



A COMPREHENSIVE
PACKAGE TO REFORMING

EDUCATION

POLICY INSIGHT

“Imagine if families did not have to vacate the city they love and work in for their children to attend safer, higher performing schools.”

EMPOWERING PARENTS AND STEMMING THE TIDE OF POVERTY

In Tennessee, people are voting with their feet. According to Census data, increasing amounts of families are vacating inner cities like Memphis and Nashville for the suburbs. Why? Research shows that their primary motivation is the hope of better schools. In a recent Realtor.com survey of 1,000 buyers, 91 percent indicated that school district zoning significantly affected their decision-making. Yet, we know that most individuals who work in major cities prefer to live as close to work as possible. So why don't they?

A University of California Los Angeles (UCLA) study recently confirmed that a high percentage of individuals reluctantly relocate to the suburbs in search of better schools and safer neighborhoods. The net effect is that those with lower incomes are being left behind while segregation on racial and socio-economic lines increases, neighborhoods decline, and the economies of inner cities suffer.

Imagine if families did not have to vacate the city they love and work in for their children to attend safer, higher performing schools. A 2015 study on the revitalization of Santa Ana, California's inner city and schools finds overwhelming correlations between the increase of educational mobility (or choice) and the effects on inner city schools, growth, and the economy:

- Where school zones remain the norm, a special sorting occurs, separating the wealthy from the poor.
- Where educational choice exists, this separation declines, diversity increases, and the local economy profits.
- When parents gained new educational choice for their children, more affluent and middle-class families were willing to remain in the downtown area.
- Local crime rates fell dramatically when high-performing and desirable schools became an option for families living in the inner city.

Clearly, parental access to a educational choice reaches far beyond the increased quality in a child's education. Educational choice programs such as broad Education Savings Accounts (ESAs) have the potential to positively impact surrounding families, neighborhoods, and entire communities. If we know that access to good education is paramount to providing a child an exit strategy from a life of poverty, and we now have evidence that such access can also breathe new life into poverty-stricken areas, what are we waiting for?

EDUCATION SAVINGS ACCOUNTS BRING HOPE

With a broadly implemented ESA program, parents from all socio-economic backgrounds residing in rural, suburban, and urban areas of the Volunteer State can tap into exciting technological and academic innovations to fully customize their child's education.

By pinning each student's state and local per-pupil funding to their backpack, we can empower families to utilize public, private, online, homeschool, or a hybrid of formats, including personalized tutoring, special needs resources, and advanced college curricula, all while preserving the ability to save any unused funds for college. For those who aspire to be the first in their family to receive a university education, the hope that ESAs provide is invaluable.

FAQ'S

“By allowing parents to tailor their child’s education to suit his or her unique needs, ESAs finally bring the customized, personalized experience we all enjoy in nearly every other facet of our lives directly into each child’s learning environment.”

What is an Education Savings Account (ESA)?

Education Savings Accounts (ESAs) are an innovative option that allow families to customize their unique child with an equally unique academic experience. With an ESA, parents are able to direct their child’s per-pupil funding to the schools, courses, programs, and services of their choice. Furthermore, families are empowered to save any unused funds for college expenses—incentivizing parents to be cost-conscious with their choices. By allowing parents to tailor their child’s education to suit his or her unique needs, ESAs finally bring the customized, personalized experience we all enjoy in nearly every other facet of our lives directly into each child’s learning environment.

How is an ESA different from a voucher program or a tax-credit scholarship?

Customization

Until more recently, traditional school choice programs (vouchers and tax-credit scholarships) allowed parents to choose between public and private schools. As the Foundation for Excellence in Education notes, these programs have helped to give parents more options but are “still *school* choice programs. An ESA is an *educational* choice program.” Instead of directing their child’s per pupil funding to one school or another, parents can release all or portions of their child’s funding to traditional public and private schools, as well as towards tutoring, online courses, educational therapies for special needs, academic materials, costs associated with college entrance exams, and even college tuition.

