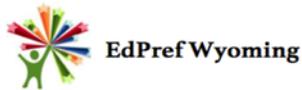


# Wyoming's Educational Savings Account and Tax Credit Program

Proposed by EdPref Wyoming and the Institute for Justice



## Introduction

Wyoming's future depends on its children, and its children's future depends on a quality education. Despite spending more than almost any other state on its public schools, Wyoming's students consistently rank average in reading, math, and other academic indicators when compared to the rest of the country.

We propose a school-choice program that would allow eligible families to individually tailor the education of their children through Education Savings Accounts (ESAs). These savings accounts would give families the freedom to pay for a private school, homeschooling, online classes, classes at a community college, tutoring, or some combination of all these options—all while helping them save for the future. The ESAs would be funded by voluntary donations from mining and oil companies in exchange for tax credits. This simple proposal would boost the quality of Wyoming children's education, all while actually saving the State money.

This four-page memo explains the proposed program, as well as similar programs' success in other states.

## Program at a Glance

- Education Savings Accounts for eligible families who choose to opt out of the public schools.
- The accounts would be for educational expenses, such as private-school tuition, tutoring, textbooks, curriculum materials (in the case of homeschooling), online learning programs, exam fees for standardized tests, educational therapies for disabled students, and/or college tuition and expenses.
- The accounts would be funded by voluntary donations from oil and mineral companies, in exchange for dollar-for-dollar tax credits against their severance taxes.
- A private Account-Granting Organization (A-GO) would be responsible for the administration of this program. This A-GO would solicit and



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receive the donations, as well as select eligible families for the accounts.

- Each student account would receive annual contributions of up to 50% of what the State would have spent to educate that child in the public school system, resulting in a savings for the State for each participating student.
- Amounts not spent in any year would roll over to the following year, allowing families to save for college tuition and expenses, trade school, etc. Any amount remaining in the account by the time the students turns age 22 or has graduated from college would revert to the A-GO.
- The program would be capped at \$5 million for first year with annual incremental increases every year the program is a success.

### School Choice's History of Success

Although all parents have a constitutional right to direct their children's education, many parents lack the financial resources to exercise this right effectively. School choice programs enable parents to do so.

The modern school choice movement began in 1989, when the Wisconsin Legislature passed the nation's first school choice program. Since then, 18 states, plus Washington, D.C. and Douglas County, Colorado, have enacted 39 school-choice programs across the country. This trend is only speeding up, with five new programs being passed in the last two years alone.

These programs have been a resounding success. Parents are in the best position to decide what schooling is best for their individual child. Choice encourages parents to be more involved in their children's education. In addition, freely chosen schools have greater accountability to parents, and more incentive to consistently improve. This is borne out by empirical research.

Twelve different studies show that school choice boosts academic outcomes for participating students.<sup>i</sup> School choice also does wonders for parental satisfaction, with multiple studies of different school-choice programs consistently showing over 95 percent parent satisfaction with the schools they chose for their children.<sup>ii</sup> One study of Arizona's ESA program found 100 percent parent satisfaction.<sup>iii</sup>

In fact, everyone wins with school choice, even the children who don't participate in the program. Twenty-two empirical studies show that school-choice programs boost the quality of public schools,<sup>iv</sup> which improve as the result of some good old-fashioned competition.

We expect this proposed program to have the same results.

### Eligibility for the Proposed Wyoming Program

Eligibility for the ESA will be determined according to federal guidelines on income. For example, in 2014, a family of four whose before-tax income was approximately \$83,475 or below would qualify

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for the program. This number will change slightly every year as the federal government adjust its guidelines on income. Eligible students must be at least 5 years old and may not attend a public school while participating in the program.

### Administration of the Program

The program would not be administered by the State, rather by one or more A-GOs. These nonprofit organizations would solicit donations for the program, as well as select which families should receive accounts and how much each account would receive. A-GOs would prioritize financial need in selecting eligible families and could not discriminate based on race, ethnicity, or religion. An A-GO also could not use more than 10 percent of its tax-credited donations on its administrative expenses.

