



Research & Commentary: Student Opportunity Scholarships Would Accrue Fiscal and Non-Fiscal Benefits To Michigan

Program Could Possibly Save State Government And Local Districts \$386 Million Annually

Tim Benson

July 28, 2022

A report issued by the Mackinac Center for Public Policy in May 2022 details how the Michigan Student Opportunity Scholarship (SOS) tax-credit funded education savings account (ESA) program would benefit the Wolverine State both fiscally by saving the state money and non-fiscally by accruing to Michigan children the benefits that generally come with education choice programs.

The SOS program was passed by the Michigan Legislature in 2021, but was vetoed by Gov. Gretchen Whitmer. However, a ballot initiative currently underway would allow the Legislature to override Whitmer's veto and enact the program.

With an SOS account, state education funds allocated for a child are placed in a parent-controlled savings account. Parents then use a state-provided debit card to access the funds to pay for the resources chosen for their child's unique educational program, such as tuition at a private or parochial school, tutoring, online classes, transportation, specialized therapies, textbooks, uniforms, and even college courses while still in high school. Funds could also be used to pay for fees for norm-referenced tests like the SAT and ACT. Unused ESA funds may also be rolled over from year to year and can be saved to pay for future college expenses.

The SOS program would be funded by donations from Michigan taxpayers, who would receive a tax credit for each dollar donated. The budget cap for the program would be \$500 million, or less than 1 percent of Michigan's entire state budget. The program would be available to most Michigan children, with SOS funding amount varying depending on household income, with full funding for children with special needs or who are in foster care.

The analysis begins by noting that per-pupil funding in Michigan public schools in Fiscal Year 2021 was \$14,191. If Michigan enacted an SOS program that set its funding level at 90 percent of the state “foundation allowance” formula—roughly \$7,830—and just 5 percent of state students participated (roughly 75,000 students) and the average scholarship awarded was \$6,000, it would result in combined savings to local districts and the state government up to \$90 million annually, or \$1,213 per pupil. If roughly 8 percent of Wolverine State public school students participated (roughly 112,500 students) and the average scholarship awarded was \$4,000 the program would generate over \$386 million in savings on a yearly basis. This translates to \$3,435 in savings per-pupil.

“Michigan Student Opportunity Scholarships would represent a dramatic new way to fund learning by facilitating and incentivizing private donations to aid families directly so they could underwrite the cost of needed educational services,” the report concludes. “Most students would be eligible to benefit from a scholarship, whether enrolled in a public school or not. Enabling parents to have greater say in their children’s learning would help ensure that students get the attention they need to overcome lost learning and get on a successful trajectory. Beyond these benefits, the design of the program offers a potential cost savings to both the state government and local school agencies. This impact will depend on the average scholarship size granted and the rate of students who switch from public to nonpublic schools as part of the program. Reasonable estimates indicate that thousands of students could be served with new needed options while public schools preserve and even continue to grow their revenues on a per-pupil basis.”

Copious empirical research on school choice programs such as ESAs makes clear these programs offer families improved access to high-quality schools that meet their children’s unique needs and circumstances, and that these programs improve academic performance and attainment and deliver a quality education at lower cost than traditional public schools.

Additionally, education choice benefits public school students and taxpayers by increasing competition, decreasing segregation, and improving civic values and practices. Research also shows students at private schools are less likely than their public school peers to experience problems such as alcohol abuse, bullying, drug use, fighting, gang activity, racial tension, theft, vandalism, and weapon-based threats. There is also a strong causal link suggesting private school choice programs improve the mental health of participating students.

Further, Michigan’s public schools are habitually failing the state’s children. In 2019, only 36 percent of public school fourth-graders and 31 percent of eighth-graders tested “proficient” to grade level in mathematics on the National Assessment of Educational Progress (NAEP) examination, colloquially known as the “Nation’s Report Card.” Just 32 percent of fourth-graders and 31 percent of eighth-graders tested “proficient” in reading. Essentially, and embarrassingly, the state’s public schools are failing to educate roughly 7 out of 10 Michigan children to grade-level proficiency in reading and math.

Sadly, but unsurprisingly, the numbers for the Detroit Public Schools Community District are far worse than the state average. In 2019, just 6 percent of Detroit fourth-graders and 5 percent of eighth-graders tested “proficient” to grade level in mathematics on NAEP. Only 7 percent of

fourth-graders and 6 percent of eighth-graders tested proficient in reading. These numbers are so abysmal they probably couldn't even be made worse if teachers and administrators actively tried to make them so.

