

Education Savings Accounts



Presentation to the Pennsylvania Joint Education Committee by Josh Cunningham National Conference of State Legislatures May 24, 2017

Private School Choice Timeline

1990: First voucher program in WI

2001: PA enacts a tax credit scholarship program 2009: AZ Supreme Court rules against voucher program

2017: 27 states have private school choice









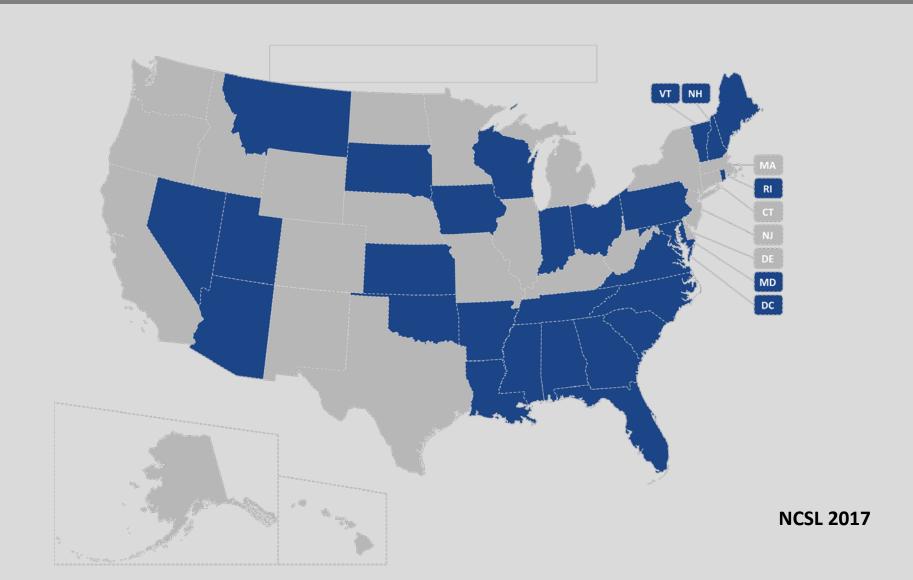






1997: First tax credit scholarship program in AZ 2002: SCOTUS decision in Zelmann v Simmons-Harris **2011:** First ESA program in AZ

Private School Choice: 27 States + DC



Traditional Vouchers



Tax Credit Scholarships

Private Donors



Scholarship Organization



Parent

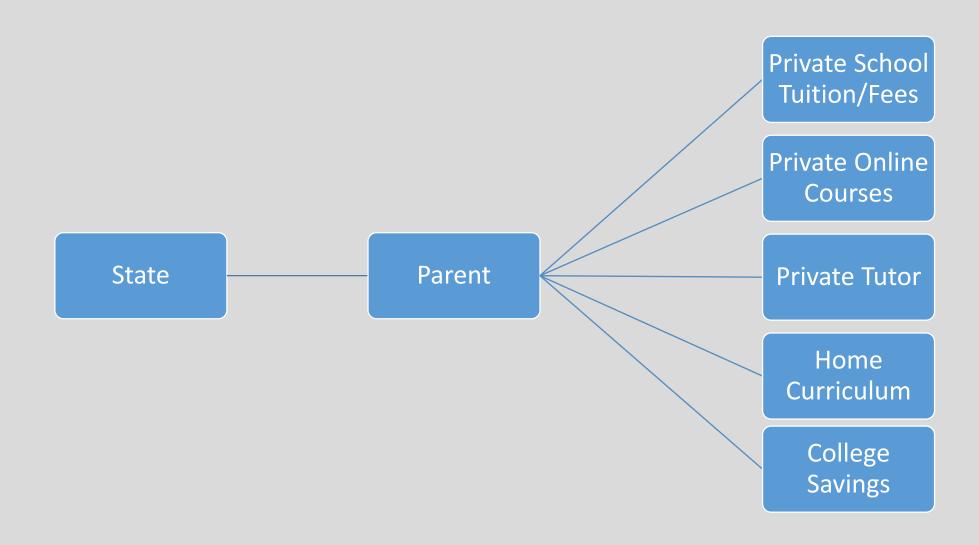




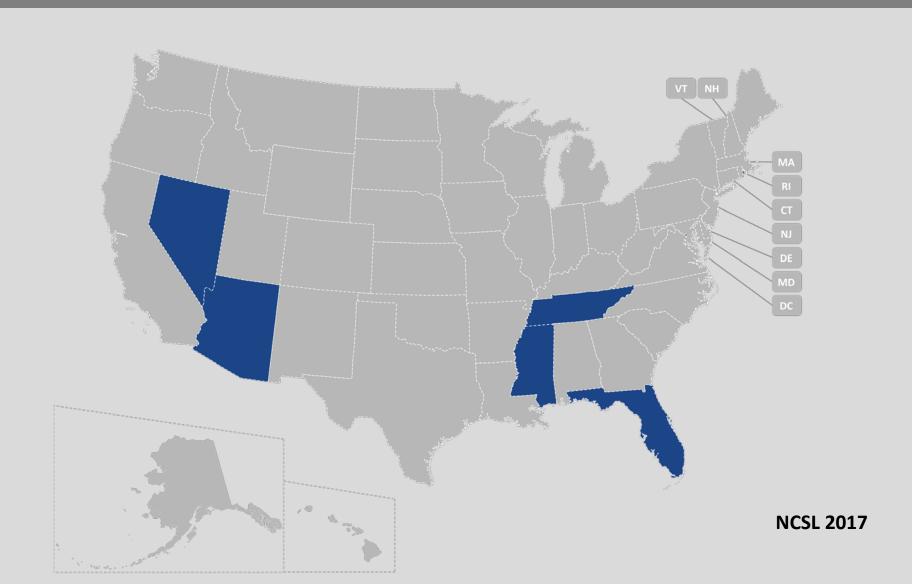
State Tax Credit

Private School

ESAs



ESA Landscape: 5 States



ESAs: How They Work

Statute determines:

- Student Eligibility
- Size of each grant
- Qualifying expenses
- Parent responsibilities
- Who administers the program
- Program accountability financial and academic

ESAs: How They Work

Legislature appropriates program funds

State agency receives state funds

Parent applies for ESA

State agency deposits grant into parent's account

ESAs: How They Work

Parent claims reimbursement for expense

State agency approves or denies reimbursement

State agency investigates fraudulent activity

State agency takes action against misuse of funds

Debit Card vs. Reimbursement

Restricted-use Debit Card	Reimbursement
<u>Pros</u>	<u>Pros</u>
Easy for parents to use	Easier to detect and prevent fraud and misuse
Parents don't pay out-of-pocket	
<u>Cons</u>	<u>Cons</u>
 Unqualified expenses are identified after the fact and require the parent to payback the state 	 Parents usually pay out-of-pocket, may be hard for low income families
Financial transaction fees	 Reimbursement may be slow depending on administrative resources available and technology

ESAs: Challenges in Implementation

High Administrative Costs

- Building automated systems for processing receipts and reimbursements
- Fraud prevention is burdensome
- May require contracting with a financial institution

Data Collection

- What data should be collected? Should the state track which vendors are receiving funds from parents
- Should the state have any quality controls for vendors?

Questions?

Thank You