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Understanding How School Vouchers Are Funded: Summary of Funding for the Louisiana Scholarship Program

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This profile provides detailed local context for Louisiana as part of Follow the Money: A Detailed Analysis of the Funding Mechanisms of Voucher Programs in Six Cases *(Arizona, the District of Columbia, Indiana, Louisiana, Ohio, and Wisconsin). This three-part report includes a cross-case review, data visualizations of enrollment and funding patterns, and detailed profiles of each individual case, including the following profile.*

The purposes of this report are to provide details on how voucher funding designs interact with funding formulas and to increase transparency around voucher design for taxpayers and policymakers. The financial impact and transparency of voucher funding are primary concerns due to the public governance and financing of U.S. public education systems. A federal, state, or local government's decision to use tax revenues to help families pay for private schooling is often politically contentious and has been the topic of litigation in state and federal courts.

Understanding the potential impact that specific provisions may have on state and local revenues is necessary to inform policymakers about whether a voucher program design meets constituents' expectations regarding public governance, funding, and educational services. An understanding of these details is equally necessary for taxpayers and voters so that they may make informed decisions. The data and analyses included in these profiles call into question the rhetoric used by both supporters and detractors of voucher programs—for example, in terms of whether local districts retain any of voucher students' per-pupil allotment from the state, or whether any local funds are used for voucher awards.

BACKGROUND

In 2008, the Student Scholarships for Educational Excellence Program (SSEEP) was started in New Orleans, Louisiana, as a district-wide voucher pilot program (House Bill No. 1347, 2008). Vouchers may also be called "scholarships," and this report uses the two terms interchangeably. Created and implemented as a supplement to the extensive choice system developing in that city at the time, SSEEP allowed low-income families in New Orleans to take advantage of private school choice (Cowen Institute for Public Education Initiatives, 2012).

In 2012, SSEEP was expanded statewide and renamed the Louisiana Scholarship Program (LSP; House Bill No. 976, 2012). Both versions of the program were proposed by Governor Bobby Jindal and enacted by the Louisiana State Legislature.

The LSP is open to students whose families are Louisiana residents and meet the income requirement of less than 250 percent of the federal poverty guidelines. Students are eligible if they were enrolled in a public school with a C, D, or F grade letter in the previous year, are enrolled in a public school system as an entering kindergartner, or previously received a voucher (La. Admin. Code tit. 28 Part 153, Bulletin 133 § 101). The LSP has no established enrollment cap; enrollment depends on the number of available seats in participating private schools and the number of vouchers approved via annual state appropriation (La. Admin. Code tit. 28 Part 153, Bulletin 133 § 301(B)(1)(a); Louisiana House Bill No. 1 § 19-678, 2014). During the years of the New Orleans pilot program, enrollment never met program capacity (Cowen Institute for Public Education Initiatives, 2012). When the voucher program went statewide, however, it was oversubscribed; roughly half of the statewide applicants received and used a voucher during the 2012–2013 school year (Louisiana Department of Education [LDOE], 2013).

State Funding Mechanisms

Louisiana uses a Minimum Foundation Program (MFP) school funding system. The state school board and legislature determine the minimum cost of an education for elementary and secondary students and then apply an allocation formula to distribute funds equitably among all public schools (LDOE, 2011; Louisiana House of Representatives, 2011). Both the MFP cost and the allocation formula are determined each year; if the legislature fails to determine a cost and formula for a given year, the previous year's cost and formula are continued. Per-pupil allotments to districts are weighted on several categories, including at-risk students, gifted and talented, and students in small districts (LDOE, 2011). Louisiana uses multiple counts for student enrollment; initial enrollment is based on the February 1 count of the previous school year, and mid-year counts taken on October 1 and February 1 may result in adjustments to a school's received funding (Senate Concurrent Resolution No. 55, 2014).

The MFP formula determines the percentage of base level funding that will come from state and local funds (LDOE, 2011). The local contribution is determined at three different levels by each district's property valuation multiplied by a set millage as well as a sales tax rate.[1] These rates are decided by calculating the state average property valuations and sales tax bases and then setting property and sales tax rates at values that result in the statewide local contribution of 35 percent of the minimum cost. However, as every district has a different percentage contribution based on these two variables, the actual local contribution across districts differs; local funding contributions average 35 percent. Millage and sales tax rates calculated for the statewide average are used across all districts. The local contribution (i.e., funds raised via property taxes and sales tax) subtracted from the base level cost of education equals the state contribution in each district (LDOE, 2011); state funding contributions average 65 percent. This is Level 1.

