

Estimated Cost of HB 136 Proposed Private School Voucher Expansion

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Part I: Growth of the Voucher Program to Cover All Income Eligible Private School Pupils

House Bill (HB) 136 would expand eligibility for Ohio's current school voucher* program significantly. While Ohio's current voucher program is available only to students living in the geographic area of a low-performing school, the proposed program would open voucher access statewide subject to an income eligibility requirement. Students currently enrolled in private schools would be eligible for vouchers under HB 136.

Current law permits scholarships or vouchers for pupils who attend private schools under either the Cleveland Pilot scholarship program or the Education Choice Scholarship program. H.B. 136 would add a third kind of scholarship called "parental choice and taxpayer savings" scholarships or PACT. The bill limits the number of PACT scholarships to the difference between the total number of Education Choice scholarships allowed by statute and the number of those scholarships actually granted in a particular school year. Current law (R.C. 3310.02) sets the limit or cap on the number of EdChoice scholarships at 30,000 pupils for the 2011-12 school year and at 60,000 pupils for 2012-13 and each subsequent school year.

Ohio Department of Education (ODE) data show that as of November 2011, the Cleveland Pilot Project scholarships for the 2011-12 school year totaled 5,032 and the EdChoice scholarships totaled 15,411. Under the assumption that the number of EdChoice scholarships remains constant at about 15,500 next year, the number of available PACT scholarships would equal about 44,500 in 2012-13 ($60,000 - 15,500 = 44,500$).

Due to its phase-in provisions, HB 136 PACT scholarships generally would *not* go to pupils already enrolled in private schools in the 2012-13 school year with the exception of kindergarten pupils. In 2012-13, students eligible for the PACT scholarships would consist of Kindergartners and pupils who attended a public or community school in 2011-12 and transfer from that public or public community school to a private school for 2012-13. As a result, most of the initial funding for the additional 44,500 scholarships would take the form of *net* deductions from payments of State education aid to school districts. In other words, the payments will follow pupils currently enrolled in public school districts or public community schools who transfer to private schools. Similarly, since Kindergarten pupils are first time pupils in the public or private school, the effect of pupils enrolling in a private Kindergarten rather than a public Kindergarten has the effect of a transfer of dollars from the public school to the private school. In a conceptual sense, some PACT scholarships for kindergartners will pay for private school education of kindergarten pupils who would have gone to private school anyway regardless of the availability of public financing.

* This analysis will use the terms "voucher" and "scholarship" interchangeably.

PACT Scholarships after 2012-13

Current law limits the total number of Education Choice scholarships to 60,000 for years after 2012-13, and HB 136 adopts that limit as a cap on the combined number of EdChoice and PACT scholarships. However, the bill adds a new provision by which the cap automatically adjusts upward if the use of the scholarship programs increases. Specifically, if at least 90% of scholarships allowed by the cap for a given year are claimed, the cap for that school year increases by 25%. That 25% increase sets the new cap for all subsequent years unless another automatic adjustment raises the cap again. For example, the cap for 2012-13 is 60,000. Ninety percent of 60,000 equals 54,000. As soon as 54,000 pupils apply for EdChoice or PACT scholarships in 2012-13, the cap for 2012-13 would increase to 75,000 ($60,000 + 25\% \text{ of } 60,000 = 75,000$).

As described above, HB 136 has provisions for the adjustment of the cap on the total number of scholarships. It also expands the pool of potential scholarship applicants through a phase-in of eligibility for pupils already enrolled in private schools. Over time, these two provisions of the bill will interact. Table 1 shows how the phase-in provisions would add automatically to the number of scholarship claims each year. The table uses estimates of grade-by-grade enrollment obtained from the ODE website to project the expansion of eligibility for pupils currently enrolled in private schools.

