A Scholarship Tax Credit Program for Colorado

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Executive Summary

Scholarship tax credits increase the opportunity for K-12 students to access non-public educational options. Such tax code modifications increase the incentive for persons and businesses to contribute funds to qualified nonprofit scholarship-granting organizations. In turn, the organizations use most of the incoming funds to assist low- and middle-income families with private school tuition expenses.

Currently, 14 states operate a total of 17 different scholarship tax credit programs. No two programs are alike, with different criteria for student eligibility, scholarship sizes, limits on the size or value of tax credits, and requirements for scholarship organizations. Though research has been limited, strong evidence exists that such programs yield academic and competitive benefits, generate a positive fiscal impact on the state, and improve parental satisfaction. State and federal courts have consistently upheld scholarship tax credit programs.

Colorado is in need of a scholarship tax credit program. Important measures of achievement and attainment, especially among disadvantaged groups, continue to lag behind expectations. Even the highest-performing schools do not serve every student well. Parents should be empowered to choose different educational settings that serve their children's needs.

By harnessing the power of voluntary contributions, a scholarship tax credit program could open the doors of learning opportunity for thousands of Colorado students with no negative fiscal impact on the state. A model program would provide dollar-for-dollar tax credits to persons and businesses that contribute to qualified nonprofit organizations that provide scholarships for K-12 non-public school tuition, as follows:

- All children from families with incomes at or below 300 percent of federal poverty level should be eligible for a scholarship.
- To promote cost savings, scholarship eligibility during the program's first three years further should be limited to students previously enrolled in public school, incoming kindergarteners or 1st graders, new state residents, and students already receiving a tuition scholarship.
- The average scholarship amount issued by a participating nonprofit organization should be set at 50 percent of state average Per Pupil Revenue ($7,023 in fiscal year 2014-15).
- The program ideally should operate without a total annual program cap. If a reasonably sized cap is implemented, it should include a mechanism for automatic annual cap increases.
- The program should limit credits for individual contributions to a taxpayer's total liability.
- Participating nonprofit organizations must abide by basic financial accountability standards and must disburse at least 90 percent of their funds as scholarships, though the General Assembly also could consider a relaxed standard for startup organizations.
- Using one of a selection of nationally norm-referenced tests, participating private schools would report scholar-

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ship students' academic progress to an independent research organization for a publicly reported annual program evaluation.

Colorado policymakers should give careful consideration to providing an important benefit to many of the state's families through the adoption of scholarship tax credits.

The ultimate beneficiary of the policy change is the student who receives one of the greater number of available scholarships.

What Is a Scholarship Tax Credit Program?

Scholarship tax credits enhance educational choice through use of the state tax code. Persons or businesses receive significant tax benefits for making contributions to nonprofit groups that provide scholarships to K-12 students, assisting families with private school tuition expenses. States that have adopted such programs now offer more learning opportunities for eligible students. Many of these states' existing programs further preserve more dollars for each student who stays enrolled in the public system.

In its basic form, a scholarship tax credit program provides a benefit to students and families by changing how state revenue collectors recognize charitable giving to qualified groups. Under current law, a person or business that donates money to a K-12 tuition scholarship organization receives a tax deduction, or a decrease in the amount of his income subject to taxation. Under a tax credit program, the amount of tax dollars owed to the state is directly reduced according to the donation amount.

***Example:** With $100,000 in annual taxable income, **John Smith** pays 5 percent in state income taxes, or $5,000. He makes a $1,000 donation to ABC Scholarships. The currently offered tax **deduction** reduces his taxable income by $1,000 to $99,000, and his 5 percent tax bill to $4,950. A 100% tax **credit** on his donation would reduce his tax bill by $1,000 to $4,000.*

Offering a tax credit rather than a deduction strengthens the incentive to give to organizations that administer and grant scholarships to K-12 students. In fact, new organizations may well emerge to help fill the demand for tuition scholarships. With more funds available, the opportunity exists to serve more students.

The ultimate beneficiary of the policy change is the student who receives one of the greater number of available scholarships. Typically, the scholarship amount covers a significant portion of total tuition costs. Many families of limited means thus are enabled to afford a non-public education they choose to fulfill their children's potential. A new school setting may be desired for stronger academics, a safer environment, values that better resonate with parents, or many other reasons.