Two caps limit local district wealth and the local contribution to base funding: a 15 percent cap on increases in the sales tax base and a 10 percent cap on increases in the property valuation. Thus, if property values increase by 25 percent in a given year, the assessed value and local contribution would only increase 10 percent. As described in the MFP Handbook (LDOE, 2011), each cap "mitigate(s) one-time spikes in revenue, and provides a one-year transition period for permanent increases in revenue" (p. 23).

Louisiana also incentivizes local districts to raise funds using their local property tax and sales tax bases; this incentive is called Level 2 funding, or "Incentive for Local Effort" (LDOE, 2011, p. 23). If a local district raises more money than their established local contribution, the district's Level 2 eligible local revenue will be the lesser of this

[1] *Millage* is a specific type of tax rate applied to property. The number of "mills" equals the amount of money taxed per thousand dollars of property worth (e.g., 10 mills taxed on $1,000 would equal a tax revenue of $10; Odden & Picus, 2008).

amount or 34 percent of the total base cost of funding. The lesser of these two amounts, multiplied by the local contribution rate for the specific district and multiplied by a rate decided by the Board of Elementary and Secondary Education (BESE; in fiscal year 2015 this rate was 1.72), is the calculated Level 2 local share of funding (LDOE, 2011). The eligible local revenue minus the Level 2 local share is the state's share of Level 2 funding. Local districts only receive a Level 2 state contribution if they raise local revenues above the established Level 1 contribution (Senate Concurrent Resolution No. 55, 2014).

Prior to the implementation of the MFP, certain districts had been under- or overfunded. In these situations, Louisiana law contains a hold-harmless provision that moved these districts' funding toward the MFP formula (and toward equitable funding) over the last seventeen years (i.e., 2000–2017; LDOE, 2011). In 2015–2016, nine districts out of 69 total districts were still considered "overfunded." These districts' remaining "hold-harmless allocation" (the amount above their MFP calculated funding) was reduced by 10 percent in their annual budget (LDOE, 2016). The total amount of these reductions was then redistributed to the 60 non-hold-harmless districts (i.e., districts which were not overfunded prior to the MFP system; Senate Concurrent Resolution, No. 55, 2014). In 2015–2016, non-hold-harmless districts received a redistribution equaling $62.14 per student (LDOE, 2016).

Impact on State and Local Budgets

Louisiana's voucher programs have been funded by different sources over time. During 2011–2012, the pilot program was funded by a line item in the state budget (La. Rev. Stat. 17:4016(D), 2011, amended 2014). For the statewide program, the LSP, which began in 2012, the first funding formula reallocated funds from the MFP (Senate Concurrent Resolution No. 99, 2012). Under this funding formula, when a student transferred to a private school via a voucher, the accompanying per-pupil allotment, including local funds, also transferred (Bureau of Governmental Research, 2012; House Bill No. 976 § 4016, 2012). Thus, during the first year of the LSP, local taxpayer funds partially paid for voucher costs. In 2012–2013, the LDOE published a spreadsheet of the amounts paid for LSP vouchers by state and local funds. The state contribution for Fiscal Quarter 1 was $3,085,597, and the local contributions totaled $3,250,073 (LDOE, 2012b; includes district-specific local and state contributions to voucher payments).

The state used a formula to calculate state and local voucher payment shares (LDOE, 2012b; see Figure 1). In 2012–2013, however, the proportions of state and local contributions for each district were not equal to the state and local proportional contributions to the MFP.[2] On average across the state, the local share of voucher payments was approximately eight percent higher than the local

FIGURE 1. 2012–2013 FORMULA FOR STATE AND LOCAL SHARED COSTS OF LSP

State share of voucher payment	=	Number of students at a given school	*	MFP maximum state per-pupil allocation	-	[(number of students at a given school * total maximum MFP allocation – number of students at a given school * actual private school tuition) * state share of MFP]
Local share of voucher payment	=	Number of students at a given school	*	MFP maximum state per-pupil allocation	-	[(number of students at a given school * total maximum MFP allocation – number of students at a given school * actual private school tuition) * local share of MFP]

Source: LDOE (2012b).

