

## *Private School Vouchers in Texas: Past experience and future consequences*

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ON 3 MAY 2025, Governor Greg Abbott signed Senate Bill 2 into law, authorizing the establishment of an education savings account program (or a private school voucher program) that will allow Texan families to use at least \$1 billion in public taxpayer dollars to fund their children’s private and home-school education (Edison, 2025a). Implementation of the law is expected to start in 2026. In the tug of war between parental choice in education and public education funding, parental choice prevailed. School vouchers are widely studied in economics, and the outcomes of such programs have been documented in several natural experiments. In this brief review, we examine the literature on school vouchers, including the arguments for and against them, as well as the empirical studies that have documented their impact on student outcomes.

### Public education versus school vouchers

Knowledge comes from education, which generates external benefits to society beyond those that accrue to the individual who acquires it. Classical studies on the economics of education literature show that rational agents would not provide the efficient quantity of education in a *laissez-faire* market economy. Thus, to achieve a more efficient allocation of resources in the presence of external benefits, governments can utilize at least three instruments: public production, private subsidies, and vouchers. Scholars have studied each of these devices and have found mixed results. In this paper, we focus on private vouchers as a means of boosting knowledge in a free market society.

To understand the need for government provision of education (K-12 in this case), we must emphasize the benefits of education to society, benefits that extend beyond what accrue to any individual. When parents send their children to school, the children are better off, as they acquire skills and increase their chances of earning a higher income in the future. Moreover, society benefits from having an educated population that is typically more productive, exhibits better citizenship qualities, and is less likely to commit crimes. Another reason for governments’ intervention in the provision of education is that some individuals may be left out of schools if their families cannot afford (and are unable to borrow to finance) the costs.

Government provision in any market typically leads to the “crowding out” of private provision. In other words, if public schools exist, some parents will not pay for private schools when they would otherwise have done so in the absence of public schools. This is only a problem if we assume that the quality of private education is superior to that of public education (and evidence on this point is mixed at best). It is worth noting that for parents who choose to keep their children in private schools despite the availability of public options, there is technically no crowding out of private spending on education. In the context of voucher programs, the underlying rationale is that parents are reimbursed taxes paid, as these funds were not spent on their children’s public education while they attend private school.

### Types of school vouchers

A voucher is simply a token that the government provides to households, which they can use to buy specified goods or services. Food stamps are common examples of vouchers. Such vouchers can be spent only on food and are designed to improve the diet and health of extremely poor households. A school voucher allows parents to choose the school their children will attend and to use the voucher to pay part of the cost. The school cashes the vouchers and pays its bills. Federal Pell Grants are similar to school vouchers. Since school vouchers can only be spent on education, they increase the willingness to pay for knowledge, thereby increasing the demand for it.

School vouchers have been advocated as a means of improving the educational standards attained and the cost per student. In the United States (US), a tuition voucher is a state-funded grant that families can use to cover private school tuition, distinct from education savings accounts (ESAs) and tax-credit scholarships. A tuition voucher is

applied almost exclusively to tuition at a participating private school. ESA is a restricted-use account for tuition and other educational expenses (tutoring, therapies, curricula), with potentially different oversight and vendor eligibility rules. Tax-credit scholarships are a form of indirect public financing, achieved through tax-favored donations to scholarship organizations. As of mid-2025, a limited set of jurisdictions operate traditional voucher programs (alongside many ESA and tax-credit programs). The National Conference of State Legislatures (NCSL) maintains a state-by-state scan, along with definitions of US school vouchers. Henceforth, we refer to these three forms of private school choice programs (vouchers, ESA, and tax-credit programs) as vouchers for brevity.

#### State differences

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Although not new, private school voucher programs in the US are relatively scarce and vary significantly in their targeted population. The first major state-funded voucher program in the US was implemented in Milwaukee in 1990 (Milwaukee Parental Choice Program), followed by the program implemented in Cleveland, which started in 1995 (Cleveland Scholarship and Tutoring). Both programs targeted students from lower-income families, although the Cleveland program was open to all. In addition, since 2001, Florida, Louisiana, and Pennsylvania have implemented separate voucher programs for low-income families. Beyond state-funded voucher programs, privately funded voucher programs (e.g., New York City, Dayton, Ohio, and Washington, D.C.) also primarily target low-income families.

