

School Voucher Program Considerations for Private K-12 Schools

With the increase in school voucher or school choice programs in the U.S., private K-12 schools must weigh the potential opportunities, challenges, and risks these programs pose for their institutions.

The Council on Educational Standards and Accountability (CESA) recently facilitated a discussion on this topic with member schools. Stan Reiff, Partner and Professional Practice Leader – Consulting at CapinCrouse, hosted this discussion with the following panelists:

- Jim Fink, Chief Financial Officer, Little Rock Christian Academy, Arkansas
- Leighann Harris, Senior Director of Finance and Business Development, The First Academy, Florida
- James Dragonette, Finance Director, Gilbert Christian School, Arizona
- Anne Soppe, Head of Finance and Operations, Des Moines Christian School, Iowa

Here are key takeaways from that conversation.

Stan Reiff: Thank you for joining us today to discuss considerations and best practices for using the school voucher or school choice programs available in various forms across the country. Our panelists represent Christian schools in Arizona, Arkansas, Florida, and Iowa and can speak knowledgeably about their experiences with these programs in their respective states, but other states may have different specifics.

Panelists, please introduce your schools and give us an overview of the school choice programs in your state.

Leighann Harris: The First Academy has about 1,400 students and we have been using state aid and step-up

scholarships since 2010. For the first few years, the programs focused on providing aid to children on the autism spectrum, and the criteria expanded in 2015 to include students with other types of high needs. In March 2023, new legislation created the Family Empowerment scholarship and the Florida Tax Credit scholarship, which is funded by corporate donations. For the 2023-24 school year, we have 952 students receiving step-up funding from the state to attend The First Academy.

Jim Fink: Arkansas passed the LEARNS Act in March 2023 and fully rolled it out in August 2023 after some legal hurdles. We encouraged our families to apply for the scholarship, which is currently only available to kindergarteners and students with learning disabilities but will expand in the next few years. For the 2023-24 school year, 330 of our students are receiving these funds, which is about 20% of our enrollment.

Families can receive \$6,600 per eligible student in an Educational Freedom account. The families then designate the funds to the school. The funds are paid to the school quarterly, which has presented some administrative challenges around cash flow. For that reason, we have continued to reserve funds equivalent to the tuition assistance we would have been providing to these students.

Anne Soppe: Des Moines Christian School has about 1,300 students and Iowa is in the first year of a three-year school choice funding rollout. Any student can apply for an Educational Savings account and receive \$7,635. The funds are wired to the student's selected school in two payments, around July and January. Since this is the first year, there have been some hiccups related to a fast rollout without sufficient support in place,

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but we are doing our best to serve our families as we learn about the program alongside them.

We have chosen to look at our employees' tuition assistance on a net basis. The school is thus realizing less expense for this particular benefit and is turning around and reinvesting these funds in employee compensation.

James Dragonette: Arizona is the gold standard for school choice. The state has had a corporate tax credit program in place for more than 10 years and an individual tax credit program for more than 25 years. Since these programs are so well-developed, we provide as much information to families as possible. We want families to see us as a resource to assist them in taking advantage of these funds. To support this goal, we hired a full-time staff person to help families navigate this process.

Stan: Anne has already touched on this, but now that your staff can apply for school vouchers for their children, how are you reallocating the funds your school had previously budgeted for staff tuition assistance or discounts?

Leighann: We held focus groups on this topic to get feedback from affected employees. We settled on calculating any tuition assistance or staff discount after employees' state funding is received. Then, if the amount we would have paid in tuition discount or staff discount exceeds the state funding, we evaluate whether we want to provide the difference as compensation.

Jim: We contacted all our qualifying families to make sure they applied for the state funding. We didn't want to provide tuition assistance to employees if they were eligible for scholarships.

James: Our goal is to limit out-of-pocket portions for all our families, so we work with them to make this happen.

Stan: I know that there have been some heated discussions in state legislatures about these programs, so I imagine many school leadership teams deliberated about whether to accept these funds from families. Can you describe what those discussions were like?

Anne: This is fresh on my mind because of how recently our program rolled out. We didn't have much pushback on participating in the program, but there have been some unexpected new requirements. For example, we have to provide information on demographics, attendance, and state-approved tests for participating students.

Jim: This was a sensitive conversation for us, as our school leadership and families were hesitant to accept government funds. But we decided to participate because, it is the families who are receiving the funds and directing them to the school. I know that our friends in Texas have been trying to get a voucher program approved for a few years now. Laura Colangelo is on this call and maybe she can provide an update on what's going on in Texas.

Laura Colangelo: Thanks, Jim. I am a lobbyist in Texas, and we have been battling resistance to these programs. In Texas, there are 50,000 to 60,000 students in 920 private schools, plus public school students who might pursue private school if they were eligible to receive funding. We have had four special sessions in our legislature about this, and we will try again in 2025 based on the lessons we have learned.

Stan: James already mentioned that Gilbert Christian School hired a full-time staff member to assist families with the state funding programs. What business office impacts have the rest of you experienced?

Anne: Our first step was to form a committee with representatives from billing, admissions, academics, tuition assistance, and human resources. We wanted to give everyone the opportunity to speak into our decision-making and next steps. Since then, we have made our K-12 billing person the subject matter expert on the state funding program. We might eventually need a dedicated part-time or full-time staff member for this.

Jim: We have added a .5 FTE staff member to work with our families. Requesting the funds requires additional invoicing and Arkansas also requires all faculty and staff to be fingerprinted, which has been quite a process. There has been minimal impact on our admissions process so far.

Leighann: We have had an influx of calls, inquiries, and applications, which has prompted us to consider adding additional screening questions about mission and culture alignment to our application. Our billing person is our subject matter expert as well, but I'm not sure how sustainable that will be. We might need to hire someone dedicated to the state funding programs.

Stan: This has been alluded to throughout our discussion, but let's talk about the changes you've had to make in your cash flow model as a result of state funding programs.

James: We chose to capitalize on the quarterly payment model, with a pre-payment of three months of tuition. We

have had several years to adjust the rest of our cash flow process accordingly.

Leighann: We receive funds quarterly as well, but our payments are lagging. We focus on the areas of highest need while we wait for the funds to come in.

Anne: We receive two payments a year, but the mid-year payments that were supposed to come in January were severely lacking and we still hadn't received some of them by mid-March. I anticipate that this lag will improve as the program moves past its first year.

Jim: There is a 15- to 30-day lag in the timing of our receipt of the funds from families' accounts. We have a line of credit and maintain 15% to 20% in cash reserves to help us make ends meet during this lag period.

Stan: What advice do you have for peers about their relationships with their state agencies?

Jim: A good rapport is essential, so maintain open communication lines, attend the seminars your state offers, and provide feedback.

Leighann: We invited our state's regional director to a tour of our school, which was really beneficial. We also recommend attending their office hours and providing feedback when appropriate.

Anne: Our school has a long history of working with the governor's office and lobbyists as we worked to establish this program. We encourage other schools to take these proactive steps and to be supportive of their legislators.

Stan: I also suggest that you provide an opportunity for families using these funding programs to write thank-you notes to the state agencies. An expression of gratitude is something the agencies likely don't receive enough of.

Please [contact us](#) with questions about accepting funds from school choice programs or to discuss how CapinCrouse can empower your K-12 school.

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