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## A Texas-Sized Brand:

### Education Savings Accounts in the Lone Star State

*Texas is falling behind in education choice. This paper discusses how Texas could leap to the front of education innovation by implementing universal education savings accounts, and how the state is uniquely placed to attract a new market of educational entrepreneurs and providers by doing so.*

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## Abstract

Texas is falling behind in education choice. This paper discusses how Texas could leap to the front of education innovation by implementing universal education savings accounts, and how the state is uniquely placed to attract a new market of educational entrepreneurs and providers by doing so. The paper makes policy design recommendations based on the needs of the three most likely sources of education services: the growing market of education technology companies, homeschool providers, and current instructors finding new markets and delivery vehicles for their talents. Additionally, the paper offers potential market-navigation techniques for parents, including the use and recognition of branding, consumer reviews, and the next generation of guidance counseling.

## Introduction

Texans are rightly proud of their freedom-preserving state and record of economic success. Yet in the area of education choice, the truth is that Texas is falling behind. The only state in the South without any kind of private school choice program, Texas recently received a disappointing 31<sup>st</sup> place (out of the 50 states and the District of Columbia) on the Report Card on American Education, published by the American Legislative Exchange Council (ALEC).<sup>i</sup> That relatively low ranking was driven primarily by the state’s continued failure to provide parents with any kind of meaningful private school choice options, which netted Texas an “F” on choice. If they cannot afford to pay for private options out-of-pocket at the same time they pay taxes to support the public system, Texas families have few choices beyond the public school that happens to be in their geographic boundary.

In order for a school choice option to create transformative change in the education system, policymakers should work to ensure as many students as possible have access while keeping regulatory burdens to a minimum. Many state school choice programs have eligibility or funding provisions so limited that only a few hundred students qualify and enroll. While any family empowered to choose the best educational option for their child is a positive step, such programs leave out the overwhelming majority of students and their families.

What might Texas education look like if every one of the state’s nearly 5.3 million students<sup>ii</sup> had access to a customized education, designed specifically for them by the people who know them best: their parents?

Education savings accounts, or ESAs, are flexible spending accounts from which parents can pay for a custom-designed educational experience they assemble à la carte. Every state, by virtue of differing and complex financial formulas, designates a certain dollar amount for each child in the public school system. In Texas, those dollars flow to a child’s assigned or chosen district, or in some cases, to a public charter school, based on enrollment counts and other factors. This system of institution-based funding leaves parents with limited options to direct the funds generated by their child in the state formula. ESAs, by contrast, put parents completely in the financial driver’s seat, allowing them to leverage the dollars that would have been spent on their child in the public system and to instead direct those funds to a plethora of educational experiences and services, including private school, tutoring, curricula, online coursework, and more.

That level of customization is already happening in states like Arizona and Florida, home to the nation’s first and second ESA options, respectively. Take Katherine and Cristo Visser. Their son Jordan has mild cerebral palsy, which his mother

says “profoundly effects his education.” As his father Cristo explains, “prior to the ESA program, the number of resources that were available to use were limited...we were heavily dependent on the school system.” And while he says he appreciates that the public school system provided as best they could, that “at the same time, we’re the advocate for Jordan.” Kathy explains how customization has completely changed Jordan’s educational experience:

“We had been paying for the therapy [out of pocket] but when we had to start hiring an advocate for the school we no longer had the resources to pay for the therapy. We were now paying an advocate to fight for what my son needed, and we no longer had those resources to help him. With the ESA we were able to take his scholarship and we were able to pay for the therapy with the scholarship...I now have other choices than just the schools that were available...we’ve done a schooling at home program now for two years with the teacher ...[who] has the visual knowledge to work with his vision as well as [being] a special ed teacher.”

Access to an ESA has enabled the Vissers to hire a private tutor who specializes in teaching children with visual impairments and special needs to come to their home to teach Jordan. They’ve also been able to use their ESA to pay for equine therapy to provide the physical therapy necessary to help Jordan with strength issues related to cerebral palsy. And they are able to do this with the funding that the state was already using for Jordan in the traditional public school system. Using the same funds, the Vissers are able to craft an à la carte educational experience uniquely suited to Jordan’s needs.

