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"Fund Teacher Pensions and Improve Education without New Taxes"

Lewis M. Andrews †

For all the heated rhetoric over the failure of Gov. Dannel Malloy and the legislature to agree on a new two-year budget, it is no secret to longtime observers of state government that the real elephant in the room has been the poorly financed teachers' pension fund. It was the governor's February proposal to make municipalities partly responsible for the $1.2 billion annual contribution to the fund – producing inevitable property tax increases – which inspired even some Democrats to begin demanding spending restraint.

And if underfunded pensions were not enough of a problem, lurking in the background is another disruptive education-related issue: the September 2016 order by Superior Court Judge Thomas Moukawsher in the case of *CCJEF v.*

† Dr. Andrews was executive director of the Yankee Institute for Public Policy from 1999 to 2009.

Rell. It directs the legislature to immediately restructure Connecticut's entire K-12 public school system to better accommodate the needs of poor, urban, and especially learning-disabled children.

Attorney General George Jepsen may have temporarily halted the judge's instruction by appealing it to the Supreme Court, but few policymakers believe the state can long avoid the educational equity issues raised by the suit.

As overwhelming as the combined problems of underfunded pensions and underserved students might seem, there is a policy developed in six other states that could address both at once – and without either raising taxes or forcing localities to give up control of their schools. Called an education savings account (ESA) plan, it works by providing parents who believe their child is poorly served in the local public school with an annual budget which can be spent on a variety of accredited alternatives – not just private or parochial schools, but tutoring, textbooks, online academies, special services, and even computer equipment for home schooling.

Enacted first by Arizona in 2011, variations on that state's plan have since been adopted by Florida, Mississippi, Nevada, Tennessee, and most recently by North Carolina. And although most of these programs were initially directed at children with special needs, Nevada's discovery that almost every student could be educated independently for a fraction of the public school per pupil led it to design a universal program. Beginning this year, an ESA option will be available to nearly every Arizona family that wants one.

With all this in mind, Marty Lueken, Director of Fiscal Policy and Analysis at the EdChoice Foundation, and I decided to calculate how much an ESA plan might help Connecticut – not only by satisfying Judge Moukawsher's order, but by reducing instructional costs enough to help with the teachers' pension fund. With the per pupil expenditure in many of the state's public-school districts exceeding three, four, and even five times what is needed to independently educate, it occurred to us that a modest program involving no more than 10 percent of K-12 children could still yield substantial savings.

We began our study, co-sponsored by the Yankee Institute for Public Policy and a Connecticut Taxpayer Group (Non-partisan Action for a Better Redding), by gathering the most recent per pupil and student census data for each school district, as reported by the state Department of Education to the National Center for Education Statistics. We then calculated how much each district, as well as the state, could save if 2 to 10 percent of its pupils elected to receive an ESA of $5,000 or $10,000 dollars. (According to the U.S. Census Bureau, the average per pupil cost for a Connecticut school district is currently $18,377.)

The results proved far more promising than either Marty or I had anticipated. It turns out that, if just 10 percent of Connecticut students were independently educated with an annual allowance of $5,000, the net savings to taxpayers would be just over $385 million – almost exactly the amount Gov. Malloy says must be raised to fully fund teacher pensions, but without any new taxes. Even a very generous ESA of $10,000 saves the state $130 million per year, all-the-while providing underserved students with better educations.

Of course, a 10 percent reduction in the public-school population would eventually mean a 10 percent reduction in public school teachers – a development not likely to be cheered by state's teacher union leadership. But it is not at all clear that the rank-and-file would be as upset.

Indeed, if one looks at how the finances of fiscally troubled cities like Atlanta, Detroit, and Lexington, KY, have recently been restructured, current and retired public workers have proved consistently willing to accept any changes that preserved their own benefits, regardless of the impact on future hiring. And with so many baby boomer retirements expected in the coming years, a 10 percent school staffing reduction could likely be achieved without having to terminate anyone.

With funding for their post-employment benefits increasingly in jeopardy, many current and retired public-school teachers might well conclude that a secure pension is worth allowing a small percentage of families to educate independently.