Example: The Jones Family cannot afford to send daughter Alicia and son Alex to a private school that would better serve their needs. Mr. and Mrs. Jones both work to make ends meet. Annual tuition for two students is $10,000. With each student receiving a $3,000 scholarship from ABC Scholarships, the school bill is cut by more than half, and the family can exercise an educational choice previously unavailable.

History

In 1997 Arizona became the first state to enact a scholarship tax credit program. As of today, 14 states have established 17 different programs (see table 1). Nearly half have been adopted since 2011, four of them in 2012 alone. Texas and New York are among the other states where legislators and other key state leaders recently have considered the adoption of scholarship tax credits.[1]

Table 1. K-12 Scholarship Tax Credit Programs, By Year Enacted

State	Program	Year Enacted
Arizona	Personal Credit for School Tuition Organizations	1997
Florida	Tax Credit Scholarship Program	2001
Pennsylvania	Educational Improvement Tax Credit Program	2001
Arizona	Corporate Credit for School Tuition Organizations	2006
Iowa	School Tuition Organization Tax Credit	2006
Rhode Island	Tax Credits for Contributions to Scholarship Organizations	2006
Georgia	Private School Tax Credit for Donations to Student Scholarship Organizations	2008
Arizona	Disabled/Displaced Pupils Corporate Tax Credit Program	2009
Indiana	School Scholarship Tax Credit	2009
Oklahoma	Equal Opportunity Education Scholarships	2011
Louisiana	Tax Credit for Donations to School Tuition Organizations	2012
New Hampshire	Corporate Education Tax Credit	2012
Pennsylvania	Educational Opportunity Scholarship Tax Credit	2012
Virginia	Education Improvement Scholarships Tax Credits	2012
Alabama	School Choice Scholarships	2013
South Carolina	Educational Credit for Exceptional Needs Children	2013
Kansas	Tax Credit for Low Income Students Scholarship Program	2014

Source: Friedman Foundation for Educational Choice, http://edchoice.org

...tax credit programs utilize private funds and have been consistently upheld in court at both the state and federal level.

No two scholarship tax credit programs are exactly alike. Variations include not only how much of a contribution qualifies for a credit, but also which students are eligible to receive a scholarship. Many states cap the annual amount of tax credits for individual contributors or for total contributions statewide. Maximum tuition scholarship amounts often are set, while some programs place guidelines and reporting requirements on scholarship-granting organizations in order to participate. Some states include public reporting of student results for program accountability.

Benefits of Scholarship Tax Credits

Though little high-quality research on the student and school impacts from scholarship tax credits has been done, the results consistently have been positive. Led by Northwestern University economist David Figlio, two major analyses of Florida's Tax Credit Scholarship Program present key evidence for consideration. First, multiple years of test scores have shown "modestly but consistently positive" math and reading achievement gains for thousands of participating low-income students.[2] Second, the program demonstrated competitive benefits by yielding similar gains from public schools. The closer a private school that could accept a scholarship student, as well as the greater the number or diversity of surrounding private schools, the more pronounced a public school's academic improvement[3]

The academic benefits of scholarship tax credits align closely with the broader body of gold-standard research findings on vouchers.[4] Indeed, both vouchers and scholarship tax credits offer greater choice in the private educational sector. Yet the two types of programs fundamentally differ. Voucher funds pass through government coffers, have a mixed record in the state courts, and are associated with more regulatory burdens on private schools.[5] By contrast, tax credit programs utilize private funds and have been consistently upheld in court at both the state and federal level.

