENTS

- Must sign an agreement to ensure the student will receive instruction in Nevada from school, post-secondary educational institution, a distance learning program, a tutor agency, or themselves (although homeschoolers are not eligible for the program)
- Use program funds only for authorized purposes, including:
 - ✓ Tuition or fees at a participating school, post-secondary educational institution, or learning program
 - ✓ Textbooks required by a participating school, post-secondary educational institution, or learning program
 - ✓ Tutoring services provided by a participating tutor or tutoring facility
 - ✓ Payment for purchase of curriculum, including any supplemental materials required curriculum
 - ✓ Fees for transportation required to travel to and from a participating provider or providers, up to but not exceeding \$750 per school year
 - ✓ Fees for nationally standardized norm-referenced achievement tests, Advanced examinations or similar exams, or any exams related to college or university admission
 - ✓ Fees for any special instruction or special services for students with special needs
- Fees for the management of the ESA by private financial firms

Because this program did not launch until the Spring 2016 semester, participation not be available until February 2016 at the earliest.

For the latest program information and data updated in real time, visit
www.edchoice.org/NV_ESA

Empowerment Scholarship Accounts

Education Savings Account • Enacted 2011 • Launched 2011

Arizona's Empowerment Scholarship Accounts (ESA) program allows parents to withdraw their children from public, district, or charter schools and receive a portion of their public funding deposited into an account with defined, but multiple, uses, including private school tuition, online education, private tutoring, or future educational expenses.

STUDENT FUNDING

ESAs are funded at 90 percent of the charter school per-student base funding. For the 2015–16 school year, that amounts to \$4,645 (K–8) or \$4,904 (9–12) for students who do not have special needs.

STUDENT ELIGIBILITY

Students must have previously attended public school for at least 100 days of the prior fiscal year and met one of the following characteristics: (1) received a scholarship from an STO under Lexie's Law, (2) attended a "D" or "F" letter grade school or school district, (3) been adopted from the state's foster care system, (4) is already an ESA recipient, or (5) the child lives on a Native American reservation. Students eligible to attend kindergarten are also eligible provided they meet one of the above criteria. Additionally, children of active-duty military members stationed in Arizona, children whose parents were killed in the line of duty, and siblings of current or previous ESA recipients are also eligible. Children of active-duty members of the military or whose parents were killed in the line of duty are not required to attend a public school prior to applying for an ESA. Finally, preschool children with special needs are also eligible and are not required to have attended a public preschool program prior to applying. New accounts are capped at 0.5 percent of the previous year's total number of public and charter school students; that cap will be removed in 2019.

FRIEDMAN FEEDBACK

Arizona's ESA program is relatively strong on its funding power, as 90 percent of the charter school per-student base funding amount is deposited in each participant's ESA. Arizona's ESA program also excels in that it is not over-regulated; ESA-using parents must sign an agreement to provide an education including reading and grammar, math, social studies, and science, and participating private schools or service providers must not discriminate. The program could improve by expanding eligibility. The 2014–15 eligibility expansion no doubt gets closer to providing eligibility to all Arizona families, but despite that expansion, more than 75 percent of children in Arizona still are ineligible for ESAs. Additionally, the arbitrary cap of 0.5 percent of traditional public and charter school enrollment restricts even the current 22 percent eligible from enrolling.

LATEST STATS (2015-16)

Students participating: **2,501**

Schools participating: **134** (2014–15)

Average annual award value: **\$12,400**
[projected]

Percent of Arizona K–12 students
eligible for Empowerment
Scholarship Accounts

22%

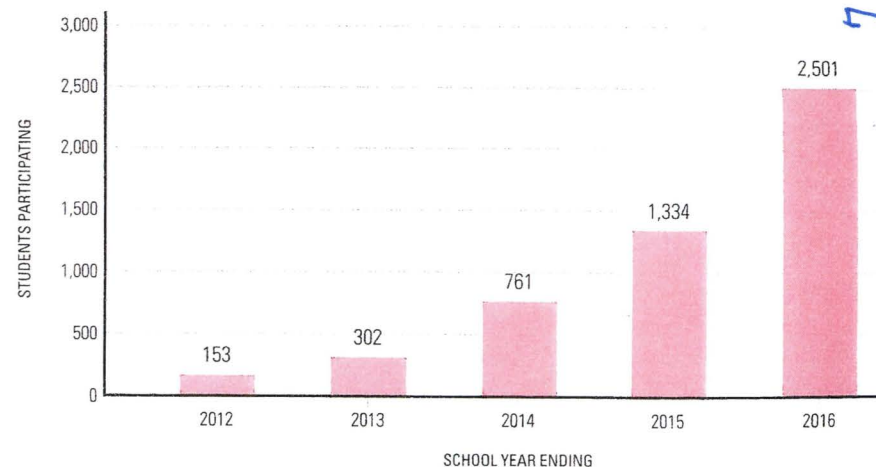
GOVERNING STATUTES

Ariz. Rev. Stat. §§15-2401 through 2404

PARENT REQUIREMENTS

- Must sign an agreement to:
 - ✓ Provide an education in the subjects of reading, grammar, mathematics, social studies, and
 - ✓ Not enroll their student in a school district or charter school full time, though parents can use ESA to buy services from a public school including classes and extracurricular activities
 - ✓ Release the school district from all obligations to educate the student
 - ✓ Not accept a scholarship under any of Arizona's tax-credit scholarship programs
 - ✓ Use the money deposited in the ESA for purposes specified in the law and spend account ESA dollars on basic education subjects

Enrollment in Arizona's education savings accounts program nearly doubled since 2014–15.



For the latest program information and data updated in real time, visit

www.edchoice.org/AZ_ESA.

of school choice. However, seven other empirical studies have also specifically tested for the presence of a stigma effect (in Florida and Ohio) and found that this effect either did not exist or was not large enough to explain away the school choice effect. Also, stigma cannot explain the positive findings for Milwaukee, Florida's two other programs, or the century-old "town tuitioning" voucher systems in Maine and Vermont.⁴⁰

TABLE 3 Academic Outcomes of Public Schools

Location	Author	Year	Results		
			Any Positive Effect	No Visible Effect	Any Negative Effect
Louisiana	Egalite	2016	X		
Louisiana	Egalite	2014	X		
Indiana	Egalite	2014	X		
Florida	Figlio & Hart	2014	X		
Florida	Bowen & Trivitt	2014			X
San Antonio	Gray et. al.	2014	X		
Florida	Rouse et. al.	2013	X		
Florida	Chakrabarti	2013	X		
Florida	Figlio & Hart	2011	X		
Florida	Winters & Greene	2011	X		
Ohio	Carr	2011	X		
Milwaukee	Mader	2010	X		
Milwaukee	Greene & Marsh	2009	X		
San Antonio	Merrifield & Gray	2009	X		
Ohio	Forster	2008	X		
Florida	Forster	2008	X		
Milwaukee	Chakrabarti	2008	X		
Florida	Chakrabarti	2008	X		
Milwaukee	Chakrabarti	2008	X		
Florida	Rouse et. al.	2007	X		
Milwaukee	Carnoy et. al.	2007	X		
San Antonio	Diamond	2007	X		
D.C.	Greene & Winters	2007		X	
Florida	Figlio & Rouse	2006	X		
Florida	West & Peterson	2006	X		
Florida	Greene & Winters	2004	X		
Florida	Chakrabarti	2004	X		
Milwaukee	Greene & Forster	2002	X		
San Antonio	Greene & Forster	2002	X		
Maine	Hammons	2002	X		
Vermont	Hammons	2002	X		
Milwaukee	Hoxby	2001	X		
Florida	Greene	2001	X		

Note: This table shows all empirical studies using all methods.

TABLE 4 Fiscal Impact on Taxpayers and Public Schools

Location	Author	Year	Results		
			Positive Effect	No Visible Effect	Negative Effect
D.C.	Spalding	2014	X		
Florida	Spalding	2014	X		
Florida	Spalding	2014	X		
Georgia	Spalding	2014	X		
Louisiana	Spalding	2014	X		
Cleveland	Spalding	2014	X		
Ohio	Spalding	2014	X		
Ohio	Spalding	2014	X		
Utah	Spalding	2014	X		
Milwaukee	Spalding	2014	X		
D.C.	Wolf & McShane	2013	X		
Florida	LOEDR*	2012	X		
Milwaukee	Costrell	2010	X		
San Antonio	Merrifield & Gray	2009	X		
Florida	OPPAGA**	2008	X		
Vermont	Aud	2007		X	
Maine	Aud	2007		X	
Milwaukee	Aud	2007	X		
Cleveland	Aud	2007	X		
Arizona	Aud	2007	X		
Florida	Aud	2007	X		
Florida	Aud	2007	X		
Pennsylvania	Aud	2007	X		
Florida	Aud	2007	X		
D.C.	Aud	2007	X		
Ohio	Aud	2007	X		
Utah	Aud	2007		X	
D.C.	Aud & Michos	2006	X		

Note: This table shows all empirical studies using all methods; the total fiscal effect of school choice programs is referenced.

*LOEDR stands for Legislative Office of Economic and Demographic Research (State of Florida).

**OPPAGA stands for Office of Program Policy Analysis and Government Accountability (State of Florida).

30,000 ft view of ESA Funding basics 101, from a guy who is not an expert

If there are 1000 kids in each grade throughout ND

Roughly 6% are known to choose non-public option

So 60 kids entering grade 1 could enroll in ESA, but would've gone nonpublic anyway

The state will pay \$5600 for each of them (75% of \$7500, the state contrib to aid formula).

This is a cost to the state of \$336,000 for the "non-switchers". ($\$5600 \times 60$).

If 2% of public school kids "switch" to ESA that wouldn't have switched otherwise, that would be 20 kids/grade for grades 1-12, equals 240 kids.

The switchers get the ESA amount which is 75% of what the state would have otherwise spent. In other words, a 25% savings per switcher kid.

$\$7500 \times .25 = \1875 . $\$1875 \times 240 \text{ kids} = \$450,000$ savings.

Minus the cost of the non-switchers, the state saves a net \$114,000.

The per pupil spending from the state for public school kids is the same, but some of the local, Federal (Title I), property tax remains locally and in the school district, therefore total monies available per public school student is increased.

More money per student translates to more opportunity for innovation.

Attachment 2

1/24/17

House Education - Coteau A Room - HB 1382

HB 1382

Mark Owens, Chairman

January 24, 2017

Mr. Chairman, members of the House Education Committee for the record my name is Mark Dosch. I am here today to voice my support for HB 1382. This has been a issue that has been near and dear to me. As a father of 3, the education of our children is one of the most important decisions we as parents make for our children. We as parents understand that although we raise our children the same, we know that each is a unique individual. Some excel in sports, others in academics. Some are social butterflies, others quiet and reserved. Having the right environment for our children is critical in allowing them grow, prosper and achieve. For some, public education is that environment, for some it maybe nonpublic or home school.

That is why I'm so excited about HB 1382. HB 1382 is the answer to parents have been looking for. Regardless of your economic status this bill will allow parents the ability to send their child to a school and environment that they feel will be best for their child. Education Savings Account (ESA) will provide the resources to help assist parents in paying for their children's education and at the same time save the Sate of ND 25% of the cost of education for those family choosing to take advantage of the program. Given the States current budget crunch, now more than ever is that time.

Savings will not only be found on the State level, but on the local level as well with property taxes. Take Bismarck as an example. A few years ago, Bismarck passed a new bond issue, increasing local property taxes to build a new high school and two new grade schools. This spring the city is again asking it tax payers to flip the bill for additions to 3 of our grade schools and addition to Bismarck High School. The burden on property tax payers it seems will never end. What is perhaps most frustrating is that there is room in our non-public schools for more students.... but that doesn't matter to our school board. Rather than exploring options like this bill provides, could help ease the demand for more schools and more space... but the lure of bigger and better seems to over ride common sense solutions.

This bill would no doubt be a Win Win for the State, Local Property Tax Payers, Parents and Students. The very conservative nature of this bill, slowly eases us into ESA. Thus no funding will be lost to our existing public school system. And very importantly, because the money follows the student. Courts have found this method to be constitutionally sound and expectable.

This leads me to my last point, and a word of caution to each of you. I'm certain that today you will hear from the opposition, namely the teachers union. I bet today, they will come up here, dust off their 20 year old manual, containing talking points of how this would cross the line between Church and State, and how this is unconstitutional.

The fact of the matter is that in the last 5 years, state after state that has had school choice, vouchers, or ESA challenged have come out successful. Court after court has determined that as long as the money follows the student, that it is constitutionally sound and is expectable.

To this point, I challenge you to ask the question of the opposition, if they are aware of any states in the last 5 years that have challenged the courts and have won. If truthful, they will concede to that fact.

Now more than at any time in our history are we better situated to allow all parents, regardless of economic status a say.... a Choice in their children's education. We have a new President that supports Vouchers, and new Governor that supports school Choice.... and now it's up to each of you to support this bill...

Thank you Mr. Chairman and members for your time and consideration.



*Great Public Schools**Great Public Service*

Testimony before the House Education Committee
HB 1382
January 24, 2017

Good morning, Chairman Owens and members of the Committee. For the record, my name is Nick Archuleta and I am the president of North Dakota United. On behalf of our 11,500 members, I rise today to urge a DO NOT PASS recommendation on HB 1382.

HB 1382 is plain and simply a cookie-cutter voucher bill crafted somewhere outside of North Dakota and introduced here as if there is a great hue and cry for legislation whose only purpose is to derail funding for public schools. If this bill is passed, public monies will be used to pay private school tuition or home school expenses without the oversight and regulation that accompany these monies when they go to public schools. Making HB 1382 the law in North Dakota will certainly do more harm than good.

Among our concerns about this proposed legislation is that no one knows how much it will cost. What is certain is that if an exodus from the public schools does occur, public schools will have fewer resources to meet the needs of the remaining students. Most, if not all, private schools do not have the capacity or the resources to provide an approved educational program to students with special needs. Meeting the needs of special education students can run into the hundreds of thousands of dollars per child depending on the extent to which these students need services. It is unlikely, then, that the parents of these special learners will make the choice to send them to private schools or to school them at home. Those kids will remain in public schools where the resources to educate them will have been diminished. This legislation is silent on the issue of who must be accepted into private schools even after they receive tuition monies provided by the state.

It is perhaps instructive now to look at the states where these education savings accounts have been implemented. They tend to be the denizens in the bottom quadrant of the list of states where their residents are satisfied with the performance of their schools, as measured by the March 10, 2016 Gallup Poll. In Nevada, 42% of the residents rate their schools as "good or

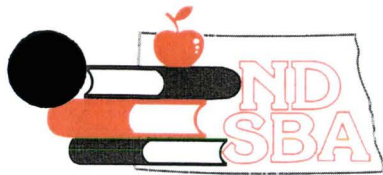
excellent.” In Arizona, that number is 50%. In Mississippi, 53%. In Florida, that number is 55%, and in Tennessee the number skyrockets to 60%. In North Dakota, 89% of your constituents and fellow citizens rate our schools as being good or excellent. No one in this state is clamoring for this legislation to fix our public school system. It works in North Dakota and the people here know it!

Our schools are good but are they so good that they cannot be improved upon? Of course they're not. But what this bill offers will only serve to weaken public schools and diminish the positive impact they have on children in communities across North Dakota. If making North Dakota's schools better is a high priority for the sponsors of this bill, then I would encourage legislative support for the Innovation Bill that Superintendent Baesler has caused to be introduced this session. But I'll save that testimony for another day.

This concludes my testimony, Mr. Chairman. Again, on behalf of the professional educators I represent across North Dakota, I urge a DO NOT PASS on HB 1382.

I am happy to stand for any questions you may have.

1/24/17



Excellence in North Dakota public education through local school board governance

NORTH DAKOTA
SCHOOL BOARDS
ASSOCIATION
I N C O R P O R A T E D

HB 1382 – TESTIMONY

L. Anita Thomas, J.D., LL.M.

General Counsel

North Dakota School Boards Association

January 24, 2017

Almost every session, bills are introduced to try and direct public dollars into the hands of parents who choose to send their children to private schools or to homeschool their children. The bills have not been successful for a variety of reasons, not the least of which is questions about their constitutionality.

Section 2 of Article VIII of the Constitution of North Dakota states that the Legislative Assembly “shall provide for a uniform system of free public schools throughout the state.” That section does not authorize the financial support of private education and it does not authorize the financial support of home education.

In fact, Section 5 of Article VIII goes on to provide that “[n]o money raised for the support of the public schools of the state shall be appropriated to or used for the support of any sectarian school.” While this bill does not appropriate money to any sectarian school, it would most certainly make money available to parents for the support of sectarian schools.

Therein lies the next constitutional issue. If the money is being provided to the parents, that would fall under the prohibition of the gifting provision of the North Dakota Constitution. Section 18 of Article X states that “neither the state nor any political subdivision thereof shall otherwise loan or give its credit or make donations to or in aid of any individual, association or corporation except for reasonable support of the poor”

The constitutional concerns aren’t the only concerns with this bill.

We do not know how many children will participate, so we do not know the cost.

We know that the state Treasurer is to fund accounts for each program participant. But, we do not know from where the dollars are to come.

We know the Superintendent of Public Instruction and the staff at the DPI deal exclusively with K-12 education issues and yet this bill gives the state Treasurer supervisory authority.

We know that parents have to provide certain assurances regarding subjects that must be taught. i.e. that mathematics is being taught and English, etc. Yet, there is no apparent oversight as to what is being taught within those courses.

We know that a nationally norm-referenced achievement test is to be administered each year and that the results are to be reported to an independent researcher. We do not know what if anything will happen should a child's results fall below a certain percentile. It probably doesn't matter because a parent can object to the use of such tests on philosophical, moral, or religious grounds.

Reading this eight page bill leaves one with innumerable questions and innumerable concerns. What we are, however, certain of is that the Legislative Assembly's first allegiance must be to the state's system of public education.

The tenor of this session is that K-12 education, like most governmental entities, will be asked to do more with less. We are being asked to be flexible and innovative. We will work hard to meet those expectations. That's our new reality. We recognize that. But, we also ask you to recognize that negotiated salary schedules have a built-in cost to continue. We need you to recognize that health care costs, and utility bills, and bus replacements, and roof repairs, are not stagnant. Neither are the costs associated with professional development, special education, English learners, social services, security, behavioral health issues, civil rights issues, textbooks, and electronics, and the list goes on and on. Growing districts have that many more students requiring services and districts with declining enrollments have to figure out how to maintain their services with fewer per student dollars.

Perhaps at another time the concept of funding educational options beyond public education could be explored. Right now, however, we need to have you work with us so that together, we can meet our constitutional obligations, but more importantly, that we can effectively and efficiently support the delivery and administration of public education. Diluting dollars at any level is not the way to do this.

To date, only five states have enacted education savings account programs – AZ, FL, MS, TN, and NV. Given other challenges that are facing us, we would encourage you to acquire more information about the efficacy of such programs before determining that the state of North Dakota should commit to this or a similar pursuit.

We therefore respectfully request that you give HB 1382 a **DO NOT PASS**.

Attachment 5

HB 1382

1/24/17



**HB1382 – Education Savings Accounts
Testimony in Opposition
North Dakota Council of Educational Leaders – Dr. Aimee Copas
January 24, 2017**

Good day Chair Owens, Vice Chair Schreiber-Beck and members of the House Education Committee. For the record, my name is Aimee Copas and I serve as the Executive Director for the ND Council of Educational Leaders.

I stand before you today representing your school leaders recommending to you that take pause before considering this bill to be the solution to education some of you may be searching for. We continue to have the debate about whether our students are graduating from high school - college, career, and life ready. We discuss remediation rates and techniques by which we are attempting to help our students succeed. We discuss the perceived stagnant growth of public education. I propose the idea that reinvesting dollars into concepts that currently exist in North Dakota that have not shown markedly different results academically may not be the best way to approach the problem. I propose that we look at real innovation to be the beginning of the solution. Rethinking how we look at the educational day, space, and pace may be a more fruitful conversation for the public, private, and home school environments.

On its face there are issues with this bill that cannot be reconciled. I could spend the better part of an hour digging into the many issues that I can see in this bill, but I will focus on the fiscal side. The reality is that this bill will cost our state an enormous amount of money...perhaps not in the first year, but certainly in the not so distant future. It creates disparities in funding and disparities in equity based on the rural vs. urban application of much of the opportunity. Please allow me to explain the fiscal piece further.

Currently we provide a per pupil payment to our schools for our approximately 110,000. That number does not include the approximately 7500 private school children and approximately 5000 home school children. 90% of all students in North Dakota attend school at a public institution.

If you calculate the number of private school students and the number of home school students and multiply that number by the 25% of the per pupil payment that will be given to them (that is currently not given to them at this time) the investment by our state could be as high as

- **\$30,125,000**
- (7500 private school children + 5000 home school children x \$2410 (25% of the current \$9640 per pupil payment)). This is considering the minimum amount. If there were a consideration of the funding of a special needs child – that amount would get higher with a question in place whether the services could be provided at venues outside of our public school systems that would meet the ADA and IDEA requirements. Currently even our public schools are significantly underfunded in the areas of special education making entities that have no programs in place as a near impossibility to be executed in the best interest of the child.

This funding piece is a very real as a student would only need to show enrollment in a private school in the previous semester. There is no indication that they would've had to have ben enrolled for the full semester. Within the course of one school year, each and every child mentioned could be privy to that funding amount.

The cost to operate our public schools would not change. They would simply have less dollars to do so which will hurt the opportunity for the overwhelming majority of our students. Our state is constitutionally obligated to provide a free public education – this is one that all of our students are able to take advantage of. Rather than take on a myriad of constitutional challenges (Is this upholding our state constitution? Is this an inappropriate mix of church and state? There is little to no compelling evidence to show students will have a better outcome in a voucher system – is an investment in something that hasn't proven it worth a good decision?) I would ask you to consider other avenues and opportunities to provide flexibly within our own current system of education.

We ask for a DO NOT PASS of HB 1382.

2



HB 1382

Attachment 1

1/31/17



TESTIMONY REGARDING SCHOOL CHOICE
POLICY AND RESEARCH IN THE UNITED STATES

Chairman Owens and Members of the Education Committee:

My name is Ed Failor and I am a State Programs Director for EdChoice, a non-profit, nonpartisan organization dedicated to advancing a K-12 education system where all parents are free to choose a learning environment – public or private, near or far, religious or secular – that works best for them. I am here today to provide a bit of information and context to the Education Savings Account bill pending before you, as well as an overview of the history of school choice.

First, a little bit about Education Savings Accounts – henceforth referred to as ESAs. This program is similar to a Health Savings Account. The state deposits a predetermined amount of money into a special savings account which parents can access through a debit card. From there, a parent is able to truly utilize choice. He or she can pay for private school tuition, curriculum, textbooks, tutoring, testing such as a state achievement test or the SAT or ACT, test preparation services, or educational support therapy. These types of programs truly put the power, at the most basic level, in the hands of the parent to make a wide variety of educational choices, not just a choice between public and private schools.