Cost-Conscious Consumer

Traditionally, school choice programs have funded the cost of tuition or a portion thereof. Thus, if parents have the choice between schools that vary in cost by \$2,000 and their voucher covers both, the higher price tag is unlikely to dissuade them from choosing the more expensive option. However, if parents know that they can spend \$2,000 less on tuition at a comparatively performing school and save the rest towards college tuition, tutoring, materials, or other educational services, they are more likely to be cost-conscious with their funds. Whereas the first parent with no motivation to spend less than the allotted amount may have adopted a “use it or lose it” approach, the second parent is motivated to save those extra dollars for other costs, making him or her more judicious with spending. Thus, ESAs embrace market-based incentives that we know produce better outcomes.

Where are ESAs being used?

Currently, five states have enacted ESA programs, each differing in their scope and rules regarding participation. Arizona became the first state to enact a program in 2011, followed by Florida in 2014 and Mississippi, Tennessee, and Nevada in 2015. Perhaps the most noteworthy is Nevada’s

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program, which extends eligibility to all K-12 public school students in the state, making it the most extensive choice program in the nation’s history.

Couldn’t an ESA lead to more abuse and fraud than a traditional voucher?

No.

In fact, ESAs operate just like Health Savings Accounts (HSAs)—an option in healthcare plans that’s been used routinely for years. Just as patients can only utilize their restricted-use HSA debit card for approved medical expenses, parents can only access their ESA funds with a restricted-use debit card exclusively for pre-approved education expenses. Every state that has passed a program similar to ESAs has instituted stringent accountability measures within the legislation to protect against fraud and abuse.

Do ESAs drain resources from public schools?

No.

By only taking a portion of the per-pupil funding for each participating student (but removing the entire cost of educating that student), ESAs actually increase the money available per-pupil in public schools. A 2014 Beacon Center study found that, on average, school districts would *save* more than \$600 with a traditionally funded voucher—being the same for an equivalently funded ESA—while larger districts could save as much as \$1,500 per child, per year.

I love the concept of school choice, but my school district is doing a great job as a whole. Would an ESA program help my district?

Yes!

A robust ESA program is not designed simply to draw children away from the one-size-fits-all model. It is designed to enable parents to find the best fit for their children and empower them to hold their schools accountable where they fall short. A zoned school may be perfect for 98 percent of students but a terrible option for the last two percent. ESAs work to help that last two, who would otherwise be forced, based on their ZIP Code, to languish away in a school that is failing to meet their needs.

MEET KENDALL



FINANCIAL BURDENS OF A BROKEN SYSTEM

The Smith family runs a busy household. Whitney Smith, a firefighter's wife and real estate agent, is also a mom of two boys and a little girl. Kendall, the youngest, was born with Down Syndrome. At seven years old, Kendall is a happy child who loves to sing and dance, but she struggles in school. The Smith's two boys attend a local private school that Whitney knows best meets their individual needs, while Kendall is currently attending her zoned public school. In addition to Kendall's public school education, she also receives private tutoring and speech therapy to help her overcome the many challenges that children with Down Syndrome must manage. The Smiths pay 90 percent of the out of pocket costs for Kendall's therapies and tutoring sessions. With the two eldest in private school, paying these high costs for Kendall's essential services has put a strain on the family's budget. Because of the tremendous financial burden, the Smiths must sell their home and downsize in order to better afford Kendall's medical expenses.

Fortunately, there is hope on the horizon. Tennessee's new Individualized Education Account (IEA) program would allow the Smiths to lower their out of pocket costs and enable them to afford the critical academic and developmental support, such as speech therapy, that Kendall desperately needs. In addition, the IEA program would allow the Smiths to place Kendall into a school that caters to the full range of her special educational needs, rather than relying solely on the costly expense and additional burden of supplemental tutoring. The IEA program would return control of Kendall's education to the Smith family, empowering them to chart the map that best suits their daughter's needs and positions her for future success.