Table 1: Phase-in of Potential PACT Scholarship Eligibility for Pupils Already Enrolled in Private Schools

School Year	Phased-in Potential Eligibility for Pupils Already Enrolled in Private Schools by Grade	Number of Pupils Enrolled in Private School by Grades (2010-11)
2012-13	K	15,268
2013-14	K-4	73,262
2014-15	K-8	130,282
2015-16	K-12	181,020

Source: ODE Private School Enrollment Data & computations by Driscoll & Fleeter

(The ODE data about private school enrollment must mask enrollment in certain grades of certain schools because federal confidentiality restrictions prohibit the department from reporting numbers less than 10. As a result, ODE shows the “dummy” variable “<10” for a number of observations in its private school enrollment data. This analysis attributed the value of “5” to every such instance. The total result closely approximated the statewide total provided by ODE.)

Table 1 shows the progression in the number of potentially eligible pupils as the HB 136 phase-in proceeds through its four-year course. In the first year, only Kindergarten pupils already enrolled in private school potentially qualify to apply for a scholarship. (By “potentially” eligible, the table means pupils qualified by grade level but not necessarily by income level.) Of course, pupils who enter Kindergarten in a particular year did not attend either a public or private school in the preceding year.

The meaning of this aspect of the phase-in appears to be that Kindergarten pupils qualify in 2012-13 regardless of whether they would have attended public or private school in the absence of the scholarship program. From a conceptual perspective, many of these are pupils who would have gone to private school anyway so that those who receive a scholarship are paid to do what they otherwise would have done. The number of pupils categorized in this manner relies upon the fact that in 2010, 15,268 pupils attended Kindergarten in private schools without a PACT scholarship. (Some number of these 15,268 pupils could have received a Cleveland or EdChoice scholarship, but the number of such scholarships for kindergarteners if distributed proportionately to grade-by-grade enrollment implies that about 1,700 or about 9% of 20,000 total EdChoice/Cleveland scholarships went to kindergartners under those.) This means that a net increase in the potentially eligible Kindergartners would equal about 13,600 in 2012-13.

The second row on Table 1 shows that by the second year of the PACT program, the number of pupils already enrolled in private school and potentially eligible for a scholarship increases to 73,000. Again, some Cleveland or EdChoice scholarships would go to these pupils. However, after assigning a proportionate level of EdChoice/Cleveland participation, the newly qualified pupils in the second year would equal about 65,000 of the 73,000. And so on.

As the number of currently enrolled private school pupils potentially eligible for a PACT scholarship increases, the likely outcome is that most income eligible pupils *will* apply for a scholarship. No downside exists for a pupil currently enrolled in private school who applies for a PACT scholarship. The worst outcome is that the pupil will not receive the scholarship and will pay the full tuition amount. Since the pupil's parents already intended to pay that amount anyway, no negative consequence would discourage parents of pupils already enrolled in private schools from applying for PACT vouchers. As the applications from these pupils who are currently enrolled in private schools reach the State, their volume would impact the automatic adjustment provision to raise the cap on total scholarships.

To keep the mathematics simple, EdChoice and Cleveland Scholarships are rounded to 15,000 and 5,000, respectively over the period. The number shown in Column 2 equals the EdChoice scholarships. The number shown in Column 3 equals the estimated number of income eligible pupils currently enrolled in private school. *The estimates in the second column net out the pupils already participating in the Ed Choice and Cleveland scholarship programs.*

Table 2: Projected Increases in the Scholarship Cap and in the Amount of Current Private School Enrollment Qualified for a PACT Scholarship - 2012-13 School Year through 2019-20 School Year

1) School Year	2) Number of Ed Choice Vouchers	3) Currently Enrolled in Private Schools & PACT Eligible	4) Total Counted Against Cap from Current Private School Enrollment	5) PACT Scholarships Awarded To Pupils Who Transfer from Public/Community School	6) Trigger: Number of Applications Needed to Raise Cap	7) Cap
2012-13	15,000	9,916	24,916	?	54,000	60,000
2013-14	15,000	46,612	61,612	?	54,000	75,000
2014-15	15,000	85,917	100,917	?	67,500	93,750
2015-16	15,000	119,385	134,385	?	84,375	117,188
2016-17	15,000	119,385	134,385	?	105,469	146,484
2017-18	15,000	119,385	134,385	?	131,836	183,105
2018-19	15,000	119,385	134,385	?	164,795	183,105
2019-20	15,000	119,385	134,385	?	164,795	183,105

