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# **A Choice For Every Child:**

Utah's changing K-12 landscape & the *Utah Fits All* scholarship

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## About the Authors



**Glenn Farley** is CSI Arizona's Director of Policy & Research. Before joining CSI in 2022, Glenn worked in the Office of the Arizona Governor, most recently as Gov. Doug Ducey's Chief Economist and a policy advisor. In that role he advised on issues of tax, fiscal, and regulatory policy, and was one of the Governor's lead architects of his two major tax reforms – including the 2021 income tax omnibus which phased in a 2.50% flat tax (the lowest in the country). Glenn also led the budget team that produced the Executive revenue forecasts and caseload spending numbers that have helped ensure the longest run of structurally balanced budgets in State history.



**Kamryn Brunner** is CSI Arizona's research analyst. In May 2022 she graduated from Grove City College with a B.A. in economics. She has interned for The Western Journal and has worked as a volunteer, page, and legislative aide in the South Dakota state capitol. She has also worked for a grassroots organization in Washington D.C. advocating for parents' rights in education. This background has given her a passion for understanding state governments and providing them with the information needed to serve their state in a beneficial way.



**Chris Brown** is the Vice President of Policy and Research with the Common Sense Institute where he leads the research efforts of CSI to provide insightful, accurate and actionable information on the implications of public policy issues throughout the state of Colorado. Prior to joining CSI in September of 2017, Chris spent close to a decade working for REMI (Regional Economic Models Inc). In 2011, he established REMI's Washington, DC office and oversaw the growth of the company in the nation's capital and lead numerous engagements on both federal and regional policy issues.

## *About Common Sense Institute*

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Founded in 2010, **Common Sense Institute (CSI)** is a non-partisan research organization dedicated to the protection and promotion of our economy. As a leading voice for free enterprise, CSI's mission is to examine the fiscal impacts of policies and educate voters on issues that impact their lives. CSI's founders were a concerned group of business and community leaders who observed that divisive partisanship was overwhelming policy-making and believed that sound economic analysis could help people make fact-based and common sense decisions. CSI has built a reputation as a credible, non-partisan resource. CSI's quantitative analysis and research have played a critical role in public policy debates on a range of issues. With over 1,000 media hits in 2023, CSI is making a major impact in Colorado, Arizona, Indiana, Utah and around the country.

## *Teams & Fellows Statement*

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CSI employs rigorous research techniques and dynamic modeling to evaluate the potential impact of proposed laws and initiatives on the economy and individual opportunity. CSI cuts through the spin and stands as a credible, third-party voice delivering data. As a non-partisan 501(c)(3), CSI consciously does not engage in direct advocacy. The policy research we produce is founded upon the desire to break through the divisive partisanship overwhelming issues, and provide fact based economic analysis not otherwise presented to opinion leaders and voters. Producing common sense research helps in educating and informing policy debates, and by not taking a position it allows the research to stand on its own.

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## Summary & Key Findings

General revenues for the State of Utah have grown rapidly since 2020, fueled by robust income and population growth, Federal revenue transfers, and a robust economy. This has enabled state policymakers to rapidly increase funding for various priorities – General Fund spending has more than doubled to nearly \$15 billion in the past four years, and K-12 education spending has increased 44% to \$5.4 billion. Among the newly funded priorities are Utah’s first-ever universal Education Savings Accounts (the *Utah Fits All* Scholarship program).

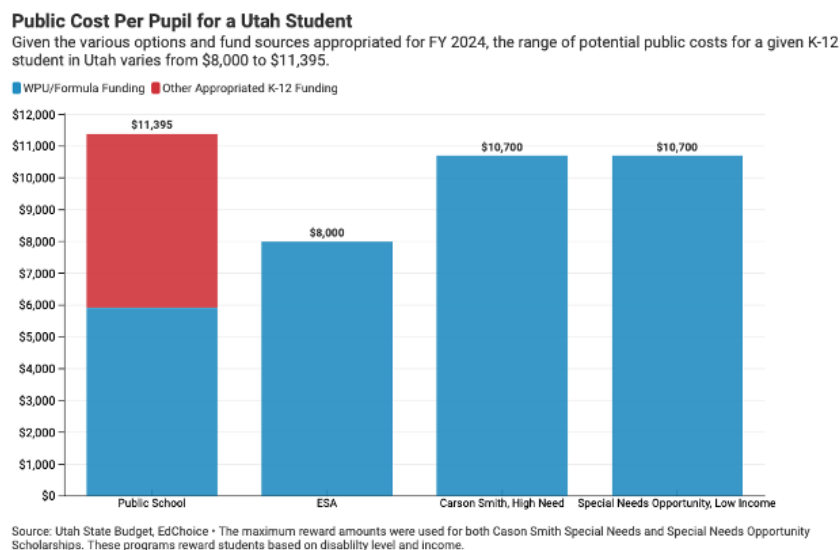
However, the initial appropriation of approximately \$42 million is only enough funding to reach 5,000 students. CSI’s estimates of program demand show that this is likely woefully insufficient to meet the initial wave of applications that program administrators can expect, potentially requiring a significant rate of application denial. **That could dampen future demand even if funding is later increased.** Specifically, CSI estimates that:

- **Demand for the new Scholarship is expected to reach 40,000 students.** Subject to capacity availability, this demand could take 12-24 months to fully enroll in the program, but that growth is contingent on sufficient funding availability to serve the families. Large rates of rejected applications due to insufficient funding could permanently alter this demand projection; similarly, if available funding is increased quickly, enrollment growth could proceed faster than projected.
- Demographic change and Covid-era enrollment disruption are generating savings for the Utah state budget and taxpayers - lower than expected enrollment growth since 2020 has generated up to a **cumulative \$500 million in state wide savings** from reduced demand for the state’s traditional district and charter schools.