[2] The LDOE used two different MFP state and local share percentages in these 2012–2013 calculations. When calculating the maximum state and local per-pupil allocation, the Level 1 percentages were used, and when calculating the state and local percentage of savings, the Level 3 percentages were used (LDOE, 2012a).

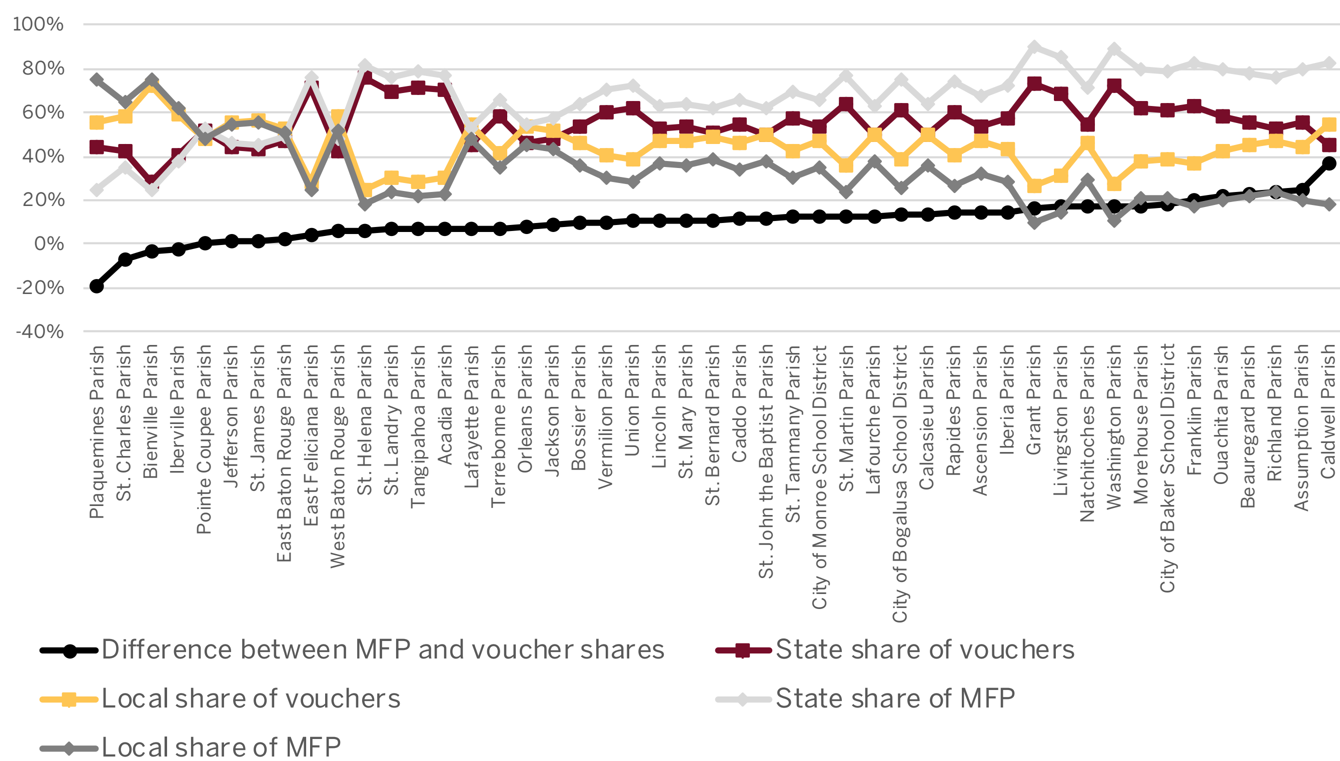
share of public school allocations. In one district, the actual difference between the local share for public school funding and the local share for voucher funding was more than 37 percent; one district had a state share higher than 19 percent. The changes in state and local shares were inversely proportional to the MFP state and local shares; when the state paid more of the MFP allocation, the local district ended up paying more for vouchers (see Figure 2).