It is probably for all these reasons, and also because teacher unions have repeatedly played politics with school closings during the COVID-19 pandemic in direct conflict with students' best interests, that education choice programs like ESAs are more popular with parents than ever before. Polling by EdChoice released in September 2021 found 78 percent support for ESAs among the general public and 84 percent among current school parents. These findings are mirrored in the American Federation for Children's eighth-annual National School Choice Poll, released in March 2022, which found 77 percent support for ESA programs.

Michigan legislators would do a great service to their constituents and Michigan's children by giving their blessing to the SOS program if the ballot initiative succeeds. The goal of public education in the Wolverine State today and in the years to come should be to allow all parents to choose which schools their children attend, require every school to compete for every student who walks through its doors, and make sure every child can attend a quality school.

The following documents provide more information on ESA's and education choice.

Michigan Student Opportunity Scholarships: Overview and Fiscal Analysis

<https://www.mackinac.org/archives/2022/s2022-05.pdf>

This report from the Mackinac Center for Public Policy examines the fiscal impacts of adopting the Opportunity Scholarship plan that was passed through the Michigan Legislature but vetoed by Governor Whitmer in November 2021.

The 123s of School Choice (2020 Edition)

<https://www.edchoice.org/wp-content/uploads/2020/04/123s-of-School-Choice-2020-4.pdf>

This report from EdChoice is an in-depth review of the available research on private school choice programs in America. Areas of study include: private school choice program participant test scores, program participant attainment, parent satisfaction, public school students' test scores, civic values and practices, racial/ethnic integration and fiscal effects.

A Win-Win Solution: The Empirical Evidence on School Choice (Fourth Edition)

<http://www.edchoice.org/wp-content/uploads/2016/05/A-Win-Win-Solution-The-Empirical-Evidence-on-School-Choice.pdf>

This paper by EdChoice details how a vast body of research shows educational choice programs improve academic outcomes for students and schools, saves taxpayers money, reduces segregation in schools, and improves students' civic values. This edition brings together a total of 100 empirical studies examining these essential questions in one comprehensive report.

Fiscal Effects of School Choice

<https://www.edchoice.org/wp-content/uploads/2021/11/Fiscal-Effects-of-School-Choice-Condensed.pdf>

This EdChoice analysis of 40 private educational choice programs in 19 states plus D.C. summarizes the facts and evidence on the fiscal effects of educational choice programs across the

United States and finds they have provided up to \$28.3 billion in net fiscal savings to state and local taxpayers through Fiscal Year 2018. The programs in the analysis include three education savings accounts programs (ESAs), 19 school voucher programs, and 18 tax-credit scholarship programs.

The Public Benefit of Private Schooling: Test Scores Rise When There Is More of It

<https://object.cato.org/sites/cato.org/files/pubs/pdf/pa830.pdf>

This *Policy Analysis* from the Cato Institute examines the effect increased access to private schooling has had on international student test scores in 52 countries. The Cato researchers found that a 1 percentage point increase in the share of private school enrollment would lead to moderate increases in students' math, reading, and science achievement.

The Effects of School Choice on Mental Health

https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3272550

This study from Corey DeAngelis at the Cato Institute and Angela K. Dills of Western Carolina University empirically examines the relationship between school choice and mental health. It finds that states adopting broad-based voucher programs and charter schools witness declines in adolescent suicides and suggests that private schooling reduces the number of times individuals are seen for mental health issues.

Child Safety Accounts: Protecting Our Children through Parental Freedom

https://www.heartland.org/_template-assets/documents/publications/CSAccountsPB.pdf

In this *Heartland Policy Brief*, Vicki Alger, senior fellow at the Independent Women's Forum and research fellow at the Independent Institute, and Heartland Policy Analyst Tim Benson detail the prevalence of bullying, harassment, and assault taking place in America's public schools and the difficulties for parents in having their child moved from a school that is unsafe for them. Alger and Benson propose a Child Safety Account program, which would allow parents to immediately have their child moved to a safe school – private, parochial, or public – as soon as parents feel the public school their child is currently attending is too dangerous to their child's physical or emotional health.

Nothing in this *Research & Commentary* is intended to influence the passage of legislation, and it does not necessarily represent the views of The Heartland Institute. For further information on this subject, visit *School Reform News*, The Heartland Institute's [website](#), and *PolicyBot*, Heartland's free online research database.

The Heartland Institute can send an expert to your state to testify or brief your caucus; host an event in your state; or send you further information on a topic. Please don't hesitate to contact us if we can be of assistance! If you have any questions or comments, contact Heartland's government relations department, at governmentrelations@heartland.org or 312/377-4000.