ESA programs are often regulated the same way as Electronic Benefit Cards, in the sense that only approved merchants and educational items are allowed for payment by the debit cards. For example, a parent utilizing an ESA could not go to a casino and withdraw money. What is unique about this program is that any money left over after the child has finished K-12 can be applied to higher education expenses at an in-state university, community college, technical college, or vocational technical college. This incentivizes good stewardship of dollars during K-12 to help get a head start on higher educational expenses, if the parent deems that a prudent investment.

To date, five states have passed ESA legislation: Arizona, Florida, Mississippi, Nevada, and Tennessee. Enacted in 2011, Arizona's Empowerment Scholarship Accounts was the first ESA program in America. The Arizona Supreme Court has ruled that the Empower Scholarship

Accounts were constitutional on their face, and the program continues on unabated. Eligibility of the program was expanded in 2014. Nevada's ESA, enacted in 2015, is the first near-universal education choice legislation of its kind. 96 percent of Nevada K-12 students are eligible. The bill before you today – HB 1382 – most closely resembles the Nevada model.

Now, a bit about the history of school choice.

As you may know, Vermont was the first state in our country to adopt private school choice when it enacted the town tuitioning model in 1869. That program was closely followed by a town tuitioning program in Maine in 1873. However in the intervening years, very little happened regarding private school choice.

This changed with Wisconsin's Milwaukee Parental Choice Program in 1990. Over the 26 years of that program's existence, participants have demonstrated the positive effects that school choice can have on academic achievement and attainment. In the most recently published study on the Milwaukee program, researchers found that choice students graduated high school, enrolled and stayed in college at rates that were four to seven percent higher than their public school peers. In other words, for every 1,000 high school students using a voucher, at least *40 more students* graduate high school and go on to college than would if the program did not exist.

Indeed, empirical research also shows that school choice programs benefit participants academically. Of the 18 random-assignment studies – considered the “gold standard” of social science research – on school choice programs, 14 showed that *at least some or all* participants made significant academic gains, and two studies showed no visible effects. Prior to 2016, no study had ever shown negative effects on academic outcomes for choice participants. Two recent studies – both on the Louisiana voucher program – found negative effects. However, these findings are easily explained by low private school participation in the program. Due to poor program design and fear of future action from hostile regulations, less than one-third of private schools in Louisiana chose to participate in the voucher program in its first year. Schools choosing to join and remain within a choice program under such adverse conditions are likely to be the worst performing schools.

Less burdensome regulations increase private school participation and yield positive results for choice participants. For example, in 2010, the final report evaluating the D.C. Opportunity Scholarship Program – a voucher program approved with bipartisan support by the U.S. Congress – showed that voucher students graduated high school at a 20 percent higher rate than their public school peers. Voucher participants also showed modest academic gains – but gains nonetheless – in reading, although no significant effects were visible for math.

But school choice is not a policy just for struggling urban school systems like Milwaukee and Washington, D.C. In 2011, the Douglas County, Colorado, school board – which manages some of the best performing *public* schools in the state – chose to enact a 500-student pilot voucher program. The board members realized that a single school system, no matter how high achieving, is not able to serve every single need of every single child. They also estimated that, by giving parents the opportunity to decide where their children will thrive, their school district would actually save about \$400,000 that could be redistributed to the public schools.

Notably, last year, South Dakota adopted a program to create a corporate tax credit scholarship. With that last program, education choice has grown to 61 programs in 30 states and the District of Columbia.

Critically, in my opinion, the two most important things to remember are this: Number 1, school choice has existed before the turn of the last century. School choice is not a new idea and has a proven track record of success. In the states where it exists, it has not lead to the destruction of public schools, nor has it lead to an increase in segregation, and it has certainly not led to public schools being starved for funding. And Number 2, to those that utilize it, school choice offers children an educational environment that best helps them learn. During my personal K-12 experience, I attended a public school, a private school, and I was even homeschooled for a year. Even at different points of my own life, I had different educational needs. This goes to show that even what you or I may consider the “best” school isn’t necessarily the *right* school for any particular child. We should seek to empower *all* parents by giving them the ability to choose the *right* school for their child, not just the school designated to them by their zip code.

All of the information I discussed today can be found on our website, www.edchoice.org. Thank you for the opportunity to appear before you today regarding education choice.

Sincerely,

Ed Failor
Director of State Engagement
EdChoice

Testimony for North Dakota House Education Committee

Re: Education Savings Accounts for K-12 Education

Martin Lueken, Ph.D.
Director of Fiscal Policy & Analysis
EdChoice

January 31, 2017

Honorable Members of the Committee,

Thank you for providing this opportunity to testify on education savings accounts in North Dakota. I have been asked to come here before you to speak about the program's potential fiscal effects on the state and on local district schools. I hold a Master's degree in Economics and a Ph.D. in Education Policy. My work includes peer-reviewed publications and numerous policy reports that have been cited by several media outlets, including a recent editorial by the *Wall Street Journal*. Recently, I conducted an analysis of the fiscal savings from school choice programs throughout the country.

Generally speaking, private school choice programs save states and save school districts money. I'll explain in a minute how they do that. Most choice bills are hardwired to do this, and the reason usually is that elected officials want, and need, to do so in this era of cash-strapped budgets. My organization EdChoice, formerly the Friedman Foundation for Educational Choice, conducted a systematic review of research on school choice. The fiscal effects was one of the outcomes examined in our report. Out of 28 empirical studies reviewed, 25 found school choice programs to save money and three found the programs were revenue neutral. We published these findings in a publication titled, *Win-Win*, and you can find this on our website at edchoice.org.

Also on our website you will find *The Tax Credit Scholarship Audit*, my study of the fiscal effects of 10 tax-credit scholarship programs in seven states and found that these programs generated between \$1.7 billion and \$3.4 billion in taxpayer savings from their inceptions to 2014. Please see Figure A in your handout. And, averaged across these 10 school choice programs, that works out to about \$3,000 in fiscal savings to state and local taxpayers per scholarship student. This range in savings is due to a range of cautious assumptions about the percent of scholarship students who were switching from district schools and the percent of scholarship students who would have attended a private school, even without a scholarship. Broad-eligibility programs, such as those in Arizona, Florida, and Pennsylvania, saved taxpayers the most. Significantly smaller programs experienced fewer savings.

Another study by EdChoice, again using a very cautious approach to estimating savings from ten voucher programs through 2011, found that these ten voucher programs generated \$1.7 billion in taxpayer savings.

And by the way, there are numerous non-fiscal benefits that these programs provide, all demonstrated by rigorous research. They help kids who use scholarships academically and improve their likelihood to graduate from high school, enrolling in 4-year colleges, and persisting in college. But these programs don't only benefit students who participate in them. They also improve the academic outcomes of students who choose to remain in public schools. Thirty-three (33) empirical studies have examined private school choice's impact on academic outcomes in public schools. Within that body of research, 31 studies find that choice improved the performance of nearby public schools. One (1) study finds no significant effects, and only one (1) study found negative effects.

So how is it that these programs save money for taxpayers and district schools? Typically, the value of the scholarship is based on state taxpayer dollars only. They typically do not include funding from the federal government and local property taxes. Thus, only a portion of total per-pupil funds follow students participating in these programs.

School choice programs save schools money because the variable cost of educating students has been shown to be greater than the cost of school choice scholarships. Here I'm referring to fixed and variable costs.

Fixed costs are costs that do not vary with enrollment levels. A few examples include purchasing (or renting) and maintaining a building; utilities; amortization of debt service (e.g. bonding for pensions or capital); district-level administrators' salaries, and land purchases. Variable costs are costs that change directly with fluctuations in enrollment. As enrollment increases, so do these costs. Likewise, a reduction in enrollment will lower costs. A few examples include textbooks and supplies, software licenses, and supplies for food services.

Some school officials will argue that they need additional revenue to hire personnel and provide services when they experience increases in enrollments. In other words, they're saying that they have high variable costs. But when it comes to school choice programs, they'll argue that they can't lose funds if they experience decreased enrollments because of high fixed costs. "We need funds to keep the lights on" is a common line we hear. If you believe this to be true—that all of public school district costs are fixed, then there is little need to fund enrollment growth because all the costs are fixed. It wouldn't matter if you have 50 students or 500 students. As long as the building, staff, and programs are paid for, you no longer need to fund the school. But of course that isn't the case. The logic of that common "we need funds to keep the lights on" argument is not connected to evidence or basic economic principles. Some public school costs are fixed and some public school costs are variable, in the short run. Period. And a fundamental economic and accounting principle is that all costs are variable in the long run.

In North Dakota, K-12 spending experienced robust growth, even after the recent recession. Please look at Figure B. As shown in figure B, in FY 2014 students in North Dakota public schools had more real resources per student than North Dakota students in every year before. And, North Dakota public school students today have dramatically more resources

devoted to their educations than North Dakota students had in the 1990s and in the 1980s – almost twice the resources than in 1987.

Another common argument made by school choice critics is that these programs somehow “siphon” or “drain” resources from public schools. First of all, these programs are tiny as compared to taxpayer spending on public schools—which as we just saw has been increasing for decades.

We’re talking less than one percent of most states’ K-12 education budgets where school choice programs exist. Please see Figure C.

But, here is the fiscal issue—yes, these school choice programs use taxpayer funds. But, these school choice programs also relieve public schools from educating these students. So, we can do an analysis to see the fiscal effect of these school choice programs on state budgets and on the budgets of local school districts. That is, is it cheaper to the taxpayer to educate these kids through the public schools or is it cheaper to the taxpayer to educate them in the private schools. As stated previously, a look at all the evidence regarding school choice indicates overwhelmingly that public school students and school choice students both benefit academically and in other ways from school choice programs.

As stated earlier, school choice programs save money in other states. Now, let’s consider the fiscal piece of school choice, specifically for North Dakota. I have conducted a fiscal analysis of a large-scale education savings account program, if applied in North Dakota. Such a program could generate significant savings for public schools. The fiscal alignment determines whether the program will generate savings. As long as the ESA amount is less than the state’s per-student cost and district’s per-student variable cost, then the program will generate savings when a student chooses to leave her public school and participate in the ESA program.

Variable costs are \$8,257 per student in general education (please refer to Figure D). This is based on a cautious approach and is much lower than what other economists have estimated. The average revenue districts receive from the state is \$7,498 per student. When a student leaves a district for any reason, its revenue from the state is reduced by this amount, but the district also experiences \$8,257 in cost relief. As long as the ESA amount is below these amounts, then the state and North Dakota school districts will save money when students choose to leave a school district to participate in the ESA program. Note that this variable cost estimate is based on a cautious approach and is significantly lower than what other economists have estimated. Thus, savings for school districts will likely be higher.

The average ESA amount is \$5,624, and the state will incur savings worth \$1,874 per student who leaves a public school to participate in the program. I estimated that the state would incur savings worth \$12.2 million.

Local public school districts would experience \$51.5 million in reduced state revenue from state aid. This reduction would be completely offset, however, by \$56.7 million in

cost burden relief for students who would enroll in district schools if the ESA program wasn't in place. These variable costs, which reflect expenditures for total instructional and instructional support, and pupil support, are \$8,257 per student, and they exceed the ESA amount (again, please refer to Figure D). Thus, there will be a net positive impact on school districts of \$5.2 million.

To be clear, this \$5.2 million net savings represents a \$56.7 million reduction in cumulative school variable cost burden, which outweighs the \$51.5 million cumulative net revenue reduction for 6,869 students who otherwise would likely enroll in district schools if the ESA program was not available. It is not a direct reduction in school expenditures.

I believe that a universal ESA program in North Dakota can be a win-win for all its citizens. It can benefit families by expanding educational options and allowing better matches between students and the kinds of education they receive. It can incentivize district schools to improve through greater competition, which would benefit their students. And it will do these things without harming school districts, both fiscally and non-fiscally. Many states have already enacted school choice programs that have helped millions of children nationwide. I wholeheartedly believe that providing more educational choice in your state is a sound investment in students' futures and a money saver for your taxpayers.

Educational choice is a mechanism of funding education that effectively facilitates optimal matching between students, teachers, and schools. It is not about favoring one kind of schooling or product over another. And it's certainly not about "dismantling" one way of providing education in favor of another—this simply has never materialized in any state that has educational choice. Educational choice offers a positive, uplifting belief that any child can learn and it offers a funding method to support that belief where parents are free to choose whatever they deem is the best education option for their children to learn.

Expanding educational choice is a smart and sound investment that North Dakota can make to advance students' lives and build a stronger society.

Again, I thank you for your time, and I hope that you'll feel free to reach out to me if you have any questions.

Testimony for North Dakota Senate Education Committee, Supplemental Handout

Re: Education Savings Accounts for K-12 Education

Martin Lueken, Ph.D.

Director of Fiscal Policy & Analysis

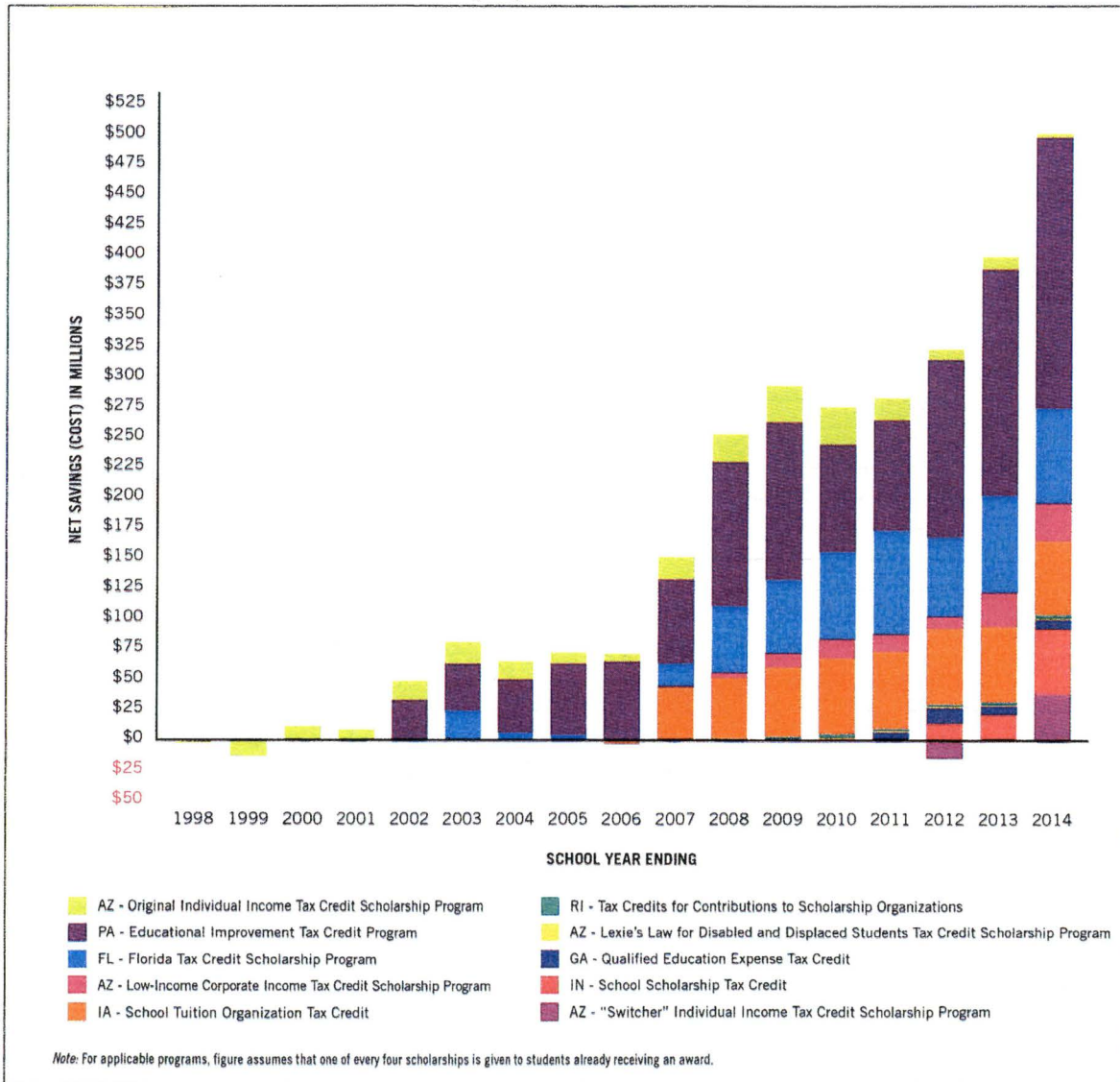
EdChoice

January 25, 2017

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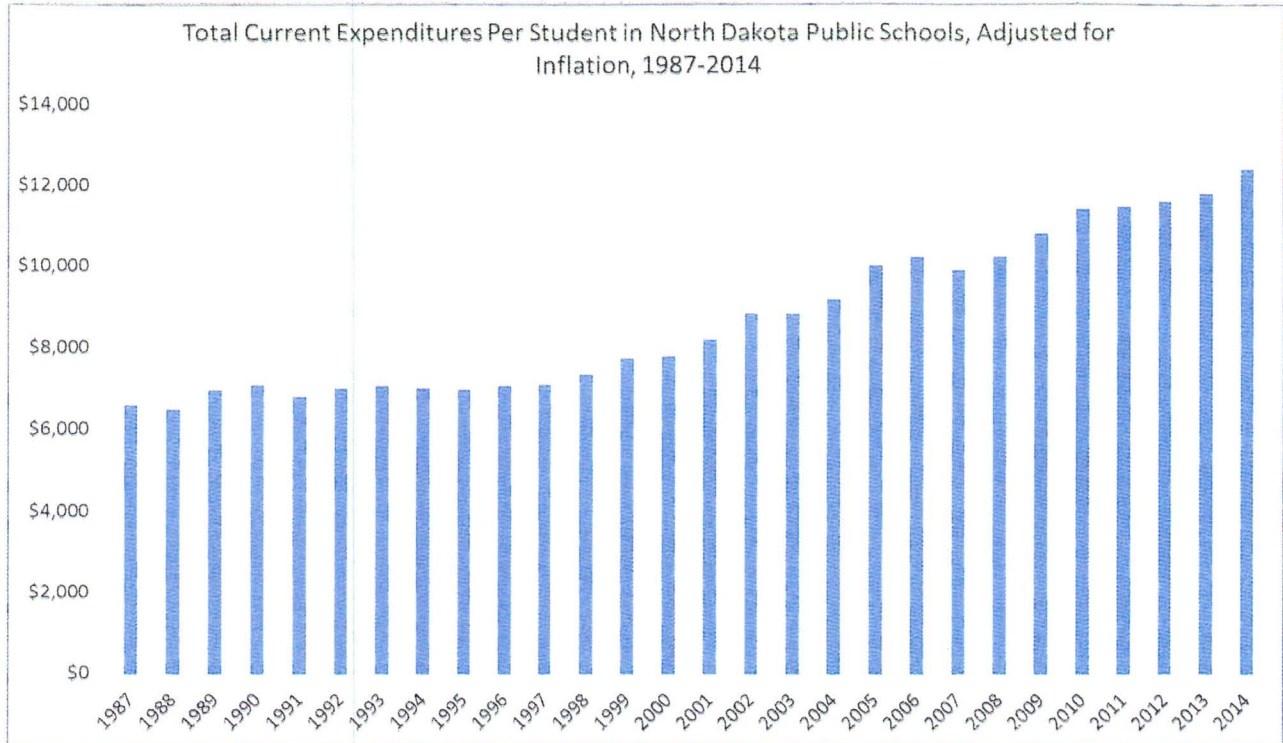
Figure A
Fiscal savings from tax-credit scholarship programs, school years 1997-98 to 2013-14
(Adjusted for inflation)



Source: Lueken, Martin F. "The tax-credit scholarship audit: Do publicly funded private school choice programs save money?" EdChoice, October 31 (2016).

As programs expand and more students use them, overall net savings tend to increase as well.

Figure B
Historical K-12 public school current spending per pupil in North Dakota, 1987-2014
(adjusted for inflation)

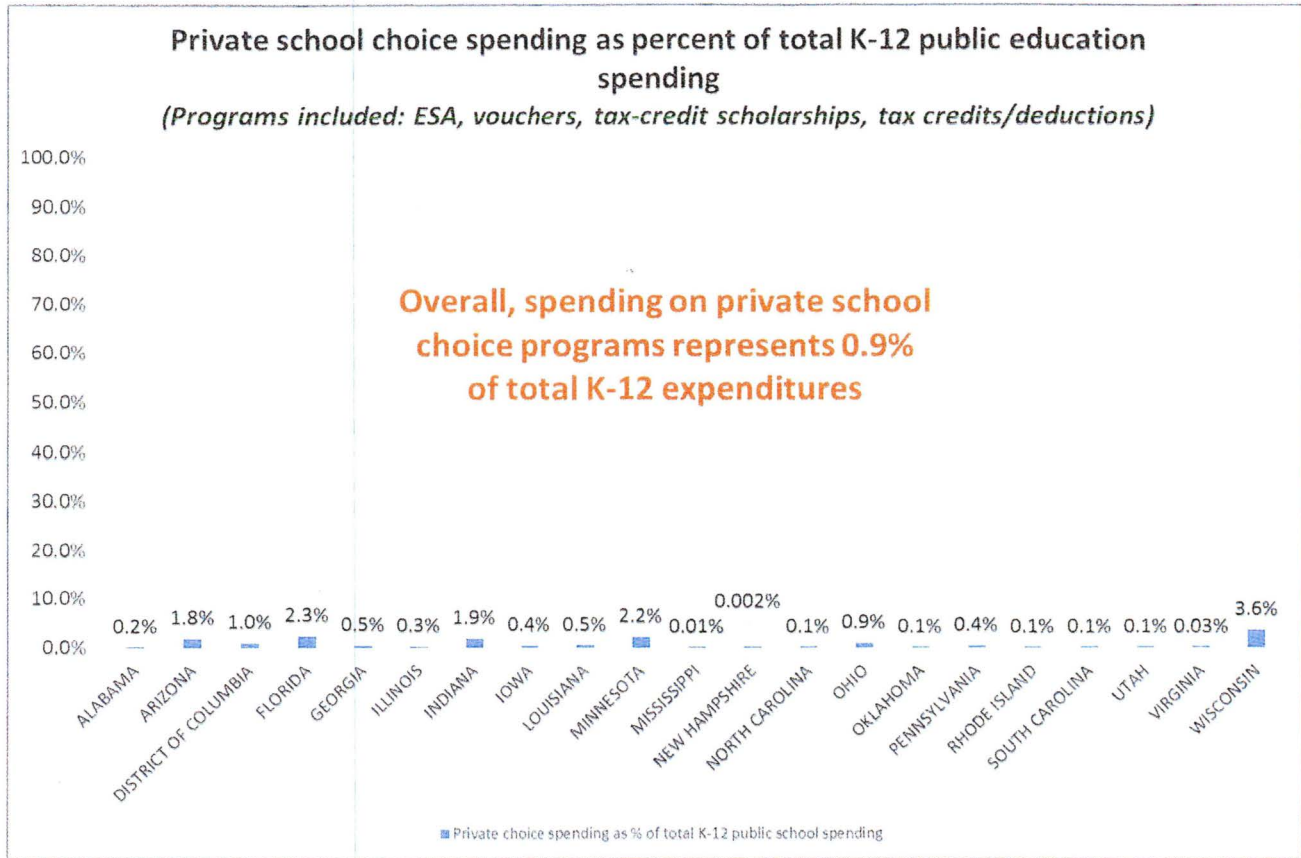


Sources: National Center for Education Statistics; U.S. Census Bureau; U.S. Bureau of Labor Statistics

Since 1987 (earliest year data are readily available), the state's K-12 current expenditures (in real dollars) have experienced persistent growth up to 2014, even after the financial crisis hit. Over the 10-year period up to 2014, total spending per pupil increased 35 percent. Current expenditures exclude long term expenditures like capital outlays and debt service.