A 2009 Arizona Supreme Court decision shut down a voucher program designed to serve special-needs students, while explicitly stating that a tax credit mechanism would survive scrutiny.[6] Lawmakers quickly amended "Lexie's Law" to meet the court's concern. In a case stemming from a different Arizona choice program, the U.S. Supreme Court ruled two years later that state residents have no standing to challenge the constitutionality of a tax credit program because they utilize private, not public funds.[7]

Research also has confirmed that the nation's three oldest scholarship tax credit programs all have resulted in significant savings to state budgets. Two of the three states (Arizona and Florida) spend less per pupil on K-12 education than Colorado does. In all cases, average scholarship amounts remain far less than public school per pupil expenditures. Spending reductions thus substantially outweigh revenue that state treasuries have forgone due to tax credits. Consider the following:

- A 2009 independent economic analysis of Arizona's Personal Credit estimated K-12 public expenditures fell anywhere from $99.8 to $241.5 million per year as students switched to private schools, while the state only lost $55.3 million in tax revenue.[8] The wide range of the estimate is based in trying to determine whether students would have enrolled in non-public school without scholarship aid provided by tax benefits.

- In 2010, Florida legislative research staff identified $118.4 million in education spending reductions compared to $82.2 million in tax revenue forgone, resulting in a $36.2 million net benefit to taxpayers.[9] By law, all students in the program are low-income and have to transfer from a public school, unless they are entering kindergarten.
- A 2011 Commonwealth Foundation analysis of Pennsylvania's Educational Improvement Tax Credit program recorded $512 million in annual spending reductions versus $40 million in lost tax revenue. While the report did not distinguish students who would have attended private school anyway, the average scholarship size and number of low-income students served suggest a substantial annual net savings.[10]

Both Florida and New Hampshire have systematically measured parental satisfaction with their respective programs. More than 95 percent of Florida scholarship parents rated their child's new school as "excellent" or "good" on an official state survey.[11] A 2009 poll sponsored by the Friedman Foundation for Educational Choice found similarly overwhelming levels of satisfaction. The numbers of parents "very satisfied" with various aspects of the new private schools were 10 to 20 times greater than those who reported satisfaction with the old public school.[12] Of the mostly low-income families that received a scholarship during the New Hampshire program's first year, 97 percent reported satisfaction, including 89.5 percent who said they were "very satisfied."[13]

Finally, scholarship tax credits garner significantly greater support in scientific opinion polling than do private school vouchers or even public charter schools. A 2014 national survey found 60 percent of Americans favor, and only 26 percent oppose, "a tax credit for individual and corporate donations that pay for scholarships to help low-income parents send their children to private schools." As in previous editions of the annual survey, public support for scholarship tax credits exceeds support both for charter schools and for vouchers.[14] A September 2014 Magellan Strategies survey conducted for the Independence Institute found that 60 percent of registered Colorado voters favored scholarship tax credits. Support was highest among Hispanics and low- to middle-income ($50,000 per year or less) voters.[15]

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Colorado Students Need More Opportunities

Despite a number of education reforms that have been enacted and implemented in Colorado, the potential of far too many students is being lost. Achievement scores, as measured by a battery of state tests, have registered progress in some areas but still fall short of desired outcomes. On the critical benchmark of third grade reading, more than one in four students are not reading proficiently. Roughly half of eighth-graders do not perform proficiently in math or writing.[16]

Though the on-time graduation rate for Colorado students has climbed in recent years to 76.9 percent, the state still places among the lowest third in the nation. Results are even worse for students who are Black or African American (70 percent),

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Hispanic / Latino (65 percent), or Economically Disadvantaged (64 percent).[17] Among students who do graduate high school, the need for extra academic help at college remains high. During the 2012-13 school year, more than one in three Colorado public high school graduates enrolled at Colorado two-year or four-year postsecondary institutions needed remediation in reading, writing, or math.[18]

Nonetheless, even high-performing schools and districts are unable to serve all students most effectively. Parents are best situated to determine the individual needs and abilities of their children. Expanded scholarship assistance could open doors for families with one or more children who are not being adequately served in their current learning environment.

Several nonprofit K-12 scholarship organizations operate in Colorado, but their financial capacity to serve families is exceeded by the demand for private educational options. In fact, existing institutions still have a significant amount of space to serve more students. Cumulatively, the 142 Colorado private schools that currently partner with the state's largest scholarship-granting organization (SGO) report running at 73 percent of capacity, with a total of 10,500 open seats.[19]

A Scholarship Tax Credit Program for Colorado

In adopting a scholarship tax credit program, Colorado should embrace a policy that maximizes learning opportunities and provides direct accountability to program beneficiaries, while also affording fiscal benefits to the state and local education agencies. Parental choice, student equity, and procedural transparency should be guiding principles.