- Further savings from students switching from public school to the *Utah Fits All* program (subject to program capacity availability) combined with already projected reduced enrollment growth relative to pre-2020 projections could generate **an annual savings of over \$200 million** going forward.
- To meet full program demand, Utah state policymakers should consider increasing the program's annual appropriation to between \$230 and \$311 million over the next two fiscal years. Critically, the appropriation increases should precede enrollment demand to the extent possible.
- *Utah Fits All* scholarships are significantly less expensive than traditional K-12 students in terms of total funding. While per-pupil funding for *Utah Fits All* students is higher than formula funding for a traditional K-12 student (in terms of weighted pupil unit amounts only), they receive less overall public funding per student.
- The Scholarship is a relatively small contributor to Utah's overall changing K-12 landscape. Demographic change and changing enrollment patterns after 2020 are the primary drivers of traditional district enrollment declines relative to pre-2020 trends and estimates. Even when fully subscribed, the program is expected to fund about 6% of the states K-12 student population with less than 4% of the funding.

While scholarship demand estimates are based on population and enrollment projections from various state and federal sources, and experience elsewhere, they are speculative. Ultimately, the behavior of parents, private education providers, policymakers, and public schools themselves will determine how large this program becomes.

Figure 1



## Utah, School Choice, and the Pandemic

Historically, Utah has had one of the nation's most efficient traditional district school systems. On a per-pupil basis, state and local funding for public K-12 education has been last or nearly last in the nation<sup>i</sup>.

On the other hand, the state has one of the nation's highest high-school graduation rates<sup>ii</sup> and has been one of its top-performers on state average National Assessment of

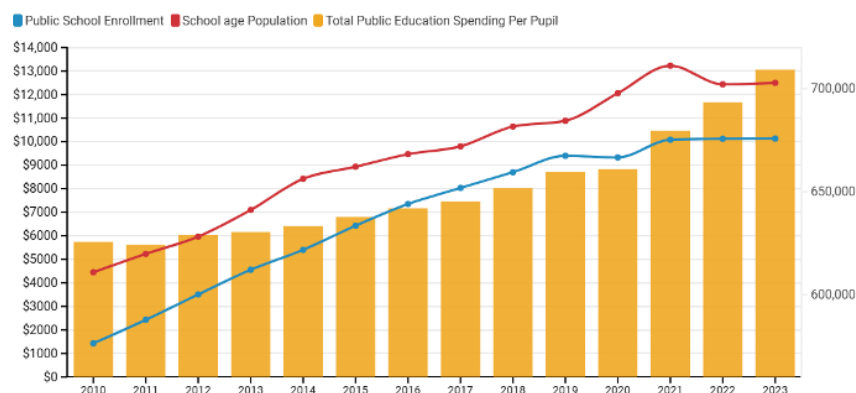
Educational Progress standardized tests. Indeed, in 2022, Utah rose to 2nd and 3rd place on 8th grade Math and Reading assessment scores, respectively, relative to other states. Though scores joined the rest of the country in declining since 2019, the state had much lower rates of learning loss during the pandemic years than average – 8th grade Math scores declined just 1% in Utah over the past three years, versus nearly 3% for the U.S. overall<sup>iii</sup>.

Perhaps for this reason, historically most families in Utah have enrolled in the states traditional district public schools. In 2019, over 86% of Utah's 684,400 school-aged children were enrolled in its district public schools, based on data available from the State Board of Education<sup>iv</sup><sup>1</sup>. About 11% were enrolled in the state's charter system, leaving fewer than 3% of school-aged children either home-schooled or enrolled in private school full time. For context, in 2019 over 26% of Arizona's school-aged population were in schools outside of the district system, including 8.3% in private- or home-schools.

Figure 2

### Enrollment & Funding in Utah Public Schools Over Time

Since 2010, public education funding in Utah has grown rapidly - far outpacing student growth, which since the pandemic has been essentially flat.



Source: Utah State Board of Education, CSI estimates • Funding calculations include all monies (state, local, and federal sources).

<sup>1</sup>Population estimates used throughout this paper are based on the most recently released American Community Survey data and may differ from those used by the State of Utah. Population forecasts and forecasted growth rates use the official University of Utah Kem C. Gardner Policy Institute demographic projections, unless otherwise specified. Public school enrollment numbers are taken from the Utah Department of Education directly when available.



Perhaps a result of a higher percentage of students in district public school, Utah's publicly supported school choice programs historically have been fairly small. Originally created in 2005, Utah's Carson Smith Special Needs Scholarship program was for years its only choice program; the Scholarship is limited to students with special needs and has an annual budget of \$7 million<sup>v</sup>. Students are awarded either \$10,700 or \$6,400 based on the amount of special education services they receive<sup>vi</sup>. Fewer than 1,000 students use the program. In 2020, Utah created the Special Needs Opportunity Tax Credit program, again targeting special needs students but specifically earmarking its awards for lower-income students<sup>vii</sup>. The program's use of a tax credit as the funding mechanism removes it from the annual appropriations process but keeps it effectively publicly funded (every dollar in credit-eligible donations reduces general revenue by the same). Still, this program too is small – CSI estimates the program receives about \$2 million/year in donations and is used by only about 350 students who receive either \$8,560 or \$10,700 annually (based on their family's income). Total annual donations are capped at \$5.9 million<sup>viii</sup>.

CSI estimates that Utah's most popular pre-pandemic choice program (prior to Utah Fits All) may have been a statutory "dual enrollment" option that enables homeschooled students to enroll part-time at a district public school if the public school can accommodate them<sup>ix</sup>. Precise estimates of enrollment in this program are not readily available but based on differences in enrollment numbers from various state and federal sources<sup>2</sup>, it could be large. The public school draws down public dollars for the part-time services provided to this otherwise homeschooled student.