## **Mechanics of an ESA**

To date, education savings accounts have been adopted in five states – Arizona, Florida, Tennessee, Mississippi, and Nevada – and are in various stages of implementation in each. ESAs go by different names in the five states, and have differing eligibility frameworks in place, but each operates with the same general purpose at heart: enabling parents to have a portion of the state per-pupil funds that would have been spent on their child in the public school system deposited into a parent-controlled account that the family can then use to pay for a variety of education-related services, products, and providers.

In Arizona for instance, parents of eligible students who chose to enter the ESA option receive 90 percent of the state dollars that would have been spent on their child in the public school. Students in Arizona, on average, received approximately \$5,000 dollars in the ESA during the 2015-16 school year. Children with special needs are awarded funds based on a weighted formula providing funding above the state’s base per pupil allocation, with median annual ESA funding for those children reaching \$14,000 during the 2015-16 school year.<sup>iii</sup>

Once a parent enters the ESA program, they sign a contract agreeing to ensure their children are educated in the core subjects, and are then awarded ESA funds into their account on a quarterly basis. At the end of each quarter, parents provide documentation of expenditures to the state department of education, and may then receive the subsequent quarter’s distribution of funding. In Arizona, ESA funds can be used for a wide variety of education-related services, products, and providers, including:

- Private school tuition and fees;
- Education therapies and aides;

- Tutoring;
- Curricula;
- Textbooks;
- Private online courses;
- Individual public school courses and public charter school courses;
- College tuition and textbooks;
- Advanced Placement (AP) courses, college entrance exams, and other testing fees
- Contributions to a college savings plan

Importantly, in Arizona and elsewhere, unused ESA funds can be rolled over from year-to-year in anticipation of future education-related expenses. Student eligibility also differs state-to-state, with Arizona allowing children with special needs, children of active duty military families, children of fallen soldiers, children who have been adopted through the state’s foster care system, Native American students living on tribal lands, children attending D or F schools, entering kindergarten children who meet the other eligibility requirements, and siblings of students using an ESA to enter into the program.

Importantly, the most recently enacted ESA program – Nevada’s – created near-universal eligibility – a significant step forward for education choice. Any child who has attended a public school in Nevada for at least 100 days can choose to enter the ESA option, with some 420,000 students being eligible. Although Nevada’s ESA is currently waiting for a new funding mechanism to move forward after a state court decision struck down the original financing, the Silver State struck gold in demonstrating it is entirely possible to create a universal ESA.

### **Parent Choice Tools in an ESA World**

Other recently released papers on ESAs in Texas have addressed accountability,<sup>iv</sup> reductions in crime,<sup>v</sup> and the potential impact on academic outcomes,<sup>vi</sup> among other issues. This paper addresses the types of tools and information that become available to help parents navigate a menu of schools and education options in an ESA environment.

Critics of education savings accounts, and of school choice more generally, frequently voice concerns that parents will have difficulty navigating the “Wild West” of options in front of them. They sometimes express concern that families will not choose the “right” options, as defined by bureaucrats and education researchers. But this argument flips the appropriate relationship between parents and the state on its head. It is parents and families who have access to individualized data that researchers and policymakers, by virtue of looking at millions of standardized data points instead of getting to know any particular child, will never have the ability to evaluate. While no system can promise perfection, parents will make better decisions about their children’s education than distant evaluators because they have more and better information than anyone else.

*Parent tools vs. government testing.* A customizable and individualized market in education will also change the way Americans think about attainment, assessment, and accountability. Instead of standardized testing designed to assess the school, with results that do not even arrive in time to impact student learning, when parents use ESA funds to purchase

assessments or other evaluation tools, they are more likely to care about how those results can shape and adjust future instruction for the individual student, and to do so with immediate and timely feedback.<sup>vii</sup>

Instead of the standardized tests employed by government officials in efforts to impose “accountability” on the public school system, parents will tap into tools to evaluate providers’ quality with which they are already familiar; tools that consumers in other markets, from higher education to the restaurant industry, take for granted. Just as in other markets, parents will use consumer reviews, look at established brands, and utilize published or individually consulted expert opinions to find and evaluate education providers that meet their needs.