In 2013, *Louisiana Federation of Teachers v. State of Louisiana* challenged the use of the MFP and the local contribution amounts in funding the LSP on the grounds that these funds were reserved for the public school system under the Louisiana Constitution. The state supreme court decided that using MFP allocations to fund the LSP violated Article 8 Section 13(B) of the state constitution (*Louisiana Federation of Teachers v. State of Louisiana*, 2013). Following this decision, the governor and state legislature created a budget that funded the LSP directly from a line item. This change prevented the movement of MFP funds to voucher schools. The current administrative code states:

> Louisiana Department of Education shall allocate annually from funds appropriated or otherwise available for the program an amount per pupil to each participating school equal to the amount allocated per pupil as provided in the minimum foundation program formula, inclusive of the calculations of both the local and state per pupil allocations, to the local school system in which the scholarship recipient resides, considering all student characteristics [weights]. (La. Admin. Code tit. 28 Part 153, Bulletin 133 § 501(A))

In the 2014–2015 budget, the governor and legislature increased the appropriation for the

FIGURE 2. STATE AND LOCAL SHARES OF MFP ALLOCATIONS AND VOUCHER PAYMENTS, FISCAL YEAR 2013



Source: LDOE (2012b).

LSP by $3 million, for a total appropriation of $46 million or approximately 8,000 vouchers (House Bill No. 1 § 19-678, 2014; State of Louisiana, 2014). If the cost of the private school tuition is less than the MFP amount, the private school receives the tuition amount.

The school funding formula is based on the number of pupils as of the February 1 pupil count and allows for mid-year adjustments based on changes in membership (Senate Concurrent Resolution No. 99, 2012); fluctuations of public school membership from year to year due to the voucher program affects those schools' funding amounts within a few months. As the student count goes down, total education costs go down, but local cost allocations stay the same, as these are based on tax revenues, not on student count. Thus, the local percentage of total education costs will increase as student counts decrease. However, Louisiana did not publish district-specific LSP student participation data after fiscal year 2013, so calculating the specific funding impact on each district under the current funding mechanism is not possible (see LDOE, 2012b, for last published data [fiscal year 2013]).

When students receive weighted categorical funding or reside in small districts, their movement away from the local district (for a voucher transfer or any other reason) may have an exaggerated effect on local budgets. When a district loses an at-risk student or a student with special education needs, the district also loses their categorical funding, which may be up to 150 percent of the base amount. In districts with fewer than 7,500 students, the minimum foundation amount is weighted in a curving formula to assist small districts with "increased costs for fixed over-head" (LDOE, 2011, p. 15). The smaller the district, the higher the weighting, up to a 20 percent weight. Although useful for its stated purpose, this weighting also means that each student represents a larger amount of funding for a small district than a large district. Thus, if a small district loses a student, the district loses more than the minimum foundation amount. Districts of any size which lose students with multiple categorical weights (small district, special education, at-risk, etc.) lose all the categorical funding for that student as well as the minimum foundation amount. On the other hand, if a student with a disability opts to attend a private school via a voucher, the state may save the categorical funding costs that previously followed that student to a public school.

Private voucher schools may offer special education services to voucher students if the school provides sufficient information to the LDOE on its capacity to provide services (La. Admin. Code tit. 28 Part 153, Bulletin 133 § 301(B)(1)(d)); parents may not request more special education services at a voucher school than the school's established capacity to provide (La. Admin. Code tit. 28 Part 153, Bulletin 133 § 303(B)(2)). The Louisiana Administrative Code allows additional funds to be used for a voucher student's special education services at a private school if the school meets three criteria: at least two years' experience providing special education services; teachers providing services are appropriately certified to teach students with special needs; and the school follows the student's Individualized Education Plan (IEP) or other service plan (La. Admin. Code tit. 28 Part 153, Bulletin 133 § 501(F)). No publicly available data exist, however, on the numbers of students with special needs served nor the amounts allocated for special education services at voucher schools.

Fiscal Accountability and Reporting

Louisiana's statutes and BESE rules require some fiscal accountability for nonpublic schools participating in the LSP, but they do not require any public reporting of financial data. State statutes require that all participating private schools be approved by the BESE (La. Rev. Stat. 17:11); BESE rules regarding approval criteria are set in the Louisiana Administrative Code. In relation to the LSP, the criteria specifically highlight the principle of "responsibility—upholding the public trust when public funds are involved" (La. Admin. Code tit. 28 Part 153, Bulletin 133 § 1301). Accountability measures for private schools include: complying with federal, state, and local laws and regulations; meeting standards around financial practices and other areas (La. Admin. Code tit. 28 Part 153, Bulletin 133 § 1303); and meeting minimum student performance requirements on academic measures (La. Admin Code tit. 28 Part 153, Bulletin 133 § 1301; LDOE, 2011, 2014). BESE criteria do not necessarily require accreditation, but they do require that participating private schools be nonprofit (La. Admin Code tit. 28 Part 79, Bulletin 741 §§ 101, 107).

