



The Education Trust—Tennessee

Vouchers: The Right Choice for Tennessee? Memo

Last Updated: 3/22/24

In November 2023, Governor Bill Lee announced his legislative proposal to expand to a statewide and universal voucher system ([TOG, 2023](#)). This memo describes Tennessee’s current voucher landscape, the potential impact of universal vouchers on our students, schools, and districts, and the status of the voucher proposal thus far.

What is a voucher?

A voucher program allows parents and caregivers to receive funding from public tax dollars to pay for private school and potentially other education services ([OREA, 2024](#)). Voucher programs vary by state, including eligibility, amount, allowable expenses, and transparency requirements. As a rapidly evolving and debated topic, vouchers and related terminology below are sometimes used interchangeably, and there are not universally agreed-upon definitions.

- **Individual tax credits and deductions:** Parents receive state income tax relief for approved educational expenses (e.g., tuition, books, computers, tutors, and transportation) ([OREA, 2024](#)). Families are responsible for paying private education expenses prior to the tax credit.
- **Tax-credit scholarships:** Individuals and businesses receive full or partial tax credits when they donate to nonprofits that provide private school scholarships. The tax credit amount is determined by state legislatures and affects scholarship availability and size ([OREA, 2024](#)).
- **Education Savings Accounts (ESAs):** Both of Tennessee’s current programs detailed below leverage education savings accounts, a type of voucher where the state government diverts public funds to government-authorized savings accounts for a wide range of expenses, which can be difficult for low-income families to navigate ([OREA, 2024](#)). TDOE noted our state uses ESA accounts for both existing programs (see below) for parents to avoid paying taxes on the voucher ([TDOE, 2024](#)).



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What voucher programs currently exist in Tennessee?

Figure 1: IEAs are targeted to students with disabilities, while ESAs focus on family income & location

	School Requirements	Family Requirements	Student Requirements	Voucher Amount
Individualized Education Account Program (IEA) (starting 16-17 school year)	Can be used at approved private schools across the state (632 schools) or homeschooling (TDOEa, 2023 ; TDOEb, 2023)	Parental consent to waive special education services under IDEA is required in order to receive an IEA voucher (T.C.A. § 49-10-1403)	Has an IEP w/specific disabilities (e.g., autism) (T.C.A. § 49-10-1402) Was previously enrolled in TN public school for entire school year or enrolling in TN school for the first time	\$9,153 on average for 2023-2024 school year depending on student needs (TDOE, 2024 ; TDOEb, 2023)
Education Savings Account Pilot Program (ESA) (starting 22-23 school year)	Enrolled in approved Category I, II, & III private schools in Davidson (31 schools), Shelby (35), and Hamilton County (12) (TDOEa, 2024 ; TDOEc, 2023). Students in Achievement School District schools as of 5/24/19 also qualify (TDOEd, 2023).	Household income below double federal eligibility for free lunch (\$78K for a family of 4 in 23-24 school year) or student is eligible for TANF (TDOEe, 2023) Parental consent to waive special education services under IDEA is required in order to receive an ESA (T.C.A. § 49-6-2603)	Enrolled in TN public school for entire school year or eligible to enroll for the first time starting in the 2019-20 school year and beyond (TDOEf, 2023)	\$9,070 in Davidson & Shelby County and \$8,944 in Hamilton for 2023-2024 school year depending on the lower amount between the district or state average; The full amount is withheld by the state, which then requires districts to apply for reimbursement, which can then only be used for school improvement efforts (TDOEa, 2024 ; TDOEb, 2024)



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What does data indicate about voucher quality in Tennessee?

Overall, there is less data, reporting, and accountability for Tennessee’s voucher programs compared to what is required for public schools and districts. For example, private schools are not included on the State Report Card, will not receive A-F letter grades, and will not face potential hearings based on letter grade performance to the Tennessee State Board of Education ([TDOE, 2024](#)). Based on the available data below, **Tennessee’s current ESA vouchers perform below their public school counterparts.**

Figure 2: Tennessee’s ESA Voucher Program underperforms public schools by 19 percentage points on average across math and ELA ([TDOEg, 2023](#)).

School Type	K-12 Math TCAP Proficiency	K-12 ELA TCAP Proficiency
Private ESA Voucher Schools	11.30%	22.80%
Public Schools	33.70%	38.00%
Difference b/w Public School & Voucher	-22.40%	-15.20%

Additionally, one ESA voucher private school reported state assessment growth data out of the 78 approved private schools. This may be due to reporting requirements and low participation rates, as 452 students participated in the ESA program last year ([TDOEc, 2023](#); [TDOEg, 2023](#)). **Across both math and ELA, student test scores declined ([SAS, 2023](#)).** As a result, the school **received a level 1 in TVAAS growth across the board, which is the lowest category, meaning there is significant evidence that students grew less than expected.**

What do data and research indicate about vouchers overall?