### *Consumer Reviews*

Personal feedback from other parents who have chosen a particular education path for their children remains among the most valued types of information for families.<sup>viii</sup> Although several decades ago, such feedback came from other neighborhood parents with older students, today the internet has turned consumer reviews into a ubiquitous fact of life; nearly every product and service has online reviews, even public schools.<sup>ix</sup> The vast majority of parents are comfortable reading and writing reviews for other types of services, and will jump right into documenting their experiences, providing valuable feedback for others.

Arizona’s ESA program, the longest-running in the nation, was established in mid-2011. By November of that year, a group of parents had already set up their own review network, where they began (and continue) to swap tips and experiences with schools, tutors, and therapy providers. The parent-created Yahoo message group provides program participants with rich contextual information drawn from the experiences of other families participating in the ESA program. As the message board states:

“Current and potential Empowerment Scholarship Account families of Arizona meet here and share ideas and resources for how to best acquire, keep and utilize the funding they need for their child's individual education.

This is an informal, unaffiliated parent information group where we hope to share ideas, questions and information with each other as we make exiting, individual educational decisions for our special needs, military, D/F school, foster/adoptive children and grandchildren.

Although we list the official ESA website and may share many resources here, we are an informal group of parents and grandparents and are unaffiliated with any formal government or private organization.”<sup>x</sup>

These organic online review communities will become more common as more parents are able to take advantage of ESA programs.

Compared with old-fashioned word of mouth, online reviewing, whether on sites set up specifically to review education providers or more general sites like Yelp, allows parents to draw on the experiences of a much larger group than their immediate neighbors. Additionally, parents can search for reviews or reviewing communities that reflect the set of qualities or values that represent the education they wish their children to get. The homeschooling community has already figured this out; for example, blogger Cathy Duffy has been reviewing homeschooling tools for her fellow homeschooling families

since 1984. Her several-paragraph reviews include “Instant Keys” that allow parents to quickly zone in on the particular type of product that will work for their families, including elements like age suitability, whether teaching the subject requires prior experience with the material, preparatory requirements, and ideological or religious perspective.

As individualized education programs become more mainstream and attract a larger number of participants, both on the student and provider sides, parents will be able to rely on a multitude of consumer reviews from families with similar educational perspectives – the more-tailored, 21<sup>st</sup> century version of the other moms on the block – to gauge the quality of and decide between educational options.

Cathy Duffy Reviews is just one example, and dozens of homeschool review communities exist online, where families with similar perspectives and experiences can help each other navigate the options to find a perfect fit for each student.<sup>xi</sup>

### *Branding*

Just as in other aspects of life, branding is one tool families can use to cut through some of the clutter of options in an “educational marketplace of choice.”<sup>xii</sup> Some brands will be immediately familiar to parents, as they are already in use and have developed reputations in the education space: KIPP charter schools, Montessori preschool, Harvard University and Hillsdale College, and Orton-Gillingham method, to list just a few examples from the K-12, preschool, higher education, and special education spaces. An education system that grants parents control over state dollars through ESAs would allow many more parents interested in the promises of these brands – “no excuses,” small muscle practice, academic excellence or citizenship focus, and reading with dyslexia, respectively – to identify and evaluate those promises in order to build instructional plans for their children that align with their educational visions.

Parents will rely on these signals from particular brands to “match” themselves with service providers who are offering the style, type, or method of education they are seeking for their families. Some may worry, however, that parents may be easily duped by slick advertisements and that providers may promise experiences they cannot fulfill. Fortunately, there is good evidence that parents are sophisticated consumers; when they seek out brands based on certain promises they ensure that those promises are delivered upon, or they react by seeking out other options that will do a better job.