Student Eligibility and Scholarship Size

Tax credit scholarships primarily should be available to families with the least financial means, but not made so restrictive as to exclude others who cannot reasonably afford private school tuition. Ideally, students from low- or middle-income households that are already eligible for enrollment in Colorado public K-12 schools should be likewise able to receive a scholarship for non-public school tuition. Scholarships should be extended to families earning as much as 300 percent of the federal poverty rate, currently $59,370 a year for a family of three.[20] That figure nearly matches Colorado's reported median household income of $58,443, which means roughly half of families—the least affluent—would be eligible to receive the benefit.[21]

Additionally, to promote fiscal savings at the state level, the benefit should be phased in for the first two or three years to include only current public school students and incoming kindergarteners before ending the "switcher" requirement.[22] Ten of the 17 existing scholarship tax credit programs incorporate some sort of "prior public" requirement on scholarship recipients. Even without the requirement, Arizona and Pennsylvania have shown evidence of substantial savings.

Second, while means testing should not restrict student access, two states have established quotas of low-income scholarship recipients. New Hampshire's law allows families up to 300 percent of the poverty line to benefit, but requires at least 40 percent of scholarships support students from families eligible for the federal free and reduced lunch (FRL) program.[23] Florida limits scholarship eligibility to

FRL students. Starting in 2016-17, though, those same students will be granted priority, as families up to 260 percent of poverty also become eligible.

Virginia exempts special needs students from family means testing to receive one of the state's newly-enacted Education Improvement Scholarships Tax Credits. South Carolina's 2013 program is limited to special needs students regardless of family income. One of Arizona's three scholarship tax credit programs exclusively benefits students who have an Individual Education Plan or are served by the state's foster care system. Other programs are aimed exclusively at—or give priority to—students who attend schools deemed to be failing by the state's accountability system.[24]

Most existing tax credit programs cap scholarship size, usually at full tuition value or at some amount that approximates average non-public school tuition. Only in Florida does the average scholarship amount distributed even approach this value. K-12 scholarships granted through many non-profit organizations typically cover less than full tuition value to ensure families have some direct investment in the education decision. New Hampshire also has adopted a model policy worth pursuing. The limitation on *average* scholarship size, rather than on *individual* scholarship size, provides greater flexibility to assist in different situations while retaining the fiscal benefit.

The experience of other states offers no evidence to suggest this trend would change under a tax credit program. Louisiana indexes the maximum scholarship amount to 80 percent (K-8 schools) or 90 percent (high school) of Per Pupil Revenue (PPR)'s state share.[25] Similarly, Colorado could cap the average scholarship amount at 50 percent of state average PPR. In 2014-15, the state's average PPR is $7,026, which would effectively cap an SGO's annual average scholarship size at $3,513.[26]

For more on student eligibility in existing scholarship tax credit programs, see **Appendix A (p. 11)**.

Setting Boundaries: Tax Credit Amounts and Program Caps

Nine of the 14 states with scholarship tax credit programs make the benefit available both for personal and corporate income taxes, an approach Colorado should follow. In the other five states, including Pennsylvania, Rhode Island, and Kansas, the credit only applies to corporate taxes. Neither Florida nor New Hampshire levies a personal income tax.

Typically, a state can limit the scope of scholarship tax credit programs in three ways:

1. **Establish a total program cap** that limits the amount of tax credits that can be offered statewide in a given year, creating an artificial barrier to program demand;
2. **Lower the tax credit value** so only a portion of the scholarship donation is written off the tax bill, reducing the incentive for taxpayers to make donations; or
3. **Limit the size of the tax credit** a person or business can receive each year in real dollars or as a share of tax liability.

Establishing a total program cap would not be ideal for Colorado. The approach could

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limit the demand to fund or receive scholarships, affecting certain regions or sectors unevenly. To be acceptable, though, any total program cap contemplated ought to escalate automatically to provide for future demand. If the cap is set too low, consumer demand will trigger an adjustment. Requiring legislative authorization to increase available program dollars could needlessly thwart students' attempts to access available educational opportunities.