Academic Outcomes:

While the research is mixed, most recent studies indicate that vouchers have mostly negative or insignificant impacts on academic outcomes ([Cowan, 2023](#)). For example, research in **Louisiana** found that vouchers **negatively impacted student learning, with losses almost double those compared to the COVID-19 pandemic that persisted for years. These results are consistently negative or not significant across subjects ([Abdulkadiroğlu et al., 2018](#); [Erickson et al., 2021](#)).** Researchers in **Indiana** also found persistent negative effects on academic outcomes ([Waddington & Berend, 2018](#); [Barnum, 2023](#)). Further, as voucher programs increase in size, similar to Tennessee’s currently proposed universal voucher program, they often have increasingly negative results ([CEEP, 2022](#)). Older studies before No Child Left Behind school improvement efforts in 2002 and smaller voucher programs limited to low-income students are more likely to have positive outcomes ([Barnum, 2023](#)).



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Other Student Outcomes:

There are some positive impacts on non-academic outcomes like chronic absenteeism, high school graduation, college enrollment, and parent satisfaction, but they vary widely (Cowen, 2023 & Barnum, 2023). The researchers note that it may be explained by students who exited private schools and returned to public schools and the differences between families that utilize vouchers and those that do not (Cowen, 2023). For example, a meta-analysis across 15 studies found that parents with higher socioeconomic status are most likely to take advantage of school choice (Jheng et al., 2022).

Financial Impacts:

Researchers have also studied the financial impacts of vouchers, finding largely negative and unintended consequences. Voucher programs incentivize private schools to raise their tuition to increase their profits and ultimately limit low-income families from utilizing vouchers (Cowen, 2023 & Barnum, 2017). Additionally, universal programs, similar to the current proposal, are projected to be very costly for taxpayers based on evidence from Arizona (Barnum, 2023). Some analysis suggests vouchers could be a cost-saving measure for state governments, but this is not the case with the current IEA or ESA program because both use TN Investment in Student Achievement (TISA) calculations to determine funding (Lueken, n.d.; TDOE, 2024).

Student Impacts:

Not all students have the same access to private schools and vouchers, including students in rural schools and students with disabilities. For example, federal data demonstrates that only 1 out of 3 rural parents and caregivers report that their community has any non-public option, which is 16 percentage points less than families in cities (NCES, 2023). As a result, rural students are half as likely to enroll in private schools than other students (NCES, 2023). Given the lack of private school options, it is unlikely rural communities would benefit from the proposed universal vouchers if passed. As mentioned, Tennessee’s current voucher programs require parents to waive their rights special education services under IDEA in order to participate. However, a 2017 Government Accountability Office report found that 83% of school voucher participants were not informed of this change to their students' rights or were provided inaccurate information (GAO, 2017).

What do we know about the proposed voucher program thus far?

The voucher proposal continues to evolve as multiple amendments have been filed. Check out our [2024 Legislative Session Voucher Bill Tracker](#) for the latest updates.

Figure 3: Governor Bill Lee’s original universal and statewide voucher proposal substantially expands vouchers less than two years into the existing ESA voucher pilot.

	Universal and statewide voucher proposal (starting 24-25 school year)
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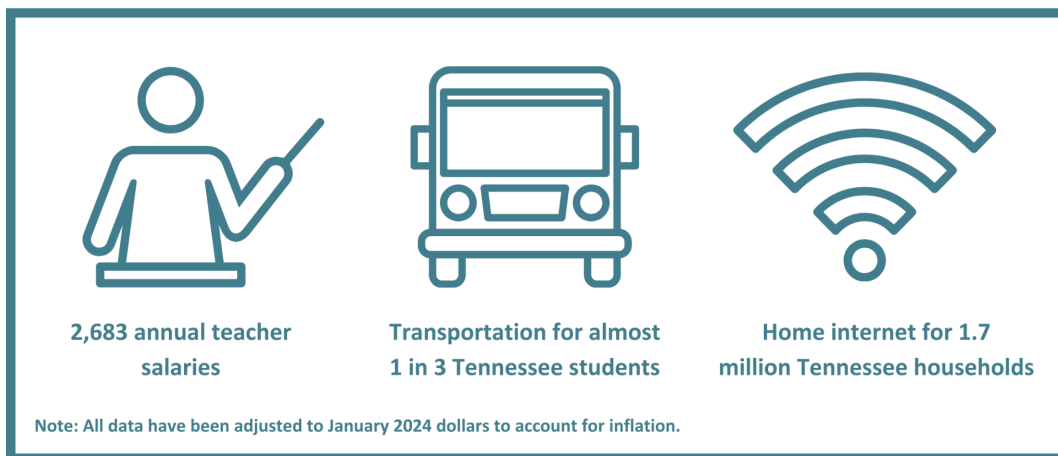
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School Requirements	All private schools category 1-5 or homeschool students in umbrella programs (Williams, 2023 ; TDOE, n.d. ; Aldrich & Testino, 2023)
Family Requirements	<u>2024-25 school year</u> : student at or below 300% of federal poverty level (\$90K per year for family of 4 in 2024) for first 10K students <u>2025-26 school year</u> : universal eligibility (Williams, 2023 ; KFF, 2024 ; TOG, 2023)
Student Requirements	<u>2024-25 school year</u> : have a disability or eligible for existing ESA program for first 10K students <u>2025-26 school year</u> : universal eligibility (Williams, 2023 ; TOG, 2023)
Voucher Amount	\$7,075 for up to 20,000 students in the first year & increasing annually (Aldrich & Testino, 2023 ; Williams, 2023)

How might Tennessee be financially impacted by the new voucher proposal?

