

### **What are Education Savings Accounts (ESAs)?**

Education Savings Accounts are created when tax money is given directly to families who opt out of public schools. Parents can use these private accounts to pay for educational expenses for their children. Like vouchers, which are essentially coupons to pay for private school tuition, ESAs can be used for private or religious school tuition. Unlike vouchers, ESAs can be used for tutoring, uniforms, textbooks, therapists, homeschooling expenses, and more, often without accountability to or transparency for taxpayers.

### **ESA Program Approved – June 2017**

The North Carolina General Assembly created an ESA program for students with disabilities in the [2017-19 Biennium Budget](#). Families of eligible students will receive debit cards that can be used for tuition and fees, and/or other qualifying expenses (up to \$9,000 per fulltime nonpublic student). Students must have an Individualized Education Program (IEP) and be identified as having special needs under the IDEA definition of a “child with disabilities,” to qualify for this program. The program will be administered through the NC State Education Assistance Authority (NCSEAA) but the money will be managed by independent financial institution(s). Parents may use the cards to pay for the fees charged by those banks. Also, students with more severe disabilities can receive the ESA debit card as well as Disability Grants of up to \$8,000 per year for tuition.

### **Major Program Change – March 2018**

[HB90](#) was introduced during a special session in February, 2018 and became law in March 2018. While [HB90](#) was primarily intended to adjust K-3 class size rules, included in the bill was a significant expansion of the eligibility rules for the Education Savings Accounts. When the program opened this school year, it was available to students enrolled in public schools who wanted to move to private schools. With [HB90](#), that restriction has been lifted to include students currently attending private schools. Eligibility now extends to any student who is eligible to attend public school in North Carolina regardless of current or prior public school enrollment. \$3.4 million was appropriated to the North Carolina’s ESA program for the 2018–19 school year; \$450,000 is allocated for the administration of the program. Expanding eligibility means that the state will have to expand funding for this program and does not “save the state money.” This type of program has been rife with abuse in other states and will expand privatization of public education in North Carolina.

### **Concerns**

This is the first time one of NC’s three voucher programs is open broadly to students already enrolled in private schools. Any private school that registers with the NCSEAA can receive these funds including schools who do not have experience working with children with disabilities. Educators and other professionals who currently work with children with disabilities are concerned about removing these children from public schools. They cite the numerous federal protections children have in public schools under the Individuals with Disabilities Education Act (IDEA). Enrolling in a private school basically relinquishes these rights for disabled children.

### **Where are ESAs being used?**

Five states have implemented ESAs. Since their creation in Arizona in 2011, Florida, Mississippi, Tennessee, and Nevada have also adopted ESAs. Nevada was the first state to offer ESAs to any student who wanted to leave public schools, but the legislature de-funded the program entirely in 2017. At the same time, Arizona expanded eligibility for its program to all public school students (up to 30,000 accounts will be available when the program reaches its maximum in 2022). The remaining states offer ESAs only to qualifying students, such as those with disabilities or who are zoned to attend low-performing schools.

The states with current or developing programs are Arizona, Florida, Mississippi, Tennessee, and North Carolina.

### **What are the Concerns?**

One view is that as with health savings accounts, a “you’re on your own” ESA strategy is a very risky way to account for how we use our tax dollars and how we educate our children. Research shows there is no evidence that unregulated school alternatives offer a higher quality education for students. For students with disabilities, the state is paying them to leave schools that offer federal IDEA protections to attend schools that do not. The program does not require schools and/or programs that will receive the money to offer services that the public schools offer. In addition, researchers have expressed the following concerns:

- Diversion of funds from public schools could harm public schools. A loss of dollars threatens academic programs and teaching staff. Families already planning to pay for the cost of private schooling will receive a debit card paid by taxpayers—without having to account for how money is spent, or how students perform.
- Lack of financial accountability. ESA programs divert local tax dollars back to the state, and then on to largely unregulated private entities that run private schools or provide unspecified educational services and/or therapies. Taxpayers do not see how the money is used or what kind of education is provided for their money, or even if the students are safe in those environments.
- Lack of academic accountability. Private schools do not have to hire licensed teachers and are not subject to the academic standards imposed on public schools. Moreover, none of the states with ESAs require that students take the state assessments as students in public schools. Arizona and Mississippi don’t require any assessment of ESA students.
- ESAs help fund separate and unequal education. Private schools are not required to serve free/reduced lunch, offer transportation, or provide special education services. Using public dollars to fund schools that do not offer a sound and basic education to all students violates the NC Constitution.
- Tuition Gap. Tuition for private schools with specialized instruction in NC ranges from \$12,000 to \$23,000, while the ESA is \$9,000. Even with a taxpayer funded subsidy, most families

cannot afford to pay the difference between the subsidy and the high cost of a private school education for students with disabilities.

