

What Is an Education Savings Account?

An ESA Is a Ticket to the Future for All Oregon Students, Today

Oregon students, regardless of their ZIP Codes or income levels, deserve the opportunity for an education that fits their unique needs and goals. Education Savings Accounts put more options within reach for all students—especially for low-income children and students with special needs.

ESAs direct a percentage of the funds the state would otherwise spend to educate a student in a public school to the student's family to spend on private school tuition and/or other approved educational expenses.

Senate Bill 668 establishes an Education Savings Account program in which funds are deposited in accounts for use by parents to pay for some of their children's educational expenses.

- Participating children with a household income less than 185 percent of the federal poverty level and participating children with a disability, as defined in ORS 343.035, would receive \$6,500 deposited into their accounts.
- All other participating children would receive \$4,900 deposited into their accounts.

ESAs give parents much-needed flexibility to customize their children's educations. The student's family may use ESA funds on private school tuition or other qualified educational expenses. Approved uses for ESA funds may include textbooks, online classes, tutoring, testing, AP classes, dual-enrollment courses, private school tuition, homeschool expenses, and other education-related fees.

Funds remaining in the account after expenses may be "rolled over" for use in subsequent years, including post-secondary education within the State of Oregon. Parents must apply to participate in the ESA program by entering into a written agreement with the State Treasurer. The State Treasurer may deduct as much as three percent from each grant for administrative costs.

Currently, Arizona, Florida, Mississippi, North Carolina, and Tennessee have active ESA programs limited to particular groups of students, such as those with special needs. The proposed Oregon bill would introduce a "universal" ESA program covering all K-12 students.

ESA programs in other states are frequently designed so **the amount of funding support provided to participating students is less than the amount the state would otherwise pay** for a student to attend public school, with the state recouping the difference. Policymakers can choose to reinvest the funds in state education funding, redeploy the funds elsewhere, or reduce taxes, fees, and charges. In this way, **ESAs can provide a net fiscal benefit to state and local government budgets.**

A fiscal analysis of SB 668 finds it would cost the state approximately \$128 million a year but would lead to savings of about \$130 million a year to local school districts, for a net state and local impact of approximately \$2.2 million in reduced costs. **There is virtually no net impact on per-student spending for students who choose public K-12 education.**