As was the case nationally, 2020 and the pandemic period brought about disruptions to the traditional K-12 status quo in Utah. In March 2020 Utah ended in-person learning for most public K-12 students; this "soft closure" would continue for the remainder of the 2019-20 school year<sup>x</sup>. Though Utah resumed in-person schooling sooner than many other states and in mid-2021 prohibited public schools from requiring kids to wear masks, some disruptions of the traditional K-12 learning environment continued in the 2020-21 school year. For example, one of the largest school districts in the state, Salt Lake City School District, was remote-only at the start of the '21 school year (making it the only full-time remote district in the state)<sup>xi</sup>. By October 2020, two-thirds of Utah parents believed it was safe to return to in-person learning<sup>xii</sup>. Increased exposure to their children's curriculum sparked concern among some parents about the quality of their child's education even at traditionally well-regarded Utah public schools. According to a recent poll by *EdChoice* and *Morning Consult*, only a third of sampled Utahns believe K-12 education is "going in the right direction"<sup>xiii</sup>. And while Utah students often outperformed the U.S. average, the state's NAEP scores declined across-the-board over the past three years. Simultaneously, Utah has joined many other states in rapidly increasing funding for its public school system recently (without apparent commensurate improvement in educational outcomes), reducing the state's historical taxpayer value.

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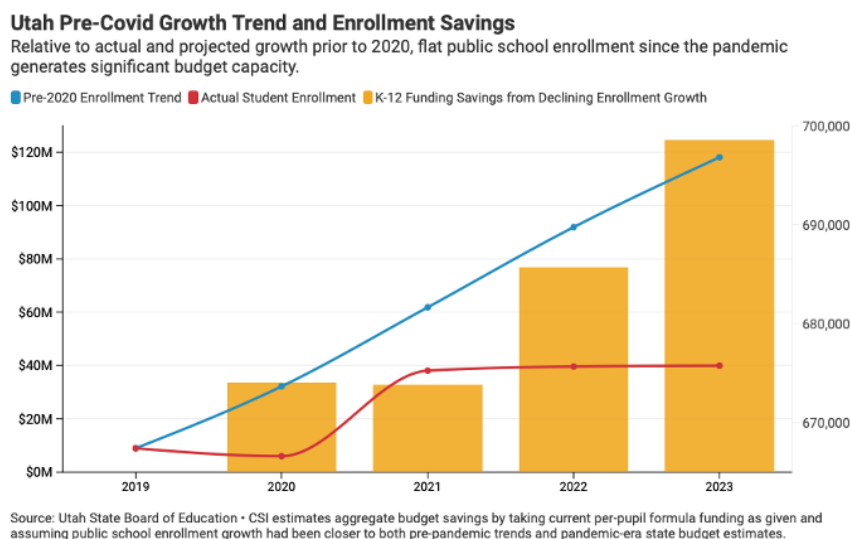
<sup>2</sup> Specifically, CSI found that the Census Bureau's ACS survey consistently provides a lower public school enrollment count (and higher private/home school count) than the state Department of Education. It is not clear how dually enrolled parents would respond to the ACS Survey, but this gap may be at least partly attributable to this issue.



As a result, after growing at an average rate of over 1%/year over the past decade, enrollment in district public schools has been effectively flat since 2020 – adding only about 6,000 students and at an average rate of just 0.29%/year through 2023. Budget projections from the time consistently anticipated growth would continue at the 1% rate (or more)<sup>xiv</sup>. This trend cannot be explained by slowing population growth alone. Based on ACS and University of Utah data, CSI estimates the state’s school-aged population has grown by 31,000 kids since 2019. And noting again the difficulty of obtaining solid numbers and our need to rely on working estimates, it appears that while overall public school enrollment is flat or growing slowly, the dual-enrolled population (historically Utah’s largest publicly-supported “choice” group) seems to have collapsed – from a peak of over 30,000 students in 2019 to perhaps less than 15,000 today<sup>3</sup>. In some ways this is not surprising. A parent already home- or private-schooling part-time, whose students is now at home full-time due to the disruption of in-person learning at their part-time district school, might be more readily able to switch to full-time private schooling without other resource or lifestyle changes

This has led to at least two (arguably interconnected) results: the state today is spending about \$125 million less every year on public education (just in per-pupil formula funding) than it would have been but-for the pandemic. And increased public demand for alternative K-12 schooling led state policymakers to join 13 other states in creating or expanding universal private school voucher systems<sup>xv</sup>.

Figure 3



<sup>3</sup>To estimate dual enrollment, CSI relies on the gap in public-school enrollment counts reported by the State Board of Education (and therefore implied private school enrollment), and private-school population counts reported directly by the American Community Survey. CSI assumes the difference is attributable to parents enrolled part-time in public school being reported in the SBE enrollment counts and ACS private-school population counts.

# What This Means for Utah's New Education Savings Accounts

Although Utah enacted its universal Education Savings Account (ESA) program - *Utah Fits All* - in early 2023, it will not open for enrollment until mid-2024. Further, though open to any school-aged Utah resident, the program has an initial appropriation of just \$42 million or enough to fund approximately 5,000 students after administrative expenses<sup>xvi</sup>. While this report attempts to estimate the programs eligible universe and application demand generally (without considering the appropriation limit directly), it is likely the program's relatively low funded capacity will interact with demand.

Utah public schools in many ways outperformed the U.S. average over the pandemic period. While by some estimates 3 million students nationwide went "missing" during the 2020 school closures<sup>xvii</sup> 4, public school enrollment counts in Utah didn't experience the kinds of dramatic declines that happened elsewhere. Instead, enrollment over the past few years was mostly "flat" – expected growth didn't materialize, but parents weren't in a particular hurry to leave, either. This experience suggests demand for private- and home-schooling in Utah post-pandemic might be overall lower than in some other states and is likely attributable, again, to the reputation and pandemic-era performance of the state's traditional public schools (according to Burbio, Utah had the 5th highest rate of in-person learning in the U.S. by late 2020<sup>xviii</sup>).

