EDUCATION NEWS

Report: Education Savings Accounts Viable, Useful for All Students

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A new report by the Cato Institute takes a closer look at how an Education Savings Account (ESA) can be created by legislators that privately funded through tax-credit-eligible contributions from taxpayers in the same way that tax-credit scholarship programs operate.

The report, "Taking Credit for Education: How to Fund Education Savings Accounts through Tax Credits," delves into the promise of ESAs. While traditional school vouchers offer families the ability to choose between multiple private schools, ESAs allow families additional flexibility to be able to individualize educational opportunities through educational expenditures including private school tuition, tutors, textbooks, online courses, and educational therapies, among other options.

Data from the US Department of Education suggests that 73% of students in the United States currently attend school at the location they were assigned to based on where they reside. The report authors maintain that most middle and low-income students have no affordable alternatives when these public schools do not meet a students' individual needs and believe ESAs to be a viable solution.

Policymakers have previously considered several other ideas, including vouchers, which help families afford tuition for private schools, and tax-credit scholarships, which use voluntary contributions to help families afford private school tuition. Funds from both these options are available on a yearly basis.

Meanwhile, ESAs are restricted-use bank accounts that parents can use for a variety of educational purposes. In addition, funds roll over, allowing parents to save for future expenses, including college. Tax credits are given to individuals and corporations in return for donations to nonprofit scholarship organizations that then set up, fund, and oversee the education savings accounts.

To date, five states have implemented ESA laws, with several other states considering ESA legislation this year. In each case, the state has deposited a portion of the funds that would have been spent on the child in the public school system into their ESA. However, the authors suggest that these accounts can be funded instead through tax-credit eligible donations.

While the report suggests that all students of primary and secondary school age should be eligible for such accounts, most existing programs are only available to students with special needs, who typically need additional services such as educational therapies. Assistive services, such as Braille materials, can also be purchased through funds in the account.

The authors argue that all students would benefit from such funding, especially those who attend school in failing districts. ESAs would help these children afford quality private school alternatives and educational tutors. Students at high-performing schools could use the funding to pay for college classes while in high school, online classes that may not be offered at their local school, or save the money to use for college tuition.

“Education savings accounts empower families to customize their children’s education. Since every child is different, these accounts allow families to find learning experiences for their children that are as unique as each child. They are an improvement on traditional school-choice programs because they enhance the freedom of parents to purchase a wide variety of educational products and services and save for educational expenses in future years, including college.”