Arizona's 1997 personal tax credits and Louisiana's newly-enacted scholarship tax credits are the only two existing programs that do not operate under a fixed cap of total program contributions. All the monetary caps—even Florida's sizable $357.8 million ceiling—are less than (and most of them significantly so) 2 percent of annual state tax revenues for K-12 public education.[27]

Four states use an "escalator" approach that allows the total program cap to grow without additional legislative action. The cap of Arizona's corporate credit grows generously each year by 20 percent. On the other end of the spectrum, Georgia's cap increases automatically each year until 2018 based on inflationary values in the Consumer Price Index[28] This model has not kept pace with demand, and has been reported to adversely affect students.[29] An acceptable alternative can be found in two other states. Once a contribution threshold is reached in New Hampshire (80 percent) or Florida (90 percent), the cap is triggered to rise by 25 percent for the following year.[30]

Lowering the value of the tax credit, instead of establishing a total program cap, is equally unappealing to a model Colorado program. Most corporate donors in Pennsylvania pledge to make consecutive years of contributions in order to receive a 90 percent credit, as opposed to only 75 percent for making a single year's contribution. Some programs provide weaker incentives with values of 65 percent (Iowa and Virginia) or even 50 percent (Indiana and Oklahoma).[31]

Instead, Colorado should grant a dollar-for-dollar tax credit to match the amount of the individual or corporate scholarship donation. Seven of the 17 programs—all three in Arizona, along with Florida, Georgia, Louisiana, and South Carolina—provide the 100 percent credit for all donations. Alabama's program gives full value for individual donations, but only 50 percent for corporate.

Of the three ways to limit the scope of a Colorado scholarship tax credit program, the last is the most acceptable. Limiting the amount of tax credit by itself neither restrains the number of contributors nor weakens the incentive to participate by adding a "cost" to giving. Fully half of the existing programs place a hard limit on how much an individual or business can donate and still receive the tax write-off.[32]

To treat taxpayers more equitably, individual tax credit limits would be better set as a share of income tax liability. Corporate contributors to Georgia's Private School Tax Credit can give no more than 75 percent of their total liability in a given year. Even smaller limits apply in the newer South Carolina (60 percent) and Alabama (50 percent) programs.[33] Still, Colorado should seek to allow both personal and corporate donors the opportunity to earn tax credits up to the full amount of the tax owed. Thus, an individual who owes $5,000 in taxes to the State of Colorado then could write off up to $5,000 in donations to an eligible scholarship organization. Persons or businesses with higher tax burdens could make larger donations.

For more on design features of existing tax credit scholarship programs, see **Appendix B** (p. 14).

Scholarship-Granting Organizations

Policy changes should create minimal interference with the operations of scholarship-granting organizations (SGOs) except to ensure that funds are effectively and transparently serving student needs. SGOs ought to have recognized nonprofit status and offer scholarships to more than one qualified private school. They would be authorized to continue underwriting tuition payments that directly benefit participating students.

Generally speaking, most tax credit programs require participating SGOs to "disburse at least 90 percent of their funds in the form of scholarships."[34] Pennsylvania more leniently allows the organizations to spend as much as 20 percent of their budgets on administrative costs, while Florida (3 percent) and Virginia (5 percent) have more stringent requirements.[35] An informal survey of 44 Pennsylvania scholarship organizations found that 27 were satisfied with the 80 percent disbursement requirement, while 13 respondents favored a more stringent mandate.

Among 60 organizations surveyed in five different tax credit states, the "average disbursement rate was 92 percent."[36] A 90 percent requirement thus should be suitable for existing Colorado organizations. Yet policymakers could provide an exception for new organizations that incur more overhead expenses during a startup phase, temporarily lowering the disbursement requirement to 80 percent.

To protect contributors and recipients, scholarship organizations should demonstrate financial viability, report basic information regarding contributions, and conduct employee background checks to prevent inappropriate use of funds. Private schools likewise ought to continue in compliance with existing state and federal requirements, including basic health and safety codes.