For example, in their work on school “branding,” Julie Trivitt and Patrick Wolf found that Catholic schools – easily among the most well-known brands in the education space today – created a “corporate brand” that connotes academic quality and a religious environment to parents engaged in the school selection process. This branding provides convenient shortcuts for parents as they work to choose a school for their child.<sup>xiii</sup> Importantly, when a brand fails to accurately reflect a school’s attributes or quality, these inaccurate brands become “an instigator of programmatic attrition.”<sup>xiv</sup> Catholic schools have been particularly successful at establishing an international brand identity, which is “a particularly useful aid to educational decision making for immigrant families.”<sup>xv</sup>

Branding is also important because parents navigating an education market “make decisions with less than perfect information.”<sup>xvi</sup> Branding helps correct this information asymmetry by creating “association with the brand [that] conveys

information about the attributes of a product” and parents, for their part, “appear to use brand reputations as informational shortcuts in choosing schools.”<sup>xvii</sup>

### *Expert Consulting: Guidance Counselor 2.0*

With a potentially unlimited array of different educational opportunities available, parents will want to look to additional resources to help navigate and be aware of all the possible educational options for their children. While consumer reviews provide first-hand experiences with a provider, they may not be the ideal tool for gauging higher-order quality or alignment with particular standards. For instance, few families seeking to purchase a car know everything about the maintenance, reliability, and mechanics of every model on the lot. In such situations, consumers turn to experts, who provide advice and turn what might be higher-order preferences – “good family vehicle” or “curriculum aligned with University of Texas admissions standards” – into actionable information that points in the direction of specific options.

Consumers in other markets consult expert advice often. In the car example, after using branding to narrow the choices, many consumers read guides like *Car and Driver* or *MotorTrend*. Expert guides are not limited to non-educational fields; the most trusted guide to university quality is not the U.S. Department of Education College scorecard, but *U.S. News & World Report*.<sup>xviii</sup>

Similar expert reviews will help inform parents using an ESA about standards of excellence that require a level of expertise in the education sector to evaluate, such as university admission standards, skills business sectors seek in entry-level employees, or AP college credits. Just as peer reviews help parents evaluate basic quality and experience, expert review will allow them to take into account information such as a provider’s record against various objective measures of academic success.

Another type of expert consulting can provide a more personal touch than a magazine or article. In what sociologist Charles Murray called “superZIPs” – geographical areas where the elite and well-educated live – families already hire college admissions consultants for their high-school students, who help them make decisions about course selection, after-school activities, test prep, and more.

ESAs would allow all families access to have the same kind of personalized advice. Providers with expertise in the types of options are available and preferred by certain universities or employers could become the “guidance counselors 2.0” for families using ESAs, equipping parents with the tools to implement their visions for their children’s academic success and directing them to the providers who can turn those visions into reality.

Using peer review, branding, and expert advice, parents will sort through a customized and customizable ESA marketplace of options, opening up possibilities that have heretofore been reserved to the country’s wealthiest, to all families.

### **Education Savings Accounts: Parent-Driven Decision Making**

Some critics of ESA programs worry that tools such as consumer reviews, branding, and hired expert guidance will be too time-consuming or sophisticated for the families of socio-economically disadvantaged students – the very students for

whom the consequences of our failing education system are most severe. But a growing body of research suggests that empowering parents to choose and finance schooling options that meet the unique learning needs of their individual children actually increases parental involvement.

As a particular type of education choice, education savings accounts enable a more granular level of choice, allowing families to choose education services, products, and providers that fit their children’s needs, creating choice that extends beyond choice between different school types. This more customized version of education choice creates real-time feedback loops that provide immediate information to parents about their children’s educational progress, while enabling them to exit an option – be it a tutor, therapist, or other service provider – if that provider or option fails to meet expectations. In an era in which consumers have the ability to customize services and products – from transportation and food delivery to music and shopping – the current structure of K-12 education is one of the few remaining sectors largely insulated from the personalization created by the intersection of choice and technology. ESAs are the financing mechanism that can bring education up to speed, bringing with it increased parental involvement and empowerment.

**Increased parental involvement.** On parental involvement, policymakers in Texas and around the country should know two things: 1) Parental involvement has a strong impact on student learning, and 2) school choice improves parental involvement. Experience in Washington, D.C., home to the D.C. Opportunity Scholarship Program (D.C. OSP), which provides scholarships to low-income children to attend a private school of choice, has demonstrated how education choice moves parents “from the margins to the center of their children’s academic development.”<sup>xxix</sup> In an evaluation of the DCOSP, researchers Stephen Q. Cornman, Thomas Stewart, PhD, and Patrick Wolf detailed dramatic increases in parental involvement as reported by the parents:

Our research suggests that one of the most positive consequences of the OSP is that parental involvement with their child’s education has increased. Parents of high school, middle school and elementary students across both cohorts in the first and second year of the OSP emphatically stated that their parental involvement had dramatically increased when their children entered the OSP program.<sup>xx</sup>

In fact, parents in the D.C. OSP were so involved they became mobilized to save the program as it was threatened year after year by the Obama administration. The administration, hostile to the nation’s only federally funded school voucher program, attempted nearly annually to zero-out funding in the federal budget for the scholarships. Yet parents came to rescue, testifying before Congress, writing letters, and canvassing the halls of the U.S. Senate and House. As Thomas Stuart and Patrick Wolf detail in their book *The School Choice Journey*, “Not only was the program rescued from extinction, but it was also saved largely by a group of low-income, overwhelmingly minority, urban parents—precisely the kinds of Americans who social scientists predict are unlikely to be politically active. In their school choice journey, these passengers took over the ship and steered it safely into harbor.”<sup>xxxi</sup> Indeed, parents “view school choice as a pathway to dignity, respect, and empowerment.”<sup>xxxii</sup>

**Parents drive personnel decisions.** Choice also shifts the balance of power over hiring and firing decisions from government school districts to parents, who are free to choose between schools – comprised of teachers and staff who meet their expectations – and between more customized types of providers, such as private tutors and special education therapists.

The decision of parents whose children attend charter schools to leave those schools are much more sensitive to school quality than parents of children attend traditional public schools, which “substantially reduces the transactions costs of switching schools.”<sup>xxiii</sup> Moreover, and as is particularly the case with non-brick-and-mortar schooling options, parents can choose not to re-hire a tutor immediately if they fail to meet their child’s needs. While the logistics of exiting a school to find a school that is a better match may take more time (a parent may want her child to finish out the school year, for example), the granularity in choice created through ESAs with regard to the non-traditional education providers (tutors, services providers, online options, etc.), enables immediate action on the part of the parent, who can change course and choose another option if a given provider is not optimal for their child’s learning needs.

The ability to change course is a great feature of ESAs, and an important means for a parents to find alternatives when a particular provider is not meeting expectations. Research on parent decision-making suggests parents use a “mixture of rationalities” when selecting a school or education option, incorporating both the “fortuitous and the haphazard.”<sup>xxiv</sup> That is to say parents rely on their peers for information, along with their own values and hopes for their children, crafting complex and subjective standards for school selection. Getting those ingredients right in a way that creates a recipe for their unique child’s success may require trying a few providers before settling on the right match. The flexibility of ESAs to not only customize a child’s educational options but to quickly find new education services and providers when needed, is part of the appeal of these flexible accounts.

“Prior to the ESA program, the number of resources that were available to us were limited,” explains Christo Visser, mentioned earlier. For the Vissers, that has provided an unparalleled level of customization. “We are developing his curriculum based on his needs, and that is a huge advantage for us,” Jordan’s father explains.<sup>xxv</sup>

***Putting consumer expertise to use.*** In addition to being experts on the needs of their own children, parents are also savvy consumers of education services and products. This powerful combination is at the heart of why parents leave a provider when brand promises are not met, as research has demonstrated.

Increased parental involvement, parent-driven decision making, and branding are all features of an education marketplace that are too often lacking or absent entirely from the existing government-run K-12 education system. Shifting to a system of student-based financing through ESAs can recalibrate the education decision-making process so that it is parent-directed and responsive to the needs of families.

## **Fostering a Robust Supply of Education Services, Products, and Providers**

The disruption potential for ESAs is almost limitless. Will we see access to science labs with world-class professors purchased by the hour? A reading tutor for every child who falls behind? That potential depends on attracting – and in many ways creating – a marketplace full of varied and innovative education products and services into which parents can tap. Without such a market, ESA programs are likely to provide choice within the existing private school market with a few additional services, such as tutoring, available on the side. Empowering parents with choice is always a positive, but an implementation that does not allow for the growth of a truly individualized market in educational opportunities will not truly fulfill the promise that ESAs are poised to deliver.