Figure C

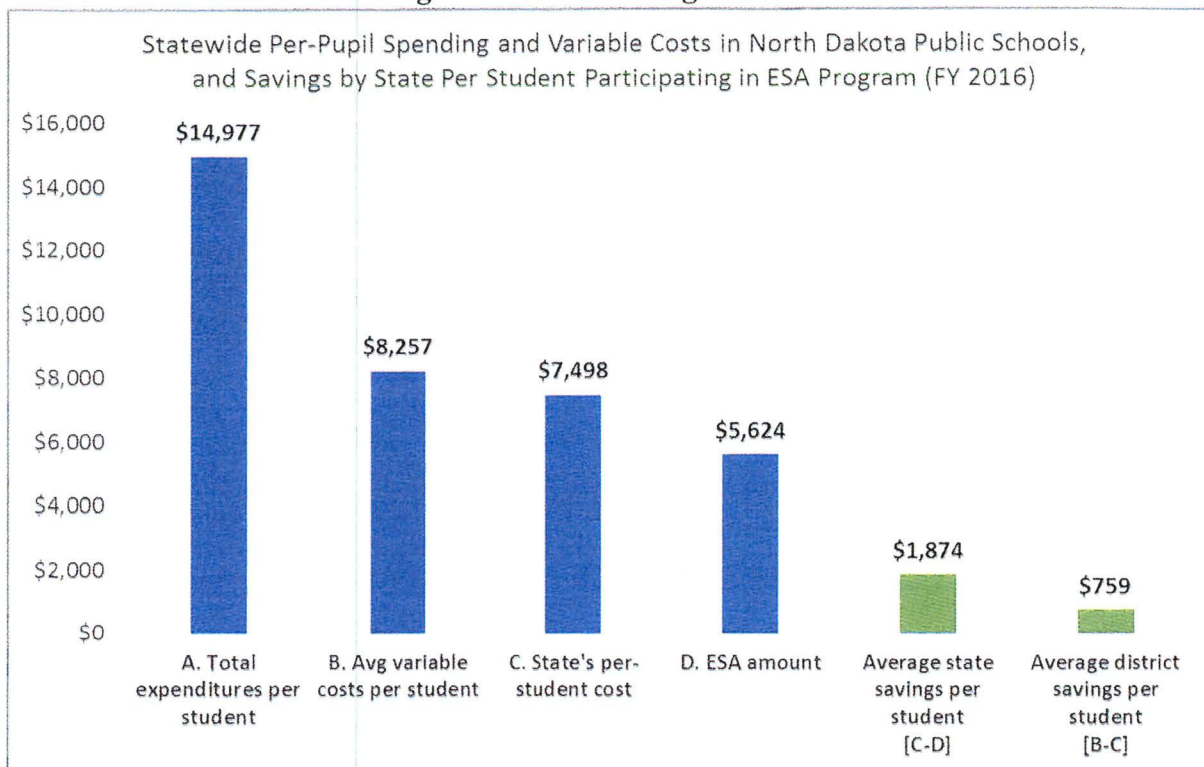
Private School Choice Spending As Percent of Total K-12 Public Education Spending by State
(Programs include ESA, voucher, tax-credit scholarships, and tax credits/deductions)



Sources: National Center for Education Statistics; EdChoice

This is typical of school choice programs: the cost for funding all school choice programs operating in a given state represent a very small portion of the state's K-12 budget. Overall, spending on all private school choice programs represents 0.9 percent of total K-12 expenditures. In most states, including states that have the largest school choice programs, the share of program expenditures is less than one-half (0.5) of one percent.

Figure D
Fiscal alignment of ESA Program in North Dakota



Source: North Dakota Department of Public Instruction; National Center for Education Statistics; EdChoice

Average variable cost per district school student in North Dakota is \$8,244, and average state support is \$7,498 per student. When a student leaves a district for any reason, its revenue from the state is reduced on average by \$7,498, but the district also experiences on average \$8,244 in variable cost relief.

The ESA amount under the proposed bill would be 75 percent of the state aid per pupil, or \$5,624. The state will incur savings worth on average \$1,874 per student who participates in the program, and school districts would save on average \$759 per student.

EDCHOICE
FISCAL IMPACT STATEMENT
2017 REGULAR SESSION

attachment

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HB 1382

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4/31/17

Note Prepared: January 24, 2017

Subject: Education Savings Accounts

Impact: State, Local Taxpayers, and School Districts

Effective Data: TBD

Prepared by: Martin F. Lueken, Ph.D., Director of Fiscal Policy & Analysis

FISCAL SUMMARY

Summary of estimated fiscal impacts of North Dakota ESA program

Total number of students in North Dakota eligible for ESA	107,076
Estimated average ESA amount	\$5,624
Number of ESA accounts funded	6,986
Estimated number of ESA Students redirected from district schools	6,869
Total State Expenditures on ESA Program	(\$39,286,820)
State Aid Expenditure Savings from redirected Students	\$51,506,152
Net State Impact	\$12,219,331
Estimated Reduction in State Aid Revenue to School Districts for redirected ESA Students	(\$51,506,152)
Average Variable Educational Cost per Student	\$8,257
Total Cost Burden Relief to School Districts for redirected Students	\$56,722,765
Net Local School District Savings	\$5,216,613
Combined net state and local school district impact	\$17,435,944
Break-Even Switcher Rate	68%

Notes: () denotes a decrease/negative value

Sources: North Dakota Department of Public Instruction; U.S. Census Bureau; National Center for Education Statistics, U.S. Dept. of Education

MEASURE'S PURPOSE: This bill, if enacted, creates an education savings account (ESA) program. The education savings account would be available to children who participated in the program in a prior academic year, or if the child is eligible to attend public school in this state and was enrolled in a public school during the preceding semester, is enrolling in kindergarten or first grade for the first time, or is enrolling in school in this state for the first time.

The ESA would be equal to seventy-five percent (75%) of the per-student payment rate reduced by the state average percentage of local revenue required to be subtracted to determine state aid payments. If a student has an active individualized education plan, the ESA amount is weighted by the state's funding formula.

FISCAL EXPLANATION: This proposal, if enacted, will have a positive estimated net impact of \$12.2 million on the state General Fund and a positive estimated net impact of \$5.2 million on school district revenue for FY 2017-2018. There will be no impact on local property taxes. The net combined impact would be positive, equal to **\$17.4 million**.

The average state payment per student during school year 2015-16 was \$7,498. The ESA amount, set to 75 percent of this amount, is \$5,624. Based on this amount, we estimate that demand for ESAs would be 6,986 students. Of this group, 6,869 students would be "switchers" from public schools (students who would enroll in public schools without any financial assistance from the ESA program).¹

State impact: The state would experience a decline in revenue of \$39.3 million (the maximum credit allowed under this bill). This would be offset by \$51.5 million in reduced state aid expenditures. After factoring this savings, we estimate there will be a net positive state impact of **\$12.2 million**.

Impact on local property taxes: There will likely be no impact on property taxes, at least in the short run, because they are set locally and independent of enrollment. In the long run, districts that experience significant enrollment change may choose to adjust property tax rates.

School district impact: Local public school districts would experience \$51.5 million in reduced state aid revenue from the state. This reduction would be completely offset by \$56.7 million in cost burden relief for students who switch from public schools to independent schools.² Thus, there will be a net positive impact on public schools of **\$5.2 million**.³

Break-even switcher rate: Switcher is defined as a student who would otherwise enroll in a district school if the ESA program is not in place as opposed to enrolling in private school, home school, or other non-public school settings. Switchers represent fiscal savings for the state and district schools. For the program to be fiscally neutral overall to the state, local taxpayers, and school districts combined, 68 percent of program participants would need to be switchers.

DATA SOURCES:

North Dakota Department of Public Instruction; U.S. Census Bureau; National Center for Education Statistics, U.S. Dept. of Education

DISCLAIMER: EdChoice is committed to research that adheres to high scientific standards, and matters of methodology and transparency are taken seriously at all levels of the organization. We are committed to providing high-quality information in a transparent and efficient manner. We welcome any and all questions related to methods and findings.

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PREPARER: Martin F. Lueken, Ph.D., Director of Fiscal Policy & Analysis

Statement Last Updated: 1/24/2017

¹ To estimate demand for the program by students enrolled in public and private schools, the analysis uses the best available data for estimating private school demand. The coefficient used in this analysis comes from Chiswick and Koutroumanes (1996) and is adjusted for inflation.

² Based on data from the National Center for Education Statistics at the U.S. Department of Education, we estimate that the average variable cost per student is \$8,257. This is based on expenditures for Instruction, Student Support Services, and Instruction Support Services and excludes all other costs such as capital, debt services, administration, food services, and transportation. Two studies on education costs suggest that variable costs are even higher than what is estimated in this fiscal note (Scafidi, 2012; Bifulco & Rebeck, 2014). Thus, savings for North Dakota from the ESA program will likely be higher.

³ To be clear, this \$5.2 million net savings represents a \$56.7 million reduction in cumulative school variable cost burden, which significantly outweighs the \$51.9 million cumulative net revenue reduction for 6,928 students estimated to switch from public schools to private schools. It is not a direct reduction in school expenditures. The public schools will still have to make decisions to cut costs as enrollment declines. However, they now have \$56.7 million in available cost burden relief from which to find at least \$51.9 million in spending reductions to match their net revenue reduction.

Attachment 2d
HB 1382

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Table: Fiscal impact on North Dakota school districts from public school students transferring out of district

Agency Name	Enrollment	Total costs per student [A]	State revenue per student [B]	Impact on state for each student leaving: [B - \$5,624]	Variable costs per student [C]	Variable costs as percent of total costs [C/A]	Impact on district for each student leaving [C-B]
ADAMS 128	27	\$40,333	\$15,111	\$9,487	\$18,630	46%	\$3,519
ALEXANDER 2	123	\$17,585	\$6,033	\$409	\$8,683	49%	\$2,650
ANAMOOSE 14	96	\$15,771	\$8,177	\$2,553	\$7,917	50%	(\$260)
APPLE CREEK 39	59	\$21,932	\$9,356	\$3,732	\$9,508	43%	\$152
ASHLEY 9	128	\$16,273	\$9,320	\$3,696	\$10,273	63%	\$953
BAKKER 10	4	\$68,000	\$11,500	\$5,876	\$17,500	26%	\$6,000
BARNES COUNTY NORTH 7	296	\$18,331	\$8,922	\$3,298	\$9,439	51%	\$517
BEACH 3	285	\$18,407	\$6,523	\$899	\$11,635	63%	\$5,112
BELFIELD 13	227	\$13,392	\$8,145	\$2,521	\$8,537	64%	\$392
BEULAH 27	698	\$11,341	\$6,033	\$409	\$6,928	61%	\$895
BILLINGS CO 1	72	\$38,889	\$0	(\$5,624)	\$18,153	47%	\$18,153
BISMARCK 1	11806	\$12,531	\$6,185	\$561	\$8,290	66%	\$2,105
BOTTINEAU 1	625	\$14,638	\$6,947	\$1,323	\$8,616	59%	\$1,669
BOWBELLS 14	62	\$23,306	\$7,726	\$2,102	\$14,097	60%	\$6,371
BOWMAN CO 1	466	\$15,764	\$5,867	\$243	\$8,464	54%	\$2,597
BURKE CENTRAL 36	120	\$15,642	\$6,375	\$751	\$11,258	72%	\$4,883
CARRINGTON 49	551	\$11,917	\$6,655	\$1,031	\$6,828	57%	\$173
CAVALIER 6	414	\$11,123	\$6,254	\$630	\$7,336	66%	\$1,082
CENTER-STANTON 1	200	\$16,845	\$8,545	\$2,921	\$9,555	57%	\$1,010
CENTRAL CASS 17	794	\$9,877	\$5,829	\$205	\$6,312	64%	\$483
CENTRAL ELEM 32	3	\$123,667	\$0	(\$5,624)	\$43,667	35%	\$43,667
CENTRAL VALLEY 3	235	\$13,145	\$7,289	\$1,665	\$7,306	56%	\$17
DAKOTA PRAIRIE 1	257	\$18,346	\$8,899	\$3,275	\$10,681	58%	\$1,782
DEVILS LAKE 1	1674	\$12,628	\$7,343	\$1,719	\$9,504	75%	\$2,161
DICKINSON 1	2869	\$13,664	\$6,269	\$645	\$7,813	57%	\$1,544
DIVIDE COUNTY 1	342	\$13,395	\$4,904	(\$720)	\$9,251	69%	\$4,347
DRAKE 57	86	\$19,221	\$9,360	\$3,736	\$10,221	53%	\$861
DRAYTON 19	153	\$18,778	\$7,170	\$1,546	\$10,582	56%	\$3,412
DUNSEITH 1	430	\$17,714	\$8,972	\$3,348	\$11,867	67%	\$2,895
EDGELEY 3	217	\$15,332	\$8,562	\$2,938	\$8,719	57%	\$157
EDMORE 2	54	\$30,370	\$9,815	\$4,191	\$13,481	44%	\$3,666
EIGHT MILE 6	191	\$12,215	\$7,026	\$1,402	\$8,471	69%	\$1,445
ELGIN-NEW LEIPZIG 49	135	\$19,348	\$9,348	\$3,724	\$10,252	53%	\$904
ELLENDALE 40	324	\$13,914	\$7,694	\$2,070	\$8,386	60%	\$692

Table: Fiscal impact on North Dakota school districts from public school students transferring out of district

Agency Name	Enrollment	Total costs per student [A]	State revenue per student [B]	Impact on state for each student leaving: [B - \$5,624]	Variable costs per student [C]	Variable costs as percent of total costs [C/A]	Impact on district for each student leaving [C-B]
EMERADO 127	82	\$19,707	\$9,256	\$3,632	\$10,329	52%	\$1,073
ENDERLIN AREA 24	306	\$13,271	\$7,601	\$1,977	\$8,810	66%	\$1,209
FAIRMOUNT 18	112	\$16,750	\$8,768	\$3,144	\$11,277	67%	\$2,509
FARGO 1	11007	\$13,085	\$6,340	\$716	\$9,298	71%	\$2,958
FESSENDEN-BOWDON 25	142	\$18,401	\$8,232	\$2,608	\$10,197	55%	\$1,965
FINLEY-SHARON 19	128	\$19,531	\$9,023	\$3,399	\$11,297	58%	\$2,274
FLASHER 39	198	\$15,576	\$8,152	\$2,528	\$7,571	49%	(\$581)
FORDVILLE-LANKIN 5	50	\$25,680	\$11,700	\$6,076	\$13,520	53%	\$1,820
FT RANSOM 6	26	\$20,346	\$10,538	\$4,914	\$11,038	54%	\$500
FT TOTTEN 30	151	\$22,980	\$7,404	\$1,780	\$15,914	69%	\$8,510
FT YATES 4	178	\$22,331	\$11,697	\$6,073	\$16,461	74%	\$4,764
GACKLE-STREETER 56	100	\$17,490	\$7,620	\$1,996	\$10,170	58%	\$2,550
GARRISON 51	378	\$13,056	\$6,728	\$1,104	\$7,759	59%	\$1,031
GLEN ULLIN 48	154	\$16,448	\$9,058	\$3,434	\$10,519	64%	\$1,461
GLENBURN 26	270	\$15,226	\$7,104	\$1,480	\$8,352	55%	\$1,248
GOODRICH 16	28	\$23,857	\$10,286	\$4,662	\$14,107	59%	\$3,821
GRAFTON 3	904	\$11,007	\$6,718	\$1,094	\$7,050	64%	\$332
GRAND FORKS 1	7151	\$13,610	\$6,223	\$599	\$9,252	68%	\$3,029
GRENORA 99	138	\$20,058	\$6,594	\$970	\$10,616	53%	\$4,022
GRIGGS COUNTY CENTRAL 18	238	\$16,824	\$8,357	\$2,733	\$9,412	56%	\$1,055
HALLIDAY 19	47	\$30,404	\$8,106	\$2,482	\$14,787	49%	\$6,681
HANKINSON 8	281	\$13,754	\$7,541	\$1,917	\$8,278	60%	\$737
HARVEY 38	407	\$12,076	\$7,098	\$1,474	\$8,061	67%	\$963
HATTON EIELSON 7	171	\$16,322	\$8,363	\$2,739	\$10,205	63%	\$1,842
HAZELTON-MOFFIT-BRADDOCK 6	89	\$20,146	\$8,854	\$3,230	\$12,944	64%	\$4,090
HAZEN 3	588	\$10,905	\$5,765	\$141	\$6,090	56%	\$325
HEBRON 13	193	\$14,244	\$7,477	\$1,853	\$8,606	60%	\$1,129
HETTINGER 13	286	\$15,423	\$7,126	\$1,502	\$8,790	57%	\$1,664
HILLSBORO 9	432	\$12,215	\$6,280	\$656	\$7,368	60%	\$1,088
HOPE 10	93	\$24,559	\$9,237	\$3,613	\$9,570	39%	\$333
HORSE CREEK 32	3	\$64,333	\$0	(\$5,624)	\$15,667	24%	\$15,667
JAMESTOWN 1	2145	\$12,338	\$7,303	\$1,679	\$8,812	71%	\$1,509

Table: Fiscal impact on North Dakota school districts from public school students transferring out of district

Agency Name	Enrollment	Total costs per student [A]	State revenue per student [B]	Impact on state for each student leaving: [B - \$5,624]	Variable costs per student [C]	Variable costs as percent of total costs [C/A]	Impact on district for each student leaving [C-B]
KENMARE 28	304	\$15,832	\$8,266	\$2,642	\$9,135	58%	\$869
KENSAL 19	34	\$27,176	\$12,471	\$6,847	\$14,735	54%	\$2,264
KIDDER COUNTY 1	396	\$12,333	\$6,821	\$1,197	\$8,460	69%	\$1,639
KILLDEER 16	395	\$16,856	\$5,843	\$219	\$9,114	54%	\$3,271
KINDRED 2	684	\$18,795	\$6,096	\$472	\$6,484	34%	\$388
KULM 7	131	\$16,023	\$7,450	\$1,826	\$9,840	61%	\$2,390
LAKOTA 66	195	\$14,379	\$8,123	\$2,499	\$8,662	60%	\$539
LAMOURE 8	315	\$13,648	\$6,603	\$979	\$7,492	55%	\$889
LANGDON AREA 23	347	\$14,418	\$7,147	\$1,523	\$9,248	64%	\$2,101
LARIMORE 44	417	\$12,808	\$6,264	\$640	\$7,775	61%	\$1,511
LEEDS 6	153	\$16,373	\$9,889	\$4,265	\$10,065	61%	\$176
LEWIS AND CLARK 161	399	\$14,316	\$7,373	\$1,749	\$9,150	64%	\$1,777
LIDGERWOOD 28	177	\$14,452	\$7,729	\$2,105	\$9,124	63%	\$1,395
LINTON 36	328	\$11,305	\$7,341	\$1,717	\$7,841	69%	\$500
LISBON 19	613	\$12,067	\$7,194	\$1,570	\$7,352	61%	\$158
LITCHVILLE-MARION 46	125	\$19,440	\$8,944	\$3,320	\$10,104	52%	\$1,160
LITTLE HEART 4	16	\$15,375	\$7,313	\$1,689	\$7,875	51%	\$562
LONE TREE 6	30	\$24,467	\$10,133	\$4,509	\$10,867	44%	\$734
MADDOCK 9	157	\$15,274	\$8,484	\$2,860	\$9,739	64%	\$1,255
MANDAN 1	3373	\$11,899	\$6,916	\$1,292	\$7,881	66%	\$965
MANNING 45	16	\$13,063	\$5,250	(\$374)	\$6,625	51%	\$1,375
MANVEL 125	143	\$15,503	\$8,119	\$2,495	\$7,161	46%	(\$958)
MAPLE VALLEY 4	236	\$18,801	\$8,966	\$3,342	\$9,182	49%	\$216
MAPLETON 7	86	\$18,791	\$8,930	\$3,306	\$9,477	50%	\$547
MARMARTH 12	13	\$30,077	\$0	(\$5,624)	\$17,077	57%	\$17,077
MAX 50	213	\$12,329	\$7,136	\$1,512	\$7,690	62%	\$554
MAY-PORT CG 14	500	\$12,478	\$6,582	\$958	\$7,066	57%	\$484
MCCLUSKY 19	81	\$18,802	\$9,938	\$4,314	\$11,617	62%	\$1,679
MCKENZIE CO 1	862	\$14,861	\$5,200	(\$424)	\$6,930	47%	\$1,730
MEDINA 3	162	\$13,660	\$7,704	\$2,080	\$8,623	63%	\$919
MENOKEN 33	26	\$18,731	\$5,962	\$338	\$7,500	40%	\$1,538
MIDKOTA 7	137	\$18,964	\$9,263	\$3,639	\$10,007	53%	\$744
MIDWAY 128	211	\$16,578	\$8,043	\$2,419	\$9,877	60%	\$1,834
MILNOR 2	214	\$14,388	\$8,528	\$2,904	\$10,005	70%	\$1,477

Table: Fiscal impact on North Dakota school districts from public school students transferring out of district

