

Web Memo



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How School Choice Programs Can Save Money

by Kirk A. Johnson, Ph.D.

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April 15 of every year usually brings news stories about taxes and fiscal discipline, or the lack thereof, in government. On April 15 of this year, however, the most interesting news story of the day went against the grain: the D.C. Opportunity Scholarship Program's second annual lottery generated so much interest that it produced two applicants for each available slot.^[1] What does that have to do with sound fiscal policy? Consider that Washington's public schools spend \$5,830 more of taxpayers' money per student, at least, than the private schools that take students with opportunity scholarships.

On April 14, 2005, just the day before the D.C. Opportunity Scholarship Program announced its results, the National Center for Education Statistics (NCES) released its latest report on education spending.^[2] According to the NCES rankings, D.C. Public Schools are spending \$13,330 per pupil this year, the highest in the continental United States.^[3]

Washington's public schools have little to show for that money, as the most recent National Assessment of Educational Progress test scores illustrate. D.C. consistently has some of the lowest achievement statistics in the nation.^[4]

School choice programs, like the D.C. Opportunity Scholarship Program, are a way to increase academic performance, according to several evaluations to date.^[5] When public schools don't make the grade, school choice programs are good social policy.

What is often overlooked, however, is that choice programs are good fiscal policy, as well. Consider the example of Washington, D.C., again. The maximum opportunity scholarship—\$7,500—is less than 60 percent of what Washington's public schools spend on a student.

What if a similar scholarship program were available to just 10 percent of the public school students in the eight states that spend the most money on education, over \$9,000 per pupil on average? More specifically,

- How many students would be affected by such a policy?
- How much money would these eight states and districts save?
- Finally, is there sufficient capacity in private schools to absorb the new students?

School Choice and High-Educational Spending States

Table 1 shows the eight states with the highest median per pupil educational spending in the United States. While most of these states are in the relatively high-cost Northeast, not all are. Some of these states have large student bodies, while others are smaller. In total, these eight states educated some 6.2 million students in the 2001-02 academic year.

State	Median Current Year Expenditures	Number of Students	Students Eligible (10% of Total)	Per Student Scholarship Amount	Total Savings
Alaska	\$14,549	133,010	13,301	\$8,729	\$77,406,500
New York	\$11,219	2,846,644	284,664	\$6,731	\$1,277,459,961
New Jersey	\$10,630	1,306,347	130,635	\$6,378	\$555,458,744
Connecticut	\$9,737	543,829	54,383	\$5,842	\$211,810,519
Wyoming	\$9,539	87,897	8,790	\$5,723	\$33,537,979
Rhode Island	\$9,530	156,624	15,662	\$5,718	\$59,705,069
Massachusetts	\$9,343	935,424	93,542	\$5,606	\$349,586,657
Maine	\$9,016	204,949	20,495	\$5,410	\$73,912,807
Eight State Total		6,214,724	621,472		\$2,638,878,237

Source: National Center for Education Statistics, "Revenues and Expenditures by Public School Districts: School Year 2001-02," Table 4, pg. 9, and author's calculations.

If only ten percent of these students took advantage of scholarships similar to the ones in the D.C. program, more than 621,000 students would move from public to private schools within their states. This analysis assumes that the scholarships would be worth 60 percent of the median current-year expenditure per pupil—or a bit more expensive than in Washington. The savings per-pupil would be great, 40 percent; in the aggregate, the savings would be greater still.

Connecticut, for example, would save nearly \$3,900 per student. While Connecticut's taxpayers currently spend \$9,737 per student in the traditional public schools, the educational scholarship would cost only \$5,842. If 10 percent of Connecticut's student body—a little more than 54,000 students—moved from the state's public schools to private schools, the state's taxpayers would save more than \$211 million per year.

As Table 1 shows, these eight states could save a total of \$2.6 billion by offering students opportunity scholarships similar to those now available in Washington. New York, because of its large student population, could save more than \$1.2 billion itself.

Some critics argue that private school capacity will not rise to meet student demand so quickly. In light of the history of long-standing programs such as in Milwaukee and more recent experience in Washington, D.C., this criticism lacks much basis.^[6] In Washington, for example, some 50 private schools made space available for students with opportunity scholarships.^[7] Experience like this shows that the supply of private school seats rises to meet demand.

Conclusion

Educational choice can improve educational achievement and states' bottom lines. Not only do choice programs help students from lower-income families attend schools that they otherwise might not be able to attend, but they can also save money in the process. This should come as no great surprise; after all, it was a Nobel-prize winning economist, Milton Friedman, who first advocated such scholarships 50 years ago.^[8] A record number of state legislatures have considered school choice legislation this year, indicating that such plans are gaining in popularity.^[9] More should follow suit to make similar opportunities standard across the country.

Kirk A. Johnson, Ph.D., is Senior Policy Analyst in the Center for Data Analysis at The Heritage Foundation.

[1] V. Dion Haynes, "2nd D.C. Voucher Lottery Gets Stronger Response," *Washington Post*, April 16, 2005, pg. A02, at <http://www.washingtonpost.com/wp-dyn/articles/A57562-2005Apr15.html>.

[2] National Center for Education Statistics, "Revenues and Expenditures by Public School Districts: School Year 2001-02," NCES 2005-342, at <http://nces.ed.gov/pubsearch/pubsinfo.asp?pubid=2005342>.

[3] At \$14,549, Alaska has current year spending that is somewhat higher than in Washington, D.C., but otherwise D.C. has spending that is at least \$2,000 higher than any other state.

[4] National Center for Education Statistics, "The Nation's Report Card: Trial Urban District Assessment, Mathematics Highlights, 2003," at

<http://nces.ed.gov/pubsearch/pubsinfo.asp?pubid=2004458>; and National Center for Education Statistics, "The Nation's Report Card: Trial Urban District Assessment, Reading Highlights 2003," at <http://nces.ed.gov/pubsearch/pubsinfo.asp?pubid=2004459>.

[5] A number of evaluations have shown positive effects from choice programs. See for example, Paul E. Peterson and David E. Campbell, "An Evaluation of the Children's Scholarship Fund," Program on Education Policy and Governance, Harvard University, May 2001.

[6] See for example Russ Kava, "Milwaukee Parental Choice Program," Wisconsin Legislative Fiscal Bureau *Informational Paper 29*, January 2005, Table 1, pg. 4, at <http://www.legis.state.wi.us/lfb/Informationalpapers/29.pdf> (February 28, 2005).

[7] Patrick Wolf, Babette Gutmann, Nada Eissa, Michael Puma, and Marsha Silverberg, *Evaluation of the D.C. Opportunity Scholarship Program: First Year Report on Participation*, U.S. Department of Education, National Center for Education Evaluation and Regional Assistance (Washington, D.C.: U.S. Government Printing Office, 2005).

[8] Milton Friedman, "The Role of Government in Education," in *Economics and the Public Interest*, Robert A. Solo (ed.), (New Brunswick, NJ: Trustees of Rutgers College, 1955).

[9] The Heritage Foundation's [Choices in Education website](#) has up-to-date information on school choice news and information from across the nation.

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214 Massachusetts Ave NE
Washington, DC 20002-4999
phone - 202.546.4400 | fax - 202.546.8328
e-mail - staff@heritage.org