Although a growing number of parents in control of the state funds spent on their children will eventually attract all types of providers, three categories of educational services and products are likely to be the first available to participants in broad ESA programs: 1) private companies that currently sell products and services to the homeschooling market, but whose products can easily and quickly be repackaged for families participating in ESA programs; 2) the companies that make up the education technology sector, which are currently locked in competition with one another to secure one-size-fits-all school district contracts; and 3) individual teachers and contractors already working within the public system may find new markets for their talents as a second source of income. Each of these potential sources for products and services comes with its own set of policy challenges that must be solved before parents are likely to have access to the widest variety of opportunities, so that they can find the ones best suit their children.

### *Homeschool Providers*

Parents of children using ESAs to customize their education through a schooling-at-home arrangement are distinct from families who homeschool. However, experiences with the supply side of the homeschool community offer lessons for parents wishing to enter the ESA option and fully customize their children’s educational experience. Hundreds, and perhaps thousands, of education service providers already serve the existing homeschool market of 1.8 million students. These entrepreneurs supply everything from textbooks and lesson plans, to curricula and learning technology to parents who educate their children at home. While these materials can be shopped anytime, many homeschooling parents find it more convenient to compare different products at homeschool conventions, where parents can be seen pushing carts full of materials through hallways full of vendors advertising their products and competing for parent dollars. Many of the products these vendors sell could be immediately applicable to an ESA market, as they are already designed to be used in the individual, parent-driven context.

While many ESA parents may not initially be interested in schooling at home, it is worth noting that “hybrid” environments, combining some group or third-party instruction with home instruction, are already becoming more common among today’s homeschoolers. Not only have homeschool co-ops, where parents share teaching duties and swap skills and subject-matter expertise, been common for some time, but “micro schools,” organized by groups of parents with similar visions for their families’ educations, have begun to crop up in some states.<sup>xxvi</sup> In Florida, micro schools like the Circle Christian School offer a variety of K-12 courses on a university-like fee-per-course basis.<sup>xxvii</sup>

The breakdown of educational services into discrete courses or skills has the benefit of addressing one of the biggest supply-side crunch problems in non-state-controlled education: high barriers to entry for providers. Parents who initially set out to homeschool or build a co-op find their teaching services in demand by other parents and build out a small education service provider from there, without having to jump through the regulatory hoops or having to provide an entire education program all at once.<sup>xxviii</sup> By allowing providers to focus on one particular offering that can be purchased à la carte, hybrid micro schools have the potential to significantly broaden the pool of opportunities for families using ESA options.<sup>xxix</sup>

Because the providers in the homeschool market are already used to marketing to parents as individuals with control over their purse strings, the transition from competing for parents' own dollars to those in an account provided by the state through ESAs is likely to be fairly seamless.

### *Education Technology Entrepreneurs*

Few in the policymaking world deny the potential and promise of technology-assisted learning, but public-system implementation has often stymied that promise.

The education technology market is booming, with some experts predicting that the global market will reach \$250 billion by 2020.<sup>xxx</sup> In the United States, much of that market is channeled toward the clunky design of the one-size-fits-all district system, through the competition for school, district, and statewide contracts. The district contract system has limited the innovative potential of the technology market in K-12 education through its slow-moving bureaucracy. Districts have been an ill-suited conduit for a fast-paced and innovative industry that measures advancement in terms of months, not two- or five-year review cycles. Ultimately, disruptive technology needs the breathing room to be as adaptive as the innovative ideas themselves to keep pace with industry progress. Although the tech sector may not even be aware of education savings account options being rapidly adopted by states, an ESA market is likely to have some attractive features for education technology entrepreneurs.

The K-12 technology sector has focused considerable time and effort on winning district contracts. As a result many companies are not set up to sell directly to families or individuals, even if their products might be applicable in such a context. Startups frequently lack the marketing teams and expertise necessary to sell directly to the public, and current ESA programs, with just a few thousand families, are an insufficiently large market to entice technology companies to realign their marketing strategies. Texas, as the third-most populated state with over five million public school students enrolled, is ideally placed to attract the best and brightest education entrepreneurs to bring their ideas and solutions to the parent choice market.