Agency Name	Enrollment	Total costs per student [A]	State revenue per student [B]	Impact on state for each student leaving: [B - \$5,624]	Variable costs per student [C]	Variable costs as percent of total costs [C/A]	Impact on district for each student leaving [C-B]
MINNEWAUKAN 5	279	\$18,509	\$7,158	\$1,534	\$10,756	58%	\$3,598
MINOT 1	7294	\$18,093	\$5,802	\$178	\$8,213	45%	\$2,411
MINTO 20	233	\$11,034	\$6,824	\$1,200	\$7,412	67%	\$588
MOHALL-LANSFORD-SHERWOOD 1	342	\$22,018	\$7,430	\$1,806	\$9,029	41%	\$1,599
MONTPELIER 14	109	\$15,046	\$8,128	\$2,504	\$8,312	55%	\$184
MOTT-REGENT 1	244	\$15,422	\$6,152	\$528	\$8,402	54%	\$2,250
MT PLEASANT 4	238	\$12,899	\$7,718	\$2,094	\$8,773	68%	\$1,055
MUNICH 19	89	\$22,584	\$9,270	\$3,646	\$13,315	59%	\$4,045
NAPOLEON 2	270	\$11,933	\$7,211	\$1,587	\$7,837	66%	\$626
NAUGHTON 25	4	\$53,750	\$28,750	\$23,126	\$16,000	30%	(\$12,750)
NEDROSE 4	254	\$14,504	\$7,480	\$1,856	\$6,996	48%	(\$484)
NESSON 2	277	\$33,264	\$13,549	\$7,925	\$7,498	23%	(\$6,051)
NEW 8	264	\$22,731	\$7,064	\$1,440	\$8,277	36%	\$1,213
NEW ENGLAND 9	201	\$14,527	\$7,463	\$1,839	\$8,836	61%	\$1,373
NEW ROCKFORD-SHEYENNE 2	358	\$11,581	\$6,436	\$812	\$6,687	58%	\$251
NEW SALEM-ALMONT 49	333	\$11,498	\$6,258	\$634	\$7,706	67%	\$1,448
NEW TOWN 1	753	\$20,324	\$5,109	(\$515)	\$8,189	40%	\$3,080
NEWBURG-UNITED 54	62	\$23,984	\$9,887	\$4,263	\$14,952	62%	\$5,065
NORTH BORDER 100	399	\$16,228	\$8,509	\$2,885	\$9,722	60%	\$1,213
NORTH SARGENT 3	222	\$13,324	\$8,383	\$2,759	\$8,171	61%	(\$212)
NORTH STAR 10	265	\$13,732	\$7,823	\$2,199	\$8,630	63%	\$807
NORTHERN CASS 97	561	\$11,191	\$6,572	\$948	\$6,854	61%	\$282
NORTHWOOD 129	250	\$16,152	\$7,692	\$2,068	\$8,744	54%	\$1,052
OAKES 41	508	\$11,610	\$6,730	\$1,106	\$5,691	49%	(\$1,039)
OBERON 16	52	\$22,846	\$7,981	\$2,357	\$13,731	60%	\$5,750
PAGE 80	88	\$22,784	\$9,148	\$3,524	\$10,739	47%	\$1,591
PARK RIVER 78	413	\$12,165	\$6,535	\$911	\$6,995	58%	\$460
PARSHALL 3	270	\$17,593	\$6,789	\$1,165	\$9,756	55%	\$2,967
PINGREE-BUCHANAN 10	155	\$13,542	\$8,516	\$2,892	\$7,826	58%	(\$690)
PLEASANT VALLEY 35	6	\$48,667	\$13,000	\$7,376	\$23,833	49%	\$10,833

Table: Fiscal impact on North Dakota school districts from public school students transferring out of district

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POWERS LAKE 27	139	\$16,424	\$6,511	\$887	\$9,885	60%	\$3,374
RICHARDTON-TAYLOR 34	274	\$14,661	\$7,624	\$2,000	\$9,887	67%	\$2,263
RICHLAND 44	267	\$14,210	\$8,022	\$2,398	\$8,431	59%	\$409
ROBINSON 14	5	\$59,000	\$17,000	\$11,376	\$29,400	50%	\$12,400
ROLETTE 29	166	\$14,988	\$7,681	\$2,057	\$9,163	61%	\$1,482
ROOSEVELT 18	109	\$15,624	\$8,165	\$2,541	\$6,523	42%	(\$1,642)
RUGBY 5	543	\$15,308	\$7,035	\$1,411	\$8,514	56%	\$1,479
SARGENT CENTRAL 6	211	\$17,986	\$8,692	\$3,068	\$10,384	58%	\$1,692
SAWYER 16	131	\$14,740	\$8,000	\$2,376	\$9,489	64%	\$1,489
SCRANTON 33	132	\$16,591	\$6,826	\$1,202	\$10,629	64%	\$3,803
SELFRIDGE 8	78	\$20,641	\$7,205	\$1,581	\$14,936	72%	\$7,731
SOLE N 3	169	\$26,000	\$9,053	\$3,429	\$16,905	65%	\$7,852
SOUTH HEART 9	250	\$13,548	\$6,948	\$1,324	\$8,060	59%	\$1,112
SOUTH PRAIRIE 70	199	\$15,317	\$7,015	\$1,391	\$7,186	47%	\$171
ST JOHN 3	382	\$19,859	\$6,207	\$583	\$9,115	46%	\$2,908
ST THOMAS 43	85	\$18,294	\$6,859	\$1,235	\$10,847	59%	\$3,988
STANLEY 2	602	\$22,588	\$9,030	\$3,406	\$7,550	33%	(\$1,480)
STARKWEATHER 44	67	\$20,851	\$10,149	\$4,525	\$12,627	61%	\$2,478
STERLING 35	33	\$19,455	\$7,364	\$1,740	\$8,303	43%	\$939
STRASBURG 15	149	\$13,852	\$7,758	\$2,134	\$8,926	64%	\$1,168
SURREY 41	401	\$10,973	\$6,848	\$1,224	\$7,207	66%	\$359
SWEET BRIAR 17	13	\$9,000	\$4,769	(\$855)	\$5,846	65%	\$1,077
TGU 60	347	\$16,014	\$8,104	\$2,480	\$10,294	64%	\$2,190
THOMPSON 61	431	\$10,659	\$7,225	\$1,601	\$6,381	60%	(\$844)
TIOGA 15	398	\$16,018	\$4,962	(\$662)	\$8,739	55%	\$3,777
TURTLE LAKE-MERCER 72	179	\$15,536	\$7,430	\$1,806	\$9,184	59%	\$1,754
UNDERWOOD 8	239	\$13,992	\$6,418	\$794	\$8,113	58%	\$1,695
UNITED 7	580	\$11,684	\$7,178	\$1,554	\$7,659	66%	\$481
VALLEY CITY 2	1115	\$12,210	\$6,483	\$859	\$8,281	68%	\$1,798
VALLEY-EDINBURG 118	224	\$17,174	\$7,862	\$2,238	\$8,469	49%	\$607
VELVA 1	393	\$14,743	\$6,499	\$875	\$9,018	61%	\$2,519
WAHPETON 37	1236	\$11,019	\$6,987	\$1,363	\$7,776	71%	\$789

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Table: Fiscal impact on North Dakota school districts from public school students transferring out of district

Agency Name	Enrollment	Total costs per student [A]	State revenue per student [B]	Impact on state for each student leaving: [B - \$5,624]	Variable costs per student [C]	Variable costs as percent of total costs [C/A]	Impact on district for each student leaving [C-B]
WARWICK 29	290	\$15,159	\$6,390	\$766	\$10,255	68%	\$3,865
WASHBURN 4	291	\$12,351	\$6,921	\$1,297	\$7,550	61%	\$629
WEST FARGO 6	8060	\$15,513	\$6,249	\$625	\$8,029	52%	\$1,780
WESTHOPE 17	134	\$16,709	\$8,097	\$2,473	\$10,015	60%	\$1,918
WILLISTON 1	2844	\$11,428	\$6,148	\$524	\$7,312	64%	\$1,164
WILTON 1	206	\$14,311	\$8,034	\$2,410	\$8,073	56%	\$39
WING 28	109	\$13,853	\$8,486	\$2,862	\$9,055	65%	\$569
WISHEK 19	216	\$12,579	\$7,255	\$1,631	\$7,949	63%	\$694
WOLFORD 1	42	\$22,786	\$9,857	\$4,233	\$13,857	61%	\$4,000
WYNDMERE 42	215	\$15,149	\$8,474	\$2,850	\$9,098	60%	\$624
YELLOWSTONE 14	79	\$17,000	\$8,747	\$3,123	\$7,734	45%	(\$1,013)
ZEELAND 4	53	\$18,113	\$8,245	\$2,621	\$7,321	40%	(\$924)
Statewide:	98,953	\$15,018	\$6,975	\$1,351	\$8,888	59%	\$1,913

Data Source: U.S. Department of Education, National Center for Education Statistics, Common Core of Data (CCD), "Local Education Agency (School District) Universe Survey", 2012-13 v.1a; "Local Education Agency (School District) Universe Survey Directory Data", 2014-15 v.1a; "Survey of Local Government Finances, School Systems (F-33)", 2012-13 (FY 2013) v.1a.

Table excludes 50 school districts with missing data.

ESA amount is \$5,624.

The state would incur a net fiscal benefit if students transferred from any of 164 school districts chose to participate in the ESA program.

The state would incur a net loss if students from the remaining 10 school districts chose to leave their district to enroll in a public school.

How districts are structured will largely determine if they incur a net benefit or net loss when students transfer out of them.

This table shows that, based on methods employed by other economists,¹ less than 10 percent of school districts in North Dakota (14 districts) would incur a net fiscal loss when students leave for any reason.

Based on very conservative estimates for districts' variable costs, less than half (73) of school districts in North Dakota incurs a net fiscal loss when a student transfers out of the district for any reason.

¹ Trivitt, Julie R. and DeAngelis, Corey A., *State and District Fiscal Effects of a Universal Education Savings Account Program in Arkansas* (January 24, 2017). University of Arkansas, EDRE Working Paper No. 2017-04. Available at SSRN: <https://ssrn.com/abstract=2903528> or <http://dx.doi.org/10.2139/ssrn.2903528>

Scafidi, B. (2012). The Fiscal Effects of School Choice Programs on Public School Districts. National Research. *Friedman Foundation for Educational Choice*.



**Testimony by Bette Grande, Research Fellow
Before the North Dakota House Education Committee
Tuesday, January 31, 2017**

Attachment 3

HB 1382

1/31/17

Introduction

Chairman Owens and members of the House Education committee.

Thank you for the opportunity to speak today. My name is Bette Grande from Fargo, ND, and I am a research fellow at The Heartland Institute, a nonprofit, nonpartisan, national think tank headquartered in Arlington Heights, Illinois.

One of the main issues Heartland have focused on since 1984 is private education choice. The education choice movement is based on a simple proposition: parents should be given options for their child's education. No longer should a child's schooling be determined solely by zip code and circumstance.

Education savings accounts (ESAs) are considered "the way of the future"¹ in the education choice movement, because they provide greater freedom and flexibility for families and fewer state constitutional barriers than voucher programs.

If an ESA program is enacted here, North Dakota would become the sixth state in the country to set up an education savings account (ESA) program, following Arizona in 2011, Florida in 2014, and Mississippi, Tennessee, and Nevada in 2015. Enacting an education savings account program would put North Dakota at the forefront of the education choice.

In May 2016, EdChoice released a report in which it examines 100 empirical studies of school choice programs. The overwhelming majority of the available evidence shows education choice offers families equal access to high-quality schools that meet their widely diverse needs and, it does so at a lower cost. EdChoice also found education choice also benefits public school students.

The study says, "School choice improves academic outcomes for participants and public schools by allowing students to find the schools that best match their needs and by introducing healthy competition that keeps schools mission-focused.

Not only are education choice options good policy, they are also broadly popular with the families who are fortunate enough to be ESA recipients. A 2013 survey of Arizona's ESA program found not a single parent "responded as neutral or reported any level of dissatisfaction with the accounts."² Ninety-one percent of parents enrolled in Mississippi's program report they

¹ Matthew Ladner, "The Way of the Future: Educations Savings Accounts for Every American Family," EdChoice, October 2012, <https://www.edchoice.org/research/the-way-of-the-future/>

² Jonathan Butcher and Jason Bedrick, "Schooling Satisfaction: Arizona Parents' Opinions on Using Education Savings Accounts," EdChoice, October 2013, <http://www.edchoice.org/wp-content/uploads/2013/10/SCHOOLING-SATISFACTION-Arizona-Parents-Opinions-on-Using-Education-Savings-Accounts-NEW.pdf#page=6>

are satisfied with their ESA.³

Further, education choice programs are in demand in North Dakota. Polling conducted in the state in 2013 shows 51 percent of participants support the creation of an ESA program.⁴ Only 45 percent of North Dakota 4th graders⁵ and 39 percent of 8th graders⁶ tested “proficient” in math on the 2015 National Association of Education Progress (NAEP) test, also known as the “Nation’s Report Card.” Only 37 percent of 4th⁷ graders 34 percent of and 8th⁸ graders tested proficient in reading. These results show North Dakota’s public school system is failing to educate roughly six out of 10 4th grade and 8th grade students to a proficient level in reading and mathematics. This is unacceptable, and our children deserve better.

Our public schools’ troubling performance on NAEP underscores the desperate need for our state to expand school choice opportunities far beyond what is currently available. Too many public schools in North Dakota are failing to adequately prepare students for their futures and leave many to a semester or even a year of remedial college courses. Parents should be allowed to choose the schools their children attend and should not be penalized financially if that choice is a private religious or secular school.

Currently, private school choice in North Dakota is ~~not an option~~^{limited}, but, as I stated earlier, enacting an education savings account would put our state at the forefront of the education choice movement, making it one of the nation’s leaders in education reform. Educational choice programs can give all families a greater opportunity to meet each child’s unique education needs, and providing ESAs would be a big step forward for our state. When parents are given the opportunity to choose, every school must compete and improve, which gives more children the opportunity to attend a quality school.

³ Brett Kittredge, “The Special Needs ESA: What Families Enrolled in the Program are Saying After Year One,” Empower Mississippi, December 2016, <http://empowerms.org/wp-content/uploads/2016/12/ESA-Report-final.pdf>

⁴ Paul DiPerna, “North Dakota K-12 & School Choice Survey,” EdChoice, March 2013, <http://www.edchoice.org/wp-content/uploads/2015/07/North-Dakota-K-12-and-School-Choice-Survey1.pdf>

⁵ “2015 Mathematics State Snapshot Report – North Dakota, Grade 4,” Institute of Education Sciences, National Center for Education Statistics, U.S. Department of Education, <https://nces.ed.gov/nationsreportcard/subject/publications/stt2015/pdf/2016009ND4.pdf>

⁶ “2015 Mathematics State Snapshot Report – North Dakota, Grade 8,” Institute for Education Sciences, National Center for Education Statistics, U.S. Department of Education, <https://nces.ed.gov/nationsreportcard/subject/publications/stt2015/pdf/2016009ND8.pdf>

⁷ “2015 Reading State Snapshot Report – North Dakota, Grade 4,” Institute of Education Sciences, National Center for Education Statistics, U.S. Department of Education, <https://nces.ed.gov/nationsreportcard/subject/publications/stt2015/pdf/2016008ND4.pdf>

⁸ “2015 Reading State Snapshot Report – North Dakota, Grade 8,” Institute of Education Sciences, National Center for Education Statistics, U.S. Department of Education, <https://nces.ed.gov/nationsreportcard/subject/publications/stt2015/pdf/2016008ND8.pdf>

**Testimony in favor of House Bill 1382
by Family Policy Alliance of North Dakota
January 31, 2017**

Good afternoon Chairman Owens and esteemed members of the House Education Committee. My name is Mark Jorritsma, Executive Director of Family Policy Alliance of North Dakota. I am testifying on behalf of our organization and the thousands of our constituents across our great state for you to please recommend a "DO PASS" on House Bill 1382.

First and foremost, Family Policy Alliance of North Dakota believes parents have a God-given responsibility and right to direct the upbringing and education of their children. Toward this end, education savings accounts are truly the "gold standard" when it comes to school choice—but they're even more than just another school choice mechanism. Education savings accounts allow parents to fully tailor their child's entire educational experience. Family Policy Alliance of North Dakota wants to help launch children to success, as I'm sure you all do.

Families know best what type of educational experience children need to succeed, and education savings accounts give families the keys to unlock that experience for their children. We want to see every child launched to success—and helping them access the education they need to become their best lays a critical foundation. When a child is impeded because he or she isn't able to get the education they need, we have work to do on our system of education.

Five states (NV, AZ, FL, TN and MS) have established some type of education savings account program for their children. Average funding for student participant ranges from \$5000 per student to over \$12,000 per student. At least 8 other states (AR, CT, GA, MO, NH, OK, OR, VA), with more coming, are considering education savings account legislation so far this year.

According to a 2016 study by EdChoice (formerly the Friedman Foundation), about 1/3 of the parents using education savings accounts in AZ's program customized their children's education, demonstrating that parents are recognizing the benefit of no longer being tied to only a choice among schools, but of being free to fully customize their children's education to meet their child's needs.

North Dakota's education savings account program proposed in HB 1382 is most similar to Nevada's program, which is widely hailed by education choice proponents as the strongest program. Like Nevada's program, our program would allow near-universal eligibility for North Dakota children so that all families can give their children the education they need. Also like Nevada's program, North Dakota's program would be administered by the State Treasurer's office, which is best practice.

Let me close with a personal note. Our son was diagnosed in second grade with a condition that makes it difficult for him to focus on his studies. We tried all types of school environments for him, but finally placed him in a private school where he seemed to thrive. Unfortunately, the cost of this school was prohibitive. We then decided to homeschool him. It worked better than our wildest dreams. I am now very happy to report that he is enrolled in his third year at the University of Maryland studying towards a degree in Cyber Security and he is on the Dean's list. In retrospect, the choices we made were very difficult, but thankfully appear to have been the right ones.

However, during this entire time in private school and homeschooling, we were never able to use an educational savings account. As a result, my wife gave up her successful career as a CPA, we had to sell a vehicle to make ends meet, take out a second mortgage on our home, and things like vacations and other common "niceties" were completely out of the question for many years. I do not believe I am overstating the case when I say it was a period of financial hardship for our family. That said, I'd do it again in a heartbeat.

The thing that bothers me are the families that may not have sufficient income, a second car to sell, or be able to take out a second mortgage on their home. These are the people I am speaking for today. So I ask you, please give them the resources to let their children thrive. Please vote House bill 1382 out of committee with a "DO PASS" recommendation.

Thank you for the opportunity to testify, and I am now happy to take any questions you might have.

A handwritten signature in black ink, consisting of a stylized, cursive letter 'L' or similar shape, located at the bottom right of the page.

Attachment 5

HB 1382

1/31/17



**HB1382 – Education Savings Accounts
Testimony in Opposition
North Dakota Council of Educational Leaders – Dr. Aimee Copas
January 31, 2017**

**Fiscal implications of Education Savings Account
Scenarios are approximate**

Students in North Dakota – approximately 110,000

- Representative Becker indicated an average of a 2% switch rate. (Students that will leave public school and go to private school or home school)
- # of students @ 2% switch rate = 2200
- 2200 Switch Students @ \$5600 each = \$12,320,000
- 7500 Private School @ \$5600 each = \$42,000,000
- 5000 Home School (tracked) @ \$5600 each = \$28,000,000
- The cost to the state could be as much as \$82,320,000 per year. When you subtract the per pupil payment savings (\$21,221,200) the net cost would be as much as \$61,098,800.
 - **82,320,000 (voucher cost) – 21,221,200 (per pupil savings) = 61,098,800 (net state cost)**
- Let's say only 50% of private and home school students took advantage of this, the cost could still be as much as \$26,098,800
 - **12,320,000+21,000,000+14,000,000 (voucher cost) – 21,221,200 (per pupil savings) =26,098,800 (Net State cost)**

Impact to some public school districts. None of these districts would be able to reduce staff or overhead cost with the loss of 2% of the students due to the rate of switch. Solely on the basis of \$9646 (not including weighted student units).

School	2% Switch Rate	Loss to school budget
West Fargo	10,000 Students @ 2% = 200	- \$1,929,200
Bismarck	12,800 Students @ 2% = 256	- \$2,469,120
Jamestown	2,175 Students @ 2% = 44	- \$424,424
Mandan	3,588 Students @ 2% = 71	- \$684,866
Ellendale	320. Students @ 2% = 6	- \$61,734

|

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HB1328 ESA - Educational Savings Account. Rick Becker

What is it?

A school choice program, specifically a "money follows the child" program.

Other options have been Vouchers, Tax credit scholarships, and Indiv Tax credits

ESA is the newest and best. Has been most solid as far as standing up to any court challenges.

Most common concern was the Blaine amendment in ND constitution.

Scenario: Parent believes their child will do better with an education program involving online, or home, or parochial or secular private school. They notify the treasurer's office and apply.

Ensure provider is "qualified". Over the course of the school year, debit card account is supplied quarterly with the predetermined amount.

Spend on permitted education-related expenses only.

The bill

Pg 1. Definitions

Pg 2. Definition - Qualified provider

Treasurer administers program.

Amount is 75% of avg state contrib to state aid payments (\$5600)

Or weighted average for students with IEP

Line 21 and 22, parents can choose whatever method(s) best for child

Line 24 - error- 15.1-09-04 should read 15.1-39-04

Pg 3. Eligible if new student or in public school preceding semester

Qualified educational expenses

Pg 5. Achievement Testing, national test. Opt out clause.

Pg 6. Administration, transfer funds quarterly

Remaining funds carry forward

Pg 7. Odds and ends

FN is dependent in large part on "switchers" and "non-switchers" ratio.

This is the School choice that DJT and Betsy DeVos promote. It is part of a paradigm shift that Gov Burgum speaks about. (None have stated support or opposition of this specific bill).

It gives parents flexibility to tailor their child's education as they see best.

It opens more opportunity for participating children.

It decreases cost to the state.

It increases per pupil funding in the school district.

It facilitates innovation and excellence in public schools by way of competition.

SOLUTION 3: IMPLEMENT EDUCATION SAVINGS ACCOUNTS

POLICY TAKEAWAYS

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States without education savings account programs should follow Nevada's lead and establish ESAs for as many students as possible. At the very least, states should establish a pilot ESA program for high-risk students.

- States with existing education savings account programs should expand them to reach more students, ideally all K-12 students.
- In states where ESAs aren't likely to pass, additional forms of school choice – vouchers and tuition tax credits, for example – should be championed.

The current system of public education in the United States is built on a nineteenth century model that emphasizes seat time rather than mastery of subjects. For the most part, students progress from one grade to the next merely by attending classes for the school year, not by proving they've learned grade-level content. This focus on seat time rather than mastery means educators teach to the middle, preventing the accelerated learner from reaching his or her potential and leaving behind those with greater needs.

Societies, economies, and technologies have changed dramatically since the nineteenth century. In the twenty-first century, we expect to be able to make choices narrowly tailored to meet our individual wants and needs. Compared to our nineteenth-century ancestors, today we choose relatively easily where to live, what occupation to work in, and what transportation we'll use. Why should K-12 education be any different?

1990 adoption of the Milwaukee Parental Choice Program marked the beginning of the modern "school choice" movement. All forms of school choice – including charter schools, private scholarship programs, tax credit scholarships, voucher programs, education savings accounts (ESAs), and homeschooling – have grown since then. According to the Friedman Foundation for Educational Choice, "During the 2014-15 school year, more than 352,000 pupils utilized vouchers, tax-credit scholarships, and ESAs in the United States. With recent action in the states, that number will grow exponentially. In Nevada alone, more than 453,000 students will be eligible to use an ESA in 2016."¹

School choice improves educational outcomes not only for those who attend schools of choice, but also for those who remain in traditional public schools. In Milwaukee, for example, competition from the choice schools is forcing the Milwaukee Public Schools to improve. Research conducted by Patrick J. Wolf of the University of Arkansas shows the "voucher program ... has led to increased achievement for the children who remain in Milwaukee's public schools while saving the state millions of dollars."²

Twenty-one years after the Milwaukee voucher program was adopted, in 2011 Arizona became the first state to pass an education savings account program. ESA programs for students with special needs went into effect in Florida in 2014 and in Mississippi and Tennessee in 2015. In January 2016, nearly all students in Nevada will be eligible for an ESA program that pays at least \$5,000 per pupil for educational expenses.