On the one hand, while the public schools have not experienced the persistent enrollment *declines* seen elsewhere (like Arizona<sup>xix</sup>), flat enrollment since 2020 - despite a growing school-aged population - creates its own "missing kids" phenomenon. Current enrollment levels and trends for Utah's public school system are well below what they were expected to be just four years ago. This gap between recent population and enrollment growth implies a sizable incumbent population of children and families potentially eligible for the new ESA.

On the other hand, official projections from the state's demographer - the Kem C. Gardner Policy Institute at University of Utah – portend a declining school-aged population over the next decade<sup>xx</sup>. This will constrain the program growth after an initial phase of catch-up growth that draws in this existing, incumbent group. Still, it is reasonable to assume that existence of the ESA program will induce additional participation in private- and home-schooling options relative to the current state baseline. For example, survey data reveals that over a third of Utah parents would choose private- or home-schooling given the option and resources. Data also suggests that over half of Utah parents would prefer a hybrid option of both home- and traditional in-classroom schooling<sup>xxi</sup> - an interesting finding given Utah's existing dual enrollment options and the growing popularity of homeschooling in the state.

Given these conditions and assumptions, CSI believes that there will be significant ongoing demand for school choice and Utah's new ESA program and that this demand will not be satisfied with the combination of existing funding available through the \$42 million ESA appropriation and the Carson Smith and Special Needs Opportunity scholarship programs funding.

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<sup>4</sup>Based on its research in Arizona, CSI believes many of these "missing" students transitioned (at least temporarily) to private- or home-schooling during extended pandemic-era public school closures.

## CSI Analysis

Given Utah demographic and population data, historical enrollment trends, the availability of alternative public scholarships, and family preferences expressed by recent surveys, CSI estimates that there is sufficient demand for between 29,000 and 39,000 “Education Savings Accounts” (ESA’s) in Utah. Depending on both the number of families participating in the program and the average value of the scholarships they receive, fully funding the program would cost between \$229 million and \$310 million annually<sup>5</sup>. For reference, the initial program appropriation was \$42.5 million, of which \$41.5 million is available for scholarship costs.

The cost increases associated with fully funding the ESA program are offset by two sources of potential savings: reduced baseline enrollment in the state’s public district and charter schools since 2020, and reduced demand for public district and charter school formula-funded services after the new ESA program opens next year. CSI estimates the value of these (Weighted Pupil Unit<sup>6</sup> and state funding formula-only) savings at up to \$208 million, depending on factors including the number of students who participate in the ESA program who would have otherwise enrolled full-time in a public district or charter school and the value in formula-funding of these students at a public school versus on an ESA. There may also be additional savings in non-formula funding not scored here.

Based on experience with the program in other universal ESA-states like Arizona, were the program fully funded, it would likely reach this demand capacity relatively quickly. However, among other factors, the program in Utah is subject to annual legislative appropriation, which will limit how quickly it can expand. CSI assumes it would take 2-3 program/school years for the *Utah Fits All* program to grow to capacity<sup>7</sup>. After this “catch-up phase”, program demand change would be driven by population growth (for which CSI relies on long-term estimates produced by the University of Utah<sup>xxii</sup>) and private enrollment choices. For these longer-term projections CSI considers two scenarios: a conservative scenario where the private-school share of Utah’s K-12 population grows to its historic high-water mark of about 7.15%, and a high-demand scenario where the private-school share grows rapidly to 8.6% of the K-12 population and more slowly thereafter.

Both scenarios are limited in the long run by preferences expressed in survey results shared by *EdChoice* and expected population growth. In either case, actual program utilization would be a function of both demand (forecasted here) and fund availability, given the program is subject to annual legislative appropriation.

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<sup>5</sup> This analysis assumes a constant \$8,000 scholarship amount. Utah state law provides an inflator that may increase this amount, which could raise future ESA program costs. This also assumes no increase in administrative costs as the program grows. We also use constant per-pupil public school funding amounts (from Utah’s FY 2024 budget); those figures too could change over time.

<sup>6</sup> A “Weighted Pupil Unit” is the foundational measure used to allocate funding to Utah public schools pursuant to a statutory formula that assigns each student (“pupil”) a weight based on their specific statutory characteristics.

<sup>7</sup> The ESA program in Arizona appears to have reached “steady-state” in only about one year of universal eligibility, but Arizona’s program was different: it existed prior to universal expansion; Arizona had a larger pre-existing private school population; and the program has no annual funding or enrollment caps.

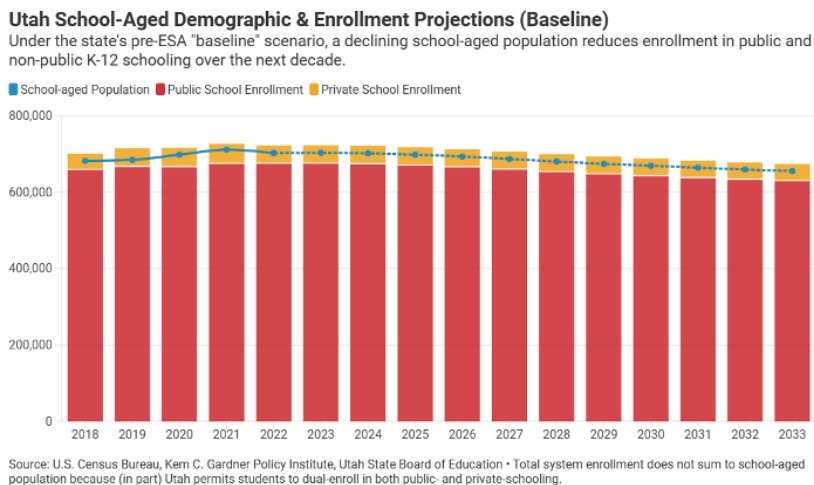
## ESA Demographics

During the school year beginning in August 2023 there will be an expected 675,750 students enrolled in Utah’s public district and charter schools. Additionally – based on American Community Survey (ACS) responses and population growth projections produced by Utah’s state demographer – CSI estimates that there will be another 46,890 students attending private- or home-schooling in the state (at least part time). For context, the most recent enrollment estimate for private schools in Utah from the National Center for Education Statistics was 25,870 students in August 2019<sup>xxiii</sup>.

