NEPC Review: Fiscal Factbook: 2025 Edition (EdChoice, July 2024)

Reviewed by:

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Rutgers, The State University of New Jersey
New Jersey Policy Perspective

September 2025

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Summary

As enrollments in school privatization programs grow, advocates continue to argue that school vouchers and education savings accounts (ESAs) have positive effects on public school finances. In its *Fiscal Factbook: 2025 Edition*, EdChoice, a well-known advocate of school privatization, presents a collection of data points offered in support of two core claims: that vouchers and ESAs save taxpayers money, and that public schools benefit financially when they experience enrollment losses due to such programs. The data provided, however, do not constitute evidence supporting those assertions. The claim, for example, that per-pupil public school funding has increased substantially even as school privatization has grown, is undermined by the report's use of an inappropriate inflation adjuster. Furthermore, correlations between aggregate spending across the nation and school voucher growth are meaningless when privatization programs, as well as many other factors affecting costs, vary greatly among states. Similarly, simple comparisons of privatization programs' expenditures and public school spending do nothing to inform a comparative analysis of each sector's cost, especially when differences in student populations and outcomes are omitted. These, and other faulty attempts to use data to back up its claims, render the report useless for informing school funding policy.

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I. Introduction

Recent growth in school privatization programs—including private school vouchers and education savings accounts (ESAs)—has renewed the ongoing debate about their fiscal effects, both on state finances and on local public schools and school districts. While critics cite research showing negative effects on student achievement[1] and public school funding,[2] advocates claim these school privatization programs actually have fiscal benefits.

The latest attempt to support this argument comes from EdChoice, a think tank well known as a supporter of school privatization. In its *Fiscal Factbook: 2025 Edition*,[3] EdChoice attempts to support its case for the fiscal benefits of vouchers and ESAs by packing a large amount of data into a single report.

II. Findings and Conclusions of the Report

The report is a collection of data points it claims supports the expansion of school privatization through vouchers and education savings accounts. One of its stated primary goals is to "dispel common myths"[4]—all of which, interestingly, are criticisms of its preferred privatization policies. Based on statistics presented, the report makes several assertions, including that:

- Funding has increased substantially for public K-12 schooling, even accounting for inflation, indicating that expanded privatization has not impaired public school spending.

- The fiscal health of school districts has improved even as school privatization has proliferated.
- Districts remain fiscally healthy because state-based funding protections have mitigated any harm they may have suffered due to the growth of school vouchers and ESAs.
- School privatization programs are cost-effective, saving taxpayers money.
- Given the flexibility of schooling costs, districts should be able, eventually, to cut spending as enrollments decline and ultimately suffer no ill effects.

III. The Report's Rationale for Its Findings and Conclusions

The report consists of a series of charts and tables, mostly derived from standard sources, reporting a variety of descriptive data. These figures and tables are accompanied by short paragraphs that assert the data presented support the report's claims in favor of school privatization policies. Notably, no evidence is presented on the academic outcomes of students who participate in voucher and ESA programs.

IV. The Report's Use of Research Literature

Almost every citation in the report is to another report published by EdChoice, or to literature written by an EdChoice staffer. The report contains only one passing reference to a 2007 peer-reviewed study in a recognized academic journal. There are no references to any peer-reviewed studies on school finance or education cost analysis.

V. Review of the Report's Methods

The report begins with a reasonable description of state-level school finance policies, based almost entirely on a 2025 report from EdBuild, a well-known source of information on school funding. Following that is a series of data presentations accompanied by arguments that the data provide sufficient evidence to "dispel common myths" about school privatization programs.

Much of the data presented as support for these claims comes from standard, reliable sources. For example, the primary source for student, staffing, and fiscal data was the National Center for Education Statistics. Furthermore, most of the data derived from the authors' calculations appear to be reasonable and accurate, although documentation of data collection and validation is light.

VI. Review of the Validity of the Findings and Conclusions

However, while the data presented may be accurate, it repeatedly fails to provide evidence that justifies the report's conclusions. What follows are several examples of this lack of validation.

Increases in K-12 Spending Over Time

The report argues that K-12 spending has increased substantially over time, and that most of the increase can be attributed to the growth in non-teaching staff. This growth, the report argues, demonstrates both that the expansion of school privatization has not slowed investment in public schools, and that policymakers must "rethink funding priorities to ensure more resources reach students and families directly."[5]

To buttress its claims of increased spending, the report presents a graph showing changes in U.S. public school expenditures over time.[6] The graph, however, shows spending adjusted for consumer inflation as measured by "CPI-U," the Consumer Price Index for All Urban Consumers, a product of the Bureau of Labor Statistics.[7]

But as scholars of school finance note, this inflation adjuster is inappropriate for use in analyzing changes in school spending over time.[8] Because K-12 schooling is a labor-intensive undertaking, inflation in the cost of schooling is more accurately reflected in comparable wage variations, not in consumer goods variations. Using CPI-U as a cost adjuster can significantly overstate the rise of education spending.[9]

In addition, the report provides no empirical evidence that increased administrative or support staff spending is inefficient, meaning it has no effect on student outcomes. There is, in fact, evidence that support personnel can have a meaningful and positive effect on student achievement.[10] Furthermore, a national aggregation of expenditures says little about how school privatization growth, which varies greatly from state to state—along with many other factors that drive changes in costs—correlates with changes in school spending.