Source: ODE enrollment data; computations by Driscoll & Fleeter

More specifically, Column 3 uses the estimated effects of the phase-in by grade as shown in Table 1. Column 3 adds the newly eligible pupils in private school over the four-year phase-in. However, the numbers on Table 1 are adjusted downward in two ways. First, the number of grade eligible pupils is multiplied by 77% to reflect the fact that an estimated 77% of pupils will meet the income eligibility standard and 23% of the grade eligible pupils will not qualify for a scholarship based on family income. (The second part of this analysis will explain the computation of income eligibility estimates in detail.)

Second, from the amount computed in the first step an additional number of pupils are deducted to reflect those pupils currently enrolled in private schools and among the 20,000 pupils participating in either the Cleveland or EdChoice scholarship programs. Thus, the Column 3 shows a net amount of private school pupils after adjusting for income eligibility and adjusting to avoid double-counting with the other two scholarship programs.

Column 4 (Total Counted Against Cap . . .) shows the sum of the two preceding columns. A comparison of this column with the “Trigger” column (Column 6) shows that beginning in 2013-14 and for each of the four following years, the number of pupils already in private schools with eligibility for EdChoice or PACT scholarships exceeds the target amount needed to trigger an increase in the cap. (The “trigger” equals 90% times the cap as established for the preceding year.)

The final column shows how the cap on the combined number of EdChoice and PACT scholarships will increase if pupils already in attendance at private schools apply for PACT vouchers.

The table clearly shows that the increase in the cap amount will occur in every year after 2012-13 *even without any transfers* from public to private schools until 2016-17 when all of the existing enrollment in private schools with income eligibility qualifies for a PACT scholarship. Based on 2010-11 school year data, the number of pupils currently enrolled in private school who would meet the income eligibility standards for at least some level of PACT scholarship would equal about 139,385. The table shows that by the 2017-18 school year, the number of PACT scholarships plus EdChoice scholarships will equal 134,385. The addition of 5,000 Cleveland scholarships will bring the total number of scholarship eligible pupils to 139,385. At that point, the total eligibility of 183,000 will exceed the estimated current (as of 2010-11) private school enrollment by about 44,000. While HB 136 does give priority in the award of PACT scholarships to pupils who transfer from public to private school, the automatic expansion of the potential scholarship pool makes mathematically certain that, within a few years of its enactment, the PACT scholarship program will fund a number of pupils equivalent to existing income-eligible private school enrollment *plus* the number of pupils who transfer from public to private schools. In this context, it is important to note that Table 2 suggests that the number of scholarships levels off at 183,000 in 2017-18. However, transfers from public schools (shown only as a “?” on the table) would count against the cap. Increases in the total cap amount would continue as long as the total number of scholarships grows. While the number of transfers from public to private schools theoretically has no limit, they are constrained by the availability of additional open slots in private schools. No data exists to confirm the widespread availability of such openings.

Conclusion To Part I

HB 136 creates an interaction between two phase-in features by which the number of scholarship awards will increase dramatically. One feature phases-in the grade levels of pupils currently enrolled in private schools who may apply for scholarships. This phase-in reaches the full K-12 range in four years. The other “phase-in” feature raises the scholarship cap as the number of scholarship applications grows. Because the cap adjustment relies upon a trigger based on the number of scholarship applications, the timing by which it raises the cap does not have quite the same degree of certainty as the grade level phase-in. However, the mathematics of existing enrollment, the grade level phase-in, and the cap formula work together in such a manner that the rise in the cap on scholarships will include all former and new private school enrollment over a period of six to eight years subject to income eligibility.

Part II: Estimated Cost of HB 136 Proposed Private School Voucher Expansion

Part I of this analysis showed how HB 136 would expand Ohio's current school voucher program to cover the equivalent of the current enrollment in private schools subject to income eligibility provisions. Part II provides additional detail about how existing private school pupils will qualify for scholarships. It quantifies the cost of adding over 100,000 pupils to the State's funding responsibilities. Ohio's current voucher program is available only to students living in the geographic area of a low-performing school. The proposed program in HB 136 would open voucher access statewide on the basis of certain income eligibility standards.