While Utah’s total and schooled-aged population have grown 9.1% and approximately 5.0%, respectively, over the past five years, demographic projections from University of Utah’s Kem C. Gardner Policy Institute forecast a declining school-age population in Utah in each year over the next decade. Given their projections and the most recent ACS baseline (702,129 children aged 5-17 in 2022), CSI estimates that the school-age population decreases from its current level to 655,138 by 2033. Though this is a marked departure from prior years, it reflects the forecast officially referenced by the State Board of Education and the State Legislature. Also of note is that school-aged population – again according to these long-term projections from the Kem C. Gardner Policy Institute – begins growing again thereafter, though this report’s forecast window terminates in 2033.

It is within this environment of an already shrinking school-aged population that the demographic and fiscal impacts of both the current, and potential universal ESA program is being evaluated. Even absent the ESA policy intervention, some decline in public district and charter school enrollment over the next decade is to be expected.

Figure 4



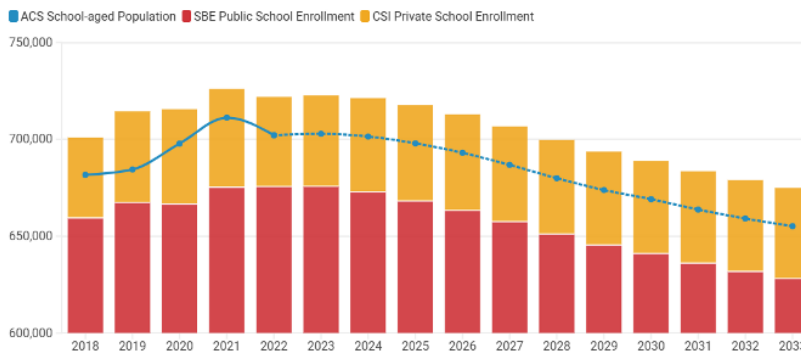
# ESA Enrollment Scenarios

Students receiving schooling, in-part or in-full, outside of public schools, represent the student population seemingly immediately eligible for application to a universal ESA program in Utah. Statutory criteria prioritize applicants based on factors like income and past participation, but not prior public (or private) school enrollment; this is truly a universal program. However, it is not obvious or apparent how large this population is, or whether all of them would enroll. In Arizona, CSI estimated this “eligible” population at over 100,000 students; as of September 2023, only about 67,000 students had enrolled in that state’s ESA. For Utah and based on ACS and SBE reporting, CSI estimates the program-eligible population today (2023) at up to 46,900 students. However, experience with this and similar programs both in Utah and elsewhere (particularly Arizona’s own ESA program, whose growth has slowed dramatically in recent months), and general data gaps and inaccuracies when comparing numbers from different sources (ACS/U.S. Census Bureau versus the Utah State Board of Education, for example) suggests it is imprudent to assume any program will ultimately “fully subscribe” the estimated eligible population.

Figure 5

### Scenario 1: Conservative “Low Switcher” Estimate

Under this Scenario, private school enrollment grows modestly to 7.15% of all students over three years (the historical high-water mark for Utah’s private school participation share, set in 2021).

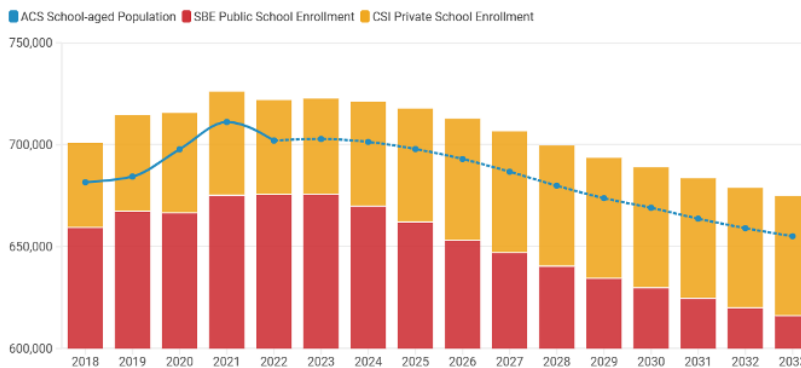


Source: U.S. Census Bureau, Kern C. Gardner Policy Institute, Utah State Board of Education • Combined enrollment exceeds the ACS estimate of school-aged population. CSI believes this is due to gaps in how ACS, SBE, and others count and report population and enrollment figures. This contributes in part to CSI’s assumption that 19,805 private/home-school children apparently eligible (based on ACS data) for an ESA will not enroll.

Figure 6

### Scenario 2: High-Growth, High-Demand Estimate

Under this Scenario, private school enrollment grows rapidly to 8.6% of total school-aged population by 2026, before share growth slows before reaching 9.0% by 2030 (+2.3 percentage points over 10 years).



Source: U.S. Census Bureau, Kern C. Gardner Policy Institute, Utah State Board of Education • As in Scenario 1, combined enrollment exceeds ACS estimated school-aged population (and we carry the same assumptions over). Also note all values after 2023 are estimates derived by CSI.

Figures 5 and 6 show potential public- and private-school enrollment under two Scenarios if ESA funding were available for every student who wanted it and given these assumptions.

- Under **Scenario 1**, demand for ESAs grows from 13,757 students in 2024 to 28,636 students by 2026. Most of this demand comes from students already outside of the state’s public school system; private school enrollment over these three years increases by 2,667 students to 7.15% of the state’s total school-aged population. The program grows to steady-state capacity over three years and thereafter participation declines through 2033 due to a declining school-aged population.
- Under **Scenario 2**, demand for ESAs grows from 20,098 students in 2024 to 38,781 students by 2026. This growth comes both from incumbent students already outside of the state’s public school system, and students who move into the private- and home-school system due principally to an available ESA scholarship and so can be regarded as more speculative and dependent on funding availability and policy consistency. Generally, this scenario assumes underlying parent preference for non-public schools in Utah is consistent with Arizona experience post-2020, but that parents in Utah are resource and capacity constrained. Availability of a sufficiently-funded ESA programs helps alleviate both issues over time.
- Under both Scenarios, after an 18-24 month period of rapid program “catch-up” growth, enrollment growth slows dramatically due to dominant demographic trends. Policymakers shouldn’t allow this initial catch-up phase to convince them that the program is on an unsustainable, exponential trajectory in the longer-run.