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ESAs enable families to customize their children's education. The state establishes an individual account for each child who qualifies for the program and funds that account with 80 to 90 percent of what the state would otherwise have spent to educate that child in a public school. Parents control their child's ESA and can use the money for approved educational expenses such as tuition, tutoring, books, class enrollment fees, and computers. They must submit receipts to document their expenses, and the accounts are subject to quality control audits. A Friedman Foundation survey conducted in 2013 by Jonathan Butcher and Jason Bedrick found "65 percent of parents [in Arizona] used the accounts for private school tuition, 41 percent accessed education therapy, and more than one-third of respondents used the accounts for a tutor for their child."³

ESAs are the ultimate "funding-follows-the-student" reform. They allow parents great flexibility in designing their child's education portfolio. Some providers might be conventional, such as tutors or music or foreign language instructors, but others might be unconventional, such as entrepreneurship training or local businesses that arrange foreign travel for language immersion. Providers could team up with each other or with schools to provide students a portfolio of services offering a full learning experience.⁴

Research shows parents given a choice tend to be more satisfied with their child's education, which leads to more parental involvement in student learning. Seventy-one percent of Arizona parents whose children participate in the ESA program reported being "very satisfied" with their child's education compared with their previous public school. The remaining 29 percent of parents were either satisfied or somewhat satisfied; no parents reported being unsatisfied.⁵

Education savings accounts give parents more flexibility and choice in their children's education. This is especially valuable to low-income families, whose educational options in the traditional public school system are generally limited to the neighborhood public school.

ISSUE EXPERTS

- Jonathan Butcher, education director, Goldwater Institute: jbutcher@goldwaterinstitute.org or 602-462-5000.
- Lennie Jarratt, project manager for education, The Heartland Institute: ljarratt@heartland.org or 312-377-4000.
- Matthew Ladner, Ph.D., senior advisor, Foundation for Excellence in Education: matthew@ExcelinEd.org or 850-391-4090.
- Joy Pullmann, research fellow, The Heartland Institute: jpullmann@heartland.org or 202-271-1433.

RULES & REGULATIONS

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STATE	TAX-CREDIT SCHOLARSHIPS	INCOME LIMIT	PRIOR YEAR PUBLIC SCHOOL REQUIREMENT	ENROLLMENT CAP	SCHOLARSHIP CAP	TESTING MANDATES	CREDIT VALUE	TOTAL CREDIT CAP	BUDGET CAI
AL	Education Scholarship Program	100% x FRL	Conditional	None	\$6,000 (K-5) / \$8,000 (6-8) / \$10,000 (9-12)	State or National	\$50,000 (individual) / 100% (business)	Yes	\$30 mil
AZ	Original Individual Income Tax Credit Scholarships	None	None	None	None	None	100%	Yes	None
AZ	Low-Income Corporate Income Tax Credit Scholarships	185% x FRL	Yes	None	\$5,100 (K-8) / \$6,400 (9-12)	None	100%	None	\$51.6 million
AZ	Lexie's Law*§	None	Yes	None	90% State Funding	None	100%	None	\$5 mil
AZ	"Switcher" Individual Income Tax Credit Scholarships	None	Yes	None	None	None	100%	Yes	None
FL	Florida Tax Credit Scholarship Program	100% x FRL	None	None	\$5,677	National	100%	Yes	\$447.3 million
GA	Qualified Education Expense Tax Credit	None	Yes	None	\$9,081 (2016)	None	100%	Yes	\$58 mi
IN	School Scholarship Tax Credit	200% x FRL	None	None	Full Tuition	National	50%	None	\$8.5 mi
IA	School Tuition Organization Tax Credit	300% x Poverty	None	None	Full Tuition	None	65%	None	\$12 mi
KS	Tax Credit for Low Income Students Scholarship Program†	130% x Poverty	Yes	None	\$8,000	None	70%	None	\$10 mi
LA	Tuition Donation Rebate Program	250% x Poverty	Yes	None	Conditional	State	100%	None	None
MT	Tax Credits for Contributions to Student Scholarship Organizations	None	None	None	50% of State Expenditure	National	100%	\$150	\$3 million (
NH	Education Tax Credit Program	300% x Poverty	Yes	None	\$2,541, on average / \$4,447 (special needs minimum) / \$635 (homeschool)	None	100%	None	\$5.1 m
NV	Educational Choice Scholarship Program	300% x Poverty	None	None	\$7,755	None	100%	None	\$5 million (
OK	Oklahoma Equal Opportunity Education Scholarships	300% x FRL	None	None	Conditional	None	Conditional	Yes	\$3.5 m
PA	Educational Improvement Tax Credit Program	\$75,000 + \$15,000/child	None	None	Full Tuition	None	75% / 90%	Yes	\$100 rr
PA	Opportunity Scholarship Tax Credit Program†	\$75,000 + \$15,000/child	None	None	\$8,500 / \$15,000 (special needs)	None	75% / 90%	Yes	\$50 m
RI	Tax Credits for Contributions to Scholarship Organizations	250% x Poverty	None	None	None	None	75% / 90%	Yes	\$1.5 m
SC	Educational Credit for Exceptional Needs Children*	None	None	None	\$10,000	State or National	100%	Yes	\$8 mi
VA	Educational Opportunity Scholarships Tax Credits Program	300% x Poverty (400% for students w/ special needs)	Conditional	None	Conditional	National	65%	Yes (individual) / None (business)	\$25 m

STATE	INDIVIDUAL TAX CREDITS / DEDUCTIONS	REFUNDABLE	INCOME LIMIT	PRIOR YEAR PUBLIC SCHOOL REQUIREMENT	ENROLLMENT CAP	INDIVIDUAL CREDIT / DEDUCTION CAP	TESTING MAI
AL	Alabama Accountability Act of 2013 Parent-Taxpayer Refundable Tax Credits†	Yes	None	Yes	None	\$3,563	State or Nat
IL	Tax Credits for Educational Expenses	No	None	None	None	\$500	None
IN	Private School/Homeschool Deduction	No	None	None	None	\$1,000	None
IA	Tuition and Textbook Tax Credit	No	None	None	None	\$250	None
LA	Elementary and Secondary School Tuition Deduction	No	None	None	None	\$5,000	None
MN	Education Deduction	No	None	None	None	\$1,625 (K-6) / \$2,500 (7-12)	None
MN	K-12 Education Credit	No	\$37,500	None	None	\$1,000	None
SC	Refundable Educational Credit for Exceptional Needs Children*	Yes	None	None	None	\$10,000	State or Nat
WI	K-12 Private School Tuition Deduction	No	None	None	None	\$4,000 (K-8) / \$10,000 (9-12)	None

* Limited to students with special needs
 † Limited to students in low-performing schools
 § Limited to children of active military members stationed in the state
 ‡ Limited to students exclusively in foster care
 FRL = Federal free or reduced-price lunch program

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STATE	VOUCHERS	INCOME LIMIT	PRIOR YEAR PUBLIC SCHOOL REQUIREMENT	ENROLLMENT CAP	VOUCHER CAP	TESTING MA
AR	Succeed Scholarship Program for Students with Disabilities*§	None	Conditional	None	Conditional	National
CO	Choice Scholarship Program	None	Yes	500	\$5,066	National
DC	Opportunity Scholarship Program	100% x FRL (300% to remain eligible year-to-year)	None	None	\$8,381 (K-8) / \$12,572 (9-12)	National
FL	John M. McKay Scholarships for Students with Disabilities Program*	None	Yes	None	Conditional	None
GA	Georgia Special Needs Scholarship Program*	None	Yes	None	Conditional	None
IN	Choice Scholarship Program	150% x FRL	Conditional	None	90% of State Expenditure	State
LA	Louisiana Scholarship Program†	250% x Poverty	Conditional	None	None	State
LA	School Choice Pilot Program for Certain Students with Exceptionalities*	None	None	None	Conditional	None
ME	Town Tuitioning Program	None	None	None	\$7,933 (K-8) / \$10,339 (9-12)	Conditional
MS	Mississippi Dyslexia Therapy Scholarship for Students with Dyslexia Program*	None	Conditional	None	\$5,355	None
MS	Nate Rogers Scholarship for Students with Disabilities Program*	None	Conditional	None	\$5,355	None
NC	Special Education Scholarship Grants for Children with Disabilities*	None	Conditional	None	\$4,000 per semester	National
NC	Opportunity Scholarships	133% x FRL	Conditional	None	\$4,200	National
OH	Cleveland Scholarship Program	None‡	None	None	\$4,250 (K-8) / \$5,700 (9-12)	State
OH	Autism Scholarship Program*	None	None	None	\$27,000	None
OH	Educational Choice Scholarship Program†	None	Conditional	60,000	\$4,650 (K-8) / \$5,900 (9-12)	State
OH	Jon Peterson Special Needs Scholarship Program*	None	Yes	Conditional	\$27,000	None
OH	Income-Based Scholarship Program	400% x Poverty	None	Conditional	\$4,650	State
OK	Lindsey Nicole Henry Scholarships for Students with Disabilities*	None	Conditional	None	Conditional	None
UT	Carson Smith Special Needs Scholarship Program*	None	None	None	Conditional	Yes
VT	Town Tuitioning Program	None	None	None	Conditional	None
WI	Milwaukee Parental Choice Program	300% x Poverty	None	None	\$7,214 (K-8) / \$7,860 (9-12)	National
WI	Parental Private School Choice Program (Racine)	300% x Poverty	None	None	\$7,214 (K-8) / \$7,860 (9-12)	National
WI	Parental Choice Program (Statewide)	100% x FRL	None	Conditional	\$7,214 (K-8) / \$7,860 (9-12)	National
WI	Special Needs Scholarship Program*	None	Yes	None	\$12,000	None

STATE	EDUCATION SAVINGS ACCOUNTS	INCOME LIMIT	PRIOR YEAR PUBLIC SCHOOL REQUIREMENT	ENROLLMENT CAP	ACCOUNT CAP	TESTING MA
AZ	Empowerment Scholarship Accounts*†§#**	None	Yes	Yes	90% Charter Funding	None
FL	Gardiner Scholarship Program*	None	None	None	90% State and Local Funding	State or Na
MS	Equal Opportunity for Students with Special Needs Program*	None	Conditional	500	\$6,500	None
NV	Education Savings Accounts	None	Yes	None	90% or 100% State Funding	National
TN	Individualized Education Account Program*	None	Conditional	None	100% State and Local Funding	State or Na

* Limited to students with special needs

† Limited to students in low-performing schools

‡ Priority given to students up to 200% x Poverty

§ Limited to children of active military members stationed in the state

FRL = Federal free and reduced-price lunch program

Limited to students previously in foster care

** Or limited to children of military members killed in the line of duty

†† Priority given to siblings of current or previous ESA recipients, students living on Native American reservations

‡‡ Limited to children of military members killed in the line of duty

§§ Limited to children of military members killed in the line of duty

NEVADA

Education Savings Accounts



Education Savings Account • Enacted 2015 • Launched 2016

Nevada's Education Savings Accounts (ESA) program provides parents funds to pay for a variety of educational services for their children, including private school tuition, distance learning programs, tutoring, curriculum, therapy, in-state post-secondary educational institutions, and other defined educational services.

STUDENT FUNDING

Annual account payments may be worth 100 percent of the statewide average basic support per pupil (\$5,710 in 2015–16) for students with special needs or those from households with incomes up to the level of the free and reduced-price lunch program (\$44,863 for a family of four in 2015–16). For all other students, annual account payments may be worth 90 percent of the statewide average basic support per pupil (\$5,139 in 2015–16).

STUDENT ELIGIBILITY

Students qualify if they attended a Nevada public school for at least 100 days immediately prior to establishing an ESA. Additionally, children of active duty military members and those under 7 years old qualify immediately.

FRIEDMAN FEEDBACK

This program is by far the closest to the type of school choice program Milton Friedman envisioned to date. It also has the highest funded eligibility rate of any program in America to date, 93 percent, and funding amounts for low-income children are set at 100 percent of the average state public school per-pupil funding amount. This program sets the bar that all other school choice programs should try to reach. There is still room for improvement, however. First, additional pathways for eligibility could be added, including a sibling preference, new entrants into the state, and/or low-income students who currently attend private school. Ultimately, every single child in the state should be able to access an ESA. Second, all state expenditures should follow children with special needs, which would provide the most challenged students to access the services they need. Right now, they receive only the base support. Lastly, funding amounts, in general, could be raised to what a public school receives per student. An amount closer to \$7,000 per child would help more families access more private schools, especially those who come from low-income households. This is somewhat mitigated by families' ability to stack the state's tax-credit scholarship program on top of an ESA, but that program also has funding limitations.

LATEST STATS (2015–16)

Students participating: N.A.
Schools participating: N.A.
Average base account value: \$5,139

Percent of Nevada K–12 students eligible for Nevada's Education Savings Accounts

96%

STO REQUIREMENTS

- Must sign an agreement to ensure the student will receive instruction in Nevada from school, post-secondary educational institution, a distance learning program, a tutor agency, or themselves (although homeschoolers are not eligible for the program)
- Use program funds only for authorized purposes, including:
 - ✓ Tuition or fees at a participating school, post-secondary educational institution, or learning program
 - ✓ Textbooks required by a participating school, post-secondary educational institution, or learning program
 - ✓ Tutoring services provided by a participating tutor or tutoring facility
 - ✓ Payment for purchase of curriculum, including any supplemental materials required curriculum
 - ✓ Fees for transportation required to travel to and from a participating provider or commercial providers, up to but not exceeding \$750 per school year
 - ✓ Fees for nationally standardized norm-referenced achievement tests, Advanced examinations or similar exams, or any exams related to college or university admission
 - ✓ Fees for any special instruction or special services for students with special needs
- Fees for the management of the ESA by private financial firms

Because this program did not launch until the Spring 2016 semester, participation will not be available until February 2016 at the earliest.

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For the latest program information and data updated in real time, visit www.edchoice.org/NV.

ARIZONA

Empowerment Scholarship Accounts

Education Savings Account • Enacted 2011 • Launched 2011



Arizona's Empowerment Scholarship Accounts (ESA) program allows parents to withdraw their children from public, district, or charter schools and receive a portion of their public funding deposited into an account with defined, but multiple, uses, including private school tuition, online education, private tutoring, or future educational expenses.

STUDENT FUNDING

ESAs are funded at 90 percent of the charter school per-student base funding. For the 2015–16 school year, that amounts to \$4,645 (K–8) or \$4,904 (9–12) for students who do not have special needs.

STUDENT ELIGIBILITY

Students must have previously attended public school for at least 100 days of the prior fiscal year and met one of the following characteristics: (1) received a scholarship from an STO under Lexie's Law, (2) attended a "D" or "F" letter grade school or school district, (3) been adopted from the state's foster care system, (4) is already an ESA recipient, or (5) the child lives on a Native American reservation. Students eligible to attend kindergarten are also eligible provided they meet one of the above criteria. Additionally, children of active-duty military members stationed in Arizona, children whose parents were killed in the line of duty, and siblings of current or previous ESA recipients are also eligible. Children of active-duty members of the military or whose parents were killed in the line of duty are not required to attend a public school prior to applying for an ESA. Finally, preschool children with special needs are also eligible and are not required to have attended a public preschool program prior to applying. New accounts are capped at 0.5 percent of the previous year's total number of public and charter school students; that cap will be removed in 2019.

FRIEDMAN FEEDBACK

Arizona's ESA program is relatively strong on its funding power, as 90 percent of the charter school per-student base funding amount is deposited in each participant's ESA. Arizona's ESA program also excels in that it is not over-regulated; ESA-using parents must sign an agreement to provide an education including reading and grammar, math, social studies, and science, and participating private schools or service providers must not discriminate. The program could improve by expanding eligibility. The 2014–15 eligibility expansion no doubt gets closer to providing eligibility to all Arizona families, but despite that expansion, more than 75 percent of children in Arizona still are ineligible for ESAs. Additionally, the arbitrary cap of 0.5 percent of traditional public and charter school enrollment restricts even the current 22 percent eligible from enrolling.

LATEST STATS (2015–16)

Students participating: **2,501**
Schools participating: **134** [2014–15]
Average annual award value: **\$12,400**
(projected)

Percent of Arizona K–12 students eligible for Empowerment Scholarship Accounts

22%

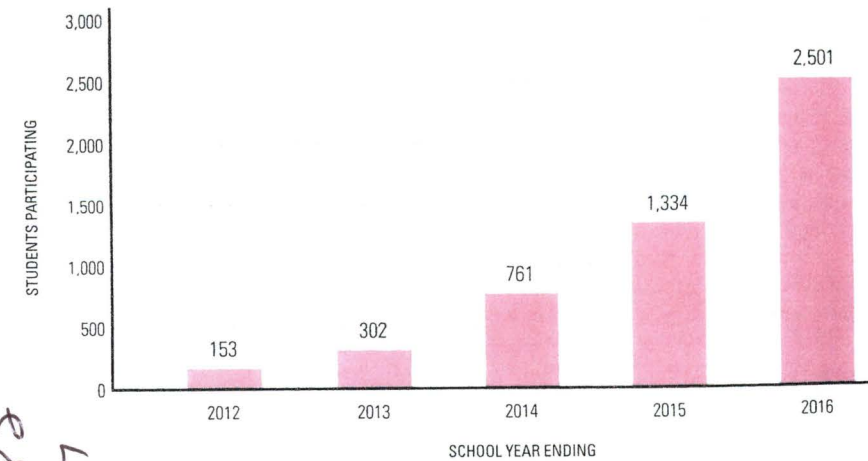
GOVERNING STATUTES

Ariz. Rev. Stat. §§15-2401 through 2404

PARENT REQUIREMENTS

- Must sign an agreement to:
 - ✓ Provide an education in the subjects of reading, grammar, mathematics, social studies, and
 - ✓ Not enroll their student in a school district or charter school full time, though parents can ESA to buy services from a public school including classes and extracurricular activities
 - ✓ Release the school district from all obligations to educate the student
 - ✓ Not accept a scholarship under any of Arizona's tax-credit scholarship programs
 - ✓ Use the money deposited in the ESA for purposes specified in the law and spend accu ESA dollars on basic education subjects

Enrollment in Arizona's education savings accounts program nearly doubled since 2014–15.



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For the latest program information and data updated in real time, visit

www.edchoice.org/AZ_

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school choice. However, seven other empirical studies have also specifically tested for the presence of a stigma effect (in Florida and Ohio) and found that this effect either did not exist or was not large enough to explain away the school choice effect. Also, stigma cannot explain the positive findings for Milwaukee, Florida's two other programs, or the century-old "town tuitioning" voucher systems in Maine and Vermont.⁴⁰

TABLE 3 Academic Outcomes of Public Schools

Location	Author	Year	Results		
			Any Positive Effect	No Visible Effect	Any Negative Effect
Louisiana	Egalite	2016	X		
Louisiana	Egalite	2014	X		
Indiana	Egalite	2014	X		
Florida	Figlio & Hart	2014	X		
Florida	Bowen & Trivitt	2014			X
San Antonio	Gray et. al.	2014	X		
Florida	Rouse et. al.	2013	X		
Florida	Chakrabarti	2013	X		
Florida	Figlio & Hart	2011	X		
Florida	Winters & Greene	2011	X		
Ohio	Carr	2011	X		
Milwaukee	Mader	2010	X		
Milwaukee	Greene & Marsh	2009	X		
San Antonio	Merrifield & Gray	2009	X		
Ohio	Forster	2008	X		
Florida	Forster	2008	X		
Milwaukee	Chakrabarti	2008	X		
Florida	Chakrabarti	2008	X		
Milwaukee	Chakrabarti	2008	X		
Florida	Rouse et. al.	2007	X		
Milwaukee	Carnoy et. al.	2007	X		
San Antonio	Diamond	2007	X		
D.C.	Greene & Winters	2007		X	
Florida	Figlio & Rouse	2006	X		
Florida	West & Peterson	2006	X		
Florida	Greene & Winters	2004	X		
Florida	Chakrabarti	2004	X		
Milwaukee	Greene & Forster	2002	X		
San Antonio	Greene & Forster	2002	X		
Maine	Hammons	2002	X		
Vermont	Hammons	2002	X		
Milwaukee	Hoxby	2001	X		
Florida	Greene	2001	X		

Note: This table shows all empirical studies using all methods.

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TABLE 4 Fiscal Impact on Taxpayers and Public Schools

Location	Author	Year	Results		
			Positive Effect	No Visible Effect	Negative Effect
D.C.	Spalding	2014	X		
Florida	Spalding	2014	X		
Florida	Spalding	2014	X		
Georgia	Spalding	2014	X		
Louisiana	Spalding	2014	X		
Cleveland	Spalding	2014	X		
Ohio	Spalding	2014	X		
Ohio	Spalding	2014	X		
Utah	Spalding	2014	X		
Milwaukee	Spalding	2014	X		
D.C.	Wolf & McShane	2013	X		
Florida	LOEDR*	2012	X		
Milwaukee	Costrell	2010	X		
San Antonio	Merrifield & Gray	2009	X		
Florida	OPPAGA**	2008	X		
Vermont	Aud	2007		X	
Maine	Aud	2007		X	
Milwaukee	Aud	2007	X		
Cleveland	Aud	2007	X		
Arizona	Aud	2007	X		
Florida	Aud	2007	X		
Florida	Aud	2007	X		
Pennsylvania	Aud	2007	X		
Florida	Aud	2007	X		
D.C.	Aud	2007	X		
Ohio	Aud	2007	X		
Utah	Aud	2007		X	
D.C.	Aud & Michos	2006	X		

Note: This table shows all empirical studies using all methods; the total fiscal effect of school choice programs is referenced.

*LOEDR stands for Legislative Office of Economic and Demographic Research (State of Florida).

**OPPAGA stands for Office of Program Policy Analysis and Government Accountability (State of Florida).

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30,000 ft view of ESA Funding basics 101, from a guy who is not an expert

If there are 1000 kids in each grade throughout ND

Roughly 6% are known to choose non-public option

So 60 kids entering grade 1 could enroll in ESA, but would've gone nonpublic anyway

The state will pay \$5600 for each of them (75% of \$7500, the state contrib to aid formula).

This is a cost to the state of \$336,000 for the "non-switchers". ($\$5600 \times 60$).

If 2% of public school kids "switch" to ESA that wouldn't have switched otherwise, that would be 20 kids/grade for grades 1-12, equals 240 kids.

The switchers get the ESA amount which is 75% of what the state would have otherwise spent. In other words, a 25% savings per switcher kid.

$\$7500 \times .25 = \1875 . $\$1875 \times 240 \text{ kids} = \$450,000 \text{ savings}$.

Minus the cost of the non-switchers, the state saves a net \$114,000.

The per pupil spending from the state for public school kids is the same, but some of the local, Federal (Title I), property tax remains locally and in the school district, therefore total monies available per public school student is increased.

More money per student translates to more opportunity for innovation.

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Testimony for North Dakota House Education Committee

Re: Education Savings Accounts for K-12 Education

HB 1380

Martin Lueken, Ph.D.

3-06-17

Director of Fiscal Policy & Analysis

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EdChoice

January 31, 2017

Honorable Members of the Committee,

Thank you for providing this opportunity to testify on education savings accounts in North Dakota. I have been asked to come here before you to speak about the program's potential fiscal effects on the state and on local district schools. I hold a Master's degree in Economics and a Ph.D. in Education Policy. My work includes peer-reviewed publications and numerous policy reports that have been cited by several media outlets, including a recent editorial by the *Wall Street Journal*. Recently, I conducted an analysis of the fiscal savings from school choice programs throughout the country.