Unfortunately, the technology and policy sectors in education very rarely interact, which has led to misunderstandings and ill-designed programs. In addition to continuing to increase the overlap between themselves and the education technology sphere, one possible way policymakers can ensure that students using an ESA are not excluded from access to some of the best new education technologies is by requiring that districts sell any leftover products or licenses for services, at per-capita cost, to families participating in ESA programs.

### *New Opportunities for Existing Providers*

Although ESAs are designed to provide more opportunities to students and families, they also provide new outlets for existing education providers to expand their influence and incomes. Teachers, special education instructors, contractors, and other district employees will be able to choose to sell their services to the ESA market as well as keep their "day jobs."

Already, companies like Teachers Pay Teachers exist to facilitate product (lesson plans, etc.) exchange between teachers, while also remunerating teachers for their content. Teachers Pay Teachers, which aims “to make the expertise and wisdom of all the teachers in the world available to anyone, anywhere, at any time,” enables teachers to create and sell content to other teachers across the globe. A teacher, tutor, parent, or other educator can purchase content and lesson plans designed by other teachers on topics ranging from the solar system to Groundhog Day, and everything in between. Such options suggest that teachers are eager and interested to sell their knowledge and products directly to students and other educators. ESAs, and the individualization of education that they offer, will not only empower parents, families, and students, but also expand access and opportunities for providers, whether those providers come from the homeschool world, the education technology sector, or the existing traditional school environment. The best ESA options will keep all three of these provider sources in mind when designing and implementing policy.

### **Threats to the Future of Personalized Education**

Establishing universal education savings accounts in Texas holds the potential to dramatically improve educational opportunity for all Texas children. In order to ensure the success of ESAs, policymakers should avoid constructing barriers to entry into the market for services and providers, and should refrain from overregulating the accounts.

**Barriers to entry.** In order to ensure a robust supply of schools, products, tutors, and other education service providers, policymakers should broadly describe the categories of eligible expenditures, but should otherwise allow parents to drive the market of available options. To achieve this goal, policymakers should avoid prohibiting certain types of providers and services (e.g., *Rosetta Stone* language software, karate lessons, etc.). Disallowing generic categories of products or services, such as prohibiting ESA funds from covering language software, can inadvertently limit the utility of the ESA option and the flexibility of parents to craft customized learning plans that work well for their children.

An additional, more structural, barrier to entry is licensure. In many states, becoming a teacher requires a significant time commitment and dedication of financial resources. Prospective teachers either have to have the foresight to enroll in a college of education as an undergraduate student, enrolling in the necessary education coursework and pursuing certification, or, if a prospective individual decides to teach after having pursued a bachelor’s degree in another area of study, must pursue credentialing through an approved alternative route to licensure (ARL) sanctioned by the state. A third option is to attain a master’s degree in teaching or education, which requires a significant monetary and time commitment on the part of the perspective teacher. Yet a growing body of literature that suggests traditional teacher certification has little impact on student academic achievement.<sup>xxxii</sup> ESA options, which include among the universe of eligible expenditures private tutors, education service providers, and privately taught online courses, should not be constrained by traditional teacher certification requirements. These regulations can limit the supply of available teachers and tutors, and generally fail to reflect educator quality.

**Over-regulation.** Once an education choice program is established, regulations can hinder its ability to effectively serve qualifying students. Nowhere has this been more evident than in Louisiana, which levied a heavy regulatory burden on private schools that participate in the statewide voucher program. Those regulations have led to low program participation

on the part of private school leaders, ultimately limiting the options available to families. Any student who attends a private school that participates in the Louisiana Scholarship Program (LSP) must take the state test. Private schools must also use open enrollment, and are required to report student expulsions, attendance, and absence information about their students to the state. The scholarship must be considered payment in full, limiting schools' flexibility to set tuition rates. Organization theorists Astley and Van de Ven illustrate this constraint: "The player remains free, but if he wants to win he must adopt a strategy in reasonable conformance with the rules, since a complete abandonment of the game cannot serve his interests."<sup>xxxii</sup> Interviews with private school leaders who chose not to participate in the voucher program suggest that the considerable regulations in place influenced their decision. Indeed, just one-third of Louisiana private schools participate in the Louisiana Scholarship Program, citing "fear of future regulations" as their primary reason for non-participation.<sup>xxxiii</sup>

