



Alabama

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Alabama Accountability Act includes what amounts to a school voucher program, choice advocates say

By: Robert McClendon – March 6, 2013

If proponents of the Alabama Accountability Act are able to push the measure through the courts, they will have essentially approved a school-voucher system by another name, according to school-choice advocates.

“As far as I know this is unique in the country,” said Jason Bedrick, an education-policy analyst at the Cato Institute, a libertarian think tank based in Washington D.C. “As a researcher I’d be interested to see how this works in practice.”

The Republican-dominated legislature pushed through the Accountability Act late Thursday, using tactics that Democratic critics say violated Alabama Open Meetings law, prompting them to file suit seeking to block it. A Montgomery County Circuit Court Judge Tuesday temporarily blocked Governor Robert Bentley from signing the Accountability Act into law. The judge is scheduled to resume his hearing at 8:30 a.m. today.

The Accountability Act proposes a two-pronged alternative to “failing” public schools.

One prong creates a mechanism for nonprofit organizations to attract private donations and use them to fund scholarships for children who are zoned for failing schools. Qualifying children would then be able to use the scholarships to attend private schools. While somewhat novel on a national level, these kinds of tax credits are far from revolutionary. Eleven states have scholarship tax credits, according to the Alliance for School Choice’s latest School Choice Yearbook, which tracks reforms.

The other prong, an individual-use tax credit, is separate from the scholarship program and could be unique in the country.

“It’s an intriguing idea,” said Bedrick. “It’s closer in its effect to a voucher program” than to a traditional, tax-credit system.

Alabama blazing a trail, but where will it lead?

State Rep. Chad Fincher, R-Semmes, bristled at the word “voucher,” pointing out that a voucher system pays schools up front, and a tax-credit pays families retroactively. He agreed that Alabama’s proposed use of the tax credit achieves much the same goal, which is to allow families to use their education tax dollars to pay for private school if they choose to do so. He said that such a program would be unique in the country.

Henry Mabry, director of Alabama Education Association and a critic of the Accountability Act, called the legislation "welfare for the rich," and said it went further than systems in other states toward undermining funding for education. "I've looked at many other states and I have not found anything as far-reaching as this," he said. "I think this is about giving money to folks who already have children in private schools."

Think of an individual-use tax credit as a way for the state, via the tax code, to reimburse parents for educational costs. Under a basic individual-use tax credit system, if a fictional set of parents spent \$100 on qualifying educational expenses, the state would subtract \$100 from their tax bill.

Four states – Illinois, Iowa, Minnesota and North Carolina – have some kind of individual-use tax credits. However, Alabama's individual-use credit would go much further than any them, according to officials at the Friedman Foundation for Educational Choice, an advocacy group.

Individual-use tax credit systems in those other states are capped at relatively low amounts, \$500 in Illinois and \$250 in Iowa, and are nonrefundable, according to the ABCs of School Choice, the Friedman Foundation's policy guide. If a parent in Illinois earns the \$250 tax credit but has a tax bill of only \$100, the parent wouldn't have to pay any taxes that year, but the state Illinois would not send the parent a \$150 check.

Minnesota program's cap is higher at \$1,000 and refundable, but private-school tuition is not a qualified expense. Its credit is also means-tested, meaning that wealthier families may not qualify for as much help from the state.

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The most generous program to date is in North Carolina, where the cap on tax credits is set at \$6,000 and can be used on private-school tuition. However, it is nonrefundable and applies only to children with disabilities.

The Alabama individual-use tax credit's combination of broad eligibility, relative generosity and refundability make it far more aggressive than the programs in other states.

In Alabama, the credit targets private-school tuition specifically, and eligibility would be based strictly on geography. If your child is zoned for a school deemed to be "failing," you would be eligible for a tax credit to offset the cost of private school regardless of income. The Accountability Act defines a failing school as one that is in the bottom 10 percent of statewide reading and math scores, that has earned three consecutive D's or an F on upcoming school report cards or that is designated by the Department of Education as failing. Even if a child is already in private school, if the public school he would be going to is failing, he would be eligible for the tax credit.

An unofficial list circulated among GOP legislators includes 202 schools across the state that could fit the criteria, putting the number of potentially eligible students in the tens of thousands.

The amount of money those families would be eligible to receive in the form of tax credits would be tied to the state's spending on public education. Each eligible student could be given a tax credit worth up 80 percent of the average annual cost to the state to educate a child in public school. Such tax credits would have been worth about \$3,500 per child in 2010-2011.

A voucher system by any other name ...

The tax credit would also be refundable, and that sets it apart, according to school choice advocates.

Without refundability, poor families who pay little to no state income taxes would not have much incentive to take advantage of the program because they wouldn't get any money back from the state, Bedrick said.

In essence, by making the credit refundable, it acts as a school voucher, allowing parents to use tax money that would have gone to public schools to pay for private schools, according to Jeff Reed, a spokesman for the Friedman Foundation. Rather than other tax credit programs, the Alabama proposal actually most closely resembles the voucher program in Ohio, where students in troubled public schools can take their state funding to private schools, he said.

The major difference is that a voucher pays the school upfront. In order to take advantage of an individual-use tax credit, parents in Alabama would have to come up with private school tuition and then wait for the state to send them a check come tax time.

Even relatively inexpensive private schools in Alabama have tuitions in the range of \$7,000 annually. The price of more exclusive schools can run north of \$16,000.

Backers of the Accountability Act point to the other prong of the measure, scholarship tax credits. Those scholarships would, in theory, help low income students pay for private school.

"That's why we have the scholarship tax credits," said Fincher. "We want everybody who qualifies, regardless of their income, to be able to participate."

For the Friedman Foundation, which advocates for universal school choice, meaning government education funds can be used at any school, public or private, the Accountability Act is a step in the right direction, said Robert Enlow, the organization's president.

"I think what they have done is a fantastic start," he said. "I'm really excited about it."