

Virginia Viewpoint

School Choice and Taxpayer Relief

By Carlisle E. Moody, Ph.D.

Summary

School choice benefits students, parents, public schools, teachers, and taxpayers while simultaneously relieving pressure on the state budget. It may never be a reality in Virginia, however, unless we fool the General Assembly into thinking that it requires great gobs of new spending.

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School choice in Virginia generates benefits at no cost. In fact, this policy would actually save money. This is the first time in my career that I have conducted a benefit-benefit analysis.

I have been a policy analyst all my professional life. My job is to estimate the costs of a certain policy (for example, building a new high school, constructing a new road, etc.), estimate the value of the resulting benefits, and compute the difference between the benefits and costs. If the benefits exceed the costs, the policy is, at least, not a bad idea. School choice in Virginia generates benefits at no cost. In fact, this policy would actually save money. This is the first time in my career that I have conducted a benefit-benefit analysis.

Here is a simple fact. Private school tuition is lower, on average, than public school per pupil expenditures. This means that we have an opportunity to save taxpayers' money by simply giving parents the opportunity to send their children to the schools of their choice.

In the 2002-03 school year in Virginia, the average per pupil expenditure in the public school system is approximately \$7450, of which the taxpayers of the Commonwealth pay 86 percent. So, it costs Virginia taxpayers roughly \$6400 (.86 x \$7450) to educate one child for one year, not counting the capital costs of the buildings. The average private school tuition in Virginia is approximately \$4500. Therefore, taxpayers would save about \$1900 for every child who would choose private school over public school, even if the taxpayers had to pay the entire tuition.

Suppose just 10 percent of the students in the Virginia public school system (about 116,000) migrated to private schools with full scholarships. Taxpayers would save \$220.4 million (\$1900 x 116,000). This would create a fund that could be put to any number of uses. We could reduce the budget deficit, reduce taxes, build roads, fund higher education (a personal favorite), or even increase spending on the students who remain in the public schools.

Not only that, but we could anticipate a migration of 10 percent even if we didn't pay the full tuition. For example, we could pay up to \$4500, but means test based on income, so that the median family would receive a subsidy of, say, \$3000 per child. This would allow all parents, including those who already have children in private school, to apply for scholarships. Since approximately 10 percent of eligible children are currently in private school, we could offer 130,000 scholarships averaging \$3000 each, which would cost taxpayers \$390 million, but would save \$742.4 million (\$6,400 x 116,000), for a net saving to taxpayers of \$352.4 million each year.

This calculation does not include the capital costs of new schools. If a local school district experienced a 10 percent reduction in public school attendance, they might be able to avoid building a new school, and save millions more. For example, a proposed new high school in the Williamsburg/James City County (WJCC) school district is expected to cost \$42 million and serve one thousand students. If the one thousand high school students in that school district opted to go to private school, taxpayers would save both the per pupil expenditures and the capital costs that otherwise would be necessary to pay the loan on the new building. The capital cost is \$2100 per student (at an interest rate of 5 percent) plus \$8477 in per pupil expenditures (WJCC is a relatively high cost school district), or \$10,577 per student. State and local taxpayers would save 90 percent of that amount or approximately \$9500 per student, per year, forever. Since we expect that 10 percent of the eligible population is in private schools already, we could offer 1300 scholarships to move one thousand students to private schools. By not building the third high school we would create an annual fund of \$9.5 million. We could offer 1300 scholarships averaging \$5000 per year at a cost of \$6.5 million. This would result in a saving of \$3 million per year for the taxpayers.

Who gains from school choice? Obviously, the parents who would rather not be forced to send their children to the public school, but who cannot afford to pay for both their children's education and the education of other people's kids. The students who attend the school of their choice benefit. The children who remain in the public school system benefit by having smaller classes. The public schools will improve because of the increased competition. Most recently, a study of the school choice voucher program in Sweden showed that test scores in the public schools improved as a result of the school choice program there. Teachers benefit both by having more schools competing for their services, and by having more choice as to where they teach. Taxpayers benefit. If the cost savings are spent on other state and local services, the recipients of those services also benefit. This is a win-win opportunity for everyone that politicians would be foolish not to consider at this time in Virginia.

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