Analysis of Georgia's Tax Credit Scholarship Program Is Based on Evidence

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Kevin Welner commented on our new report on Georgia's Tax Credit Scholarship Program. Even with his comments, we stand by the large amount evidence we used in our report and stand by our conclusions that the program:

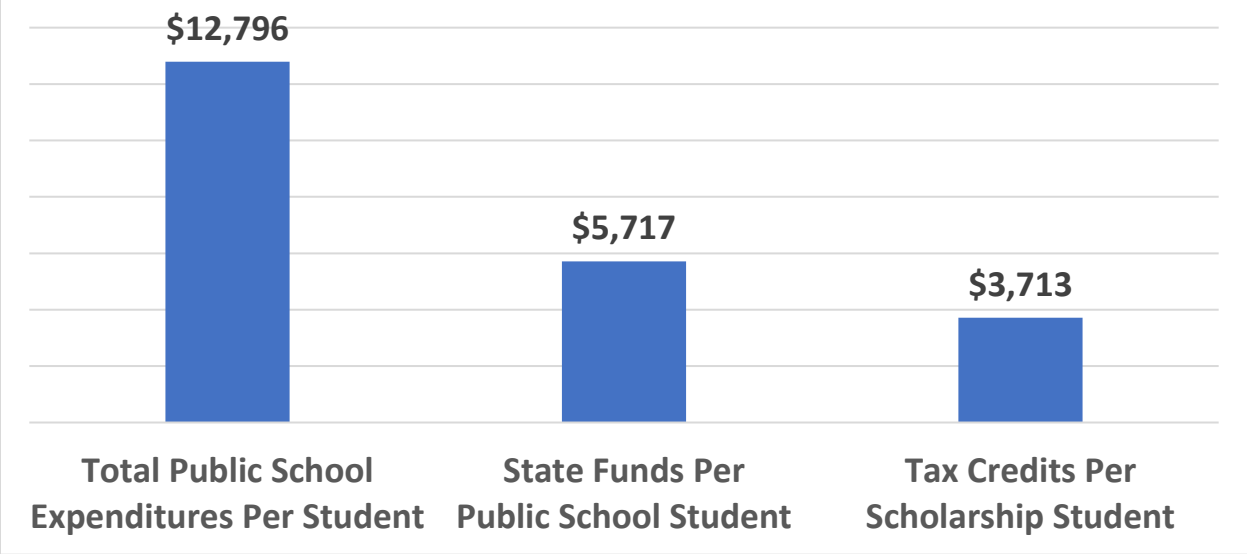
- Saves Georgia taxpayers a significant amount of money
- Displays a lot higher educational attainment among GOAL scholarship students relative to public school students.

He makes four major points, and we reply with a brief summary of the evidence on each one in turn.

First, Mr. Welner writes:

"Let's begin by accepting the underlying figures from 2018 used by Erickson and Scafidi: 13,895 students received a "scholarship" (voucher). The average taxpayer cost per voucher was $3,713 per student. The state average cost per pupil in public school was $5,717."

He does not have to merely "accept" these numbers, as they are facts—reported and publicly available on Georgia State Government websites. We clearly cite where those facts can be found on pages ii and 7 in our report.



Source: Public school expenditure and revenue data for 2018-19 were retrieved from the Governor's Office of Student Achievement, https://gaawards.gosa.ga.gov/analytics/K12ReportCard and data on donations to SSOs for calendar year 2018 were retrieved from the Georgia Department of Revenue, https://dor.georgia.gov/document/publication/2018-calendar-year-qualified-education-expense-creditreport/download

Second, Mr. Welner does not like the switcher rate we used in our analysis—the percent of scholarship students who would have been enrolled in a public school if the scholarship program did not exist. He cites two reports, one from 2011 and one from 2014. The 2011 report merely states that the true switcher rate was not observable in 2011. The 2014 report did not take a position on what the switcher rate should be. Importantly, since 2014 there has been a plethora of evidence about switcher rates when they have been observable. We cite this evidence on page 10 in our report (footnotes omitted below):