- Private schools can select the students they admit and are able to reject students they don't think are likely to be successful. Private schools for students with disabilities do not have to offer the same services or protections that public schools do, potentially endangering those children.
- Cost of oversight. The state will outsource the administration of these debit cards to private financial institutions, which will require fees that parents may pay with the debit cards. The state will need personnel to monitor and approve expenses paid with ESAs, which will be paid in quarterly installments. (Arizona had to change from quarterly to monthly reloading of its debit cards to better respond to fraud in the program.) All of this is costly and will add to taxpayer costs for education without necessarily benefiting students.

### **What is Needed?**

All parents want the very best educational options for their children. ESA programs are promoted under the guise of "choice," but plunge families into a chaotic decision making process with uncertain academic outcomes. Diverting money from our underfunded public schools makes it harder for them to be successful, gambles with tax dollars, undermines our state constitution, and threatens the very existence of public education in North Carolina.

NC's public schools are an excellent value for taxpayers and students. Rather than diverting tax dollars away from public schools, we should be adequately funding them to create smaller class sizes, hire more teachers, and enhance all programs to meet the high expectations of parents. NC needs to fund its schools to allow for children with disabilities to receive services in public schools along with federal protections they need under IDEA.

### **More Information on Education Savings Accounts**

Foundation for Excellence in Education, Education Savings Accounts. <http://excelined.org/education-savings-accounts/> and <http://www.excelined.org/2017/01/23/education-savings-accounts/>

EdChoice, What ESAs in K–12 Education Are and How They're Different from Coverdell ESAs. <https://www.edchoice.org/blog/esas-k-12-education-theyre-different-coverdell-esas/?returnstate=missouri>

Here are the winners, losers of the 2017 Nevada Legislature session, Las Vegas Review-Journal, June 10, 2017. <https://www.reviewjournal.com/news/2017-legislature/here-are-the-winners-losers-of-the-2017-nevada-legislature-session/>

Arizona is expanding its school-voucher program. What does it mean for parents? The Arizona Republic, April 20, 2017. <http://www.azcentral.com/story/news/politics/arizona-education/2017/04/20/arizona-expanding-its-school-voucher-empowerment-scholarship-account-program-now-what/100352304/>

National Conference of State Legislators, The Next Generation of School Vouchers: Education Savings Accounts. <http://www.ncsl.org/research/education/the-next-generation-of-school-vouchers-education-savings-accounts.aspx> and <http://www.ncsl.org/documents/educ/EducationSavingsAccounts.pdf>

National Education Policy Center, Review of The Way of the Future: Education Savings Accounts for Every American Family. <http://nepc.colorado.edu/thinktank/review-ESA>

Rethinking Schools, Commonly Asked Questions About School Choice and Vouchers. [http://www.rethinkingschools.org/special\\_reports/voucher\\_report/vouchersorig/vq&a.shtml](http://www.rethinkingschools.org/special_reports/voucher_report/vouchersorig/vq&a.shtml)

Council for American Private Education, Facts and Studies. <http://www.capenet.org/facts.html>

How to Calculate the Costs or Savings of Tax Credit Voucher Policies. [http://nepc.colorado.edu/files/NEPC-PolicyMemo\\_NeoVouchers.pdf](http://nepc.colorado.edu/files/NEPC-PolicyMemo_NeoVouchers.pdf)

North Carolina State Education Assistance Authority, Disabilities Grant Program Frequently Asked Questions. <http://www.ncseaa.edu/documents/CDG%20FAQ%2016%2017.pdf>

NC offers debit cards to families of disabled students, but some worry about fraud. February 2, 2018. <http://www.newsobserver.com/news/local/education/article197847574.html>

Legislature Slips School Voucher Change In Class Size Bill, February 14, 2018. <http://wunc.org/post/legislature-slips-school-voucher-change-class-size-bill#stream/0>

North Carolina State Education Assistance Authority, Update Memo. February 23, 2018. [http://www.ncseaa.edu/pdf/ESA\\_HB90\\_Update\\_Memo.pdf](http://www.ncseaa.edu/pdf/ESA_HB90_Update_Memo.pdf)

The Opportunity Scholarship, Disabilities Grant, and Education Savings Account Programs: A Comparison of the Three Grant Programs). [http://www.ncseaa.edu/pdf/k12\\_Programs\\_Summary.pdf](http://www.ncseaa.edu/pdf/k12_Programs_Summary.pdf)

***Last updated May 11, 2018***