In order to estimate the cost of the proposed voucher expansion, it is necessary to estimate the costs related to three distinct populations of pupils:

- 1) the number of pupils currently enrolled in private schools who will now be eligible for vouchers
- 2) the number of students currently home-schooled who might be induced to attend private school through the voucher program
- 3) the number of students currently in traditional public schools and community schools who may be induced to switch to private schools as a result of the expanded voucher program.

This second part of the HB 136 analysis will estimate the costs related to item #1. Part III will address the costs associated with items #2 and #3. Note that while HB 136 calls for a phase-in of eligibility for the expanded voucher program (kindergartners only in 2012-13, grades K-4 in 2013-14, grades K-8 in 2014-15, and all grades in 2015-16), the estimates here pertain to the costs when students in all grades are eligible for the expanded voucher program, and the operation of adjustments to the cap has expanded the total number of scholarships sufficiently to accommodate existing private school enrollment plus any transfers from public schools. Part I showed how the cap adjustments quickly will raise the number of scholarships.

Pupils currently enrolled in private schools

Based upon data available online at ODE, estimated current private school enrollment equals 181,000.

Eligibility for a voucher depends on a multiplier of eligibility for the federal free and reduced lunch program. This eligibility depends upon the relationship between household size and household income.

As Table 3 shows, eligible income levels increase as household size increases. The most common size for a household in Ohio is 2. However, not all two-person households include children. The estimate selected a household with three persons as the basis for computing average eligibility levels. While some two-person households will qualify for the voucher using lower eligibility levels (i.e., single parent households), other households with more than three persons also will qualify.

(The table uses the 2011-12 income eligibility standards. The following analysis uses these current eligibility levels and assumes that future adjustments in the standards will occur in ways consistent

with changes in income distribution so that projections based on current income and current reduced lunch criteria will provide a reliable basis for estimating future eligibility.)

Table 3: Income Eligibility for Federal Reduced Lunch - July 1, 2011 to June 30, 2012

Household Size in Persons	Annual Free or Reduced Lunch Income Eligibility Level
1	\$20,147
2	\$27,214
3	\$34,281
4	\$41,348
5	\$48,415
6	\$55,482
7	\$62,549
8	\$69,616

Source: ODE

Table 4 shows the estimated average income eligibility requirements to qualify for PACT vouchers. Lower income households qualify for a larger subsidy. Households with income between 0 and 1.5 times the base FRL amount would qualify for an 80% voucher payment. Using a household size of three as an average, these households include those with income from \$0 to \$51,422. Households with income between 1.5 times and 2 times the FRL base amount for a household of three would have income between \$51,422 and \$68,562. These households would qualify for a voucher equal to 60% of the base voucher amount. Finally, households with income between 2 times and 2.5 times the FRL base amount for a household of three would have income between \$68,562 and \$85,703. These households would qualify for a voucher equal to 40% of the base voucher amount.

Table 4: Computation of Average Income Levels Required for Voucher Eligibility

Ratio to FRL*	Base FRL Household size = 3	Income Level for Voucher Eligibility	Percentage of Base Voucher Amount
1.5	\$34,281	\$51,422	80%
2.0	\$34,281	\$68,562	60%
2.5	\$34,281	\$85,703	40%

*FRL = Federal Free or Reduced Lunch

Source: Table 1; HB 136; Driscoll & Fleeter computations

The base voucher amount would equal: $\$5,732 + \$50.90 = \$5,782.90$. HB 136 specifies that the voucher amount equals the FY09 base cost amount plus four supplements. The base cost amount for FY09 equaled \$5,732 and the supplements equaled \$50.90.

Table 4 identified the income levels for voucher eligibility at the three different ranges of voucher support. Table 5 draws upon Census data about the number of households within each income range to establish a basis for estimating the number and percentage of qualified households.