However, policymakers should avoid imposing excessive regulations in order to help ensure schools and scholarship organizations are directed to serve students' genuine needs rather than bureaucratic priorities. Based on the experience of other states with scholarship tax credits, such a program in Colorado likely would foster an expanded number of diverse organizations available to connect families to sought-after educational services. Organizations may specialize in serving students based on income, region, or special learning needs.[37]

Testing and Accountability

The requirement for participating schools to regularly report a scholarship student's performance to parents provides the most essential and fundamental form of accountability. However, public reporting of academic results can immunize a scholarship program from attack. Unfair criticisms of publicly enacted programs tend to gain more credence in an environment where no data exists to refute the challenge. Regardless, policymakers should take care to balance private school independence and flexibility with demands for academic transparency.[38]

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New Hampshire requires SGOs to conduct and report annual parent surveys. Seven of the 14 tax credit states further mandate annual administration and public reporting of student academic assessments. Appropriately, four of the seven states mandate testing for scholarship students only.[39] **Appendix C** (p. 16) includes a full breakdown of accountability features in other states' scholarship tax credit programs.

Only Louisiana's relatively small program insists upon state assessments for scholarship recipients. The other five states allow students to be tested on one of a selection of approved nationally norm-referenced tests. Of the five states, three (Alabama, Indiana, and Virginia) have to report results of academic progress to a state agency, while South Carolina requires a report to the legislative Education Oversight Committee.[40] Most private schools already administer some kind of nationally norm-referenced test, making the approach less disruptive to students' needed instructional time and to the schools' existing operations.

Florida offers a unique approach that ought to appeal to Colorado's deepest proponents of school accountability while also respecting private school autonomy. Using the nationally norm-referenced test of their preference, Florida schools compile and report scholarship tax credit students' results to a state-designated independent research organization (IRO). The IRO analyzes the data and publishes an annual program evaluation for the state legislature to review. The evaluation details participation rates for different tests, as well as scholarship students' overall achievement rankings compared to others in the national testing sample.[41]

Conclusion

In recent years, Colorado policymakers have initiated reforms to deepen academic standards, to raise the bar of accountability, and to improve educator effectiveness. Yet despite pockets of improvement and signs of modest progress, a significant number of K-12 students are not reaching their full potential.

The track record of established scholarship tax credit programs indicates many of the promised benefits of this approach. The recent addition of many new programs further helps show the way to expanding educational freedom and opportunity in a highly cost-effective way. The time has come for Colorado leaders to consider carefully the adoption of tax credit scholarships.

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Appendix A: Eligibility in Existing Scholarship Tax Credit Programs												
		Student Eligibility									**Private School Eligibility**	**Public Component**
State	**Program**	*Means-Tested*	*Special Needs Only*	*Prior Public (or K)*	*OR 1st Grade*	*OR Prior Schol.*	*OR New Resident*	*OR Military Depend.*	*OR Home school*	*Failing school*	*Accreditation Required*	*Description*
AL	School Choice Scholarships	150% Median, locally varying percentage of low-income	No	Yes for 75% of total state funds	N/A	N/A	N/A	No	N/A	Yes	Yes OR meet state requirements	N/A
AZ	Personal STO Credit	No	No	No	N/A	N/A	N/A	N/A	N/A	No	No	Extracurricular activities and character education programs (including parent fees, no max)
AZ	Corporate STO Credit	185% Red. Lunch	No	Yes (90 days)	No	Yes	No	Yes	No	No	No	N/A
AZ	Disabled / Displaced Pupils STO Credit ("Lexie's Law")	No	IEP (IDEA) / Foster care	Yes	No	No	No	Yes	No	No	No	N/A
FL	Tax Credit Scholarship	FRL (2016-17: Priority to 185% Poverty or less, cannot exceed 260%)	OR Foster care	Yes	Yes	N/A	No	No	No	No	No	Scholarships for attending public schools outside of home district (transportation, $500 max)
GA	Qualified Education Expense Tax Credit (Individual)	No	No	Yes (6 wks)	Yes	No	No	No	No	No	Yes OR in the process of being accredited	N/A