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POLICY ANALYSIS

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In 2015, the General Assembly passed a law providing Individualized Education Accounts for children with special learning needs, making Tennessee just the fourth state in the nation to offer this innovative academic approach to families of qualified students. These programs allow parents to customize their child’s education by culling the highest quality resources available to craft a tailored academic environment. Perhaps that means that the student will attend his public school for science and math classes in the morning, receive speech therapy before lunch, attend an area private school specializing in autistic instruction for social sciences in the afternoon, and finish his days with a home tutor for grammar and language.

Indeed, this modern approach to learning holds the promise of bringing much needed relief to families who have struggled to find an appropriate environment for their special needs student. As a society, we know that every child is different and learns in varying ways, whether or not their particular learning requirements have been classified as a special need. In fact, children raised in the same household will still develop different strengths and weaknesses. Understanding this important fact means embracing the ability for parents and educators to partner on a customized learning approach to best address the specific academic needs of *every* child.

Tennessee lawmakers have the opportunity to build upon the foundation of the Individualized Education Act by passing a broad Education Savings Account program, thereby extending individualized learning opportunities to all families across our state, regardless of income or socioeconomic background.

EDUCATIONAL CHOICE USHERS IN NEW HORIZONS OF HOPE

In 2010, the *Wall Street Journal* proclaimed that 2011 would be “the year of school choice.” Since that time, we have moved from a nation largely consuming a mass-education model through the public classroom to a nation seeking tailored academics for our individual children. Twenty-one states, plus Washington, D.C. and Douglas County, Colorado, have substantial private school choice programs. Unfortunately, Tennessee is not one of them.¹

Perhaps the greatest tragedy of Tennessee’s inaction is the driver that poor education becomes for multi-generational poverty. According to the American Federation for Children, more than one million students fail to graduate high school each year. That translates to over 6,000 dropouts a day or one dropout every 29 seconds. The statistics just get more alarming:

- Students who qualify for the federal free or reduced-price lunch program scored 27 points below students from families with higher incomes on the National Assessment of Educational Progress.
- The national achievement gap between lower- and higher-income students is 27 points.

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- The United States is ranked 14th in reading, 17th in science, and 25th in math worldwide.²
- Students who drop out of school are twice as likely to end up in poverty.
- Of the 26 percent of children in poverty in Tennessee, 65 percent live in households where neither parent is a high school graduate.³

Sadly, we also know that a poor education is one of the primary causes of criminal activity. In his article, “Beale Street Weeps for Our Children,” Michael Holzman asserts that, “Recruitment for jail in the Memphis area begins in the schools.” He cites the latest data from the 2011-2012 U.S. Department of Education’s Office for Civil Rights report, which found that black students enrolled in the Memphis public school system accounted for 90 percent of the 26,000 out-of-school suspensions, 11,500 in-school suspensions, and 4,400 expulsions.⁴ Rather than blaming these individuals for turning to a life of crime, we should be blaming ourselves for failing to equip them with the education they need to put faith in a brighter future.

These disturbing statistics may explain why school choice is becoming increasingly popular, as parents across the income spectrum from diverse socio-economic backgrounds look for opportunities to encourage and arm their children for success. In Arizona, the first state to enact an ESA program in 2011, 71 percent of parents report being “very satisfied,” 19 percent “satisfied,” and 10 percent “somewhat satisfied” with their experience. In fact, there were no negative reports of parental experience in the program.⁵

WHITNEY SMITH: MY DAUGHTER DESERVES A BRIGHT FUTURE

For Whitney Smith, the promise that educational choice holds for her daughter Kendall is worth fighting for. The realizations of being “different” than other children her age have become all too intimate for Kendall, who at just seven years old, must attend her zoned public school during the day, while also receiving additional private tutoring and speech therapy to help her cope with Down Syndrome.

Not only does this remove Kendall from extracurricular time with her older brothers and friends, further ostracizing her from her peers, it also puts tremendous stress on her parents, who must pay out of pocket for Kendall’s enhanced curriculum. Due to the mounting financial concerns, the Smith family has been forced to consider downsizing their home in order to afford the high costs of their children’s educations.