Generally speaking, private school choice programs save states and save school districts money. I'll explain in a minute how they do that. Most choice bills are hardwired to do this, and the reason usually is that elected officials want, and need, to do so in this era of cash-strapped budgets. My organization EdChoice, formerly the Friedman Foundation for Educational Choice, conducted a systematic review of research on school choice. The fiscal effects was one of the outcomes examined in our report. Out of 28 empirical studies reviewed, 25 found school choice programs to save money and three found the programs were revenue neutral. We published these findings in a publication titled, *Win-Win*, and you can find this on our website at edchoice.org.

Also on our website you will find *The Tax Credit Scholarship Audit*, my study of the fiscal effects of 10 tax-credit scholarship programs in seven states and found that these programs generated between \$1.7 billion and \$3.4 billion in taxpayer savings from their inceptions to 2014. Please see Figure A in your handout. And, averaged across these 10 school choice programs, that works out to about \$3,000 in fiscal savings to state and local taxpayers per scholarship student. This range in savings is due to a range of cautious assumptions about the percent of scholarship students who were switching from district schools and the percent of scholarship students who would have attended a private school, even without a scholarship. Broad-eligibility programs, such as those in Arizona, Florida, and Pennsylvania, saved taxpayers the most. Significantly smaller programs experienced fewer savings.

Another study by EdChoice, again using a very cautious approach to estimating savings from ten voucher programs through 2011, found that these ten voucher programs generated \$1.7 billion in taxpayer savings.

And by the way, there are numerous non-fiscal benefits that these programs provide, all demonstrated by rigorous research. They help kids who use scholarships academically and improve their likelihood to graduate from high school, enrolling in 4-year colleges, and persisting in college. But these programs don't only benefit students who participate in them. They also improve the academic outcomes of students who choose to remain in public schools. Thirty-three (33) empirical studies have examined private school choice's impact on academic outcomes in public schools. Within that body of research, 31 studies find that choice improved the performance of nearby public schools. One (1) study finds no significant effects, and only one (1) study found negative effects.

So how is it that these programs save money for taxpayers and district schools? Typically, the value of the scholarship is based on state taxpayer dollars only. They typically do not include funding from the federal government and local property taxes. Thus, only a portion of total per-pupil funds follow students participating in these programs.

School choice programs save schools money because the variable cost of educating students has been shown to be greater than the cost of school choice scholarships. Here I'm referring to fixed and variable costs.

Fixed costs are costs that do not vary with enrollment levels. A few examples include purchasing (or renting) and maintaining a building; utilities; amortization of debt service (e.g. bonding for pensions or capital); district-level administrators' salaries, and land purchases. Variable costs are costs that change directly with fluctuations in enrollment. As enrollment increases, so do these costs. Likewise, a reduction in enrollment will lower costs. A few examples include textbooks and supplies, software licenses, and supplies for food services.

Some school officials will argue that they need additional revenue to hire personnel and provide services when they experience increases in enrollments. In other words, they're saying that they have high variable costs. But when it comes to school choice programs, they'll argue that they can't lose funds if they experience decreased enrollments because of high fixed costs. "We need funds to keep the lights on" is a common line we hear. If you believe this to be true—that all of public school district costs are fixed, then there is little need to fund enrollment growth because all the costs are fixed. It wouldn't matter if you have 50 students or 500 students. As long as the building, staff, and programs are paid for, you no longer need to fund the school. But of course that isn't the case. The logic of that common "we need funds to keep the lights on" argument is not connected to evidence or basic economic principles. Some public school costs are fixed and some public school costs are variable, in the short run. Period. And a fundamental economic and accounting principle is that all costs are variable in the long run.

In North Dakota, K-12 spending experienced robust growth, even after the recent recession. Please look at Figure B. As shown in figure B, in FY 2014 students in North Dakota public schools had more real resources per student than North Dakota students in every year before. And, North Dakota public school students today have dramatically more resources

devoted to their educations than North Dakota students had in the 1990s and in the 1980s – almost twice the resources than in 1987.

Another common argument made by school choice critics is that these programs somehow “siphon” or “drain” resources from public schools. First of all, these programs are tiny as compared to taxpayer spending on public schools—which as we just saw has been increasing for decades.

We’re talking less than one percent of most states’ K-12 education budgets where school choice programs exist. Please see Figure C.

But, here is the fiscal issue—yes, these school choice programs use taxpayer funds. But, these school choice programs also relieve public schools from educating these students. So, we can do an analysis to see the fiscal effect of these school choice programs on state budgets and on the budgets of local school districts. That is, is it cheaper to the taxpayer to educate these kids through the public schools or is it cheaper to the taxpayer to educate them in the private schools. As stated previously, a look at all the evidence regarding school choice indicates overwhelmingly that public school students and school choice students both benefit academically and in other ways from school choice programs.

As stated earlier, school choice programs save money in other states. Now, let’s consider the fiscal piece of school choice, specifically for North Dakota. I have conducted a fiscal analysis of a large-scale education savings account program, if applied in North Dakota. Such a program could generate significant savings for public schools. The fiscal alignment determines whether the program will generate savings. As long as the ESA amount is less than the state’s per-student cost and district’s per-student variable cost, then the program will generate savings when a student chooses to leave her public school and participate in the ESA program.

Variable costs are \$8,257 per student in general education (please refer to Figure D). This is based on a cautious approach and is much lower than what other economists have estimated. The average revenue districts receive from the state is \$7,498 per student. When a student leaves a district for any reason, its revenue from the state is reduced by this amount, but the district also experiences \$8,257 in cost relief. As long as the ESA amount is below these amounts, then the state and North Dakota school districts will save money when students choose to leave a school district to participate in the ESA program. Note that this variable cost estimate is based on a cautious approach and is significantly lower than what other economists have estimated. Thus, savings for school districts will likely be higher.

The average ESA amount is \$5,624, and the state will incur savings worth \$1,874 per student who leaves a public school to participate in the program. I estimated that the state would incur savings worth \$12.2 million.

Local public school districts would experience \$51.5 million in reduced state revenue from state aid. This reduction would be completely offset, however, by \$56.7 million in

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cost burden relief for students who would enroll in district schools if the ESA program wasn't in place. These variable costs, which reflect expenditures for total instructional and instructional support, and pupil support, are \$8,257 per student, and they exceed the ESA amount (again, please refer to Figure D). Thus, there will be a net positive impact on school districts of \$5.2 million.

To be clear, this \$5.2 million net savings represents a \$56.7 million reduction in cumulative school variable cost burden, which outweighs the \$51.5 million cumulative net revenue reduction for 6,869 students who otherwise would likely enroll in district schools if the ESA program was not available. It is not a direct reduction in school expenditures.

I believe that a universal ESA program in North Dakota can be a win-win for all its citizens. It can benefit families by expanding educational options and allowing better matches between students and the kinds of education they receive. It can incentivize district schools to improve through greater competition, which would benefit their students. And it will do these things without harming school districts, both fiscally and non-fiscally. Many states have already enacted school choice programs that have helped millions of children nationwide. I wholeheartedly believe that providing more educational choice in your state is a sound investment in students' futures and a money saver for your taxpayers.

Educational choice is a mechanism of funding education that effectively facilitates optimal matching between students, teachers, and schools. It is not about favoring one kind of schooling or product over another. And it's certainly not about "dismantling" one way of providing education in favor of another—this simply has never materialized in any state that has educational choice. Educational choice offers a positive, uplifting belief that any child can learn and it offers a funding method to support that belief where parents are free to choose whatever they deem is the best education option for their children to learn.

Expanding educational choice is a smart and sound investment that North Dakota can make to advance students' lives and build a stronger society.

Again, I thank you for your time, and I hope that you'll feel free to reach out to me if you have any questions.



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TESTIMONY REGARDING SCHOOL CHOICE
POLICY AND RESEARCH IN THE UNITED STATES

Chairman Owens and Members of the Education Committee:

My name is Ed Failor and I am a State Programs Director for EdChoice, a non-profit, nonpartisan organization dedicated to advancing a K-12 education system where all parents are free to choose a learning environment – public or private, near or far, religious or secular – that works best for them. I am here today to provide a bit of information and context to the Education Savings Account bill pending before you, as well as an overview of the history of school choice.

First, a little bit about Education Savings Accounts – henceforth referred to as ESAs. This program is similar to a Health Savings Account. The state deposits a predetermined amount of money into a special savings account which parents can access through a debit card. From there, a parent is able to truly utilize choice. He or she can pay for private school tuition, curriculum, textbooks, tutoring, testing such as a state achievement test or the SAT or ACT, test preparation services, or educational support therapy. These types of programs truly put the power, at the most basic level, in the hands of the parent to make a wide variety of educational choices, not just a choice between public and private schools.

ESA programs are often regulated the same way as Electronic Benefit Cards, in the sense that only approved merchants and educational items are allowed for payment by the debit cards. For example, a parent utilizing an ESA could not go to a casino and withdraw money. What is unique about this program is that any money left over after the child has finished K-12 can be applied to higher education expenses at an in-state university, community college, technical college, or vocational technical college. This incentivizes good stewardship of dollars during K-12 to help get a head start on higher educational expenses, if the parent deems that a prudent investment.

To date, five states have passed ESA legislation: Arizona, Florida, Mississippi, Nevada, and Tennessee. Enacted in 2011, Arizona's Empowerment Scholarship Accounts was the first ESA program in America. The Arizona Supreme Court has ruled that the Empower Scholarship

Accounts were constitutional on their face, and the program continues on unabated. Eligibility of the program was expanded in 2014. Nevada's ESA, enacted in 2015, is the first near-
universal education choice legislation of its kind. 96 percent of Nevada K-12 students are eligible. The bill before you today – HB 1382 – most closely resembles the Nevada model.

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Now, a bit about the history of school choice.

As you may know, Vermont was the first state in our country to adopt private school choice when it enacted the town tuitioning model in 1869. That program was closely followed by a town tuitioning program in Maine in 1873. However in the intervening years, very little happened regarding private school choice.

This changed with Wisconsin's Milwaukee Parental Choice Program in 1990. Over the 26 years of that program's existence, participants have demonstrated the positive effects that school choice can have on academic achievement and attainment. In the most recently published study on the Milwaukee program, researchers found that choice students graduated high school, enrolled and stayed in college at rates that were four to seven percent higher than their public school peers. In other words, for every 1,000 high school students using a voucher, at least *40 more students* graduate high school and go on to college than would if the program did not exist.

Indeed, empirical research also shows that school choice programs benefit participants academically. Of the 18 random-assignment studies – considered the “gold standard” of social science research – on school choice programs, 14 showed that *at least some or all* participants made significant academic gains, and two studies showed no visible effects. Prior to 2016, no study had ever shown negative effects on academic outcomes for choice participants. Two recent studies – both on the Louisiana voucher program – found negative effects. However, these findings are easily explained by low private school participation in the program. Due to poor program design and fear of future action from hostile regulations, less than one-third of private schools in Louisiana chose to participate in the voucher program in its first year. Schools choosing to join and remain within a choice program under such adverse conditions are likely to be the worst performing schools.

Less burdensome regulations increase private school participation and yield positive results for choice participants. For example, in 2010, the final report evaluating the D.C. Opportunity Scholarship Program – a voucher program approved with bipartisan support by the U.S. Congress – showed that voucher students graduated high school at a 20 percent higher rate than their public school peers. Voucher participants also showed modest academic gains – but gains nonetheless – in reading, although no significant effects were visible for math.

But school choice is not a policy just for struggling urban school systems like Milwaukee and Washington, D.C. In 2011, the Douglas County, Colorado, school board – which manages some of the best performing *public* schools in the state – chose to enact a 500-student pilot voucher program. The board members realized that a single school system, no matter how high achieving, is not able to serve every single need of every single child. They also estimated that, by giving parents the opportunity to decide where their children will thrive, their school district would actually save about \$400,000 that could be redistributed to the public schools. 3-06-17
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Notably, last year, South Dakota adopted a program to create a corporate tax credit scholarship. With that last program, education choice has grown to 61 programs in 30 states and the District of Columbia.

Critically, in my opinion, the two most important things to remember are this: Number 1, school choice has existed before the turn of the last century. School choice is not a new idea and has a proven track record of success. In the states where it exists, it has not lead to the destruction of public schools, nor has it lead to an increase in segregation, and it has certainly not led to public schools being starved for funding. And Number 2, to those that utilize it, school choice offers children an educational environment that best helps them learn. During my personal K-12 experience, I attended a public school, a private school, and I was even homeschooled for a year. Even at different points of my own life, I had different educational needs. This goes to show that even what you or I may consider the “best” school isn’t necessarily the *right* school for any particular child. We should seek to empower *all* parents by giving them the ability to choose the *right* school for their child, not just the school designated to them by their zip code.

All of the information I discussed today can be found on our website, www.edchoice.org. Thank you for the opportunity to appear before you today regarding education choice.

Sincerely,

Ed Failor
Director of State Engagement
EdChoice

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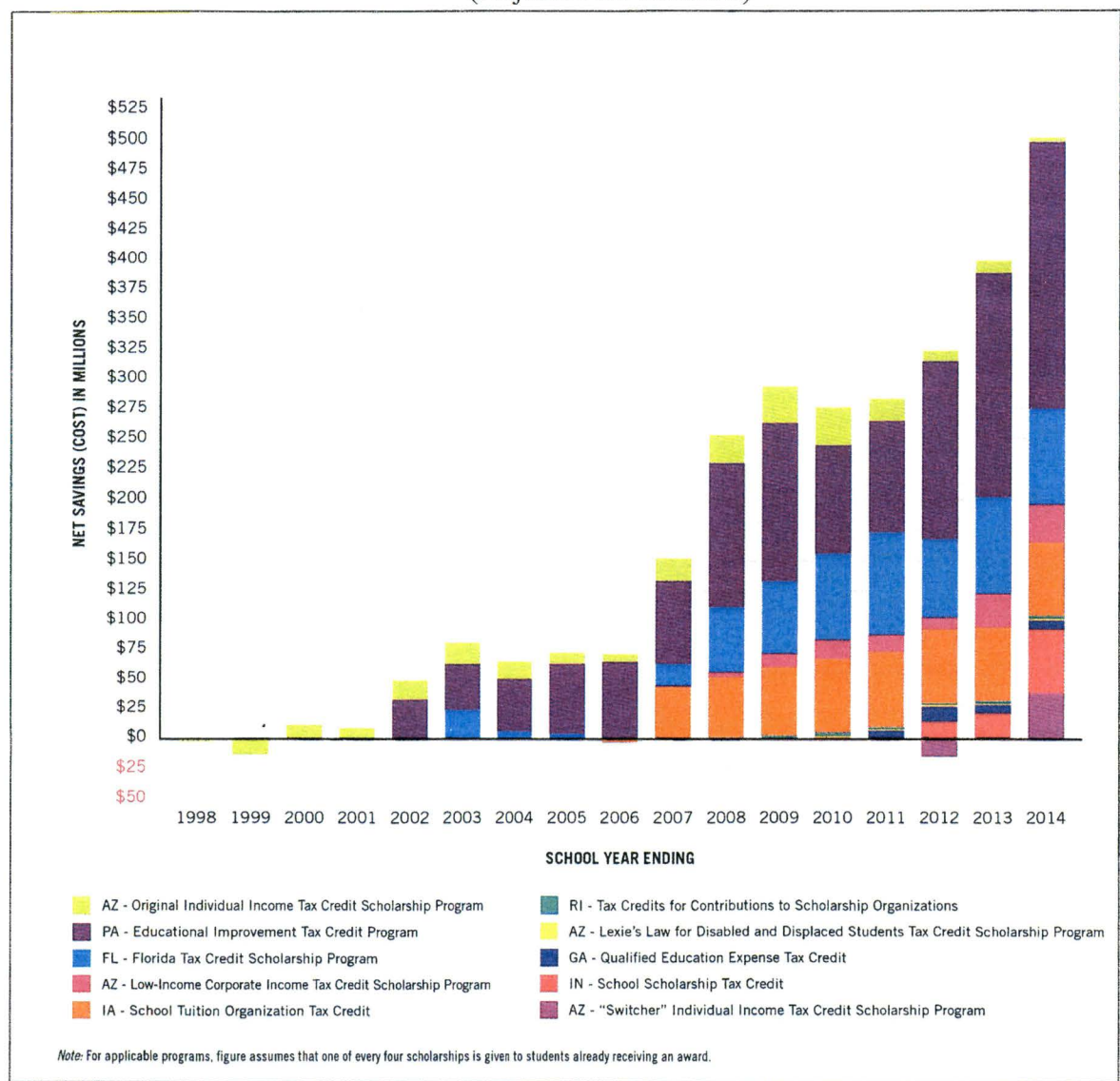
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Testimony for North Dakota Senate Education Committee, Supplemental Handout
 Re: Education Savings Accounts for K-12 Education
 Martin Lueken, Ph.D.
 Director of Fiscal Policy & Analysis
 EdChoice
 January 25, 2017

Figure A
Fiscal savings from tax-credit scholarship programs, school years 1997-98 to 2013-14
 (Adjusted for inflation)

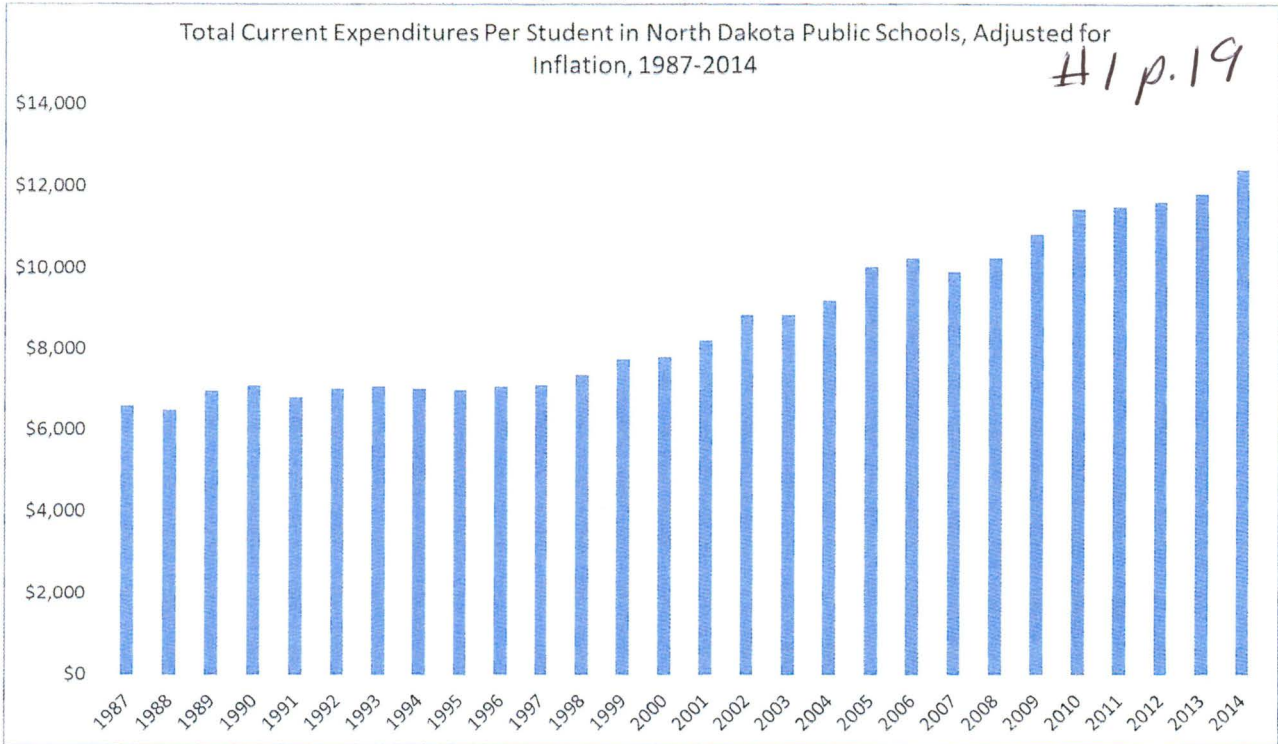


Source: Lueken, Martin F. "The tax-credit scholarship audit: Do publicly funded private school choice programs save money?" *EdChoice*, October 31 (2016).

As programs expand and more students use them, overall net savings tend to increase as well.

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Figure B
Historical K-12 public school current spending per pupil in North Dakota, 1987-2014
(adjusted for inflation)



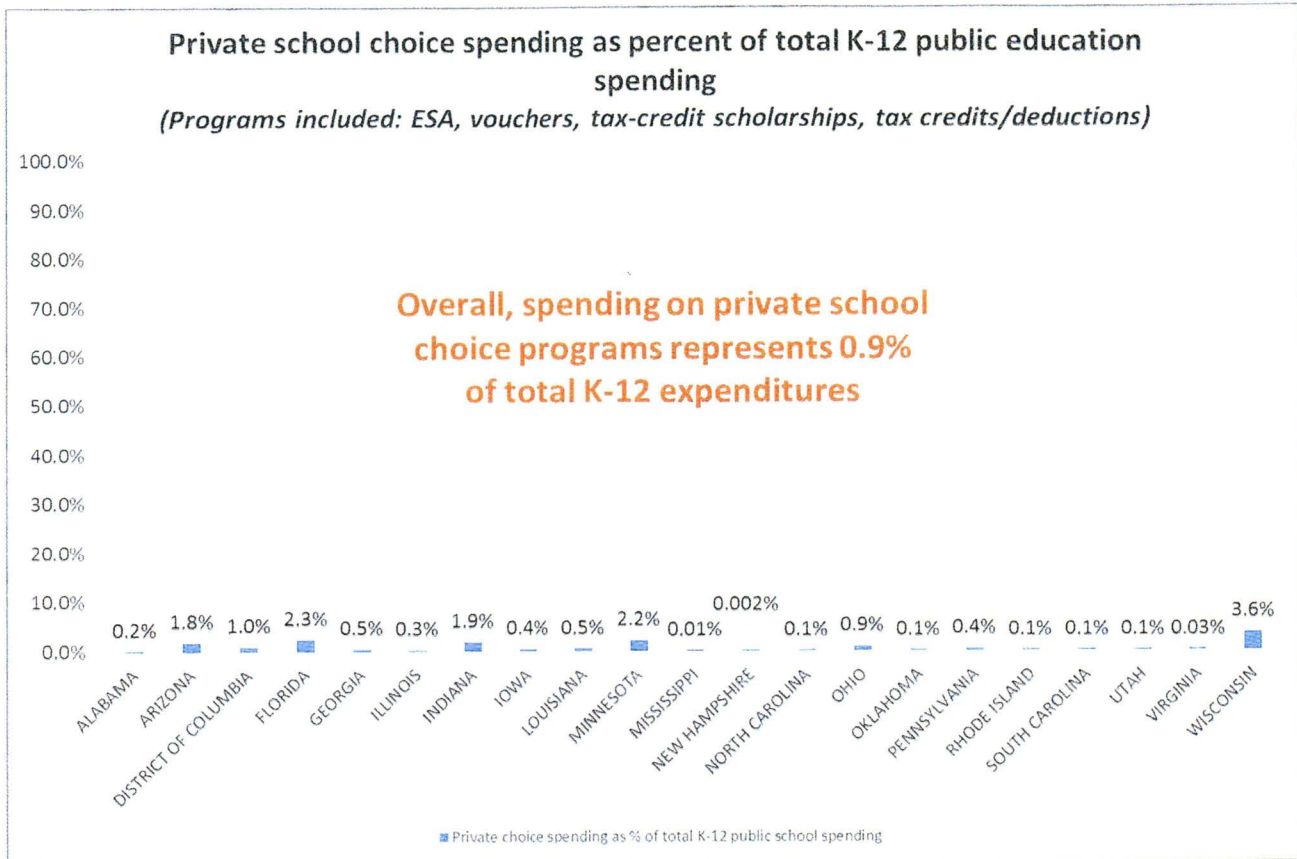
Sources: National Center for Education Statistics; U.S. Census Bureau; U.S. Bureau of Labor Statistics

Since 1987 (earliest year data are readily available), the state's K-12 current expenditures (in real dollars) have experienced persistent growth up to 2014, even after the financial crisis hit. Over the 10-year period up to 2014, total spending per pupil increased 35 percent. Current expenditures exclude long term expenditures like capital outlays and debt service.

