

How & Why The Arkansas Parental Empowerment For Education Choice Act of 2017 (HB 1222) Saves the State Money

Dr. Patrick Wolf, Dr. Julie Trivitt & Corey DeAngelis
University of Arkansas - Fayetteville

The Education Savings Account (ESA) Program created by HB 1222 would save the state money because officials at the Department of Finance & Administration have to follow state law. The operation of the current state education funding formulas will automatically result in fiscal savings under all but the most unlikely scenarios, because:

- Public school district funds are distributed based on formulas;
- The formulas multiply the per-pupil funding amounts established by law times the number of students who were enrolled in the school district the previous year;
- Therefore, the first year after a student leaves a public school to use an ESA the state realizes no savings, because the student is still counted as enrolled in public school, but the state also incurs no expense, because the Year 1 ESAs are funded by charitable donations;
- Thus the fiscal impact of HB 1222 in its first year must be 0;
- The second year after a student leaves a public school to use an ESA the state realizes savings because (1) that student no longer is counted in the public school funding formulas; and (2) the state only has to pay 65 cents in tax credits for every \$1 raised for the ESA;
- The average student coming off of the public school rolls in the second year relieves the state of \$7,584 in education funding obligations but costs the state \$4,320 in tax credits, for a net fiscal benefit of \$3,264 per student;
- Since current private school students do not come off the public school enrollments, those ESA participants cost the state \$4,320 from Year 2 on;
- The bill mandates that at least 2 current public school students must be served for every 1 current private school student, guaranteeing that twice as many participating students will generate savings for the state as will generate costs;
- The result, assuming nearly full participation and a 25% annual program attrition rate, is a state taxpayer benefit of \$1.1 million in the second year that will grow in future years.

	Year 1 (FY2018)			Year 2 (FY2019)		
	Maximum #	Fiscal impact per student	Total Fiscal Impact	Maximum #	Fiscal impact per student	Total Fiscal Impact
Old public school switchers	0	0	0	750	\$ 3,264	\$2,448,000
New public school switchers	1000	0	0	250	\$ 3,264	\$ 816,000
Old Non-public school students	0	0	0	375	\$ (4,320)	\$(1,620,000)
New Non-public school students	500	0	0	125	\$ (4,320)	\$ (540,000)
Totals	1500	0	0	1500		\$ 1,104,000