Table 5: Number of Ohio Households in 2009 by Household Income and Average Number of Households for Each \$1,000 Increment in Income for Selected Ranges

Household Income Range	Number of Ohio Households	Average Number of Households Per Thousand Dollar Increment in Income
Less than \$10,000	380,379	
\$10,000 to \$14,999	273,211	
\$15,000 to \$19,999	261,170	
\$20,000 to \$24,999	265,787	
\$25,000 to \$29,999	259,396	
\$30,000 to \$34,999	261,247	
\$35,000 to \$39,999	242,827	
\$40,000 to \$44,999	235,568	
\$45,000 to \$49,999	213,358	
\$50,000 to \$59,999	390,627	39,063
\$60,000 to \$74,999	488,676	32,578
\$75,000 to \$99,999	534,440	21,378
\$100,000 to \$124,999	305,631	
\$125,000 to \$149,999	157,719	
\$150,000 to \$199,999	138,325	
\$200,000 or more	112,134	
Total	4,520,495	

Source: Census Bureau, American Community Survey, 2007-2009, Table B19001 and computation of final column by Driscoll & Fleeter

The first two columns take data directly from the Census Bureau’s American Community Survey. For example, the data show that 380,379 Ohio households had income less than \$10,000. Unfortunately, the standards for voucher eligibility do not work out in perfect synchronization with the ranges on Table 5. However, the amounts shown in the third column of Table 5 provide a basis for using a simple

average number of households per increment of \$1,000 to interpolate the numbers of households by the income ranges implied by Table 4's estimated income eligibility levels.

Table 6 combines the results of Tables 4 and 5 to estimate the number of households within each eligibility category.

Table 6: Estimated Number and Percent of Ohio Households within Each Income Eligible for One of the Voucher Support Levels

Voucher Support Level	Household Income Range	Unadjusted Number of Households	Households Per \$1,000 Increment	Number of Increments	Estimated Number of Households	% of Households
Level 1	0 to \$49,999	2,392,943	0	0	2,392,943	
(80%)	\$50,000 to \$50,999	0	39,063	1	39,063	
	Subtotal				2,432,006	53.80%
Level 2	\$51,000 to \$59,999	0	39,063	9	351,567	
(60%)	\$60,000 to \$67,999	0	32,578	8	260,624	
	Subtotal				612,191	13.54%
Level 3	\$68,000 to \$74,999	0	32,578	7	228,046	
(40%)	\$75,000 to \$84,999	0	21,378	10	213,780	
	Subtotal				441,826	9.77%
None	\$85,000 to 99,999	0	21,378	15	320,670	
	> \$100,000	713,809	0	0	713,809	
	Subtotal				1,034,479	22.88%
	Total Households				4,520,502*	

Source: Tables 4 and 5; Driscoll & Fleeter computations

*Total differs slightly from the Total on Table 5 due to rounding.

Level 1 Voucher Support refers to those households estimated to qualify for the 80% voucher subsidy. The number of households in Level 1 equals the estimated number of households with an income between \$0 and \$50,999 (\$51,422 rounded down to the nearest thousand). Census data indicate directly

that the number of households between \$0 and \$49,999 equals 2,392,943. That number appears in the unadjusted number of households (column 3). An additional number of households qualify for Level 1 support because they have income between \$50,000 and \$50,999. To determine this number, the number of \$1,000 increments between \$50,000 and \$50,999 is multiplied by the average number of households per \$1,000 increments between \$50,000 and \$59,999 as shown on the last column of Table 2 or 39,063. Since only one increment of \$1,000 exists between \$50,000 and \$50,999, the amount of 39,063 is multiplied by 1. The product added to the number of households in the 0 to \$49,999 range yields a total number of Level 1 households of 2,432,006. This number accounted for 54% of all Ohio households. The estimated numbers of households and their percentage of the total number of households are computed in the same manner.

The number of estimated households shown in the sixth column of the table provides the percentage basis for estimating the distribution of current private school enrollees by household income.

Table 7 uses the results of Table 6 to estimate how many pupils currently enrolled in private schools would qualify for voucher payments when the grade level phase-in has completed, and automatic adjustments in the cap raise the total of available scholarships above 140,000 as of the 2017-18 school year.