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IN	School Scholarship Tax Credit	200% FRL	No	No	No	Yes	No	No	No	No	Yes	N/A
IA	STO Tax Credit	300% Poverty	No	No	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
KS	Corporate Education Tax Credit Scholarship	185% FRL (or special needs)	No	Yes	No	Yes	No	No	No	Yes	No	N/A
LA	Tuition Donation Rebate Program	250% Poverty	No	Yes	No	Yes	No	No	No	No	No	Separate program provides state-funded scholarships for low-income students in schools rated C-F
NH	Corporate Education Tax Credit	300% Poverty (at least 40% to FRL)	No	Yes	No	Yes	No	No	Yes	No	No	Tuition for attending public school outside of home district
OK	Equal Opportunity Education Scholarships	300% FRL*	No	No	N/A	N/A	N/A	N/A	N/A	Yes*	Yes	N/A
PA	Educational Improvement Tax Credit	$75,000 household income**	No	No	N/A	N/A	N/A	N/A	N/A	No	No	Full public component, loose guidelines
PA	Educational Opportunity Scholarship	$75,000 household income***	No	No	N/A	N/A	N/A	N/A	N/A	Yes***	No	Tuition for attending public school outside of home district

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State	Program	Student Eligibility									Private School Eligibility	Public Component
		Means-Tested	*Special Needs Only*	*Prior Public (or K)*	*OR 1st Grade*	*OR Prior Schol.*	*OR New Resident*	*OR Military Depend.*	*OR Home school*	*Failing school*	*Accreditation Required*	*Description*
RI	Tax Credits for Contributions to STOs	250% FRL	No	No	N/A	N/A	N/A	N/A	N/A	No	No	N/A
SC	Educational Credit for Exceptional Needs Children	No	Yes	Public school must not meet student's needs	N/A	N/A	N/A	N/A	N/A	No	No	N/A
VA	Education Improvement Scholarships	300% Poverty****	OR Yes****	Yes	Yes	Yes	Yes	No	No	No	No*****	N/A

Legend:
FRL: Free and Reduced Lunch federal eligibility guidelines
Poverty: Federal Poverty Level (http://familiesusa.org/product/federal-poverty-guidelines)
* Students who live in zone of failing school exempt from means testing; either income OR failing school designation needed
** For each additional child in the family the figure is raised $15,000
*** FRL students and those living in certain designated school districts are afforded priority; Child must live in low-achieving school zone, not necessarily attend school
**** Special needs students, family cannot earn more than 400% of Poverty
***** Schools must conform to state accreditation law, which allows for private schools to be voluntarily accredited by a state-board approved process

Sources:
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The Foundation for Opportunity in Education, Education Tax Credit Programs: An Analysis of Provisions by State, http://bit.ly/1AhccAl
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Appendix B: Design Features of Existing Scholarship Tax Credit Programs

State	Program	Program Cap		Tax Credit		Carry Forward	Scholarship Cap
		Amount	*Growth*	*Cap*	*Value*	*Time*	
AL	School Choice Scholarships	$25,000,000	Fixed	Personal: 50% of liability or $7,500; Corporate: 50% of liability	100% individual, 50% corporate	3 years	Full tuition
AZ	Personal STO Credit	None	N/A	$528 ($1,056 married), plus switcher credit $514 ($1,028 married)	100%	5 years	None
AZ	Corporate STO Credit	$42,998,170 in total aggregate credits	Automatic 20% increase in aggregate credits allowed/year	None	100%	5 years	$4,900 (K-8); $6,200 (HS)
AZ	Disabled / Displaced Pupils STO Credit ("Lexie's Law")	$5,000,000	Fixed	None	100%	5 years	Lesser of full tuition or 90% of state pupil formula funding
FL	Tax Credit Scholarship	$357,812,500	Escalator: 25% rise if 90% reached	100% of tax liability	100%	5 years	Lesser of $5,272 or full tuition
GA	Qualified Education Expense Tax Credit	$58,000,000	Escalator (CPI) through 2018	Personal: $1,000 ($2,500 married); Corporate: 75% of tax liability	100%	5 years	100% avg state & local expenditures per student ($8,983 in 2014)
IN	School Scholarship Tax Cred	$7,500,000	Fixed	None	50%	9 years	Full tuition
IA	STO Tax Credit	$8,750,000 (corp. may not exceed 25% of total)	Fixed	None	65%	None	Full tuition
KS	Corporate Education Tax Credit Scholarship	$10,000,000	Fixed	None	70%	None unless liability exceeded	$8,000 (including tuition, fees, transportation)
LA	Tuition Donation Rebate Program	None	N/A	None	100%	Rebate system, donor determined	Lesser of full tuition OR 80% (K-8) / 90% (HS) of state pupil formula funding
NH	Corporate Education Tax Credit	$3,400,000 (Yr 1); $5,100,000 (Yr 2)	Escalator: 25% rise if 80% reached	No business can receive >10% total	85%	10% of eligible contributions per year	Avg value: $2,500 ($4,375 spec ed / $625 homeschool)
OK	Equal Opportunity Education Scholarships	$3,500,000 ($1.75M ea. for personal & corporate)	Fixed	$1,000 ($2,000 married); $100K business	50% (75% 2 additional years)	3 years if liability exceeded	$5,000 ($25,000 spec ed) OR 80% of state pupil formula funding