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Figure C

Private School Choice Spending As Percent of Total K-12 Public Education Spending by State
(Programs include ESA, voucher, tax-credit scholarships, and tax credits/deductions)

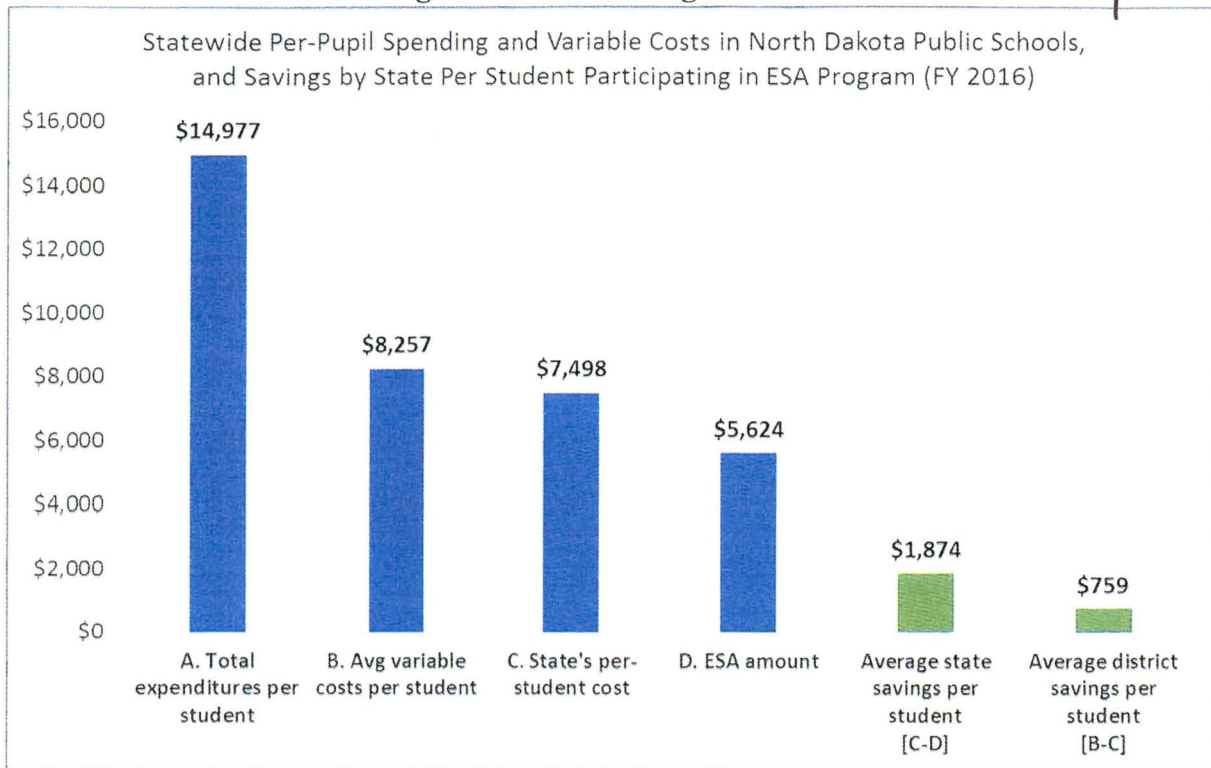


Sources: National Center for Education Statistics; EdChoice

This is typical of school choice programs: the cost for funding all school choice programs operating in a given state represent a very small portion of the state's K-12 budget. Overall, spending on all private school choice programs represents 0.9 percent of total K-12 expenditures. In most states, including states that have the largest school choice programs, the share of program expenditures is less than one-half (0.5) of one percent.

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Figure D
Fiscal alignment of ESA Program in North Dakota



Source: North Dakota Department of Public Instruction; National Center for Education Statistics; EdChoice

Average variable cost per district school student in North Dakota is \$8,244, and average state support is \$7,498 per student. When a student leaves a district for any reason, its revenue from the state is reduced on average by \$7,498, but the district also experiences on average \$8,244 in variable cost relief.

The ESA amount under the proposed bill would be 75 percent of the state aid per pupil, or \$5,624. The state will incur savings worth on average \$1,874 per student who participates in the program, and school districts would save on average \$759 per student.

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**EDCHOICE
FISCAL IMPACT STATEMENT
2017 REGULAR SESSION**

HB-1382
3-06-17
#1 p.22

Note Prepared: January 24, 2017
Subject: Education Savings Accounts
Impact: State, Local Taxpayers, and School Districts
Effective Data: TBD
Prepared by: Martin F. Lueken, Ph.D., Director of Fiscal Policy & Analysis

FISCAL SUMMARY

Summary of estimated fiscal impacts of North Dakota ESA program

Total number of students in North Dakota eligible for ESA	107,076
Estimated average ESA amount	\$5,624
Number of ESA accounts funded	6,986
Estimated number of ESA Students redirected from district schools	6,869
Total State Expenditures on ESA Program	(\$39,286,820)
State Aid Expenditure Savings from redirected Students	\$51,506,152
Net State Impact	\$12,219,331
Estimated Reduction in State Aid Revenue to School Districts for redirected ESA Students	(\$51,506,152)
Average Variable Educational Cost per Student	\$8,257
Total Cost Burden Relief to School Districts for redirected Students	\$56,722,765
Net Local School District Savings	\$5,216,613
Combined net state and local school district impact	\$17,435,944
Break-Even Switcher Rate	68%

Notes: () denotes a decrease/negative value

Sources: North Dakota Department of Public Instruction; U.S. Census Bureau; National Center for Education Statistics, U.S. Dept. of Education

MEASURE'S PURPOSE: This bill, if enacted, creates an education savings account (ESA) program. The education savings account would be available to children who participated in the program in a prior academic year, or if the child is eligible to attend public school in this state and was enrolled in a public school during the preceding semester, is enrolling in kindergarten or first grade for the first time, or is enrolling in school in this state for the first time.

The ESA would be equal to seventy-five percent (75%) of the per-student payment rate reduced by the state average percentage of local revenue required to be subtracted to determine state aid payments. If a student has an active individualized education plan, the ESA amount is weighted by the state's funding formula.

FISCAL EXPLANATION: This proposal, if enacted, will have a positive estimated net impact of \$12.2 million on the state General Fund and a positive estimated net impact of \$5.2 million on school district revenue for FY 2017-2018. There will be no impact on local property taxes. The net combined impact would be positive, equal to **\$17.4 million**.

The average state payment per student during school year 2015-16 was \$7,498. The ESA amount, set to 75 percent of this amount, is \$5,624. Based on this amount, we estimate that demand for ESAs would be 6,986 students. Of this group, 6,869 students would be "switchers" from public schools (students who would enroll in public schools without any financial assistance from the ESA program).¹

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State impact: The state would experience a decline in revenue of \$39.3 million (the maximum credit allowed under this bill). This would be offset by \$51.5 million in reduced state aid expenditures. After factoring this savings, we estimate there will be a net positive state impact of **\$12.2 million**.

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Impact on local property taxes: There will likely be no impact on property taxes, at least in the short run, because they are set locally and independent of enrollment. In the long run, districts that experience significant enrollment change may choose to adjust property tax rates.

School district impact: Local public school districts would experience \$51.5 million in reduced state aid revenue from the state. This reduction would be completely offset by \$56.7 million in cost burden relief for students who switch from public schools to independent schools.² Thus, there will be a net positive impact on public schools of **\$5.2 million**.³

Break-even switcher rate: Switcher is defined as a student who would otherwise enroll in a district school if the ESA program is not in place as opposed to enrolling in private school, home school, or other non-public school settings. Switchers represent fiscal savings for the state and district schools. For the program to be fiscally neutral overall to the state, local taxpayers, and school districts combined, 68 percent of program participants would need to be switchers.

DATA SOURCES:

North Dakota Department of Public Instruction; U.S. Census Bureau; National Center for Education Statistics, U.S. Dept. of Education

DISCLAIMER: EdChoice is committed to research that adheres to high scientific standards, and matters of methodology and transparency are taken seriously at all levels of the organization. We are committed to providing high-quality information in a transparent and efficient manner. We welcome any and all questions related to methods and findings.

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PREPARER: Martin F. Lueken, Ph.D., Director of Fiscal Policy & Analysis

Statement Last Updated: 1/24/2017

¹ To estimate demand for the program by students enrolled in public and private schools, the analysis uses the best available data for estimating private school demand. The coefficient used in this analysis comes from Chiswick and Koutroumanes (1996) and is adjusted for inflation.

² Based on data from the National Center for Education Statistics at the U.S. Department of Education, we estimate that the average variable cost per student is \$8,257. This is based on expenditures for Instruction, Student Support Services, and Instruction Support Services and excludes all other costs such as capital, debt services, administration, food services, and transportation. Two studies on education costs suggest that variable costs are even higher than what is estimated in this fiscal note (Scafidi, 2012; Bifulco & Rebeck, 2014). Thus, savings for North Dakota from the ESA program will likely be higher.

³ To be clear, this \$5.2 million net savings represents a \$56.7 million reduction in cumulative school variable cost burden, which significantly outweighs the \$51.9 million cumulative net revenue reduction for 6,928 students estimated to switch from public schools to private schools. It is not a direct reduction in school expenditures. The public schools will still have to make decisions to cut costs as enrollment declines. However, they now have \$56.7 million in available cost burden relief from which to find at least \$51.9 million in spending reductions to match their net revenue reduction.

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Table: Fiscal impact on North Dakota school districts from public school students transferring out of district

Agency Name	Enrollment	Total costs per student [A]	State revenue per student [B]	Impact on state for each student leaving: [B - \$5,624]	Variable costs per student [C]	Variable costs as percent of total costs [C/A]	Impact on district for each student leaving [C-B]
ADAMS 128	27	\$40,333	\$15,111	\$9,487	\$18,630	46%	\$3,519
ALEXANDER 2	123	\$17,585	\$6,033	\$409	\$8,683	49%	\$2,650
ANAMOOSE 14	96	\$15,771	\$8,177	\$2,553	\$7,917	50%	(\$260)
APPLE CREEK 39	59	\$21,932	\$9,356	\$3,732	\$9,508	43%	\$152
ASHLEY 9	128	\$16,273	\$9,320	\$3,696	\$10,273	63%	\$953
BAKKER 10	4	\$68,000	\$11,500	\$5,876	\$17,500	26%	\$6,000
BARNES COUNTY NORTH 7	296	\$18,331	\$8,922	\$3,298	\$9,439	51%	\$517
BEACH 3	285	\$18,407	\$6,523	\$899	\$11,635	63%	\$5,112
BELFIELD 13	227	\$13,392	\$8,145	\$2,521	\$8,537	64%	\$392
BEULAH 27	698	\$11,341	\$6,033	\$409	\$6,928	61%	\$895
BILLINGS CO 1	72	\$38,889	\$0	(\$5,624)	\$18,153	47%	\$18,153
BISMARCK 1	11806	\$12,531	\$6,185	\$561	\$8,290	66%	\$2,105
BOTTINEAU 1	625	\$14,638	\$6,947	\$1,323	\$8,616	59%	\$1,669
BOWBELLS 14	62	\$23,306	\$7,726	\$2,102	\$14,097	60%	\$6,371
BOWMAN CO 1	466	\$15,764	\$5,867	\$243	\$8,464	54%	\$2,597
BURKE CENTRAL 36	120	\$15,642	\$6,375	\$751	\$11,258	72%	\$4,883
CARRINGTON 49	551	\$11,917	\$6,655	\$1,031	\$6,828	57%	\$173
CAVALIER 6	414	\$11,123	\$6,254	\$630	\$7,336	66%	\$1,082
CENTER-STANTON 1	200	\$16,845	\$8,545	\$2,921	\$9,555	57%	\$1,010
CENTRAL CASS 17	794	\$9,877	\$5,829	\$205	\$6,312	64%	\$483
CENTRAL ELEM 32	3	\$123,667	\$0	(\$5,624)	\$43,667	35%	\$43,667
CENTRAL VALLEY 3	235	\$13,145	\$7,289	\$1,665	\$7,306	56%	\$17
DAKOTA PRAIRIE 1	257	\$18,346	\$8,899	\$3,275	\$10,681	58%	\$1,782
DEVILS LAKE 1	1674	\$12,628	\$7,343	\$1,719	\$9,504	75%	\$2,161
DICKINSON 1	2869	\$13,664	\$6,269	\$645	\$7,813	57%	\$1,544
DIVIDE COUNTY 1	342	\$13,395	\$4,904	(\$720)	\$9,251	69%	\$4,347
DRAKE 57	86	\$19,221	\$9,360	\$3,736	\$10,221	53%	\$861
DRAYTON 19	153	\$18,778	\$7,170	\$1,546	\$10,582	56%	\$3,412
DUNSEITH 1	430	\$17,714	\$8,972	\$3,348	\$11,867	67%	\$2,895
EDGELEY 3	217	\$15,332	\$8,562	\$2,938	\$8,719	57%	\$157
EDMORE 2	54	\$30,370	\$9,815	\$4,191	\$13,481	44%	\$3,666
EIGHT MILE 6	191	\$12,215	\$7,026	\$1,402	\$8,471	69%	\$1,445
ELGIN-NEW LEIPZIG 49	135	\$19,348	\$9,348	\$3,724	\$10,252	53%	\$904
ELLENDALE 40	324	\$13,914	\$7,694	\$2,070	\$8,386	60%	\$692

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Table: Fiscal impact on North Dakota school districts from public school students transferring out of district

Agency Name	Enrollment	Total costs per student [A]	State revenue per student [B]	Impact on state for each student leaving: [B - \$5,624]	Variable costs per student [C]	Variable costs as percent of total costs [C/A]	Impact on district for each student leaving [C-B]
EMERADO 127	82	\$19,707	\$9,256	\$3,632	\$10,329	52%	\$1,073
ENDERLIN AREA 24	306	\$13,271	\$7,601	\$1,977	\$8,810	66%	\$1,209
FAIRMOUNT 18	112	\$16,750	\$8,768	\$3,144	\$11,277	67%	\$2,509
FARGO 1	11007	\$13,085	\$6,340	\$716	\$9,298	71%	\$2,958
FESSENDEN-BOWDON 25	142	\$18,401	\$8,232	\$2,608	\$10,197	55%	\$1,965
FINLEY-SHARON 19	128	\$19,531	\$9,023	\$3,399	\$11,297	58%	\$2,274
FLASHER 39	198	\$15,576	\$8,152	\$2,528	\$7,571	49%	(\$581)
FORDVILLE-LANKIN 5	50	\$25,680	\$11,700	\$6,076	\$13,520	53%	\$1,820
FT RANSOM 6	26	\$20,346	\$10,538	\$4,914	\$11,038	54%	\$500
FT TOTTEN 30	151	\$22,980	\$7,404	\$1,780	\$15,914	69%	\$8,510
FT YATES 4	178	\$22,331	\$11,697	\$6,073	\$16,461	74%	\$4,764
GACKLE-STREETER 56	100	\$17,490	\$7,620	\$1,996	\$10,170	58%	\$2,550
GARRISON 51	378	\$13,056	\$6,728	\$1,104	\$7,759	59%	\$1,031
GLEN ULLIN 48	154	\$16,448	\$9,058	\$3,434	\$10,519	64%	\$1,461
GLENBURN 26	270	\$15,226	\$7,104	\$1,480	\$8,352	55%	\$1,248
GOODRICH 16	28	\$23,857	\$10,286	\$4,662	\$14,107	59%	\$3,821
GRAFTON 3	904	\$11,007	\$6,718	\$1,094	\$7,050	64%	\$332
GRAND FORKS 1	7151	\$13,610	\$6,223	\$599	\$9,252	68%	\$3,029
GRENORA 99	138	\$20,058	\$6,594	\$970	\$10,616	53%	\$4,022
GRIGGS COUNTY CENTRAL 18	238	\$16,824	\$8,357	\$2,733	\$9,412	56%	\$1,055
HALLIDAY 19	47	\$30,404	\$8,106	\$2,482	\$14,787	49%	\$6,681
HANKINSON 8	281	\$13,754	\$7,541	\$1,917	\$8,278	60%	\$737
HARVEY 38	407	\$12,076	\$7,098	\$1,474	\$8,061	67%	\$963
HATTON EIELSON 7	171	\$16,322	\$8,363	\$2,739	\$10,205	63%	\$1,842
HAZELTON-MOFFIT-BRADDOCK 6	89	\$20,146	\$8,854	\$3,230	\$12,944	64%	\$4,090
HAZEN 3	588	\$10,905	\$5,765	\$141	\$6,090	56%	\$325
HEBRON 13	193	\$14,244	\$7,477	\$1,853	\$8,606	60%	\$1,129
HETTINGER 13	286	\$15,423	\$7,126	\$1,502	\$8,790	57%	\$1,664
HILLSBORO 9	432	\$12,215	\$6,280	\$656	\$7,368	60%	\$1,088
HOPE 10	93	\$24,559	\$9,237	\$3,613	\$9,570	39%	\$333
HORSE CREEK 32	3	\$64,333	\$0	(\$5,624)	\$15,667	24%	\$15,667
JAMESTOWN 1	2145	\$12,338	\$7,303	\$1,679	\$8,812	71%	\$1,509

Table: Fiscal impact on North Dakota school districts from public school students transferring out of district

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Agency Name	Enrollment	Total costs per student [A]	State revenue per student [B]	Impact on state for each student leaving: [B - \$5,624]	Variable costs per student [C]	Variable costs as percent of total costs [C/A]	Impact on district for each student leaving [C-B]
KENMARE 28	304	\$15,832	\$8,266	\$2,642	\$9,135	58%	\$869
KENSAL 19	34	\$27,176	\$12,471	\$6,847	\$14,735	54%	\$2,264
KIDDER COUNTY 1	396	\$12,333	\$6,821	\$1,197	\$8,460	69%	\$1,639
KILLDEER 16	395	\$16,856	\$5,843	\$219	\$9,114	54%	\$3,271
KINDRED 2	684	\$18,795	\$6,096	\$472	\$6,484	34%	\$388
KULM 7	131	\$16,023	\$7,450	\$1,826	\$9,840	61%	\$2,390
LAKOTA 66	195	\$14,379	\$8,123	\$2,499	\$8,662	60%	\$539
LAMOURE 8	315	\$13,648	\$6,603	\$979	\$7,492	55%	\$889
LANGDON AREA 23	347	\$14,418	\$7,147	\$1,523	\$9,248	64%	\$2,101
LARIMORE 44	417	\$12,808	\$6,264	\$640	\$7,775	61%	\$1,511
LEEDS 6	153	\$16,373	\$9,889	\$4,265	\$10,065	61%	\$176
LEWIS AND CLARK 161	399	\$14,316	\$7,373	\$1,749	\$9,150	64%	\$1,777
LIDGERWOOD 28	177	\$14,452	\$7,729	\$2,105	\$9,124	63%	\$1,395
LINTON 36	328	\$11,305	\$7,341	\$1,717	\$7,841	69%	\$500
LISBON 19	613	\$12,067	\$7,194	\$1,570	\$7,352	61%	\$158
LITCHVILLE-MARION 46	125	\$19,440	\$8,944	\$3,320	\$10,104	52%	\$1,160
LITTLE HEART 4	16	\$15,375	\$7,313	\$1,689	\$7,875	51%	\$562
LONE TREE 6	30	\$24,467	\$10,133	\$4,509	\$10,867	44%	\$734
MADDOCK 9	157	\$15,274	\$8,484	\$2,860	\$9,739	64%	\$1,255
MANDAN 1	3373	\$11,899	\$6,916	\$1,292	\$7,881	66%	\$965
MANNING 45	16	\$13,063	\$5,250	(\$374)	\$6,625	51%	\$1,375
MANVEL 125	143	\$15,503	\$8,119	\$2,495	\$7,161	46%	(\$958)
MAPLE VALLEY 4	236	\$18,801	\$8,966	\$3,342	\$9,182	49%	\$216
MAPLETON 7	86	\$18,791	\$8,930	\$3,306	\$9,477	50%	\$547
MARMARTH 12	13	\$30,077	\$0	(\$5,624)	\$17,077	57%	\$17,077
MAX 50	213	\$12,329	\$7,136	\$1,512	\$7,690	62%	\$554
MAY-PORT CG 14	500	\$12,478	\$6,582	\$958	\$7,066	57%	\$484
MCCLUSKY 19	81	\$18,802	\$9,938	\$4,314	\$11,617	62%	\$1,679
MCKENZIE CO 1	862	\$14,861	\$5,200	(\$424)	\$6,930	47%	\$1,730
MEDINA 3	162	\$13,660	\$7,704	\$2,080	\$8,623	63%	\$919
MENOKEN 33	26	\$18,731	\$5,962	\$338	\$7,500	40%	\$1,538
MIDKOTA 7	137	\$18,964	\$9,263	\$3,639	\$10,007	53%	\$744
MIDWAY 128	211	\$16,578	\$8,043	\$2,419	\$9,877	60%	\$1,834
MILNOR 2	214	\$14,388	\$8,528	\$2,904	\$10,005	70%	\$1,477

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Table: Fiscal impact on North Dakota school districts from public school students transferring out of district