The LDOE reviews the initial and renewed eligibility for private schools (La. Admin. Code tit. 28 Part 153, Bulletin 133 § 301). The state code requires an annual independent audit for each participating school, which must examine the actual cost of the school's education, as well as records of student attendance, pupil count dates, and payments. Adjustments to the final (May) voucher payment may be made by the LDOE depending on audit findings (La. Admin. Code tit. 28 Part 153, Bulletin 133 § 501(E)(3)). These audit requirements are slightly stronger than those that were required under the New Orleans pilot program (Bureau of Governmental Research, 2012; La. Rev. Stat. 17:4022(4), 2011, amended 2014).

The Louisiana Administrative Code includes a provision that participating private schools may not charge voucher students higher tuition than that which is charged to non-voucher students (La. Admin. Code tit. 28 Part 153, Bulletin 133 § 301). In 2014, the legislature passed Act 467, which added the provision that participating schools must also keep accounting records for scholarship students and their voucher payments separate from other school funds (Senate Bill No. 460, 2014). In addition, voucher funds may only be used for allowable "educational purposes" (La. Admin. Code tit. 28 Part 153, Bulletin 133 § 1303) as defined by the LDOE in the MFP Handbook; these purposes must be related to "the operational and instructional activities of a school system" (LDOE, 2011, p. 37). Any voucher funds found to be used for a non-allowable purpose must be returned to the state (La. Admin. Code tit. 28 Part 153, Bulletin 133 § 501(G)(4)).

Any participating private school not meeting auditing requirements must be put on probation for one year; during this year, the school may continue educating existing voucher students but may not enroll additional voucher students. After this probation period, if the school has not fully met the requirements, the school may no longer participate in the LSP. The school may become eligible to participate again at a later date (La. Admin. Code tit. 28 Part 153, Bulletin 133 § 501(H)). If a school becomes ineligible to participate mid-year, or voluntarily withdraws from participation, it must allow all currently enrolled voucher students to remain at the school for the remainder of the year at no cost to the family or state (La. Admin. Code tit. 28 Part 153, Bulletin 133 § 901).

None of the reporting requirements listed in the administrative code involve fiscal reporting (La. Admin. Code tit. 28 Part 153, Bulletin 133 § 1101). However, the Louisiana Legislative Auditor's (2013) audit for the 2012–2013 school year included some degree of fiscal reporting. Findings of interest outlined in the report regarding financial accountability include overpayment and underpayment to schools; student eligibility and/or residency issues; and the provision of special education services. The audit found that over 30 percent of schools had overcharged tuition, either by charging more than the tuition charged for non-voucher students or by charging tuition for students not eligible for the program. Eight percent of voucher schools did not have sufficient information about student residency, which impacted their eligible MFP amount and thus their final voucher award. Finally, half of the six private schools offering services for students with disabilities either overcharged for services or did not have documentation of the services that had been provided. Overall, the audit noted that the vast majority of voucher schools (115 out of 118) did not have sufficient separate accounting records for voucher students in order to complete all aspects of the audit; specifically, the auditors were not able to scrutinize the management of voucher-specific funds in terms of "adequate accounting controls" or to verify that the purposes of all fund expenditures were educational (p. 15).

Conclusion

The LSP, established in 2012, demonstrates unique operations as well as some patterns similar to the other programs in our comprehensive report. Louisiana is the only case of the six to have used local tax revenues to directly, if partially, fund private vouchers, though this source of funding was found unconstitutional at the state level. The current system of funding for the LSP is a state budget line item, which may change yearly according to legislative action. In terms of student counts, Louisiana's policies cushion changes in enrollment in certain districts (i.e., the hold-harmless policy) and adjust total funding throughout the year (i.e., multiple counts per year). Due to unavailable data, the influence of categorical and weighted funding on public schools is unclear. Official financial accountability and reporting requirements are limited, but the one published audit reveals multiple fiscal accountability issues across many participating private schools (Louisiana Legislative Auditor, 2013). In order to further understand how these state-specific patterns compare to our other cases, we recommend that readers explore the cross-case review and other case profiles. The patterns seen in Louisiana—especially the lack of clarity around categorical and weighted funding as well as the reporting and financial accountability issues—are echoed in the other five cases.

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