

School Choice Competition vs. New Education Spending

Estimating the Academic Benefits for Public School Students

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How should states invest limited education dollars to raise student achievement at scale? This research synthesis compares two approaches in Florida: scaling private school choice, which introduces competitive pressure on public schools, versus increasing K-12 education spending directly. Drawing on the most rigorous evaluation of competitive effects to date and the leading meta-analysis of school spending effects, this analysis estimates the relative return on investment of each approach for public school students.

KEY FINDINGS

11.2x More Cost-Effective

Scaling the Florida Tax Credit Scholarship Program produced achievement gains for public school students over eleven times larger than equivalent K-12 spending increases. The competitive effect cost just \$127 per public school student per year. To achieve the same effect via increased spending, education budgets would have needed to increase by \$1,423 per student per year—\$2.84 billion vs. \$31.8 billion over fifteen years.

Effects Grow at Scale

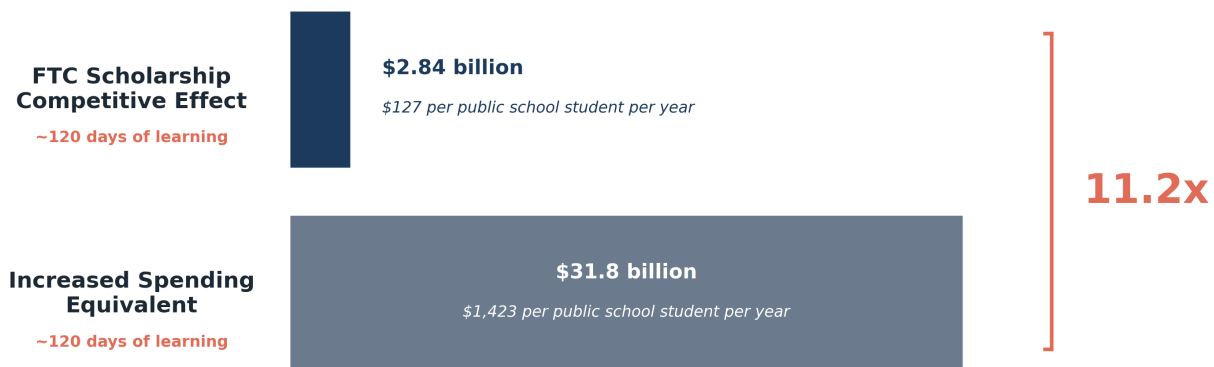
Unlike most education interventions in which cost increases and impact goes down as programs attempt to reach meaningful scale, the competitive effects of school choice in Florida grew as the program scaled and affected the majority of K-12 public school students in the state. Few reforms can reach so many students so cost-effectively.

The True Return on Investment Is Likely Even Larger

This analysis makes several conservative assumptions that likely understate the true effect of competition. It does not include equilibrium effects shared by all public school students, cost savings when students switch to private schools, or the well-documented tendency for education interventions to produce smaller effects at scale—which would cause spending increases to underperform their meta-analytic average effect.

CUMULATIVE COST TO PRODUCE THE SAME ACHIEVEMENT GAIN

What would it cost to match the FTC Scholarship competitive effect (~120 days of additional learning) for the same number of public school students over the same 15 year period?

