

# Assessing the fiscal impact LC 2582 in Montana: The Montana Academic Prosperity Program for Scholars (MAPPS)

## Introduction and Bill Design

Lawmakers in Montana are joining more than a dozen states trying to expand their school choice program offerings in 2025. LC 2582 would establish the Montana Academic Prosperity Program for Scholars (MAPPS), which would allow for tax-deductible donations or individual tax credits to fund students' scholarships for private school tuition or other private educational expenses such as learning supplies or tutoring. The bill allows up to \$4 million in tax-deductible donations from individuals or corporations and another \$4 million in individual tax credits for families.

All school-age children in the state would be eligible for the program. The maximum individual scholarship amount would be equal to the statewide [BASE school funding formula amount](#) divided by [statewide public school enrollment](#), or an estimated \$6,453 per student.

If the total dollar value of donations or individual tax credits reaches 80% of the maximum amount, the aggregate limit of tax credits shall be increased by 25% for the succeeding school year. For example, if families claim \$3.2 million or more in individual tax credits in the program's first year, the aggregate limit for the next school year will be increased to \$5 million. The same process applies to the aggregate \$4 million limit on MAPPS tax-deductible donations.

## Fiscal Impact Variables

Montana policymakers and stakeholders are likely interested to know how the MAPPS proposal would impact the state budget. Due to the cap on the aggregate dollar amount of tax deductions, the total cost of the MAPPS program would be \$8 million in its first year of enactment. That amount equals only 0.26% of the [state's proposed budget](#) for FY26.

Additionally, that total cost figure overstates the program's true cost because it doesn't account for the potential share of MAPPS participants who would otherwise enroll in public schools, commonly called switchers. Because switchers would otherwise receive taxpayer

resources in public schools without MAPPS, they produce counterbalancing savings that offset the program's total cost.

## Savings from Switchers

Estimating the dollar amount that each switcher student saves for the state budget is difficult due to [complexities in the state's K-12 funding structure](#). Montana's public school funding system includes funding streams based on student enrollment, other funding streams that account for factors like district size or the number of certified personnel, and local property tax sources that may be indirectly sensitive to student enrollment but don't directly impact the state's general fund. As such, the funds returned to the state budget when students leave a public school for MAPPS will vary from district to district and student by student.

Using [FY25 school budget data](#) published by the state's Office of Public Instruction, this analysis estimates that the state saves an average of \$5,600 for each individual student who leaves a public school. This estimate incorporates state funding streams like direct state aid, guaranteed tax base aid, and other state funding streams that are generally sensitive to student enrollment. The estimate excludes any state funding streams (e.g. Quality Educator Payments) that aren't enrollment-sensitive as well as all local revenue sources. Importantly, Montana school districts may use current-year or three-year average enrollment counts for funding purposes, meaning that some of the state savings from switchers will be delayed over a multi-year period.

## Switcher Rates

Another key variable affecting the fiscal impact of LC 2582 is the share of participants who are switchers, i.e., the switcher rate. Data from other states indicate that switcher rates for universal-eligibility school choice programs tend to be lower than 50% in the initial years since families already using private education are often the first to apply. For example, Arizona has a universal ESA program with no caps on costs or enrollment. In the Arizona program's first year, the [state reported](#) that 21% of about 30,000 participants in first through twelfth grades were previously enrolled in Arizona public schools. By year two, the overall switcher rate had risen to 32%. A separate Reason Foundation analysis estimates that, after accounting for kindergarten participants and Arizona program participants who previously enrolled in the ESA before it became universal, the switcher rate after two full program years was 47%.

This analysis assumes initial switcher rates in Montana will likely be between 21% and 32% in the initial years. This is because Montana has a less robust school choice landscape than Arizona—e.g. fewer charter schools and smaller existing private school choice

offerings. As such, it will likely take time for families in public schools to learn about the program and decide to participate, keeping initial switcher rates low.

## Average Scholarship Amounts

While the maximum scholarship under MAPPS is estimated at \$6,453 per student, actual scholarship amounts under the program will vary from student to student depending on how much families claim in individual tax deductions or how much they receive from student scholarship organizations. The lower the average scholarship amount, the higher the total number of scholarship recipients and the higher the potential number of switcher students. LC 2582 also sets aside 10% of the tax deductions to fund the program’s administration. This means an aggregate of \$7.2 million in tax deductions would directly fund scholarships.

This analysis estimates the net cost of MAPPS by assuming a range of average scholarship values—100%, 80%, and 60% of the maximum.

## State Fiscal Impact Estimate

Using all the above variables, **the net fiscal impact of MAPPS on the state budget will be between \$5.9 million at the high end and \$3.9 million at the low end. These values range between 0.19% and 0.13% of the [state’s proposed budget](#) for FY26.**

The net fiscal impact is lower than the total program cost because each switcher saves the state budget an average of \$5,600. The true program cost will be closer to the upper estimate if switcher rates are around 21% and the average scholarship for program participants approximates the maximum (\$6,453 per scholarship). The program’s true cost will be closer to the lower estimate if switcher rates are around 32% and the average scholarship for program participants is 60% of the maximum (\$3,872 per scholarship). All estimates are summarized in Table 1.