Tennesseans should not be forced to make decisions about where they raise their children or how to provide them with a quality education based on a five-digit government ZIP Code. Instead, we should empower parents with existing resources to chart their children’s education maps and reclaim control over where their academic journey may take them.

WE HAVE THE TOOLS, NOW LET’S EQUIP THE NEXT GENERATION

Kendall’s story is a powerful testament to the ability of educational choice to change the direction of a child’s life. As the world becomes increasingly connected, with innovative new technologies at our fingertips, we have the tools necessary to truly meet every child’s unique needs. Now more than

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ever, families can capitalize on opportunities to completely customize and transform their children’s academic delivery so they can learn according to their needs, proficiencies, and interests.

Here are examples of how parents can utilize ESAs, reaching children in neighborhoods all across our state:

- Tuition and fees at participating schools
- Licensed or accredited tutoring
- Online learning programs
- Dual enrollment
- Services for students with disabilities, such as therapy from licensed or accredited providers
- Fees for specialized or advanced courses, annual testing, and college entrance exams
- Savings for future higher education expenses

WHAT WOULD A BROAD ESA PROGRAM LOOK LIKE IN TENNESSEE?

A broad ESA program would allow parents of students currently in their zoned public schools to use a portion of the funds that we already spend on their child for an education program of the parents’ choosing. In doing so, lawmakers can also allow diverse populations of students across Tennessee to access a menu of educational options, ranging from traditional to online classrooms and everything in between. Such a program opens the door for educators and parents to collaborate on creating a tailored academic package of services that focuses on expanding the child’s strengths and addressing specific areas of deficiency.

Not only would this proposal benefit these students most in need of quality options, but it would save taxpayers and public school districts money. A 2014 Beacon Center study examined the impact of allowing a portion of the current per pupil spending to follow the child. In larger districts we examined, schools would retain enough money per pupil to cover their fixed and variable costs if a qualified student opted to apply their per-pupil funding in part or in whole elsewhere. Memphis schools would save the most money, coming out ahead by over \$1,500 per child that would accept the opportunity to have the funds follow elsewhere.⁶

Tennessee legislators should consider the value behind such a proposal—one that would bring greater opportunities to children like Kendall, while also having a positive impact on neighborhoods, communities, and the economy—and saving taxpayer dollars.

Indeed, the positive impacts of a broad ESA program would manifest well beyond the futures of those children who enroll. Research cited by the Economic Policy Institute (EPI) found that “a more educated individual is more likely to participate in the job market, to have a job, to work more hours, and to be paid more, and less likely to be unemployed.” Furthermore, a better-educated workforce corresponds to “improved health and lower rates of mortality, and lower rates of crime.”

In fact, EPI’s research went on to note that as well-educated children move into adulthood, they are more likely to climb out of impoverished

circumstances. When they become parents themselves, their children are less likely to grow up in poverty, “less likely to be poor as adults, and more likely to be better educated and paid as adults, and therefore less likely to rely on food stamps or other public assistance.”⁷ Thus, the investment we make today into the expansion of educational opportunities for our future generation will have a multiplier effect on generations that follow, as well as in the communities they live and work.

EDUCATION’S NEW FRONTIERS OFFER MORE OPTIONS TO LAWMAKERS AND FAMILIES

After exploring the vast socio-economic and academic benefits of ESAs, it is clear that the vitality of families and entire communities hinge on lawmakers’ willingness to embrace this exciting future of education reform. No longer would families be divided down racial, economic, and geographic lines—and no longer will children living in poverty be left without a bridge of hope. When all forms of choice are welcomed, families have the freedom to live and invest in the communities they work in and love.

By following the model outlined above, the Tennessee General Assembly can take direct aim at stemming the tide of poverty while positioning our state to be a leader in modernized academic opportunities.

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ENDNOTES

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