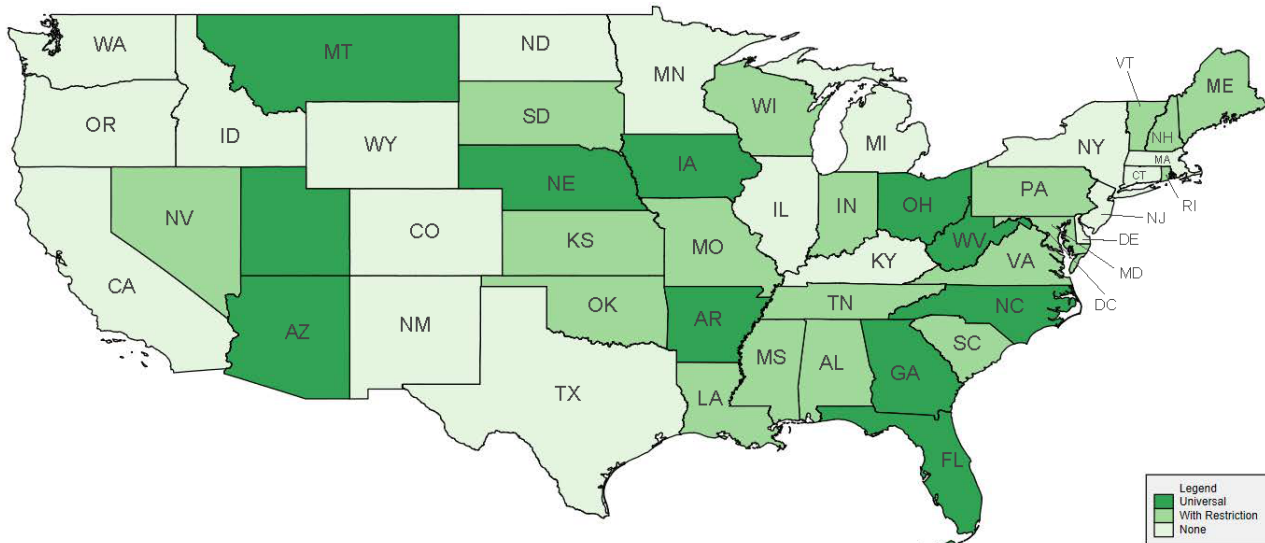
In addition to low-income families, another key characteristic targeted by state-funded voucher programs is the quality of public schools. For example, Florida implemented a voucher program from 1999 until 2006 that allowed students from low-performing public schools to use vouchers to attend private schools. A similar program was implemented in Ohio in 2005. Louisiana launched the Louisiana Scholarship Program, also known as Student Scholarships for Educational Excellence, in 2008. Therefore, historically, voucher programs in support of private school choices tended to be very targeted. For a broader picture, Figure 1 shows a map of private school choice programs across the US (specifically, the contiguous states and the District of Columbia). In classifying states, we consider three types of private school programs—vouchers, tax-credit scholarships, and ESAs. The map also shows whether these programs have eligibility requirements. Examining the map, we find that most states and DC (around 60%) have some type of voucher program, but most of these programs have additional eligibility requirements. More broadly, universal programs are not very common, with about 20% of the contiguous US having at least one universal private school choice program (Figure 1). Nevertheless, some voucher programs are more general in nature. One such case is the voucher program implemented by Georgia in 2008, which allowed all public school students to participate and switch to a private school.

The universal Texan voucher program will join other regional educational policies in 2026. In the case of Texas, the state is implementing an ESA school choice model, which, although not unique to the US context, is relatively uncommon. Figure 2 shows the distribution of ESA programs in the US contiguous states and DC. Only a few states have implemented the ESA model (less than 30%), and even fewer have a universal one. Moreover, these programs have been implemented somewhat recently. For example, Arizona's universal ESA was enacted in 2022, while Florida passed their policy in 2023. With Texas joining them this year, these recent policy changes demonstrate the rapid progression and expansion of private school vouchers in the US.

The voucher programs can further vary in terms of the grades and types of private schools that can be used. For example, the Milwaukee program was initially limited to secular private schools and later expanded to include religious private schools. The programs can also vary in terms of whether they use a lottery admission process for oversubscribed private schools or if admission is based on the private school's process. Similarly, the privately funded vouchers in New York City, Dayton, Ohio, and Washington, D.C., were randomly assigned to recipients. Therefore, private school choice policies have been implemented in various ways, and the characteristics of the program are relevant to its impact.