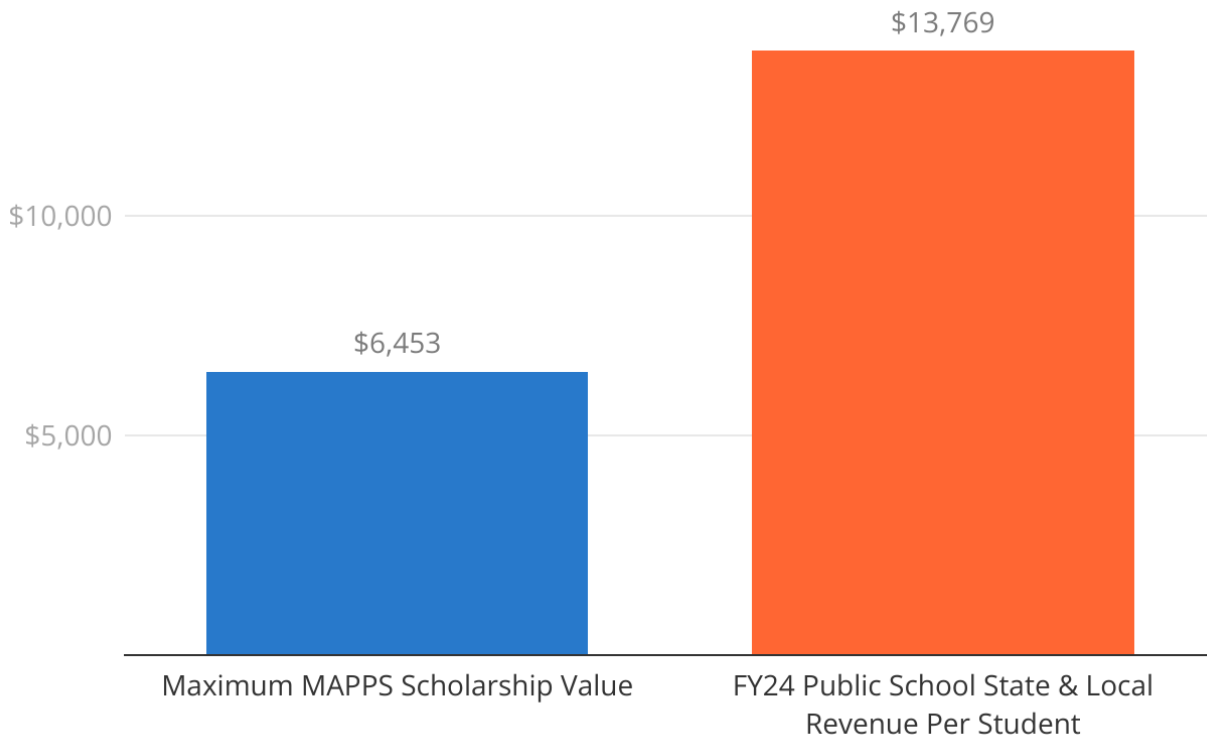
**Table 1:** Net State Budget Cost Estimates for MAPPS, FY26

	At max scholarship amount	At 80% max scholarship amount	At 60% max scholarship amount
Total scholarship recipients	1,116	1,395	1,860
21% switchers	235	294	392
32% switchers	354	442	590
Switcher savings at 21%	-\$1.3m	-\$1.6m	-\$2.2m
Switcher savings at 32%	-\$2.0m	-\$2.5m	-\$3.3m

<b>Net program cost, 21% switchers</b>	<b>\$5.9m</b>	<b>\$5.6m</b>	<b>\$5.0m</b>
<b>Net program cost, 32% switchers</b>	<b>\$5.2m</b>	<b>\$4.7m</b>	<b>\$3.9m</b>

Due to the modest amount of credits proposed in LC 2582, the net cost of the MAPPS program would represent a small fraction of the state budget. For reference, the net costs in Table 1 are comparable to the state’s [Data for Achievement](#) payments. These state payments equal \$23.58 per public school student and are intended to cover minor district-level costs like collecting and entering student achievement data into the statewide system. In fact, if the aggregate amount of tax credits afforded under MAPPS were quadrupled, the net program costs under the same range of assumptions from Table 1 would still equal less than 1% of the state budget.

In the long run, the MAPPS scholarship proposal will likely accrue net savings to taxpayers because the proposed maximum scholarship amount is less than half of [per-student revenues](#) in the state’s public schools (see Figure 1).



## Conclusion

If adopted, the MAPPS program will expand educational choices for Montana families seeking options that best suit their children's needs. At the same time, the proposed program would represent a very small cost to the state budget, even as the aggregate dollar value of credits increases in the coming years.