

SNAPSHOT

Education Savings Accounts: Program Evaluation

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In 2022, Tennessee's Education Savings Account (ESA) program began enrolling eligible students to use state and local funding at approved non-public schools. To participate, students must have a home residence zoned to schools in the Memphis-Shelby County Schools district, Metro Nashville Public Schools district, or Hamilton County Schools district; must have a household income that does not exceed twice the federal limit for free lunch; must have attended a Tennessee public school for the entire prior year or be eligible to enroll in a Tennessee school for the first time or meet certain exceptions; and must be entering grades kindergarten through 12.

State law requires the Comptroller's Office of Research and Education Accountability (OREA) to examine the efficacy of the ESA program after the third year (2024-25) and annually thereafter.

Conclusions

The number of applications, approved students, and students using an ESA has increased in each of the first three years of the program, reaching 3,693 participating students in 2024-25. However, participation remained below the program's capacity of 5,000 students in its first three years of operation. By the third year of the program (2024-25), approximately 7.2 percent of eligible students applied for the ESA program, 28 percent of student applications did not demonstrate eligibility criteria and were denied by the Tennessee Department of Education (TDOE), and 29 percent of approved students did not use their ESA.

By the third year of the program, 28 percent of participating ESA students previously attended a public school in the year before ESA participation. Most of these students did not previously attend low-performing priority schools. Most ESA students who previously attended public schools came from those that received A, B, or C letter grades, with the exception of students from Hamilton County Schools. Fifty percent of approved students in Chattanooga who previously attended public schools were enrolled in schools that received D or F letter grades, while 50 percent previously attended public schools that received letter grades of A, B or C.

Student participation in the ESA program varies by region. Over the program's first three years, most ESA students have been from Memphis. Most ESA students do not have an IEP and at least two-thirds come from a home where English is the primary language.

Non-public school participation has increased in the program's first three years with the most growth occurring in the program's second year. In 2024-25, there were 97 participating non-public schools, four of which were virtual; most schools identify as religious, and most serve elementary and middle grades.

Tuition at participating schools exceeds the amount of the ESA award by \$3,000 on average, with the exception of virtual schools. The median tuition amount is around \$1,000 more than the ESA award amount, excluding virtual schools. Schools are allowed to set their own tuition amounts but agree not to charge ESA students more than non-ESA students. While state law allows for more than a dozen potential uses of ESA funds, 95 percent of the awards are spent on tuition, on average.

ESA students' TCAP scores have increased over time but generally remain below their local public school peers and the statewide average. In addition, compared to their peers in public schools, ESA students show less academic growth than expected according to TVAAS.

Parent satisfaction with the ESA program has been at least 94 percent each year based on TDOE's parent satisfaction survey, but fewer students are represented in survey responses each year. In the third year of the survey, 15 percent of participating students were represented in the responses compared to 96 percent in the first year.

Most participating non-public schools are satisfied with the program but expressed concerns about the online portal and other program aspects. After receiving survey responses from 98 percent of participating schools, OREA found that on average schools were 78 percent satisfied with the program and 65 percent satisfied with the online platform.

TDOE met most of the program's statutory requirements with two exceptions. The two exceptions were striving to ensure low-income families know about the program and including all parts of the parent survey in the department's annual ESA report.

Many of TDOE's implementation measures, while technically compliant, may be insufficient for proper data collection and fraud prevention. While OREA did not conduct a forensic audit or investigation of ESA accounts or application materials, no evidence of fraud was identified in the course of this program evaluation. Nevertheless, TDOE's processes for reviewing ESA accounts to ensure participating students are eligible, to ensure participating schools are compliant, and to prevent fraud could be strengthened. At present there is no evidence indicating that random, quarterly, or annual review of accounts for fraud is conducted after initial payment processing. Metrics for reviewing participating schools that have low academic performance have not yet been developed, and student withdrawal forms are not submitted in accordance with TDOE policies.

TDOE's communication with schools and parents could be improved. School leaders reported the helpfulness of office hours and the accuracy of information provided by TDOE varies. As the main promoters of the ESA program, school leaders are often left to find answers on their own, work through issues with the online portal through trial and error, and help potential ESA families complete the application and allocate funds. In 2024-25, one-quarter of ESA parents reported a language other than English as their primary home language; however, all resources online are posted in English only. TDOE cited relying heavily on social media as a way of advertising the program; TDOE posted about the ESA program three times between July 2022 and October 2025.

Recommendations and Policy Options

The Tennessee Department of Education should strive to ensure low-income families are aware of the ESA program and include all required provisions in its annual report on the program. TDOE should strengthen communication and collaboration with families and schools and also strengthen measures used to prevent fraud.

To increase the number of approved students who use their ESA award, TDOE should consider options to better align program operations with non-public school admissions calendars.

TDOE should implement measures to collect better data, including using a consistent parent satisfaction survey instrument and focusing on best practices for data collection. TDOE should also improve data collection on students who withdraw from the ESA program, create and share metrics for reviewing participating schools with low academic performance, and consider additional data collection measures.

The Tennessee General Assembly may wish to revise the application requirements and the ESA award amount to increase student participation. The Tennessee General Assembly may also wish to revisit student eligibility for the ESA program.