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Four Reasons for Preserving the Autonomy of SGOs

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Like any law, design matters.

The Georgia legislature may soon consider a newly proposed regulation that, if passed, would diminish the autonomy of K–12 scholarship-granting organizations (SGOs). Although well-intentioned, the suggested changes pose a threat to a growing and successful type of educational choice.

Tax-credit scholarships are a very popular form of private school choice. During the 2014–15 school year, more than 200,000 students received tax-credit scholarships in 14 states, and two more states adopted similar laws this year.

Under a tax-credit scholarship law, individual and/or corporate donors receive tax credits in return for contributions to nonprofit scholarship-granting organizations (SGOs) that help families afford private school tuition. Tax-credit scholarship laws expand opportunity for low- and middle-income families who might not otherwise be able to afford anything beyond their assigned district school. They also expand freedom for taxpayers who have the prerogative to choose which SGO or SGOs to support or whether to donate at all.

The regulation proposed in Georgia would require all SGOs participating in tax-credit scholarship programs to issue scholarships to *any* student wishing to attend *any* school. Many believe this is in the best interest of students applying for scholarships because it would maximize their options.

On the surface, it seems like that ought to work. However, such a policy would require the state to prohibit participating SGOs from establishing their own institutional missions—setting in motion a hazardous domino effect.

Under nearly every tax-credit scholarship law, SGOs have the same freedom to set their own mission as other private, nonprofit organizations do. Some SGOs grant scholarships to any student who wants to attend any school. Others operate only in particular regions within a state or only issue scholarships to students seeking to attend schools with a particular pedagogy or religious affiliation. In all cases, families are free to apply for scholarships at SGOs that work with their desired schools, and donors are free to financially support whichever SGOs align with their values.

The strategy employed in this newly proposed regulation would ultimately harm the effectiveness of SGOs because the strength and autonomy of their mission is an important factor in motivating their success. As Exponent Philanthropy, the nation's largest charity membership organization, explained in its report on nonprofit effectiveness, "The most fundamental quality of an effective nonprofit is clarity about its mission—both what it seeks to accomplish and why this purpose is important."
Forcing scholarship-granting organizations to abandon a core component of their mission in order to participate in the tax-credit scholarship program would jeopardize their effectiveness.

Furthermore, curtailing the autonomy of SGOs risks potential support for tax-credit scholarships by undermining many donors' motivation to give: a shared mission.

Although there is clearly a great deal of support for SGOs that serve all students attending any school, there are also a significant number of donors who only want to contribute to particular missions. These donors may withhold financial support if their only option is an SGO that grants scholarships to schools that teach ideas contrary to their beliefs, thereby reducing the funding available to help families in need. Ironically, forcing SGOs to issue scholarships to students attending any school may have the effect of reducing access to those schools.

More fundamentally, as private institutions, SGOs should have the same right to determine their own mission that private institutions do in every other arena.

It is contrary to our nation's founding ideals for the state to set the agenda for private institutions, especially those that operate entirely on private funding. Such infringement is not done with any other charitable donations that contribute to a public good and for which donors receive a reduction in their taxes. Reformers who believe SGOs should issue scholarships to all students attending any type of school are free to create, operate, and donate to such SGOs. Doing so does not require forcing all other organizations to adopt that same mission in order to participate in programs designed to help them grow and serve more students.

Neither is burdensome regulation necessary to ensure scholarships are available to the most disadvantaged students.

As it happens, in nearly every state with tax-credit scholarships, at least one of the largest SGOs makes scholarships available to all or gives priority to lower-income students, including Arizona School Choice Trust, Georgia GOAL, Step Up for Students in Florida, the Network for Educational Opportunity in New Hampshire, and the Children's Scholarship Fund of Pennsylvania, among others. This is a noble and popular approach, but it is far from the only legitimate kind.

There are also dozens of scholarship-granting organizations with varied, but specific institutional missions.

Some SGOs focus on students with special needs. Others only serve students attending Montessori schools, Waldorf academies, or schools that meet certain academic standards. Some religiously affiliated SGOs issue scholarship only to students attending Catholic, Protestant, Jewish, or Muslim schools. Others encourage recipients to perform community service.

Clearly, there is a diverse array of SGO options serving equally diverse communities. But regulations like the one that was proposed in Georgia would alienate all mission-driven SGOs like these from tax-credit scholarship programs and ultimately force them out of business. That is certainly not in the best interest of the children using their services, much less the growing movement of families in search of more schooling options.

Whether mission-specific or not, all SGOs serve to help connect children with schools that best fit their needs. Requiring them to offer scholarships to students to attend schools that fall outside of their mission—although well-intentioned—would only reduce SGO effectiveness, risk the financial and political support for tax-credit scholarships, and violate core American principles. There are already numerous SGOs that fund students in the way this regulation seeks without a burdensome law requiring it. Supporting those SGOs is a worthy goal, but seeking to remake every other SGO in their image is not.

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