Figure 5 shows the state’s private-, public-, and total school-aged population between 2018 and 2033 under Scenario 1. While the scale of this figure is adjusted to allow readers to distinguish relative changes more easily, the values can be compared to those in Figure 4 (which is the pre-ESA “baseline”, and likely most closely resembles what would occur if the current funding limits for the state’s ESA program were not relaxed).

Under Scenario 1, total private school enrollment grows to 49,552 students over three years. As mentioned, CSI maintains a standard assumption that 19,805 children within this derived population estimate would not enroll in the ESA program for various reasons (measurement error, use of alternative programs, etc.). **This means demand for an ESA under Scenario 1 in steady-state is approximately 28,636 students, and that subject to funding availability program enrollment would reach this value by 2026.** Annual program cost would be \$229.1 million.

Figure 6 shows the state’s private-, public-, and total school-aged population between 2018 and 2033 under Scenario 2. While the scale of this figure is adjusted to allow readers to distinguish relative changes more easily, the values can be compared to those in both Figure 4 (which is the pre-ESA “baseline”, and likely most closely resembles what would occur if the current funding limits for the state’s ESA program were not relaxed) and Figure 5 (to compare relative sensitivity of the program in attracting new private/home-school students from the state’s fixed school-aged population).

Under Scenario 2, total private school enrollment grows to 59,697 students over three years. CSI again maintains a standard assumption that 19,805 children within this derived population estimate would not enroll in the ESA program. **This means demand for an ESA under Scenario 2 in steady-state is approximately 38,781 students, and that subject to funding availability program enrollment would reach this value by 2026.** Annual program cost would be \$310.3 million.

The difference between the two scenarios reflects a difference in the number of students who would otherwise enroll in public schools if not for the ESA program. The current population projections complicate the picture given there is already an (pre-ESA) assumption that the public-school population will decline due to demographic conditions. This simultaneous demographic transition will make it more difficult to disentangle and separately understand the independent impacts of the ESA program over the next decade, and policymakers should consider both when evaluating this program. Additionally, the absence of precise and consistent reported values for total school-aged population and total full- or part-time enrollment in all of a child's K-12 options (public-, private-, and home-schooling) make precise estimates of ESA enrollment more difficult. Ultimately, a key determinant of the availability of an ESA scholarship option on parents, public schools and the state budget will depend on how willing and able parents are to participate in the program; availability of sufficient program funding to meet demand; and how large the state's pre-existing population outside of the public school system actually is (and how many of them, in turn, are already dual-enrolled part time in a public school).

Finally, we note that both scenarios contemplate a population of students with special needs who continue to participate in either the *Carson Smith Scholarship* (between 525-556 students annually over the next decade) or the *Special Needs Opportunity Scholarship* (555 students annually over the next decade). We assume – subject to those programs own funding constraints – students choose the scholarship option which awards the largest dollar amount given their income and disability profile.



# Budget Impact

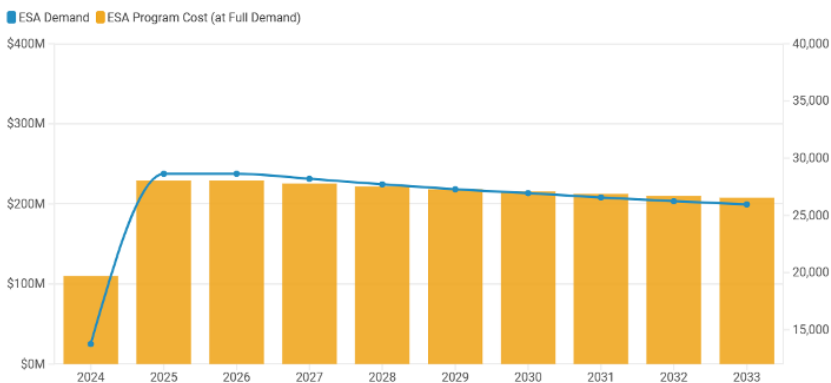
Given the current appropriation constraint of the Utah ESA program at \$42 million, just 5,000 students can receive a scholarship annually. As the enrollment projections show, actual demand would be 6 to 8 times higher if funding was available. Figures 7 and 8 visualize the potential growth and cost trajectories of the state’s ESA program if underlying demand were the only constraint; given program trends in other states that have enacted similar legislation (particularly Arizona), it is likely Utah’s program would reach existing budget capacity very quickly.

Under Scenario 1, demand for the state’s ESA program comes first and principally from legacy students already using home- and private-schooling (so-called “catch-up” growth). While there is some long-term growth in the state’s private- and home-schooled population share induced by the ESA program, this Scenario assumes that the high-water mark of 7.1% of the state’s 5-17 year old’s in private- and home-school reached in 2021 is indicative of some long-run structural constraint. After the catch-up period, the state’s demographic trends dominate, and enrollment declines through 2033. CSI assumes a three-year ‘catch-up’ period; this should be regarded as a conservative estimate (Arizona appears to have reached steady state within 12-18 months). If catch-up growth is faster than projected here, costs in the initial years would be higher even as total program participation (and long-run cost) doesn’t change. On the other hand, CSI also assumes that a “hidden” ACS-derived population of 19,805 students is apparently eligible but would not enroll in the program (due to technical issues and/or competition from other programs, like public school dual-enrollment). While we have outlined why we believe this is

Figure 7

**Scenario 1: Conservative “Low Switcher” Estimate**

Under this scenario, private school enrollment grows modestly to 7.15% of all students over three years (the historical high-water market for Utah’s private school participation share, set in 2021).