> Fortunately, we now have a large body of evidence from which to base the estimate of the percent of scholarship students who would be considered as "switchers" — those who truly switched from a public to a private school only because of the scholarship. Lueken (2020) has surveyed the evidence from six different school choice programs from around the nation that assigned scholarships via lottery. In each of these six scholarship programs, many more families sought to access these scholarships relative to the number of scholarships permitted by law. A variety of researchers studied these six programs and have created 27 different observations (across time) of the percent of families who did not win the lottery — families who applied for a scholarship via lottery, but ultimately did not win a scholarship — who then enrolled their children in a public school. Lueken (2019) created a weighted average of switchers from these 27 observations of the tens of thousands of families who did not win a random scholarship lottery across the six school choice programs over a few years of observation. He reports that in the studies of these six school choice programs, on average, 91 percent of families who were not awarded a scholarship via lottery enrolled their children in public schools (thus, these students would have been truly switchers and attended a private school only if they had received a scholarship). The remaining 9 percent enrolled their children in a private or homeschool setting. The median of these observations was 90 percent. In the interest of caution, we use this lower 90 percent figure in our analysis below and assume that 90 percent of students who applied to the QEE program would have attended a public school in absence of the scholarship program. Since no researcher or policymaker (or anyone) will ever observe how many scholarship students would have enrolled in a public school, this 90 percent figure is an estimate. Nevertheless, we take comfort that this estimate comes from such a large pool of observations that actually occurred in similar private school choice programs from across the nation.

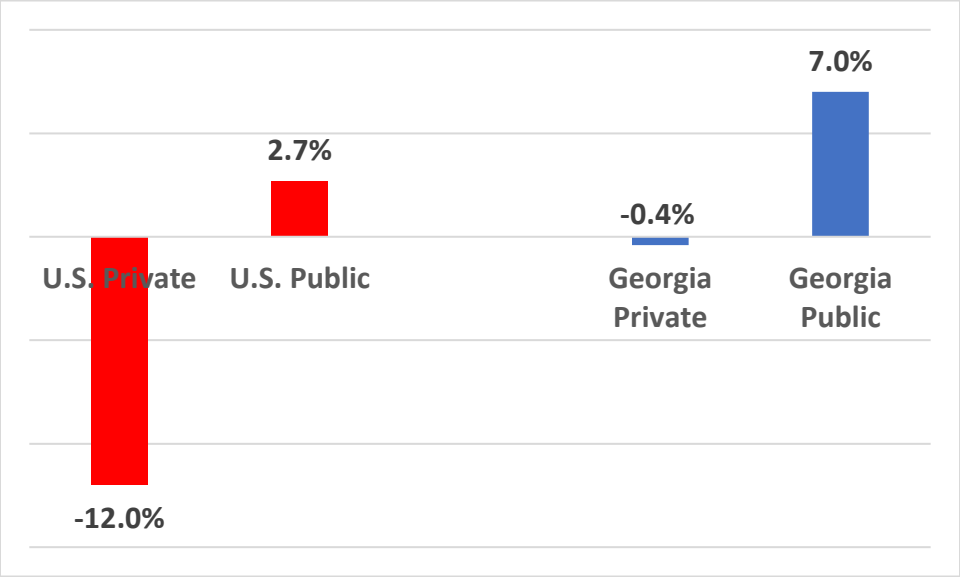
Findings on actual switcher rates from 27 different observations across time from six different school choice programs is a large amount of evidence—and we base our analysis on this evidence.

Mr. Welner also cites a 2001 study of an Arizona program that has zero requirements on scholarship eligibility. Georgia's program has eligibility requirements (prior attendance in a public school, where this requirement is waived only in limited cases—listed on page 2 of our

report). Thus, the switcher rate in Arizona's program is not a reasonable guide for Georgia because of this important difference in eligibility for scholarships.

There is more evidence on this issue—On page 15-16 in our report, we provide data on changes in enrollments in public and private schools in Georgia and nationally:

Change in Enrollments, 2008 to 2017



Sources: https://www.census.gov/data/tables/time-series/demo/school-enrollment/cps-historical-timeseries.html https://nces.ed.gov/programs/digest/d18/tables/dt18_203.20.asp?current=yes ; and data files provided to the authors by the Georgia Independent School Association.

And, about this additional evidence, we wrote on page 16:

> To the extent that Georgia's QEE Program has aided in keeping private schools from closing — and thereby keeping some non-scholarship students from enrolling in the public education sector — then this tax credit program is providing an additional fiscal benefit to Georgia taxpayers. In this report we do not attempt to quantify this fiscal benefit.