Table 7: Estimated Number of Current Non-Public Enrollment by Voucher Support Level

Level of Voucher Support	Percentage of Households	Number of Private School Pupils
Level 1 (80%)	53.80%	97,378
Level 2 (60%)	13.54%	24,507
Level 3 (40%)	9.77%	17,684
Not Eligible	22.88%	41,413
Total	100%	~181,000

Source: ODE; Table 4; computations by Driscoll & Fleeter

Based on ODE data, the table estimates that 181,000 pupils currently attend private schools. Based on the percentages derived from Table 8, the table apportions this current enrollment among the different levels of voucher support. Remember, Level 1 includes the lowest income group, Level 2 the next lowest, and so on.

Table 8: Estimated Voucher Cost for Pupils Currently Enrolled in Private Schools

Voucher Support Level	Base Amount of Voucher	Percentage of Base Amount	Net Voucher Amount	Number of Eligible Pupils	Total Voucher Cost
Level 1	\$5,782.90	80%	\$4,626	97,378	\$450,501,789
Level 2	\$5,782.90	60%	\$3,470	24,507	\$85,032,918
Level 3	\$5,782.90	40%	\$2,313	17,684	\$40,905,921
Not Eligible	\$0.00	0%	\$0	41,413	\$0
	Total				\$576,440,629
	Cleveland				-\$12,500,000
	Ed Choice				-\$79,500,000
	Net Increase				\$484,440,629

Source: HB 136; Table 7; Driscoll & Fleeter computations

Table 8 uses the data from Table 7 to estimate the net cost of the PACT voucher program. The table assumes that the number of pupils eligible for each level of voucher support equals the estimated number of pupils determined in Table 7. This number of pupils is multiplied by the percentage appropriate to each level of voucher support. The result yields a total cost of about \$576.4 million for the voucher program if it were fully phased-in based on FY11 enrollment data.

The final three rows of Table 8 adjust the total cost of vouchers for private school pupils as computed in Table 8 by deducting costs associated with existing voucher programs.

It is essential to understand that the additional cost of nearly \$500 million will occur even if no pupils transfer from a public to a private school.

Comments on Part II

Technically, households with a sufficient number of members could qualify for Level 3 voucher support as long as their income does not exceed \$95,000. Because the estimates developed in this paper used an average household size of 3, the estimates ignored the consequences specific to results related to large households. Therefore, the estimates do not register any eligible pupils between the income range of \$85,000 to \$95,000, although the possibility exists that some pupils might qualify in this income range if they live in a large household.

The provisions of HB 136 use the income amounts drawn from the federal reduced lunch program to determine eligibility. The federal reduced lunch program uses household income as the operating definition of income. Household income measures *gross income*. While these household income amounts define the eligibility standard, the actual determination of eligibility will compare parents'

federal adjust gross income (FAGI) to the federal reduce lunch eligibility amounts. As its name implies, FAGI *adjusts* gross income. As a result, FAGI would tend to be somewhat less than the gross household income used to determine federal reduced lunch eligibility targets. This analysis used Household Income from the American Community Survey. Household Income, as used in the survey, closely resembles (if it does not exactly replicate) the gross income approach. Therefore, by using the gross income standard of the Census data, the estimates here will tend to understate eligibility for PACT scholarships. Parents would tend to register less income as FAGI than they would register as total household income.

Generally, the methodology used here attempted to round down or otherwise make conservative assumptions in apportioning the number of households across income levels. To some extent this conservative approach should offset at least some of the possible tendency for existing private school pupils to live in higher income households.

Part III: Estimated Cost of HB 136 Proposed Private School Voucher Expansion - Transfers from Public Schools, Community Schools, and Home

Parts I and II of this analysis of the expansion of the Ohio school voucher program focused on the costs associated with pupils already enrolled in private schools. This analysis used the term “private school” as synonymous with “chartered non-public school.” The analysis showed that a current enrollment of approximately 181,000 pupils implies a net cost of expansion of about \$484 million. This cost would occur once the expanded voucher program becomes fully implemented at the end of the grade level phase-in period and several automatic adjustments to the scholarship cap as of the 2017-18 school year.