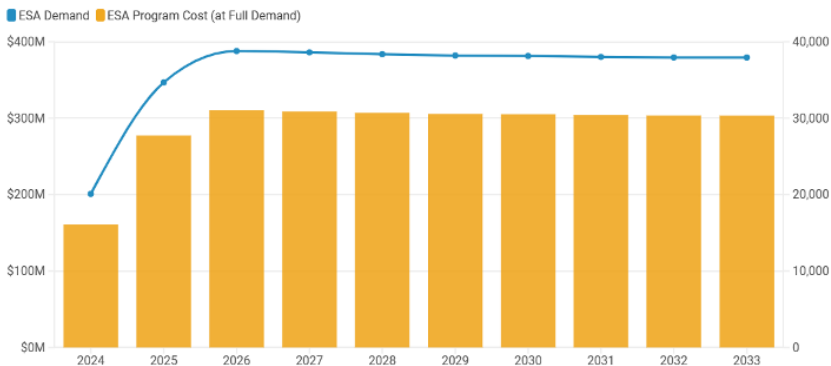


Source: Kern. C. Gardner Policy Institute, Utah State Legislature • The number of students enrolled in an ESA peaks at 28,636 in 2026.

Figure 8

**Scenario 2: High-Growth, High-Demand Estimate**

Under this Scenario, private school enrollment grows rapidly to 8.6% of total school-aged population by 2026; then private school share growth slows before reaching 9.0% by 2030 (+2.3 percentage points by 2030).



Source: Kern. C. Gardner Policy Institute, Utah State Legislature • While the number of students enrolled in an ESA peaks at 38,781 in 2026, expected enrollment declines are modest thereafter.

a plausible assumption, if some of these students do end up enrolling (for example because some public schools with large dually-enrolled homeschooled students are quick to participate in the ESA program) **actual enrollment and costs could be higher than projected here.**

Figure 7 shows the state cost and enrollment implications of an ESA program given the demand projections in Scenario 1. The full cost grows from \$110.1 million in the first year, before peaking at \$229.1 million in the second and third years. Beyond 2026, CSI estimates that the cost of the ESA program if fully funded will decline to around \$208 million by 2033 (given the overall decline in eligible students discussed above).

Under Scenario 2, demand for the state's ESA program comes from a combination of legacy students already using home- and private-schooling (so-called catch-up growth) and new demand engendered by availability of the ESA option. In this case we assume that survey data, a general growth in interest in home-schooling in Utah, and more national trends since the pandemic are more indicative. The private-school share of Utah's population aged 5-17 expands rapidly to 8.6% by 2026 (from an estimated 6.7% in 2023), before continuing to rise more slowly to 9% by 2033. This 2.3-percentage point increase mirrors the change in Arizona's private school share between 2019 and today, following both the pandemic and its early adoption of a universal ESA. After the catch-up period, the state's demographic trends limit further enrollment growth but continued strong demand limits enrollment declines. CSI assumes a faster 'catch-up' period here relative to Scenario 1 as well. If catch-up growth is faster (slower) than projected here, costs in the initial years would be higher (lower) even as total program participation and long-run cost doesn't change. CSI also assumes that a "hidden" ACS-derived population of 19,805 students is apparently eligible but would not enroll in the program (due to technical issues and/or competition from other programs, like public school dual-enrollment). While we have outlined why we believe this is a plausible assumption, if some of these students do end up enrolling (for example because some public schools with large dually-enrolled homeschooled students are quick to participate in the ESA program) **actual enrollment and costs could be higher than projected here.**

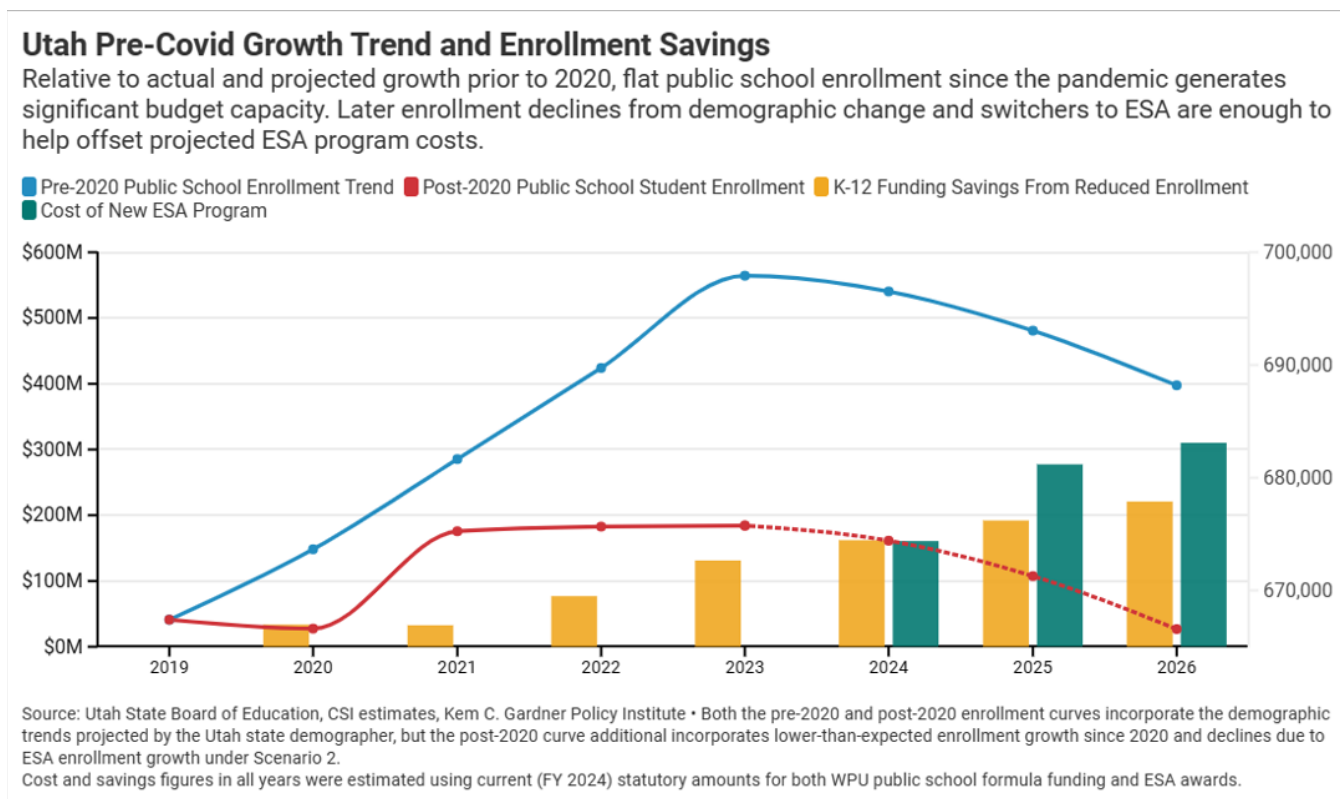
Figure 8 shows the state cost and enrollment implications of an ESA program given the demand projections in Scenario 2. The full cost grows from \$160.8 million in the first year, to \$277.4 million in the second year before peaking at \$310.3 million in the third year. Beyond 2026, CSI estimates that the cost of the ESA program if fully funded will decline slightly to around \$304 million by 2033, or less than 4% of total K-12 funding.