This evidence suggests that the program is giving scholarships to switchers, and that we are underestimating fiscal savings from Georgia's tax credit scholarship program.

Mr. Welner also does not like our estimate of the variable cost of educating students in public schools. As shown on pages 40-45 of our report—in an appendix that considers the evidence on this very issue—we use an estimate based on actual expenditure reductions by Georgia public school districts that experienced enrollment declines. There are four studies on this topic and three of them generate estimates that are almost identical—we went with the evidence from

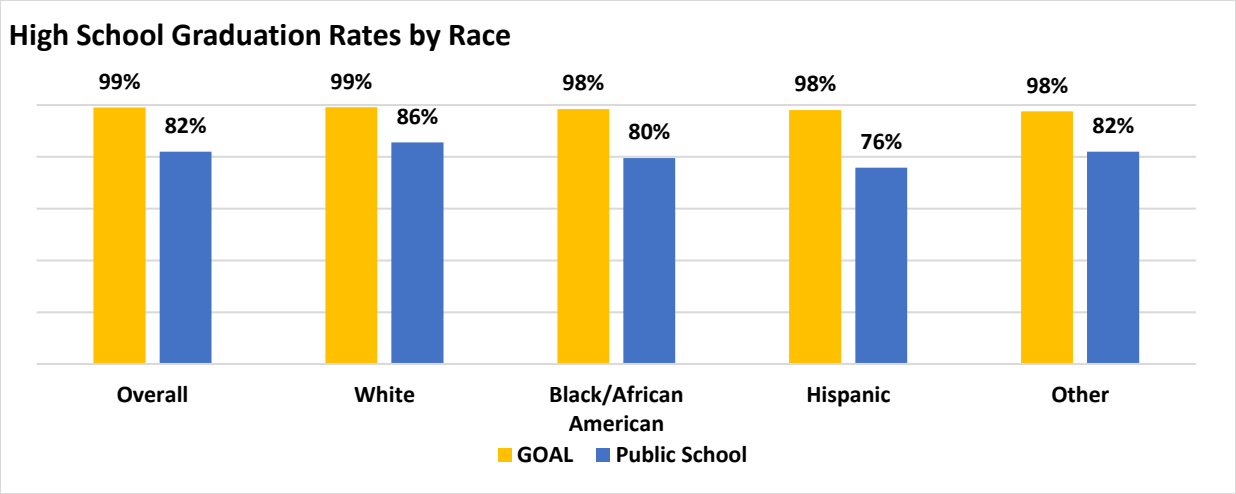
the three studies, which can be found here, here, and here. The fourth study generates an estimate of marginal cost per public school student significantly higher than ours—and if we had used it would have produced an estimate of fiscal savings that would have been dramatically higher than the estimate in our report. Thus, our approach is cautious in this respect.

The implication of Mr. Welner's belief that total variable costs of educating students in Georgia public schools is something like $1,272—and that the remaining $11,000-plus spent per student are fixed costs— is that the state of Georgia can save tens of millions of dollars per year by barely funding enrollment growth in Georgia public schools. That is, instead of giving local public school systems over $5,700 per new student in state funds, then the state should fund enrollment growth at Mr. Welner's significantly lower amount. As we wrote on page 44 in our report:

> If all or virtually all public school expenditures represented fixed costs, then public school systems would not need additional state funds for enrollment growth when they gained students, because all their costs are fixed. We certainly do not believe that almost all public school costs are fixed costs — and we certainly do not believe in eliminating state funding to public schools for enrollment growth. Fortunately, we do not have to rely on our beliefs and can look to research that has been done on this issue.