In the case of Texas, the state has chosen to implement its private school voucher program as an ESA model rather than a traditional voucher program. Enacted in 2025, the program is named "Texas Education Freedom Accounts" and is expected to launch at the beginning of the 2026-27 school year. The finance and technology company Odyssey will assist in designing the application process, managing payments, and reviewing complaints for the state's education savings accounts (Edison, 2025b). The Texas ESA Program provides state funds that families can use for private-school tuition and a broad range of educational expenses, such as tutoring, learning materials, and specialized therapies. Unlike tuition vouchers, which are applied exclusively to private-school tuition, ESAs are flexible spending accounts that give families greater discretion over educational services. However, this flexibility requires more complex oversight mechanisms, including vendor approval, audits, and spending verification systems (Texas Comptroller, 2025; NCSL, 2024).

Figure 1: Private School Choices Programs



The map shows the contiguous US states and the District of Columbia, classified based on whether or not they have enacted any private school choice programs, and the extent of the program. It includes School Vouchers, Tax Credit Scholarships, and Education Savings Accounts. A program is considered "restricted" if it has specific eligibility requirements, such as income limitations. A program is considered "universal" if the eligibility requirement is not specified or universal. Sources: 50-State Comparison: Private School Choice, Jan. 24, 2024. Retrieved from <https://www.ecs.org/50-state-comparison-private-school-choice-2024/>.

### Consequences for students and fiscal burden

To evaluate the impact of such voucher systems, economists typically look at the costs of the programs to the local government and compare them to the size of the benefits measured by academic achievement of students whose parents participate in the system, with such achievement measured by test scores, college admission outcomes, or graduation rates. However, measuring the direct benefits of these programs is difficult. One reason for such difficulty is the way the program is implemented. If parents can choose to participate, then mostly educated parents who are aware of the program or high-achieving students may take advantage of the program. This type of self-selection bias can overestimate the benefit of the voucher systems. Fortunately, there are some programs that distribute the vouchers by lottery or randomly, which can help economists estimate the causal (direct and indirect) effects of educational vouchers.

For example, in the voucher program implemented in Milwaukee, described in the previous section, some participating private schools had more applicants than available spots (oversubscribed); therefore, applicants were randomly selected using a lottery. This policy created a type of randomized trial that economists exploit in order to isolate the effects of introducing the voucher system. Comparing students who applied to such oversubscribed schools but were accepted, versus those who were rejected and stayed in public schools, Rouse (1998) found that those who benefited from the voucher system saw their math test scores increase modestly by 1 to 2% relative to those who stayed in public schools (on an annual basis). However, no gains were found in reading scores. Such small but positive results were found in other rigorous studies. In some instances, zero or even negative effects were documented from voucher programs. The Louisiana Scholarship Program produced significant adverse test-score effects in early years, mainly in math, due to weak quality controls and low-performing private-school entrants (Abdulkadiro, Pathak & Walters, 2016; Mills & Wolf, 2017). Indiana's voucher program revealed modest negative math effects that attenuated over time (Waddington & Berends, 2018). The Washington D.C. Opportunity Scholarship Program showed no significant changes in test scores, but did increase graduation rates and parent satisfaction (Wolf et al., 2010). Yet, longer-term analyses from Milwaukee and Florida found higher high-school graduation and college enrollment rates for participants (Cowen et al., 2013; Chingos, Monarrez & Kuehn, 2019).

Due to the newness and unique characteristics of the universal ESA programs, there are uncertainties about the impact that we might expect to see in Texas after the implementation of this voucher program. Nevertheless, we can use the findings from the more mature voucher programs to understand some of the possible impact of the Texas one. Given these other experiences, Texas can expect neutral to slightly negative test-score effects initially, accompanied



design, particularly its oversight mechanisms and inclusion safeguards, will determine whether the ESA initiative advances both educational choice and quality. Discussing the economics of education with Michael Parkin and how economists have made significant progress in designing school finance programs, Caroline M. Hoxby said,

"Economists should say to policymakers: Tell me your goals; I'll design you a voucher." (Parkin, 2022, p. 422)

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