

# Fiscal Impact of School Choice

## SUMMARY

- Tax credit scholarships and Education Opportunity Accounts (EOAs) provide students with educational opportunity at a fraction of what public schools cost, generating significant savings for taxpayers.
- Educational choice programs benefit taxpayers not only through program savings but also through long-term savings associated with higher student achievement.
- Educational choice programs benefit school districts by reducing class size, improving academic outcomes, and increasing funding per student.

## TAX CREDIT SCHOLARSHIPS VS EOAS

- Both tax credit scholarships and EOAs are significantly less expensive than public school education, which costs taxpayers almost **\$20,000 per student**.<sup>1</sup> The average tax credit scholarship in Pennsylvania is **\$2,500** and EOAs would be around \$7,000 per participating student.<sup>2</sup>
- Private donations from businesses and individuals fund tax credit scholarships. School districts retain their public funding, even for students that leave on a tax credit scholarship.
- Under an EOA program, the state portion of education funding—around \$7,000 per student—would go directly to participating students. School districts would retain all federal and local funds, or about two-thirds of the per-student funding.

## SCHOOL CHOICE BENEFITS TAXPAYERS

- A [2021 EdChoice study](#) examined 40 private school choice programs across 19 states and found significant fiscal savings for taxpayers. These school choice programs **saved a cumulative \$12.4 billion to \$28.3 billion, or on average, \$1.80 to \$2.85 for every dollar spent on the programs**.<sup>3</sup> Taxpayers incurred savings when students switched to school choice programs, which are much less expensive than public school education.
- An [economic impact analysis](#) by Corey DeAngelis found that expanding Pennsylvania's tax credit scholarship program would generate billions of dollars in long-run savings. DeAngelis estimates that a \$100 million increase in tax credit scholarships would **result in \$3 billion in economic benefits from higher lifetime earnings**.<sup>4</sup>

## SCHOOL CHOICE BENEFITS SCHOOL DISTRICTS

- When students switch to school choice programs, their classmates that remain in public schools benefit from increased funding per student and smaller class sizes.

- A [2022 study of Ohio’s school choice program](#) found **no negative impact on school district per-student expenditures**. While receiving less state funding for school choice participants, school districts retain local per-student funding—even for students they no longer pay to educate.<sup>5</sup>
- Another [EdChoice report](#), published in 2022, found that 25 out of 28 studies concluded that school choice programs improve the academic outcomes of public school students, while 68 of 73 studies found positive fiscal benefits for school districts and taxpayers. By exerting competitive pressure on public schools, school choice programs benefit participants and public school students alike.<sup>6</sup>

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<sup>1</sup> Commonwealth Foundation, “Pennsylvania School Funding: Are Pa. Schools Underfunded?” June 23, 2022, <https://www.commonwealthfoundation.org/research/pennsylvania-school-funding/>.

<sup>2</sup> Commonwealth Foundation, “Pa. Tax Credit Scholarships,” December 19, 2022, <https://www.commonwealthfoundation.org/research/pa-tax-credit-scholarships/>.

<sup>3</sup> Martin F. Lueken, “Fiscal Effects of School Choice: Analyzing the costs and savings of private school choice programs in America,” EdChoice, November 11, 2021, <https://www.edchoice.org/research-library/?report=fiscal-effects-of-school-choice#report>.

<sup>4</sup> Corey DeAngelis, “Unleashing Educational Opportunity: The Untapped Potential of Expanded Tax Credit Scholarships in Pennsylvania,” Commonwealth Foundation, August 13, 2020, <file:///C:/Users/cgs/Downloads/Unleashing-Educational-Opportunity-DeAngelis.pdf>.

<sup>5</sup> Stéphane Lavertu and John J. Gregg, “The Ohio EdChoice Program’s Impact on School District Enrollments, Finances, and Academics,” Thomas Fordham Institute, December 2022, [https://fordhaminstitute.org/ohio/research/ohio-edchoice-programs-impact-school-district-enrollments-finances-and-academics?utm\\_source=pocket\\_saves](https://fordhaminstitute.org/ohio/research/ohio-edchoice-programs-impact-school-district-enrollments-finances-and-academics?utm_source=pocket_saves).

<sup>6</sup> EdChoice, “The 123s of School Choice: What the Research Says about Private School Choice Programs in America,” April 19, 2022, <https://www.edchoice.org/research-library/?report=the-123s-of-school-choice-2/>.