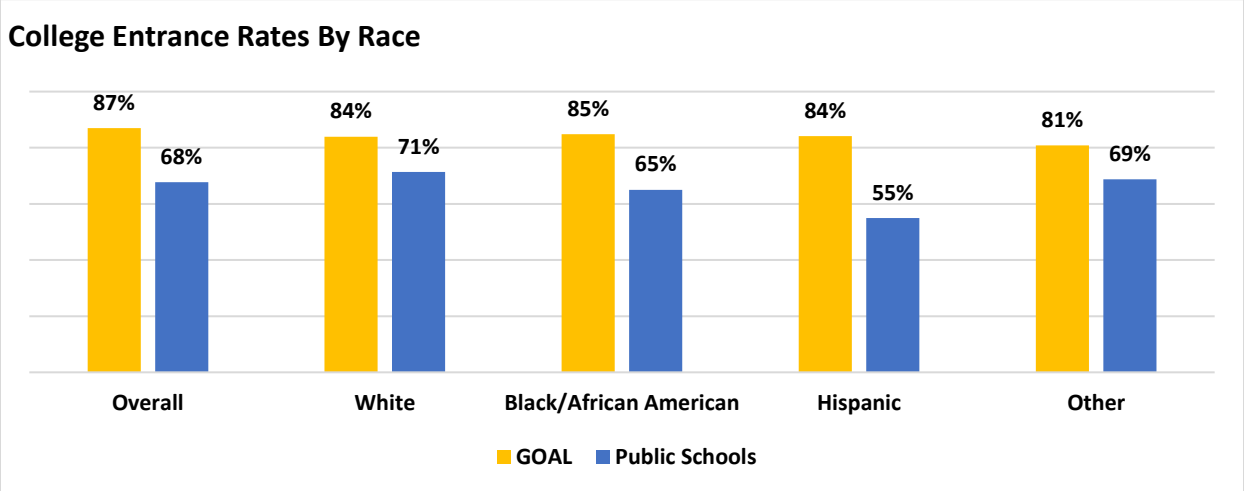
We do not believe that almost all public school costs are fixed, based on the evidence, and we have never heard public school officials suggesting they do not need much state funding for enrollment growth.

Third, Mr. Welner wants to see more data on graduation rates and college attendance rates. We furnish this data below. We did not originally report high school graduation rates for various racial groups as all groups of students participating in GOAL outperform their public school counterparts, as seen in below.



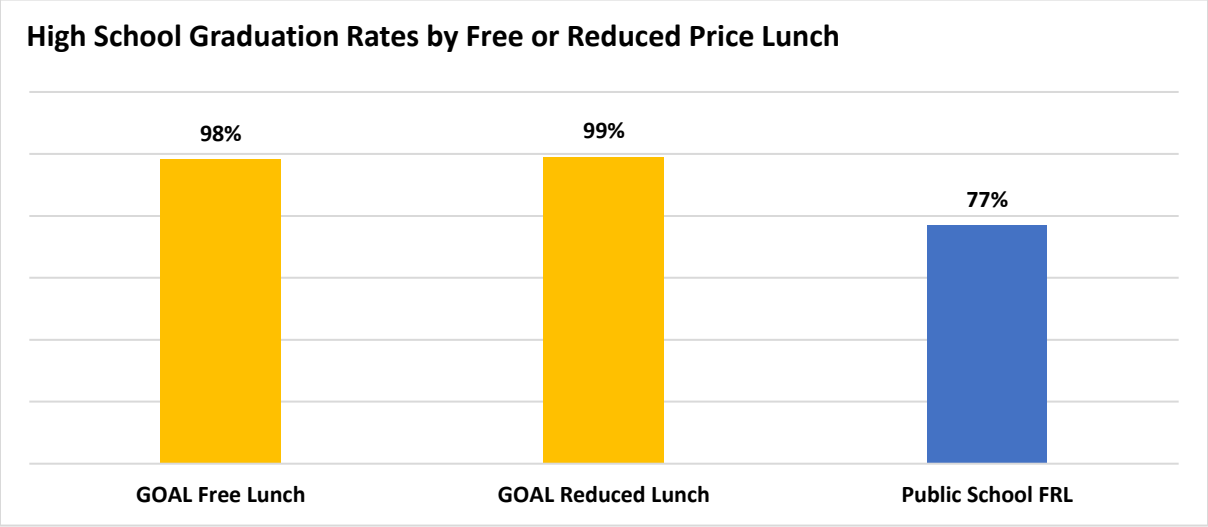
Sources: Data on GOAL students was provided by Georgia GOAL and includes a sample of 784 students who entered 9th grade in AY 2013-14, 2014-15, and 2015-2016 and graduate high school between AY 2016-17, 2017-18, and 2018-19. We combine these cohorts of GOAL students to calculate an overall high school graduation rate. Data on public schools come from The Governor's Office of Student Achievement, https://gosa.georgia.gov/report-card-dashboards-data/downloadable-data. We use the four-year graduation rates from AY 2018-2019.