Fiscal "Health"

The report contends that the "fiscal health" of school districts has improved over the last two decades, even as school privatization has increased. As evidence, it presents graphs that show that the amount of cash and securities held by school districts has increased faster than their debt. This increase in the "cash-reserves-to-debt ratio" occurred even as voucher and ESA programs expanded.

What the report fails to explain is that this ratio is, at best, an incomplete measure of school district fiscal health. Research suggests that there is no single factor, or even set of factors, that can predict school district financial stress.[11] Furthermore—and as the report itself concedes[12]—recent increases in school districts' cash reserves are likely inflated due to the one-time infusion of federal revenues due to COVID-19 relief for schools, making the cash-reserves-to-debt ratios a less reliable predictor of long-term financial conditions. In addition, peer-reviewed research has, in fact, found that school choice can contribute to school districts' fiscal stress.[13] In sum, the report's reliance on a single, questionable measure is not nearly enough evidence to uphold its argument that school privatization has a positive effect, or even no effect, on school district fiscal health.

Funding Protections

The report acknowledges that enrollment losses due to the expansion of school privatization can cause financial strain on public schools, primarily through the loss of state aid, which is allocated on a per-student basis. However, the report also contends that many states have protections in their funding formulas that cushion the blow of enrollment losses, protecting the budgets of those districts that lose students—including losses to private schools. The report lists the states with such provisions, but does not attempt any evaluation that would determine whether the amount of revenues available are enough to cover the additional costs districts incur.

The report refers to an earlier EdChoice report[14] that argues enrollment declines create a "windfall" for school districts, as their revenues per pupil grow faster than the revenues of districts facing enrollment increases. A review of that report, however, finds multiple flaws that render its conclusions invalid.[15] Among them is the failure to fully consider that structural cost differences may keep districts from using additional revenues in ways that improve student outcomes. This failure is largely the result of the report's adherence to its theory of "fixed" vs. "flexible" spending.

Fixed vs. Flexible Spending

School finance scholars have long acknowledged that per-pupil education costs are not perfectly elastic to enrollment changes; in other words, the cost of schooling does not rise or fall in perfect alignment with student enrollment increases or decreases. Expenditures that are resistant to changes in enrollment are referred to as "fixed" spending. As an example: a school building must be heated, cooled, cleaned, and otherwise maintained, regardless of how many students are enrolled. A school at only three-quarters capacity has roughly the same maintenance costs as one at full capacity, because those costs are fixed.

As in previous EdChoice reports, this report acknowledges that schools do have fixed costs. However, it also contends—without any empirical evidence in support—that, over time, all school costs become flexible; therefore, any increases in costs due to enrollment declines are, at worst, temporary and can be managed.

There are at least two major problems with this argument. First, and as noted in another review of an EdChoice report,[16] school finance research clearly shows that there are economies of scale in education. Smaller schools and school districts have higher fixed costs than larger schools and school districts.[17] When school privatization programs create enrollment losses in public schools, they potentially make those schools inefficiently small. Second, there are substantial costs to implementing and administering a school privatization program.[18]

These costs induce spending that could otherwise be used on programming and personnel to improve student outcomes.

Education "Cost"

The report omits any mention of student outcomes in its discussion of the purported cost savings of school privatization. Yet it is impossible to determine the fiscal effects of privatization without accounting for outcomes. In school finance research, "cost" refers to the amount needed to have students reach a particular educational goal.[19] Schools that spend less do not necessarily "cost" less if their outcomes are worse than higher-spending schools with similar characteristics but better student outcomes.

The report contends privatization programs reduce costs, because the amount of revenues per pupil in those programs is less than the per-pupil expenditures of public schools.[20] It fails to acknowledge, however, the body of research that shows significant declines in student outcomes for large-scale school voucher programs.[21] Lower expenditures combined with lower outcomes do not, by definition, represent lower "costs." The report also fails to acknowledge the significant differences in private and public school student characteristics,[22] even as it acknowledges those differences are drivers of costs.[23] In other words: It does not necessarily save taxpayers money to move children whose educational needs are less expensive into private schools that spend less per pupil, leaving students with more expensive needs in public schools.

VII. Usefulness of the Report for Guidance of Policy and Practice

The report packs extensive data into its pages; however, little is relevant to the report's core assertions. Overall increases in per-pupil expenditures, even when overstated, do not prove school privatization programs have positive fiscal effects (or even no effects) on public schools. Reserves-to-debt ratios are not, by themselves, adequate measures of school fiscal health; even if they were, considered in isolation they could not indicate any positive or negative causal connection between school privatization and public school fiscal distress. Similarly, simple comparisons of school voucher and ESA expenditures with per-pupil spending in public schools tell us nothing about the relative costs of each, given the differences between public and private school students and outcomes.

Policymakers may be tempted to embrace the report's conclusions based on its attractive and extensive presentations of data from standard sources. A close reading of this report's arguments, however, show its primary claims remain unsupported. For that reason, lawmakers and other stakeholders should simply ignore this report.

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