

Citizen's State Referendum Number 1 Impartial Analysis

General Background on Citizen's State Referendum Number 1

Citizen's State Referendum Number 1 asks Utahns to vote for or against implementation of H.B. 148, Education Vouchers, which the Legislature passed in February 2007. H.B. 148 establishes the Parent Choice in Education Program, which provides state-funded scholarships for qualifying children to attend eligible private schools.

Another bill that was passed by the Legislature in February 2007 is H.B. 174, Education Voucher Amendments. H.B. 174 makes changes to the Parent Choice in Education Program.

The Utah Supreme Court ruled that if a majority of voters vote for implementation of H.B. 148, then the Parent Choice in Education Program under H.B. 148 and H.B. 174 will be established. If a majority of voters vote against implementation of H.B. 148, then the Program will not be established.

The Parent Choice in Education Program

The Parent Choice in Education Program provides annual, state-funded scholarships for qualifying children to attend eligible private schools. Scholarships under the Program range from \$500 to \$3,000 per student, depending on family size and income. Those scholarship amounts will be increased annually by the same percentage of increase in public school per-student funding. Under the Program, school districts will be allowed to retain some per-student funding for scholarship students who transfer to private schools.

Qualifying for a scholarship

To qualify for a scholarship under the Parent Choice in Education Program, a student must meet at least **one** of the following criteria:

- be born after September 1, 2001;
- be enrolled as a full-time student in a Utah public school on January 1, 2007;
- not be a Utah resident on January 1, 2007; or
- be in a lower income family.

In addition to meeting one of those criteria, to qualify for a scholarship the student's custodial parent or legal guardian must reside in Utah. The student must also be between five and 19 years old, except that a student who has not graduated from high school may qualify up to age 21. If a student with a disability already receives a Carson Smith scholarship, that student may not qualify for a scholarship under the Parent Choice in Education Program.

Eligible private schools

To be eligible to enroll students qualifying for a scholarship, a private school must meet specified requirements, including:

- meeting financial stability criteria;
- complying with certain federal, state, and local laws;
- disclosing to parents the special education services that the school provides and the cost of those services;
- administering annual student academic achievement tests;
- hiring teachers with at least a college degree or with special expertise;
- providing to parents the qualifications of the school's teachers; and
- having at least 40 students.

A school is not eligible to enroll scholarship students if the school operates in a residence, encourages illegal conduct, or is a licensed residential treatment facility.

Scholarship amounts

The Parent Choice in Education Program provides for annual scholarships ranging from \$500 to \$3,000 per student, depending on the income of the student's parents and the size of the student's family. The following chart shows examples of the scholarship amounts for which a student may qualify based on the income of the student's parents and the student's family size:

Per-student Scholarship Amounts Based on Family Size and Income				
2007-08 School Year				
Family Size (includes parent(s))	Family Income			
	\$30,000	\$70,000	\$110,000	\$150,000
2	\$2,750	\$500	\$500	\$500
4	\$3,000	\$2,000	\$500	\$500
6	\$3,000	\$2,500	\$1,750	\$500
8	\$3,000	\$2,750	\$2,000	\$1,000

The scholarship amounts will be increased in future years by the same percentage as increases that the Legislature makes to public school per-student funding. The amount of a scholarship under the Program may not exceed the actual amount of tuition the student pays to attend the private school.

Mitigation money for school districts

Currently, each school district receives state funds under a formula that is based on the number of students enrolled in the school district. If a student transfers from a public school to a

private school, the school district would, under present law, no longer receive the state per-student funding for that student.

The Parent Choice in Education Program allows a school district to continue to receive a portion of the per-student state funding for a scholarship student for a period of five years after the student transfers to a private school.

Potential conflicts with the United States or Utah Constitution

Under the Parent Choice in Education Program, public funds will be used to provide scholarships for students who attend private schools, including private religious schools. The use of public money for students attending private religious schools may conflict with federal or state constitutional provisions that prohibit the use of public money for religious purposes. In addition, other aspects of the Program may conflict with equal protection provisions of the federal or state constitution or with state constitutional provisions relating to the State Board of Education's authority or the scope of the public education program. Because of the Program's unique characteristics and the lack of a directly applicable court ruling, it is unclear how a court would rule on any of these issues.

Fiscal impact

State impact

Based on certain assumptions, the Legislative Fiscal Analyst estimates that the Parent Choice in Education Program will cost the state:

- \$5,500,000 during the Program's first year; and
- \$71,000,000 during the Program's 13th year, after all private school students in Utah have become eligible for a scholarship.

These costs will be paid from general state tax revenues.

School districts impact

Based on certain assumptions, the Legislative Fiscal Analyst estimates that school districts statewide will together save:

- \$2,400,000 to \$11,500,000 during the Program's first year; and
- \$11,000,000 to \$28,000,000 during the Program's 13th year, after all private school students in Utah have become eligible for a scholarship.

These savings occur because school districts will have fewer students to educate as some students transfer from public to private schools. The low estimates use the state's traditional enrollment-based method for funding basic public education. The high estimates are based on average total per-pupil expenditures.