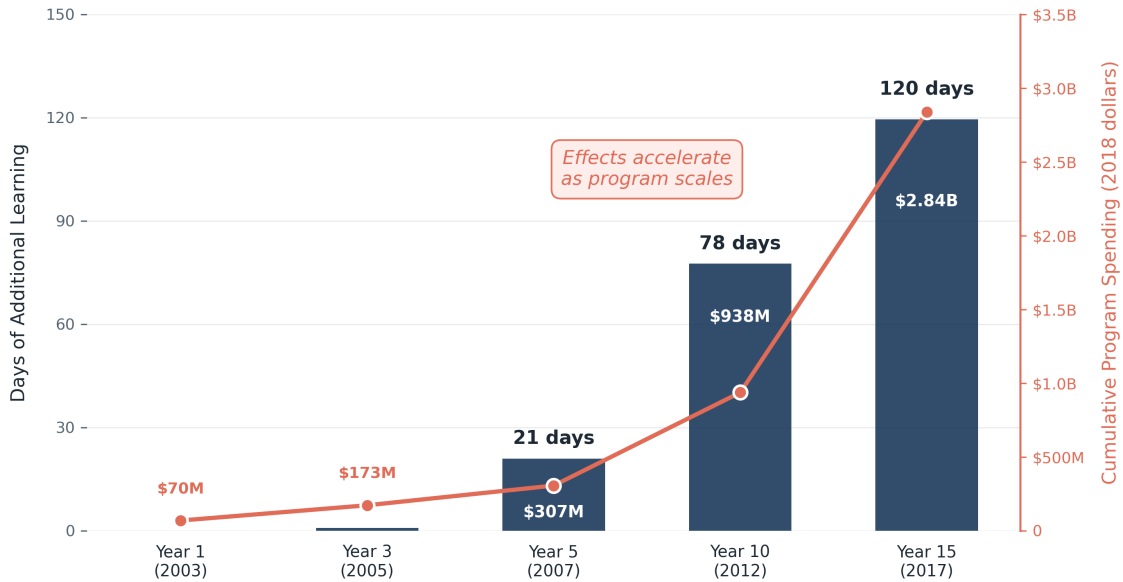


Calculations based on Figlio et al. (2023) competitive effect (0.166 SD, reading, 15 years) and Jackson & Mackevicius (2024) spending effect (0.0079 SD per \$1,000/pupil/year in 2018\$). 11.2x ratio uses counterfactual of students in K-12 schools in Florida facing above-median competition (22.4M student-years). Per-pupil figures are annual averages over 15 years in 2018 dollars. See Supplementary Calculations spreadsheet.

COMPETITIVE EFFECTS GROW OVER TIME

FTC scholarship program:

Cumulative effect on public school achievement vs. program cost



Source: Figlio et al. (2023), reading scores. Days of learning: 0.25 SD = 180 days (Bloom et al., 2008). Cumulative spending from Scale vs. Spend Supplementary Calculations in 2018 dollars. Years 1 and 3 effects are below 1 day of learning (0.0 and 0.8 days, respectively).

DOES FUNDING SCHOOL CHOICE HARM PUBLIC SCHOOL STUDENTS?

After the first 15 years of Florida's private school choice scholarships program, public school students in higher-competition areas actually improved faster and gained 120 additional days of learning. Today, over 500,000 students use one of Florida's school choice programs. Despite this, Florida's K-12 public school students outperform states with no school choice on the National Assessment of Educational Progress (NAEP) despite spending significantly less per pupil.

POLICY IMPLICATIONS

States considering how to allocate scarce dollars for education should consider school choice policy as both a way to create options for families and students who need them and as a system-level education reform that improves public school student outcomes for a fraction of the cost of traditional education spending increases. All states have the opportunity to bring additional educational resources and increased competition to their state through the new federal Education Freedom Tax Credit (EFTC) starting in 2027, if their governor opts in. The EFTC will directly benefit both public and private school students through scholarships for educational expenses like tuition, tutoring, special education services, and transportation. Beyond these direct benefits—if Florida is any guide—all participating states will benefit from an increased competitive dynamism in their education systems as well.

ALLOCATING EDUCATION DOLLARS FOR GREATEST IMPACT

- Over time, every dollar Florida invested in school choice generated outsized returns for public school students through competition. If that same funding had been used to increase public school budgets instead, the best school spending research predicts that public school students would have gained an additional couple weeks of learning, not the six months promoted by school choice competition.
- After fifteen years, the 55% of K-12 public school students in high competition areas — over 1.5 million students in 2017 — were two-thirds of a school year ahead in reading on average, with low-income students even further ahead.
- Does education funding work? Certainly, but how you spend education funding and the incentives of the system within which you spend matter tremendously. Funding school choice is not a zero-sum game. This research demonstrates that you can fund school choice and public schools in a way that creates benefits for all students.

Sources: Figlio, D. N., Hart, C. M. D., & Karbownik, K. (2023). Effects of Maturing Private School Choice Programs on Public School Students. *American Economic Journal: Economic Policy*, 15(4), 255-294. Jackson, C. K., & Mackevicius, C. L. (2024). What Impacts Can We Expect from School Spending Policy? *American Economic Journal: Applied Economics*, 16(1), 412-46. All dollar amounts in constant 2018 dollars.

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