Appendix B: Design Features of Existing Scholarship Tax Credit Programs							
		Program Cap		**Tax Credit**		**Carry Forward**	
State	**Program**	*Amount*	*Growth*	*Cap*	*Value*	*Time*	**Scholarship Cap**
PA	Educational Improvement Tax Credit	$100,000,000	Fixed	$750,000	75%; 90% (2-yr)	None	SGOs determine amounts
PA	Educational Opportunity Scholarship	$50,000,000	Fixed	$750,000	75%; 90% (2-yr)	None	$8,500 ($15,000 spec ed)
RI	Tax Credits for Contributions to STOs	$1,500,000	Fixed	$100,000	75%; 90% (2-yr)	None	None
SC	Educational Credit for Ex-ceptional Needs Children	$8,000,000	Fixed	60% of liability	100%	None	$10,000
VA	Education Improvement Scholarships	$25,000,000	Fixed	$50,000 (individ / married only); $500 minimum*	65%	5 years	Lesser of full tuition or 100% of state pupil formula funding

* Businesses can receive tax credit -- no limits apply

Sources:
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National Conference of State Legislatures, http://www.ncsl.org/issues-research/educ/school-choice-scholarship-tax-credits.aspx

Appendix C: Testing and Accountability in Existing Scholarship Tax Credit Programs

State	Program	Testing Mandates				
		Scholarship Students Only	*Grades*	*Type of Test*	*How Often?*	*Reported to Whom?*
AL	School Choice Scholarships	Yes	Aligned with state assessment system	State or National Norm-Referenced	Annually	Parents; Dept. of Revenue
AZ	Personal STO Credit	NONE				
AZ	Corporate STO Credit	NONE				
AZ	Disabled / Displaced Pupils STO Credit ("Lexie's Law")	NONE				
FL	Tax Credit Scholarship	Yes (disabled exemption)	3 through 10	National Norm-Referenced (DOE)	Annually	Parents; Independent Research Org.(2014-15: FSU Learning System Institute)
GA	Qualified Education Expense Tax Credit	NONE				
IN	School Scholarship Tax Cred	No	Aligned with state assessment system	State (ISTEP) Assessment or National Norm-Referenced	Annually	Dept. of Education
IA	STO Tax Credit	No	Aligned with state assessment system	National Norm-Referenced (ITBS and ITED)*	Annually	Dept. of Education
KS	Corporate Education Tax Credit Scholarship	NONE				
LA	Tuition Donation Rebate Program	Yes	Aligned with state assessment system	State Assessment: Math & English Lang Arts	Annually	Parents; Dept. of Education
NH	Corporate Education Tax Credit	NONE (Parent surveys required annually)				
OK	Equal Opportunity Education Scholarships	NONE				
PA	Educational Improvement Tax Credit	NONE				
PA	Educational Opportunity Scholarship	NONE				
RI	Tax Credits for Contributions to STOs	NONE				
SC	Educational Credit for Exceptional Needs Children	No	Administered "at progressive grade levels"	State or National Norm-Referenced	Annually	Education Oversight Committee
VA	Education Improvement Scholarships	Yes	Not specified	National Norm-Referenced	Annually	Parents; Dept. of Education

*Testing required for accreditation, not by Scholarship Tax Credit statute

Source:
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