

SECTOR COMMENT

19 April 2024



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Charter School – US

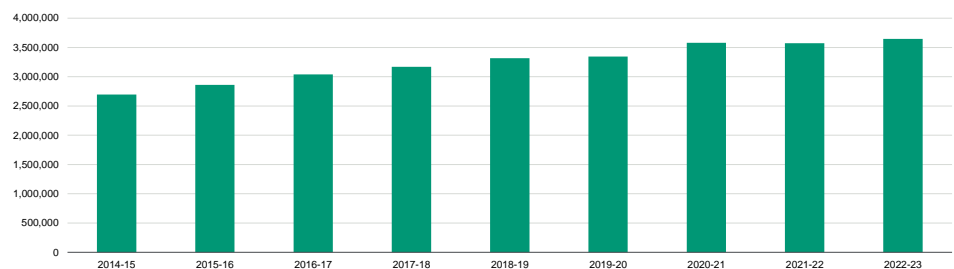
School vouchers will not be an obstacle to charter school enrollment growth

School vouchers allow parents to enroll students in tuition based private schools and have the school receive funding from the state government on their child's behalf. Some form of vouchers have been implemented in 14 states plus Puerto Rico and Washington, D.C., though most are limited to students with disabilities. Initiatives to expand this system to the general population of students and to new states are underway, however, expanding the number of families that will have access to voucher programs in the near future.

Charter schools, conversely, are public schools established as an alternative to the local school districts. Charter schools do not charge tuition and generally receive the full amount of per-pupil formula funding that would have otherwise been provided to the school district. Charter schools have grown significantly in recent years, as seen in Exhibit 1 below. While there is some risk that vouchers could become a source of new competition in the market for students as public-school families could decide to apply for private schools instead in coming years, we do not expect the growth of charter schools to be significantly impacted by voucher programs. Financially, most families served by charter schools are not in a position to bridge the substantial gap between the funding provided by vouchers and typical private school tuition. Additionally, the two options are not perfect substitutes as many charters offer programs not typically provided by private schools.

Exhibit 1

Positive momentum in charter school enrollment to continue National charter school enrollment



Source: National Alliance for Public Charter Schools

Private school tuition averages \$12,000 nationally, leaving a substantial funding gap to be paid by families

Voucher programs generally allow families to divert around \$7,000 of funding (per child) that would have otherwise gone to a traditional K-12 district or charter school to a private school for their child's education. The exact amount of funding provided by vouchers varies from state to state, but generally the intention is not to cover the entire cost of a private school tuition, or even provide the full amount of per-pupil funding from a traditional school districts. In fact, the average tuition for a private school in the United States is approximately \$12,000 annually per a 2024 report from Private School Review. This means that a family participating in a typical voucher program can be expected to face an out-of-pocket cost of \$5,000 per child.

This gap will limit the number of parents considering vouchers versus charters considering that charter schools serve a lower-income population than traditional public school districts. Nationally, 60% of charter school students qualify for the federal free or reduced lunch programs per the National Association for Public Charter Schols. This compares to roughly half of traditional K-12 district school students. The exact threshold varies by state, but generally a family of four must make less than roughly \$55,000 per year to qualify for free/reduced lunch. For this hypothetical family of four to send two children to an average cost private school under a typical voucher program, they'd have to bear a \$10,000 cost. This is nearly 20% of their pre-tax income, which represents a substantial barrier to entry for a typical charter school family when considering participation in a voucher program.

Moreover, charter schools often offer specialized programs not typically offered by private schools, further dampening the effect vouchers have on charter school demand. Areas of study such as STEM, classical, vocational, remote learning, and bilingual/trilingual curriculum will continue to see demand from families seeking these offerings, as typically these niches are not served by private schools. Montessori based programs are, however, an exception as this educational philosophy is well served by both charter and private schools. Charter schools are legally forbidden from providing a religious based education, one of the principal reasons families typically seek private education. As charter schools cannot provide religious education and it's unlikely that private schools will seek to expand into offerings such as vocational education and remote learning that are typically geared toward lower income students (and are already served by many charters), it is unlikely that a significant portion of prospective charter school parents will see private schools as offering a substitute for a charter school education.

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