



## Benefits of Education Choice to Texans

### *Testimony before the Texas Senate Education Committee for SB 3*

by Vance Ginn, Ph.D.

Chairman Taylor and Members of the Committee:

My name is Dr. Vance Ginn and I am an economist in the Center for Fiscal Policy at the Texas Public Policy Foundation, a 501(c)(3) non-profit, non-partisan free market think tank based here in Austin. I appreciate your work on such an important issue for Texans and the opportunity to testify today for [SB 3](#) that would provide student-centered funding for parents to best meet their children's needs.

The Foundation is publishing the following two research papers that I have provided you and will summarize today: *The Effects of Education Savings Accounts (ESAs) on Teacher Pay in Texas* and *Economic Effects of a Universal ESA Program in Texas*. Our studies show that expanding education choice is a smart and sound investment that Texas can make to provide fiscal savings, increase teacher pay, and grow the state's economy.

#### **Fiscal Effects: \$165 Million in Savings and \$325 Million in Additional Revenue at Public Schools**

We use data from the [Texas Education Agency](#) and Texas Private Schools Education Association (2016) to [calculate](#) the fiscal effects at public schools and private schools, which are a proxy for qualified education services in the ESA program. We included an education savings account amount of \$6,500 per student, which is slightly above the average ESA amount in the proposed program of \$6,250 based on the state and local M&O expenditures per student of \$8,330 (\$43.3 billion divided by 5.2 million average daily attendance).

Using the 2017-18 school year as the inaugural year of the ESA law and past schooling data trends in Texas, we estimate results for student enrollment. The estimated results show that 196,690 students could use an ESA, with 26,296 current private school students choosing to attend public schools, making the net number 170,394 students that leave public schools to best meet their needs. These changes in student enrollments result in a net exit ratio of 3.2 percent from public schools, which is generous given the 1-2 percent range in other, though limited, [school choice programs](#).

The estimated fiscal savings of \$165 million in the 2017-18 school year is based on the difference kept at public schools from ESAs and the increased enrollment growth that is split between the budgets of relevant public school districts and the state. This amount plus the increase in enrollment based on past trends provides an estimated \$325 million increase in total revenue to public school districts.

#### **Effects on Teacher Pay: Range from \$1,009 to \$28,192 more per year**

Given that public school districts employ roughly 90 percent of teachers in Texas, teachers have little negotiating power in today's labor market. Spreading the public school district increase in revenue of \$325 million across 322,300 teachers yields a potential average salary increase of \$1,009 (15.3 student-teacher ratio). Likewise, the estimated 170,394 net increase in students attending private schools multiplied by the calculated tuition payment of \$9,515 yields \$1.62 billion in additional revenue to private schools for a range of salary increases between \$13,439 (5.8 ratio) and \$28,192 (12.2 national ratio). The increases in teacher pay at public and private schools, along with the substantial drop in the gap between the \$50,715 average public teacher salary ([Texas Education Agency](#)) and \$41,318 weighted average private teacher salary (Texas Private School Association) in the 2015-16 school year could generate substantial competitive pressure.

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## **Economic Effects: Increased Growth by As Much As \$510 Billion More Per Year**

Economist Arthur Laffer [estimates](#) that a universal school choice could increase Texas' \$1.7 trillion gross domestic product (GDP) by 17 percent to 30 percent over 25 years, or roughly \$290 billion to \$510 billion each year. He also estimates that such growth could contribute to between 560,000 and 985,000 new jobs. Economists Hanushek et al. [find](#) that if Texas boosted its student achievement to the level of Minnesota, which is the top ranking state in average test scores over the last two decades, then it could grow its GDP over the next 80 years by 199 percent above its current level (worth \$3.2 trillion in present value terms).

## **Conclusion: Time for 21st Century Education Choice**

Texas can become a leader and set the bar for other states to follow by creating an education system for the future. Doing so now would give Texas a first-mover advantage over its neighboring states and allow the state to maximize the benefits initially gained from a universal education choice program. The freedom to choose in education and teacher labor markets will benefit students, teachers, and all Texans.

Thank you for your time and I look forward to answering your questions. ★

**Vance Ginn, Ph.D.**, is an economist in the Center for Fiscal Policy at the Texas Public Policy Foundation. He is an expert on Texas' state budget, franchise tax, tax and expenditure limit, and other fiscal issues. Before joining the Foundation in September 2013, Ginn was a Koch Fellow, and taught at three universities and one community college in Texas. He has published peer-reviewed articles in academic journals, as well as commentaries in major media outlets across Texas and the nation.