GOAL scholarship students also have higher college entrance rates across different racial groups. To respect student privacy, there were too few Asians to report for GOAL scholarship students. To present cautious estimates, we downwardly adjusted each college entrance rate for GOAL students—refer to page 24 of our report for specifics.



Sources: GOAL college entrance rates are conditional on students having graduated high school. We adjusted GOAL's student-reported college entrance rates downward to account for summer melt to allow for a better comparison between GOAL and public school students; see the methods section for the economic analysis for more details on the calculations of summer melt. College entrance rates for public school students are also conditional on students graduating from high school and come from the Governor's Office of Student Achievement post-secondary report for FY2018-19, https://gosa.georgia.gov/report-card-dashboards-data/downloadable-data.

Additionally, we did not report the data separately for free lunch students and reduced price lunch students, because that data are not publicly available for public school students. In our data of GOAL students, we can separate out those who qualify for free lunch and those who qualify for reduced priced lunch. The figures below compare public high school graduation and college entrance rates for students qualifying for either a free or reduced price lunch to GOAL scholarship students who qualify for (a) a free lunch or (b) a reduced price lunch. GOAL students who qualify for free lunch graduate high school and enter college at a higher rate than public school students who qualify for free or reduced price lunch (FRL).



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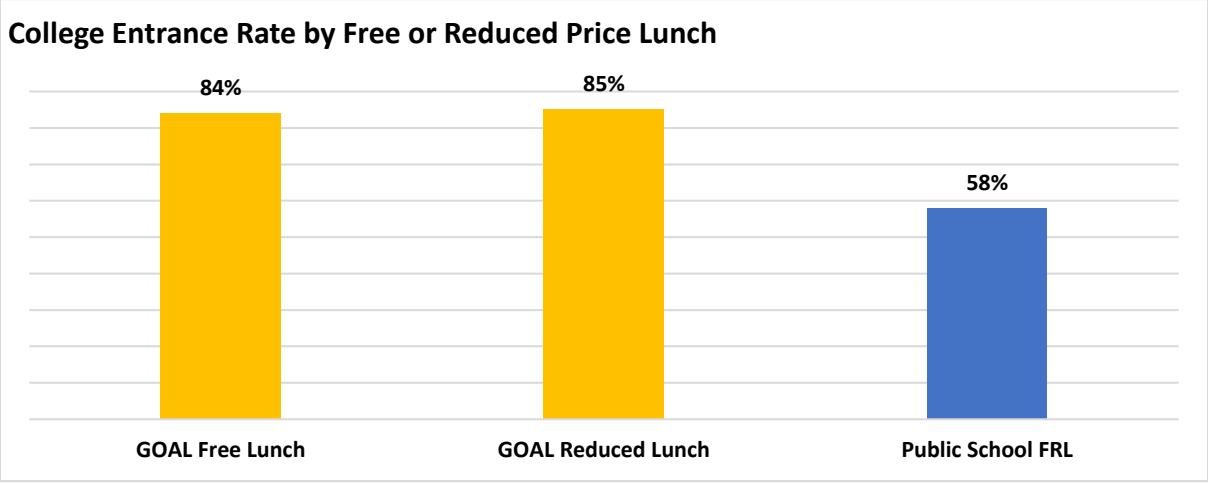

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conditional on students graduating from high school and come from the Governor's Office of Student Achievement post-secondary report for FY2018-19, https://gosa.georgia.gov/report-card-dashboards-data/downloadable-data.

As noted on pages 19-20 in our report, some public school students who are not truly low income are classified as such. That issue is not present in the GOAL data—another reason our analysis is cautious.

Fourth, Mr. Welner is worried about "attrition bias." Yes, some students change schools during their high school careers—some move among and between public and private schools and some move out of state. We calculated the high school graduation rate for GOAL Scholarship students using the exact same methodology that is used to calculate it for public schools. Thus, our comparisons are apples-to-apples.

We stand by our report's findings that Georgia's tax credit scholarship program saves taxpayers a substantial amount of money and that participating students display significantly higher rates of educational attainment. Both in the report and here, we have shown that our findings are based on a large amount of evidence. We encourage readers of the great Get Schooled Blog to read carefully our detailed report.