### Program Benefits

The ESAs would provide invaluable assistance to children throughout their formative years. The A-GOs will provide an annual contribution to each ESA until the child graduates high school, turns 20 years old, attends a public school, or no longer meets the financial eligibility requirements for the program—whichever comes first. The ESA money could only be used for qualified educational expenses, such as private-school tuition, tutoring, exam fees for standardized tests, textbooks, online learning programs, curriculum materials (in the case of homeschooling), educational therapies for disabled students, and/or tuition and expenses for a postsecondary institution.

The students would be able to use the accounts even after high school, but eventually account balances will return to the A-GO. The accounts will close after the student either graduates from a postsecondary institution or after any period of four years in which the student is not enrolled in a postsecondary institution or in the military.

### Program's Financial Savings for Wyoming

Importantly, this program would not cost the State any money. In fact, it would save the State money, because A-GOs can give each student's ESA no more than 50 percent of what the State would spend to educate that child at his or her assigned public school, taking into consideration grade level, school district, and whether the child is disabled. In 2011, for instance, Wyoming spent, on average, \$15,925<sup>v</sup> to educate each of its students; 50 percent of this sum is \$7,963.

The bottom line is that for every student who participates in the program, the State will enjoy a substantial savings.

### Program Funding and Cap

The A-GOs would fund the accounts with donations from mineral and oil companies, given in exchange for dollar-to-dollar tax credits against their owed severance tax.

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For the first year of the program, allowable tax credits for donations to the program would be capped at \$5 million. This is only a tiny fraction of the severance tax that businesses pay every year. In Fiscal Year 2011, for instance, the State collected \$955 million in severance taxes.<sup>vi</sup> Although \$5 million may seem like a small sum, it would have a great impact. Five million dollars is enough to fund over 600 ESAs, even taking into account administrative expenses, which would result in millions of dollars of savings to the State. This is a big step for a program's first year in a State that only has 89,994 students.<sup>vii</sup>

The tax credits would be available on a first-come, first-served basis. There would be no additional caps on an individual company's contribution. This means that the entire program could be funded by just one company, or by multiple companies.

The program would also have room for expansion. Every year that 90 percent of the tax-credit cap is reached, the program would automatically allow a small incremental increase in this cap. In addition, if individuals or companies wish to donate to the program without receiving a tax credit, they would of course, be free to do so.

### Conclusion

Help us empower the parents of Wyoming. By doing so, parents will become more engaged in their children's education, and outcomes will improve. Give Wyoming's families school choice.

### Questions? Please feel free to contact us.

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i Greg Forster and the Friedman Foundation, *A Win-Win Solution: The Empirical Evidence on School Choice* (April 17, 2013) available at <http://www.edchoice.org/Research/Reports/A-Win-Win-Solution--The-Empirical-Evidence-on-School-Choice.aspx> (summarizing report).

ii *E.g.*, Jason Bedrick, *Surprise: In Indiana, Parental Choice Increases Parental Satisfaction*, National Review (Feb. 11, 2014), <http://www.nationalreview.com/corner/370833/surprise-indiana-parental-choice-increases-parental-satisfaction-jason-bedrick>.

iii *Id.*

iv Greg Forster and Friedman Foundation, *A Win-Win Solution: The Empirical Evidence on School Choice* (April 17, 2013) available at <http://www.edchoice.org/Research/Reports/A-Win-Win-Solution--The-Empirical-Evidence-on-School-Choice.aspx>.

v Governing, Education Spending Per Student by States, <http://www.governing.com/gov-data/education-data/state-education-spending-per-pupil-data.html>. Notably, this sum encompasses both disabled and nondisabled students. The state spends less to educate nondisabled students, so the average for just these students would be less, whereas the average for disabled students would be much higher.

vi Wyoming Taxpayers Association, Severance Taxes, [http://www.wyotax.org/severance\\_taxes.aspx](http://www.wyotax.org/severance_taxes.aspx).

vii New America Foundation, Federal Education Budget Project: Wyoming, <http://febp.newamerica.net/k12/WY>.