The new voucher proposal **would be a ten-fold increase in the current student voucher population** ([Aldrich & Testino, 2023](#)). It could **divert up to \$141.5M in public taxpayer funds to private savings accounts in the first year alone** ([Aldrich & Testino, 2023](#)).

Figure 4: What could \$141.5 Million buy for Tennessee’s public education system each year? ([TSBE, 2022](#); [USAFacts, 2022](#); [New America, 2020](#); [US DOL, 2024](#)).



After one year of implementation, Governor Lee’s proposal will no longer base voucher eligibility on student need, and transition to a universal voucher that is available to any school-age child in Tennessee, regardless of income or current school enrollment. Nearly half (45%) of [Arizona’s](#) voucher recipients were from the top 25% of wealthiest districts, and 80% of applications were from



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students already enrolled in private or homeschool ([Williams, 2023](#); [GCI, 2022](#); [AZED, 2022](#)). As a result, **Arizona's** universal voucher program ballooned to 1,346% over budget ([SOS AZ, 2023](#)). Further, private schools in Tennessee cost \$11,341 per student on average, which is \$4,266 more than the value of the voucher, and likely not enough funding to expand access to students from low-income backgrounds ([Private School Review, 2023](#)).

Tennessee is facing uncertain economic conditions. Senate Finance Chair Bo Watson noted that budgets will likely be tightened for the upcoming fiscal year, given revenues were down \$39M in August alone ([Aldrich, 2023](#)). Further, Tennessee's education funding system is inherently more volatile because it relies on sales, mixed drink, and cigarette taxes that are dependent on positive economic conditions ([Ed Trust, 2021](#)).

Over 1 in 3 districts (39%) are projected to receive less per student under TISA during the 2023-2024 school year than the proposed voucher (\$7,075). For example, Fayette County Public Schools is projected to receive \$4,901 per student from the state through TISA, which is over \$2,000 less than what the same student would receive to leave their public school with the proposed voucher ([NCES, 2022](#); [TDOE, 2022](#); [TDOEh, 2023](#)).

What are key questions to ask decision-makers and influencers?

Accountability & Transparency:

- What are the goals of the program? What do we hope to accomplish for students? How will the State define success for this program? Will there be a program evaluation component?
- What assessments, data reporting, and accountability transparency for the new voucher proposal will be made available to families and the public? How will it compare to the requirements and practices of the existing ESA programs?

Funding & Fiscal Impact:

- What are the funding sources for the recurring universal statewide voucher proposal? How will funding be scaled and sustained?
- Will private schools be required to adjust tuition to accept the voucher as payment in full? If not, how will Tennessee ensure that students from low-income backgrounds can afford to attend a private school given the average private school tuition is \$11,341?
- Will hold-harmless funding exist for districts that experience enrollment drops due to vouchers? If so, how and when will it be phased out?
- What are the plans to monitor and report on any potential fraud and waste? What consequences will be implemented if fraud is found?
- How will vendors for services for ESA recipients be screened and approved (e.g., transportation and education and therapeutic services)?



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- What percentage of the voucher allocations will go towards administrative overhead costs to for-profit systems to transfer funding from the state to the schools or participating vendors?
- The research above noted that some private schools increase tuition in response to voucher programs. How will Tennessee prevent the private schools from increasing amounts and/or charging new, additional student fees?

Student & Family Impact:

- Both of Tennessee’s current voucher programs require parents to waive special education services under IDEA in order to participate. Will private schools be required to provide services to students with disabilities under the new universal voucher programs, and how will they ensure needs are met? Will the same parental waiver from IDEA protections be required?
- Gov. Lee said that the new proposal, if passed, would not replace the current ESA pilot program. Will students be able to access multiple vouchers if they meet eligibility requirements? How will that be managed?
- Will there be due process if a school conducts discriminatory or unethical practices against students, including during the admission process and beyond?

Where can I learn more?

- [Voucher Bill Tracker](#), Ed Trust - Tennessee, 2024
- [Voucher One-Pager](#), Ed Trust - Tennessee, 2024
- [Voucher Worksheet: Discussion Guide](#), Ed Trust - Tennessee, 2024
- [The Education Freedom Scholarship Act and Private Schools in Tennessee](#), The Sycamore Institute, 2024
- [Unpacking Tennessee's Education Savings Account/Voucher Program](#), Nashville Public Education Foundation, 2024
- [What We Know about the Impact of School Vouchers](#), Nashville Public Education Foundation, 2024
- [Do school vouchers work? Here’s what research really says](#), Chalkbeat, 2023
- [School Vouchers: Myth vs. Fact](#), Georgia Budget & Policy Institute, 2021
- [The Impacts of Universal ESA Vouchers: Arizona’s Cautionary Tale](#), SOS Arizona Network, 2023

Have questions? Let us help find the answers! Email bsommers@edtrust.org to ask.