Payment of vouchers for these pupils will make the private school option easier for parents who already enroll their children in private schools because the voucher subsidy will reduce the tuition costs associated with existing private school enrollment. Presumably, the expansion of the voucher program also has as an additional purpose the expansion of private school opportunities. By reducing costs for parents, the voucher subsidy would make private school an option for parents who feel that they cannot currently afford to pay private school tuition.

Therefore, the proposed expansion of Ohio’s voucher program has two purposes:

- 1) Make private K-12 schools more affordable for currently enrolled pupils; and
- 2) Create an incentive for other pupils to move into private K-12 schools.

Part II of this analysis estimated the cost involved in the fulfillment of the first purpose. In economic terms, the proposal to expand Ohio’s voucher program has a *fixed cost* defined by the cost associated with funding the subsidy for pupils already enrolled in private schools. These costs are fixed because the number of pupils currently attending private schools in Ohio is a known quantity and these costs will be incurred regardless of whether any additional pupils decide to attend private schools in Ohio.

Part III of the analysis examines the costs associated with pupils who transfer either from public schools into private schools, or who enroll in private schools directly from a home school situation. In economic terms, these costs represent the *variable costs* caused by the voucher expansion. The costs are variable because they depend upon the extent to which a change occurs in private K-12 enrollment as a consequence of the new subsidy.

Evaluation of the Voucher Expansion

By what standard can the State judge the success of the voucher expansion? From the State’s perspective, currently 181,000 Ohio pupils receive a private school education without substantial cost to the State. The State already does provide a limited set of subsidies to private schools, but at a much lower per pupil cost than that implied by the expanded voucher program. The State also has created the Cleveland and Ed Choice scholarship programs at a cost of about \$92 million. These programs provide scholarships for about 20,000 of the 181,000 pupils currently enrolled in private schools. Therefore, in terms of increased educational opportunity, the mere continuation of the private school enrollment at the cost of almost one-half billion dollars when no cost existed previously hardly appears justifiable as a standard for success of the program. Therefore, the success or failure of the expanded voucher

program must rely substantially on the extent to which its subsidy increases private school enrollment.

How much of an increase in enrollment will mean success?

Several factors appear to affect how large an increase in private school enrollment might occur.

1) Capacity of private schools - private school buildings do not have elastic walls. The extent to which the existence of a per pupil subsidy can increase enrollment depends upon the capacity currently utilized by existing private school enrollment. For example, if a private K-8 school has nine classrooms with about 20 pupils in each classroom, its capacity might be projected at no more than 30 pupils per classroom. Even that estimate implies a class size that many parents would consider too large. Does a capacity utilization study exist to show how many potential openings exist for new voucher pupils in currently operational private school buildings? If the voucher expansion induced 5% of public school pupils to transfer to private K-12 schools, the target schools would need a total of about 88,500 new classroom seats to accommodate their enrollment growth. In other words, a 5% impact on public school enrollment would imply almost a 50% increase in private school enrollment.

2) Geographical distribution of private schools - regardless of the capacity utilization issues as discussed in the preceding paragraph, the current distribution of private K-12 schools does not necessarily occur evenly throughout the state. This means that some areas of the state will not see significant increases in educational opportunities for students as a result of the expansion of Ohio's voucher program. It also means that the transfer of public school pupils to private schools depends not only on the gross unutilized capacity of private schools, but also upon whether the unused capacity matches geographically with the location of the pupils who desire to transfer.

3) Construction or other acquisition of new private schools - in those parts of the state where no private school option exists, or where private schools exist, but they operate at full capacity, the construction or acquisition of additional private school facilities will become necessary. Willingness of private entities to undertake such expansion will affect the extent to which the voucher program can expand enrollment.