For context, the Utah state legislature appropriated \$7.7 billion in FY 2024 for K-12 funding<sup>xxiv</sup>; given reported enrollment estimates for the 2023-24 school year, CSI estimates that combined, all-sources appropriated funding in the Utah public school system is \$11,395 per student. State equalization formula funding (in Weighted Pupil Units, or WPU's) will average approximately \$6,000 per student next year<sup>xxv</sup>. ESA students, by law, will receive \$8,000 from the state general fund when the program opens next year. All these funding amounts are subject to annual baseline and discretionary adjustment by the Legislature during the budget appropriations process.

While Figures 7 and 8 present our best estimates of ESA program demand (and cost) given current funding amounts and the state’s official population projections (and assuming there was no appropriation constraint), these can be considered “gross costs”. Demand for the ESA program comes in part from an apparent slowdown in the state’s post-2020 public school enrollment growth (which CSI believes was driven in part by a decline in dual-enrolled students) and in part from future growth in demand for private- and home-schooling due, again at least in part, to the availability of ESA Resources.

As discussed previously, Utah public schools did not lose as many students during the pandemic as many other states did; however, a collapse in enrollment growth rates during and after 2020 (even as overall school-aged state population continued growing and the state’s budget forecasters initially continued estimating more traditional enrollment trends) resulted in a “missing kids” gap of around 22,000 students by the 2022-23 school year. Between 2020 and 2023 CSI estimates a total cumulative savings of over \$200 million due to slowed enrollment growth relative to pre-2020 projections. This savings is estimated only using the Weighted Pupil Units and funding from Utah’s Minimum School Program (MSP<sup>xxvi</sup>). Considering all sources (state and local, formula and non-formula) that fund public education in Utah (based on estimates of total appropriated funding provided by Utah’s Legislative Fiscal Analyst) would bring the total cumulative savings from slowed enrollment growth since 2020 to over \$500 million. While some of these savings have been reallocated back into the state’s public K-12 system through large increases in per-pupil funding since the pandemic (+48% between 2020 and 2023), upcoming enrollment declines due just to demographic change will continue to generate baseline budget savings relative to what the state has faced historically. Figure 9 above visually reflects CSI’s best estimate of the total savings from all sources (pandemic-era enrollment decline, demographic change, and ESA enrollment growth) through 2026 under our more aggressive Scenario 2, contrasted against the expected budget costs of the ESA program if allowed to be fully-funded.

Figure 9



Finally, under both Scenarios and as discussed previously, some students with disabilities continue to use the states existing scholarship programs; while those have budget costs (approximately \$10 million annually) not included in the figures above, conceptually they reduce demand for both an ESA and for public-school funding. These are modeled as programmatic substitutes where students maximize award value given available funding constraints.

If current program funding limits are maintained, rather than the outcomes depicted here, the program would likely rapidly reach its budget limit. Administrators would then close the program to new enrollment and prioritize existing applicants according to the statutory criteria. This is likely to have dampening impacts on perceived program reliability and future demand which are difficult to model in advance, but in practice, it may result in a program permanently smaller than expected even if these funding constraints are later relaxed.

Finally, we again acknowledge the gap between our ACS-derived estimate of the private- and home-schooled population in Utah, and our estimate of how many children would enroll in the ESA program. Some inertia is inevitable; there will be a gap between any program's "eligible" population and actual enrollment. Conditions in Utah are further complicated by the existence of alternative scholarship programs; the large gap between the U.S. Census Bureau's ACS estimates of school-aged population and those implied by other local sources; and the unpredictable response of the state's dually-enrolled homeschooled students currently taking classes part-time at a public school. This latter population is (to CSI's knowledge) not counted and could be large; if these parents opt to transition into the ESA (and/or public schools are rapid in becoming eligible providers under the ESA program), participation could be higher than projected here.

Given total state population estimates and enrollment in Utah public schools, the "hard ceiling" for program enrollment arguably is close to 60,000 students – though this too is an imprecise number because of movement of students between systems; data redundancy issues between sources; etc.

## The Bottom Line

While by many measures the Utah public school system has performed well before and during the pandemic, data suggests there is still a significant population of kids currently using or interested in using private- or home-school options. The ESA program is likely to see significant demand from them, and the \$42 million appropriation will be insufficient to meet it. **CSI estimates it would take an appropriation of between \$230 and \$311 million to fully fund the program.**

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