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Agency Name	Enrollment	Total costs per student [A]	State revenue per student [B]	Impact on state for each student leaving: [B - \$5,624]	Variable costs per student [C]	Variable costs as percent of total costs [C/A]	Impact on district for each student leaving [C-B]
MINNEWAUKAN 5	279	\$18,509	\$7,158	\$1,534	\$10,756	58%	\$3,598
MINOT 1	7294	\$18,093	\$5,802	\$178	\$8,213	45%	\$2,411
MINTO 20	233	\$11,034	\$6,824	\$1,200	\$7,412	67%	\$588
MOHALL-LANSFORD-SHERWOOD 1	342	\$22,018	\$7,430	\$1,806	\$9,029	41%	\$1,599
MONTPELIER 14	109	\$15,046	\$8,128	\$2,504	\$8,312	55%	\$184
MOTT-REGENT 1	244	\$15,422	\$6,152	\$528	\$8,402	54%	\$2,250
MT PLEASANT 4	238	\$12,899	\$7,718	\$2,094	\$8,773	68%	\$1,055
MUNICH 19	89	\$22,584	\$9,270	\$3,646	\$13,315	59%	\$4,045
NAPOLEON 2	270	\$11,933	\$7,211	\$1,587	\$7,837	66%	\$626
NAUGHTON 25	4	\$53,750	\$28,750	\$23,126	\$16,000	30%	(\$12,750)
NEDROSE 4	254	\$14,504	\$7,480	\$1,856	\$6,996	48%	(\$484)
NESSON 2	277	\$33,264	\$13,549	\$7,925	\$7,498	23%	(\$6,051)
NEW 8	264	\$22,731	\$7,064	\$1,440	\$8,277	36%	\$1,213
NEW ENGLAND 9	201	\$14,527	\$7,463	\$1,839	\$8,836	61%	\$1,373
NEW ROCKFORD-SHEYENNE 2	358	\$11,581	\$6,436	\$812	\$6,687	58%	\$251
NEW SALEM-ALMONT 49	333	\$11,498	\$6,258	\$634	\$7,706	67%	\$1,448
NEW TOWN 1	753	\$20,324	\$5,109	(\$515)	\$8,189	40%	\$3,080
NEWBURG-UNITED 54	62	\$23,984	\$9,887	\$4,263	\$14,952	62%	\$5,065
NORTH BORDER 100	399	\$16,228	\$8,509	\$2,885	\$9,722	60%	\$1,213
NORTH SARGENT 3	222	\$13,324	\$8,383	\$2,759	\$8,171	61%	(\$212)
NORTH STAR 10	265	\$13,732	\$7,823	\$2,199	\$8,630	63%	\$807
NORTHERN CASS 97	561	\$11,191	\$6,572	\$948	\$6,854	61%	\$282
NORTHWOOD 129	250	\$16,152	\$7,692	\$2,068	\$8,744	54%	\$1,052
OAKES 41	508	\$11,610	\$6,730	\$1,106	\$5,691	49%	(\$1,039)
OBERON 16	52	\$22,846	\$7,981	\$2,357	\$13,731	60%	\$5,750
PAGE 80	88	\$22,784	\$9,148	\$3,524	\$10,739	47%	\$1,591
PARK RIVER 78	413	\$12,165	\$6,535	\$911	\$6,995	58%	\$460
PARSHALL 3	270	\$17,593	\$6,789	\$1,165	\$9,756	55%	\$2,967
PINGREE-BUCHANAN 10	155	\$13,542	\$8,516	\$2,892	\$7,826	58%	(\$690)
PLEASANT VALLEY 35	6	\$48,667	\$13,000	\$7,376	\$23,833	49%	\$10,833

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Table: Fiscal impact on North Dakota school districts from public school students transferring out of district

Agency Name	Enrollment	Total costs per student [A]	State revenue per student [B]	Impact on state for each student leaving: [B - \$5,624]	Variable costs per student [C]	Variable costs as percent of total costs [C/A]	Impact on district for each student leaving [C-B]
POWERS LAKE 27	139	\$16,424	\$6,511	\$887	\$9,885	60%	\$3,374
RICHARDTON-TAYLOR 34	274	\$14,661	\$7,624	\$2,000	\$9,887	67%	\$2,263
RICHLAND 44	267	\$14,210	\$8,022	\$2,398	\$8,431	59%	\$409
ROBINSON 14	5	\$59,000	\$17,000	\$11,376	\$29,400	50%	\$12,400
ROLETTE 29	166	\$14,988	\$7,681	\$2,057	\$9,163	61%	\$1,482
ROOSEVELT 18	109	\$15,624	\$8,165	\$2,541	\$6,523	42%	(\$1,642)
RUGBY 5	543	\$15,308	\$7,035	\$1,411	\$8,514	56%	\$1,479
SARGENT CENTRAL 6	211	\$17,986	\$8,692	\$3,068	\$10,384	58%	\$1,692
SAWYER 16	131	\$14,740	\$8,000	\$2,376	\$9,489	64%	\$1,489
SCRANTON 33	132	\$16,591	\$6,826	\$1,202	\$10,629	64%	\$3,803
SELFRIEDGE 8	78	\$20,641	\$7,205	\$1,581	\$14,936	72%	\$7,731
SOLE N 3	169	\$26,000	\$9,053	\$3,429	\$16,905	65%	\$7,852
SOUTH HEART 9	250	\$13,548	\$6,948	\$1,324	\$8,060	59%	\$1,112
SOUTH PRAIRIE 70	199	\$15,317	\$7,015	\$1,391	\$7,186	47%	\$171
ST JOHN 3	382	\$19,859	\$6,207	\$583	\$9,115	46%	\$2,908
ST THOMAS 43	85	\$18,294	\$6,859	\$1,235	\$10,847	59%	\$3,988
STANLEY 2	602	\$22,588	\$9,030	\$3,406	\$7,550	33%	(\$1,480)
STARKWEATHER 44	67	\$20,851	\$10,149	\$4,525	\$12,627	61%	\$2,478
STERLING 35	33	\$19,455	\$7,364	\$1,740	\$8,303	43%	\$939
STRASBURG 15	149	\$13,852	\$7,758	\$2,134	\$8,926	64%	\$1,168
SURREY 41	401	\$10,973	\$6,848	\$1,224	\$7,207	66%	\$359
SWEET BRIAR 17	13	\$9,000	\$4,769	(\$855)	\$5,846	65%	\$1,077
TGU 60	347	\$16,014	\$8,104	\$2,480	\$10,294	64%	\$2,190
THOMPSON 61	431	\$10,659	\$7,225	\$1,601	\$6,381	60%	(\$844)
TIOGA 15	398	\$16,018	\$4,962	(\$662)	\$8,739	55%	\$3,777
TURTLE LAKE-MERCER 72	179	\$15,536	\$7,430	\$1,806	\$9,184	59%	\$1,754
UNDERWOOD 8	239	\$13,992	\$6,418	\$794	\$8,113	58%	\$1,695
UNITED 7	580	\$11,684	\$7,178	\$1,554	\$7,659	66%	\$481
VALLEY CITY 2	1115	\$12,210	\$6,483	\$859	\$8,281	68%	\$1,798
VALLEY-EDINBURG 118	224	\$17,174	\$7,862	\$2,238	\$8,469	49%	\$607
VELVA 1	393	\$14,743	\$6,499	\$875	\$9,018	61%	\$2,519
WHAPEYTON 37	1236	\$11,019	\$6,987	\$1,363	\$7,776	71%	\$789

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Table: Fiscal impact on North Dakota school districts from public school students transferring out of district

Agency Name	Enrollment	Total costs per student [A]	State revenue per student [B]	Impact on state for each student leaving: [B - \$5,624]	Variable costs per student [C]	Variable costs as percent of total costs [C/A]	Impact on district for each student leaving [C-B]
WARWICK 29	290	\$15,159	\$6,390	\$766	\$10,255	68%	\$3,865
WASHBURN 4	291	\$12,351	\$6,921	\$1,297	\$7,550	61%	\$629
WEST FARGO 6	8060	\$15,513	\$6,249	\$625	\$8,029	52%	\$1,780
WESTHOPE 17	134	\$16,709	\$8,097	\$2,473	\$10,015	60%	\$1,918
WILLISTON 1	2844	\$11,428	\$6,148	\$524	\$7,312	64%	\$1,164
WILTON 1	206	\$14,311	\$8,034	\$2,410	\$8,073	56%	\$39
WING 28	109	\$13,853	\$8,486	\$2,862	\$9,055	65%	\$569
WISHEK 19	216	\$12,579	\$7,255	\$1,631	\$7,949	63%	\$694
WOLFORD 1	42	\$22,786	\$9,857	\$4,233	\$13,857	61%	\$4,000
WYNDMERE 42	215	\$15,149	\$8,474	\$2,850	\$9,098	60%	\$624
YELLOWSTONE 14	79	\$17,000	\$8,747	\$3,123	\$7,734	45%	(\$1,013)
ZEELAND 4	53	\$18,113	\$8,245	\$2,621	\$7,321	40%	(\$924)
Statewide:	98,953	\$15,018	\$6,975	\$1,351	\$8,888	59%	\$1,913

Data Source: U.S. Department of Education, National Center for Education Statistics, Common Core of Data (CCD), "Local Education Agency (School District) Universe Survey", 2012-13 v.1a; "Local Education Agency (School District) Universe Survey Directory Data", 2014-15 v.1a; "Survey of Local Government Finances, School Systems (F-33)", 2012-13 (FY 2013) v.1a.

Table excludes 50 school districts with missing data.

ESA amount is \$5,624.

The state would incur a net fiscal benefit if students transferred from any of 164 school districts chose to participate in the ESA program.

The state would incur a net loss if students from the remaining 10 school districts chose to leave their district to enroll in a public school.

How districts are structured will largely determine if they incur a net benefit or net loss when students transfer out of them.

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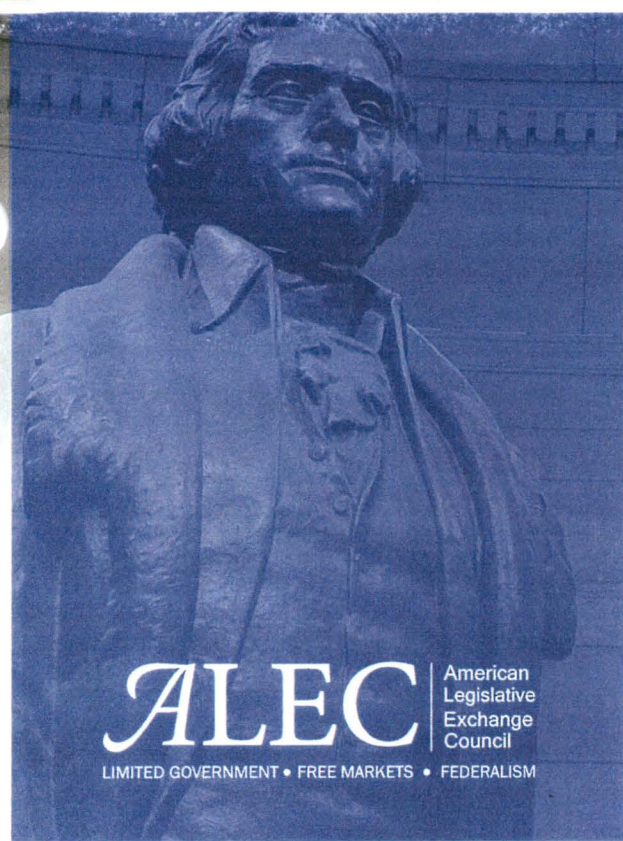
This table shows that, based on methods employed by other economists,¹ less than 10 percent of school districts in North Dakota (14 districts) would incur a net fiscal loss when students leave for any reason.

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Based on very conservative estimates for districts' variable costs, less than half (73) of school districts in North Dakota incurs a net fiscal loss when a student transfers out of the district for any reason.

¹ Trivitt, Julie R. and DeAngelis, Corey A., *State and District Fiscal Effects of a Universal Education Savings Account Program in Arkansas* (January 24, 2017). University of Arkansas, EDRE Working Paper No. 2017-04. Available at SSRN: <https://ssrn.com/abstract=2903528> or <http://dx.doi.org/10.2139/ssrn.2903528>

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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.

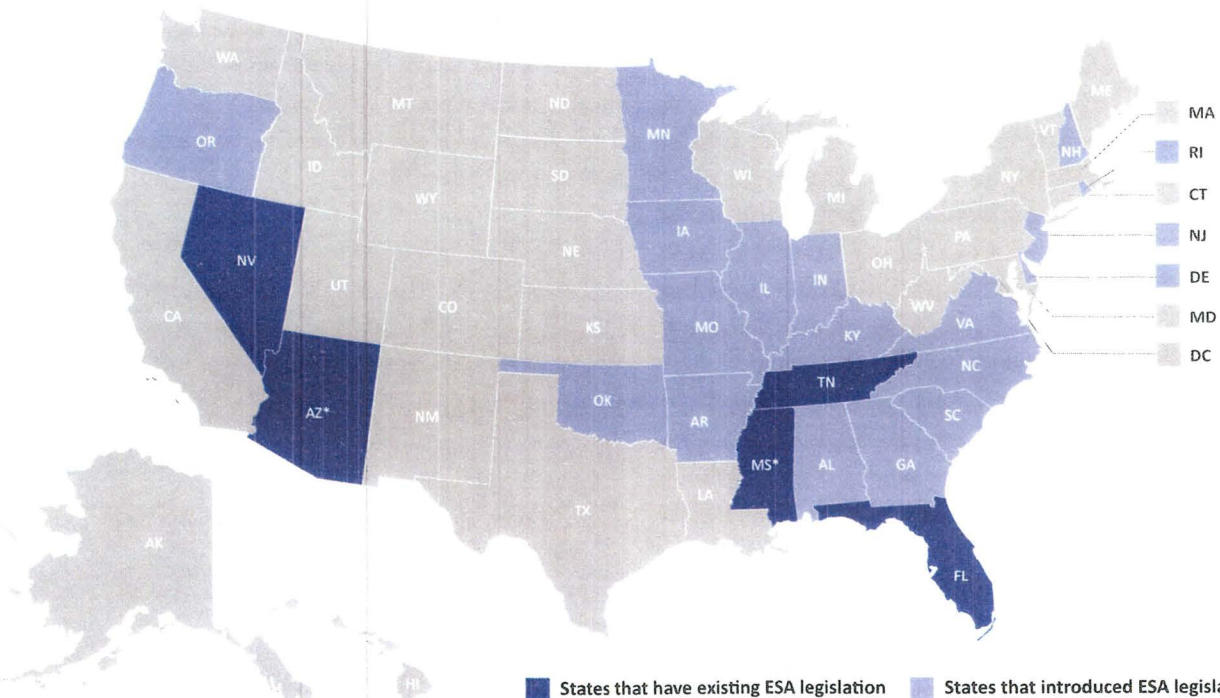
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ESA SUCCESS

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.

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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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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.

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,

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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.



Parents will use consumer reviews, branding, and expert consulting to sort through the educational market to find the best options for their children.

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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,



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.


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

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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.

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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-

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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.


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.



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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:

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- (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.

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

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Section 5. {Accountability Standards for 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

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(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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Great Public Schools

Great Public Service

*Testimony before the Senate Education Committee
HB 1382
March 6, 2017*

Good morning, Chairman Schaible and members of the Committee. For the record, my name is Nick Archuleta and I am the president of North Dakota United. On behalf of our 11,500 members, I rise today to urge a DO NOT PASS recommendation on HB 1382.

HB 1382 is plain and simply a cookie-cutter voucher bill crafted somewhere outside of North Dakota and introduced here as if there is a great hue and cry for legislation whose only purpose is to derail funding for public schools. If this bill is passed, public monies will be used to pay private school tuition or home school expenses without the oversight and regulation that accompany these monies when they go to public schools. Making HB 1382 the law in North Dakota will certainly do more harm than good.

Among our concerns about this proposed legislation is that no one knows how much it will cost. What is certain is that if an exodus from the public schools does occur, public schools will have fewer resources to meet the needs of the remaining students. Most, if not all, private schools do not have the capacity or the resources to provide an approved educational program to students with special needs. Meeting the needs of special education students can run into the hundreds of thousands of dollars per child depending on the extent to which these students need services. It is unlikely, then, that the parents of these special learners will make the choice to send them to private schools or to school them at home. Those kids will remain in public schools where the resources to educate them will have been diminished. This legislation is silent on the issue of who must be accepted into private schools even after they receive tuition monies provided by the state.

It is perhaps instructive now to look at the states where these education savings accounts have been implemented. They tend to be the denizens in the bottom quadrant of the list of states where their residents are satisfied with the performance of their schools, as measured by the March 10, 2016 Gallup Poll. In Nevada, 42% of the residents rate their schools as "good or

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excellent." In Arizona, that number is 50%. In Mississippi, 53%. In Florida, that number is 55%, and in Tennessee the number skyrockets to 60%. In North Dakota, 89% of your constituents and fellow citizens rate our schools as being good or excellent. No one in this state is clamoring for this legislation to fix our public school system. Why? Because public education works in North Dakota and the people here know it!

Our schools are good but are they so good that they cannot be improved upon? Of course they're not. But what this bill offers will only serve to weaken public schools and diminish the positive impact they have on children in communities across North Dakota. If making North Dakota's schools better is a high priority for the sponsors of this bill, then I would encourage legislative support for the Innovation Bill that was heard before this Committee earlier this session and to support student centered, teacher led classrooms in all our schools.

This concludes my testimony, Mr. Chairman. Again, on behalf of the professional educators I represent across North Dakota, I urge a DO NOT PASS on HB 1382.

I am happy to stand for any questions you may have.



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ENGROSSED HB 1382 – TESTIMONY

L. Anita Thomas, J.D., LL.M.

General Counsel

North Dakota School Boards Association

March 6, 2017

Almost every session, bills are introduced to try and direct public dollars into the hands of parents who choose to send their children to private schools or to homeschool their children. This session was no exception. HB 1382, as introduced, was North Dakota's version of the Nevada Education Savings Account bill. A number of individuals and interest groups raised concerns about the concept and the bill was turned into the study before you.

The Education Savings Account concept is fairly new. To date, only five states have enacted such programs – AZ, FL, MS, TN, and NV. Nevada's program is still not implemented. It had been subjected to court challenges and now there is legislative disagreement about the use of public moneys for such a purpose.

Some people think that the topic of school choice is one that the Legislative Management ought to study. After all, there is discussion at the federal level about alternatives to the traditional public education system. However, no amount of study by this body or any other is going to change the words of our constitution.

Section 2 of Article VIII of the Constitution of North Dakota states that the Legislative Assembly "shall provide for a uniform system of free public schools throughout the state." That section does not authorize the financial support of private education and it does not authorize the financial support of home education.

In fact, Section 5 of Article VIII goes on to provide that "[n]o money raised for the support of the public schools of the state shall be appropriated to or used for the support of any sectarian school." If the state cannot directly appropriate money for the support of any sectarian school, the only other option is to give it to the parents.

Therein lies the next constitutional issue. If the money is being provided to the parents, that would fall under the prohibition of the gifting provision of the North Dakota Constitution. Section 18 of Article X states that "neither the state nor any political subdivision thereof shall otherwise loan or give its credit or make donations to or in aid of any individual, association or corporation except for reasonable support of the poor"

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You cannot "study" your way around the constitution. As long as those words exist in that document, a study of this concept is strictly academic.

Frankly, Mr. Chairman, this coming interim, we will have to harness our collective resources to thoroughly examine that which we are already doing. Like most governmental entities, K-12 education is being asked to do more with less. We are being asked to be flexible and innovative. We will work hard to meet those expectations. That's our new reality. We recognize that.

We also recognize that negotiated salary schedules have a built-in cost to continue. We recognize that health care costs, and utility bills, and bus replacements, and roof repairs, are not stagnant. Neither are the costs associated with professional development, special education, English learners, social services, security, behavioral health issues, civil rights issues, textbooks, and electronics, and the list goes on and on.

Growing districts have that many more students requiring services and districts with declining enrollments have to figure out how to maintain their services with far fewer per student dollars.

Perhaps right now, more than at any other time, we need to be working together to ensure that our constitutional obligations are met and that we are effectively and efficiently providing for the delivery and administration of public education.

Diluting this focus by redirecting energies to a program that is constitutionally impermissible in this state would not be a recommended course of action.

We therefore respectfully request a **DO NOT PASS** on Engrossed HB 1382.

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Chairman Schaible, Vice Chair Rust and current committee members.
My name is Casey Buchmann and I live in Washburn, ND.

First of all, I'd like to thank the citizens who wrote our states constitution. Whose foresight, knowledge and wisdom that allows the elector, in an open forum hearing, to give testimony either in favor or against any bills as they travel through the legislative process. Ensuring that the electors voice be heard. And holding the elected accountable for their voting record while in office.

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HB 1382 calls for legislative management of the feasibility and desirability of a school choice programs. A study to provide parents of a student with options, funding and support for selecting a school for their child.

Doesn't our state already have that choice in place? Doesn't a parent of a student have the right to send their child to a private school or be home schooled. And isn't it possible for a parent to petition a school district and ask to change schools? Don't private school already have ways to help out parents of a student financially.

Doesn't our states constitution in Article VIII Section 5 say that no public tax or money shall be appropriated to or used for the support of any sectarian school? Isn't the wording of voucher actually a fancy word for a tax rebate.

These questions and more come to my mind every time I hear the words school voucher, school choice. Again what area of the state benefits the most from this study. Certainly not the students in public schools. Certainly not the state? Maybe the sponsors of this bill should go out and actually ask the public on what they think about this study? I do believe that I won't be far off that the majority of people in our state believe in our public schools. In stead the sponsors bring this bill to the

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legislators, where their party has the majority. Change the wording of the bill to a study. And disguise it with fancy words. All to hide the fact that this bill or should I say study is a direct assault on our public school system. It's educators, the students and people of North Dakota.

HB 1382 is bad for North Dakota. Bad for the students. Bad for the future of North Dakota. I urge the committee to place a Do Not Pass on HB 1382 and out it where it really belongs. In the shredder.



Handwritten signature, likely "Casey", written in cursive.

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**HB1382 – Education Savings Accounts
Testimony in Opposition
North Dakota Council of Educational Leaders – Dr. Aimee Copas
January 31, 2017**

**Fiscal implications of Education Savings Account
Scenarios are approximate**

Students in North Dakota – approximately 110,000

- Representative Becker indicated an average of a 2% switch rate. (Students that will leave public school and go to private school or home school)
- # of students @ 2% switch rate = 2200

- 2200 Switch Students @ \$5600 each = \$12,320,000
- 7500 Private School @ \$5600 each = \$42,000,000
- 5000 Home School (tracked) @ \$5600 each = \$28,000,000

- The cost to the state could be as much as \$82,320,000 per year. When you subtract the per pupil payment savings (\$21,221,200) the net cost would be as much as \$61,098,800.
 - **82,320,000 (voucher cost) – 21,221,200 (per pupil savings) = 61,098,800 (net state cost)**
- Let's say only 50% of private and home school students took advantage of this, the cost could still be as much as \$26,098,800
 - **12,320,000+21,000,000+14,000,000 (voucher cost) – 21,221,200 (per pupil savings) =26,098,800 (Net State cost)**

Impact to some public school districts. None of these districts would be able to reduce staff or overhead cost with the loss of 2% of the students due to the rate of switch. Solely on the basis of \$9646 (not including weighted student units).

School	2% Switch Rate	Loss to school budget
West Fargo	10,000 Students @ 2% = 200	- \$1,929,200
Bismarck	12,800 Students @ 2% = 256	- \$2,469,120
Jamestown	2,175 Students @ 2% = 44	- \$424,424
Mandan	3,588 Students @ 2% = 71	- \$684,866
Ellendale	320. Students @ 2% = 6	- \$61,734