Cost of Voucher Expansion

This cost estimate uses some assumptions about the incentive effect of the expanded voucher program to illustrate how the operation of the vouchers would impact state costs. The estimate does not attempt to project how many pupils actually will transfer from public (or home school) to private schools. The preceding section details how the lack of information about important capacity and location issues make such projections impossible. However, it is possible to estimate the cost effect by ignoring the practical constraints on such transfers and computing the flow of dollars that the State could experience under certain assumptions.

1) Assumption #1 - 88,500 pupils (or about 5% of current public school enrollment) respond to the incentive.

2) Assumption #2 - All responders qualify for at least the minimal 40% subsidy. This assumption is based on the fundamental economic principle that those who do not qualify for the subsidy have no more incentive to move to a private school under the proposed expanded voucher program than they do

currently. Therefore, only those who will qualify for a subsidy will be induced to change their behavior.

3) Assumption #3 - The distribution among responders' eligibility levels mirrors the percentage distribution among existing private school pupils after the exclusion of those who do not meet any income eligibility standard.

These assumptions yield the results shown in Table 9. While about 54% of pupils currently enrolled in private school are estimated to qualify for the maximum eligibility of 80%, these 97,378 pupils account for about 69.77% of the private school pupils who qualify at eligibility level 1, 2, or 3. Similarly, about 17.56% of current private school pupils qualify at eligibility level 2 of those who qualify for any eligibility, and 12.67% of current eligible enrollment qualifies at eligibility level 3. These percentages are applied to the new enrollment. As indicated in Assumptions #2 and #3, the incentive effect of the voucher expansion will not induce a non-eligible pupil to enroll. Therefore, all new enrollment is distributed among the three levels of voucher eligibility. This distribution follows the same relative pattern as demonstrated among eligible pupils in current private school enrollment statistics.

Table 9: Estimated Cost of a 5% Enrollment Transfer from Public Schools to Private Schools

Eligibility Level	Current Private Enrollment	Percent Distribution of Eligible Enrollment	New Enrollment	Fixed Cost (Current Enrollment)	Variable Cost (New Enrollment)	Total Cost
Level 1 (80%)	97,378	69.77%	61,746	\$450,501,789	\$285,656,755	\$736,158,544
Level 2 (60%)	24,507	17.56%	15,541	\$85,032,918	\$53,923,229	\$138,956,148
Level 3 (40%)	17,684	12.67%	11,213	\$40,905,921	\$25,937,463	\$66,843,385
No eligibility	41,413	0.00%	0	0	\$0	\$0
Total Cost	180,982		88,500	\$576,440,629	\$365,517,447	\$941,958,076
Ed Choice +	Cleveland	Scholarships:		-\$92,000,000		
Net Cost				\$484,440,629	\$365,517,447	\$849,958,076

The basic subsidy amount of \$5,782.90, adjusted by 80%, 60%, or 40% depending on eligibility category, yields the Fixed Cost amounts attributed to Current Enrollment and the Variable Cost amounts attributed to the projected New Enrollment. The final column sums the fixed and variable costs.

Conclusion

If the incentive of an expanded voucher program could induce 5% of public school pupils to transfer to private schools, the total cost of the program would equal \$942 million. The ability of the existing private school infrastructure to absorb a 50% enrollment increase appears doubtful. At best, it

represents an unproven assumption. However, even if a transfer of about 88,500 pupils could occur, the State would spend \$850 million to achieve that result. The 181,000 pupils already enrolled in private schools do not change. They already attend private schools. The State pays them to do what they already do. The result does not change substantially when the existing scholarship programs' cost of \$92 million is deducted from the \$942 million amount to leave a net increase of \$850 million.

The implication is that the State will spend a \$850 million to move 88,500 pupils. On a per pupil basis, this program costs the State \$9,604.

Even if supporters of the bill argue that the \$365.5 million expended on the 88,500 pupils who move from public to private schools would have been spent by the State anyway, the fact remains that the State will spend \$484 million to induce those pupils to move over and above the amount spent on the vouchers for those pupils. The cost to move those pupils then becomes "only" \$5,474 per pupil *in addition to what is currently being spent*, because that is the fixed cost of the program based on existing private school enrollment distributed over the 88,500 pupils who transfer.