



The Per-Pupil Myth: ESAs Will Cut, Not Increase, Public School Funding

On January 11, 2016, Judge James Wilson in Carson City issued an order blocking State Treasurer Daniel Schwartz from implementing Senate Bill 302 (SB302), the sweeping voucher, or Education Savings Account (ESA), law passed last June. In the lawsuit – Lopez v. Schwartz – filed by parents of children in public schools, Judge Wilson ruled that SB302 will divert public school funding to private schools and other private education services in violation of the Education Article of the Nevada Constitution. Judge Wilson also ruled that SB302 violates the Constitution because ESAs will reduce public school funding below the level that the Legislature determined in the State biennium budget is needed to operate the public schools.

Importantly, Judge Wilson found that ESAs, by taking funding from the public schools in violation of the Constitution, “will cause irreparable harm to students in Nevada.” The parents demonstrated this harm by presenting compelling evidence that ESAs will deplete public school budgets, making it even harder to fill teacher vacancies, maintain reasonable class sizes, provide special education services and services for English language learners, offer gifted and talented programs, and ensure other essential services to students in schools across the state.

After Judge Wilson put ESAs on hold, voucher proponents have made a new claim: ESAs will not cut, but **will increase**, funding for Nevada’s public schools. Like other claims about ESAs, this one does not hold up.

Here are the facts about how ESAs will lower funding and impact public school students:

- **Funding Cuts from ESAs:** ESAs will trigger cuts to public school funding, reductions that State Treasurer Schwartz concedes are substantial. Under SB302, ESAs are funded at \$5,700 per year for low-income students and students with a disability and \$5,100 for all other students. These per-pupil amounts are the current, statewide average per-pupil amounts provided by the Legislature to educate public school students, or the “basic support per pupil.” If the Treasurer had started funding ESAs on February 1 as planned, Clark County, Washoe County and other school districts would be forced to make budget cuts to cover over 4,000 ESAs at a total cost of at least \$20 million in this school year alone. As the numbers of ESAs grow each year, including private and homeschool students who opt-in through the 100-day requirement or through exemptions to that requirement, so does the amount of funding taken from public school budgets. Because of fixed costs and the impact on student demographics, funding cuts of this

magnitude will certainly impact class size, teacher quality, building maintenance and other essential resources in Nevada's already low funded districts and schools.

- **Fixed Costs:** The claim that ESAs will leave Nevada public schools with a surplus for every student who leaves is based on the assumption that public school costs decrease in direct proportion to the loss of students. This is simply false. School districts have significant fixed costs that do not decrease simply because some students leave the district. These include transportation, maintenance, and central office and other administrative costs. If, for example, a school loses ten students through ESAs, the revenue loss is over \$50,000. That is equivalent to the average salary for one teacher in Nevada. If schools had to cut one teacher for every ten students who left, class sizes would necessarily increase. Put simply, even with a small increase in funding available per pupil, it would be impossible for a district to maintain the same level of services when facing the dramatic overall reduction in available revenue.

- **Differential Student Cost:** To provide a high quality education to all students, public schools must address the particularized needs of students who require additional interventions, services and programs. These include students at-risk from family and/or neighborhood poverty, students with disabilities, English language learners, homeless and transient students, and students who are behind academically. These resources impose an additional cost burden on district budgets. Not surprisingly, special education, limited-English proficient, and other at-risk students are less likely to use ESAs for a variety of reasons, including a lack of transportation, stringent private school admission requirements, inability to make-up actual costs of tuition, and lack of services. ESAs will leave public schools with an even greater concentration of students who are costlier to educate and with fewer resources to meet their needs.

- **Discretionary Local Funds:** The basic support per pupil consists of a combination of state and local funds guaranteed by the Legislature to operate the public schools. Under SB302, the Treasurer deducts either 90% or 100% of the basic support per pupil – \$5,100 or \$5,700, respectively – exclusively from the state aid allocated to the district. As a result, deductions for ESAs will require districts to use local discretionary funds in their budgets that are not part of the basic support amount to make up for the loss of state aid. While all districts have some local funds in their budgets over the basic support amount, those funds are not guaranteed; have not kept pace with enrollment growth; are subject to a strict growth cap; and, under SB302, will have to make up for the full amount of state aid deducted for each ESA.

This burden will be even greater in Clark County and Washoe County, expected to see the vast majority of ESAs, where the basic support amount represents a larger percentage of available revenues than any other district in the state. Not to mention, the loss of these discretionary funds are not hypothetical – Clark County School District has still not recovered from a drastic drop in property taxes stemming from the great recession.

Conclusion

Nevadans are well aware that the State's system of financing public education is outmoded and in urgent need of reform. Numerous reports, including expert studies commissioned by the

Legislature, place Nevada's spending on public education among the lowest in the nation, with almost no additional funds for student poverty and other special needs. The problem is compounded by the cost of educating growing public school enrollments, which include increasing numbers of English language learners and at-risk students.

Nevada public school children need every dollar the Legislature determines in the State budget is necessary for their education.

The facts are overwhelming and not in dispute. ESAs will significantly reduce funding for public education, which, in turn, will require schools to cut teachers, support staff, programs and essential services throughout the school year. Judge Wilson got it right: ESAs will harm, not help, the education of the 460,000 children in public schools across the state.