Although just one-third of private schools participate in the LSP, some schools do indeed participate. Yet evidence suggests those schools that did participate may have been experiencing declining enrollments – a lagging indicator of school quality – prior to enrolling in the LSP.<sup>xxxiv</sup> The quality of the private schools that elected to participate in the scholarship program may have contributed to two empirical analyses from late 2015 and early 2016 that, for the first time within the education choice literature, found negative impacts as a result of school choice program participation. These negative effects were found on math, reading, science, and social studies scores, with Louisiana Scholarship Program participation substantially reducing academic achievement among participants.<sup>xxxv</sup> A second study also found negative impacts on the academic achievement of LSP participants, particularly with regard to mathematics achievement.<sup>xxxvi</sup> One possible explanation for the negative effects on academic achievement, unique among empirical evaluations of school choice programs,<sup>xxxvii</sup> could be due to the low quality of private schools participating in the program. Ironically, regulations promulgated in the name of "accountability" may have counterproductively encouraged lower-quality private schools to participate.

Policymakers should keep Louisiana in mind as a cautionary tale of the adverse impacts of over-regulation. Indeed, as researcher Matthew Ladner has established, parents will "close" an underperforming school before the state and the regulatory apparatus does. Ladner examined charter school closure data in Arizona from 2000 through 2013, and found that the average closed charter school had been in operation four years. Arizona's charter law grants charters for 15-year periods, meaning "something unusual would need to occur in order to have authorities intervene before such time."<sup>xxxviii</sup> In other words, Arizona parents close ineffective charter schools before government authorizing bodies even have a chance to close them down. Parents who can vote with their feet and immediately select other options are a far more powerful accountability measure than a government regulatory system that has failed to dramatically improve the existing public system.

Furthermore, overregulation could jeopardize individual provider participation and therefore limit parents' choices by cutting off one of three major sources of new providers.

## Creating a Robust Education Market in Texas

**Universality is key.** The interests of all children in Texas – particularly disadvantaged children – are best served by an ESA option that is universally available to students across the state. As one of us (Burke) noted with Jason Bedrick of EdChoice, universality is critical for the long-term success of an education savings account option.

“...universality would break the link between where children live and what school they attend, creating competition among all schools to catalyze improvements for all children...Universality can create broad public support for an education choice initiative to increase its likelihood of long-term viability. In order to remain politically viable in the long run, government policies require the broad support of the public, and surveys consistently show that Americans favor universal choice programs over targeted ones... Broad public support has tangible value when it brings the interests of the public at large against the concentrated opposition of unions.”<sup>xxxix</sup>

Political viability is not the only consideration. A universal program, especially in a large state like Texas with the potential for millions of participants, would attract the best providers from all three potential sectors. While limited programs provide opportunity for a few students, broader programs not only expand those existing opportunities to more families, but actually create additional and new options by attracting more providers who might have otherwise been interested only in the larger traditional public school market. Limited programs deprive students of access to what may sometimes be the most successful educational options merely because those options can only be profitable to those who market them at scale.

## Conclusion: Harnessing the Potential of ESAs in Texas

In this paper we have argued that three categories of educational services and products are likely to be the first available to participants in broad ESA programs: 1) private companies that largely sell products and services to the homeschooling market; 2) the companies that make up the education technology sector, which are currently locked in competition with one another to secure one-size-fits-all school district contracts; and 3) individual teachers and contractors already working within the public system may find new markets for their talents as a second source of income.

The introduction of these suppliers into the Texas education market will be a boon for diversity of education services and products that are available to students, and a benefit to K-12 innovation generally. Regulatory barriers should be kept to an absolute minimum in order to foster this market.

We have also discussed the superiority of branding and the more informative, contextual information families receive when guided by the experiences of other parents, along with private reviews, to that of blunt government “accountability” regulations. Policymakers should bear these experiences in mind when working to create ESA options in Texas and elsewhere.

By looking into offering every student an ESA option, Texas has the opportunity, not just to catch up with its Southern neighbors, but to leap ahead into a world of individualized educational opportunities for every Texas family.

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<sup>xiv</sup> *Ibid.*

<sup>xv</sup> *Ibid.*

<sup>xvi</sup> *Ibid.*

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