

# Hawai`i Free Press

## **Hawaii should move forward on tax-credit scholarships for low-income and special-needs students**

Tim Benson

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The Hawaii Senate is considering a proposal that would establish a tax-credit scholarship program (TCS) in the Aloha State. Tax-credit scholarship programs allow qualifying families to pay for tuition and fees at private and parochial schools using scholarships provided by donors, who, in return, receive tax credits. The scholarships could also be used to pay the transportation costs to a public school located outside of the service area in which the student resides. The bill was originally introduced in 2017 and has been carried over to the 2018 legislative session.

Under the proposed program, nonprofit organizations, after receiving approval from the state, would be eligible to grant scholarships to Hawaii students. Individuals and businesses would then donate to these nonprofits and receive a tax credit amounting to 100 percent of their contribution. The total cap on donations for the first year of the program has yet to be specified, but if the total credits awarded in a fiscal year equal at least 90 percent of the total cap, then the cap for the subsequent fiscal year will increase by 25 percent.

Students with disabilities, students in foster care, and students whose family income is less than 185 percent of the federal poverty level would qualify for the program. Scholarships would be awarded on a first-come, first-served basis. Up to one-quarter of all scholarship funds could be carried over to the following school year.

A TCS differs from other school choice options in two significant ways. First, the money a TCS uses comes entirely from private sources. This allows a TCS program to avoid state or federal prohibitions against sending money to religious institutions. Second, these programs offer the “cleanest” school choice option, meaning the one with the least burdensome government regulations, because they are not funded by tax collections. Currently, with 21 different programs in 17 states and more than 1.2 million scholarships granted, TCS programs are the most popular form of private school choice in the country.

A study released in October 2016 by EdChoice “estimates the fiscal effects” of 10 of the nation’s 21 TCS programs (comprising 93 percent of all awarded scholarships). It found TCS programs have saved “state governments, state and local taxpayers, and school districts” between \$1.7 billion and \$3.4 billion through 2014. This comes out to between \$1,750 and \$3,000 saved per student. The savings in the 2013–14 school year alone, the last year available for study, were between \$320 million and \$580 million.

The EdChoice audit also found the cumulative savings of the programs studied grew every year with the expansion of the programs, with the three largest programs accounting for close to 75 percent of all savings. The savings in the 2013–14 school year alone, the last year available for study, were between \$320 million and \$580 million.

TCS programs aren't just fiscally beneficial to states, they also provide strong academic benefits to participating students. A September 2017 Urban Institute study determined the Florida Tax Credit Scholarship Program (FTC), the largest TCS program in the country, has led to significant college enrollment gains for its students. The study compared 10,000 students who participated in FTC at some point in their academic careers between 2004 and 2010 with non-participating peers with similar characteristics. According to the data, FTC participation is associated with a 15 percent increase in college enrollment. Of students who participated in FTC for at least four years, the college enrollment rate was 46 percent higher than their non-FTC peers.

Currently, private school choice in Hawaii is literally nonexistent, so enacting a TCS program, no matter the funding level, would be a great first step for the Aloha State, and would give low-income Hawaii families a greater opportunity to meet the unique education needs of their children. The goal of public education in Hawaii today and in the years to come should be to allow all parents to choose which schools their children attend, require every school to compete for every student who walks through its doors, and make sure every child has the opportunity to attend a quality school.

The following documents provide more information about tax-credit scholarships and school choice.

#### School Choice Fallacies: Disproving Detractors' Allegations Against Tax-Credit Scholarship Programs

This report from Martin Lueken and Michael Shaw at EdChoice examine tax codes to address claims alleged by school choice detractors, such as: Tax-credit scholarship programs lead to “profit,” “double-dipping,” “get-rich schemes,” and “tax shelters” for donors.

#### The Tax Credit Scholarship Audit: Do Publicly Funded Private School Choice Programs Save Money?

In this audit, EdChoice Director of Fiscal Policy and Analysis Martin Lueken updates previous work examining the fiscal effects of private school choice programs on state governments, state and local taxpayers, and school districts. Lueken's report analyzes savings from tax credit scholarship programs, which allow individuals and businesses to reduce their state tax liability by making a private donation to a nonprofit organization that provides scholarships for children to attend private schools of their choice. This audit looks at 10 tax credit scholarship programs operating in seven states between 1997 and 2014. These 10 programs serve 93 percent of all students participating in tax credit scholarship programs nationwide.

## The Effects of Statewide Private School Choice on College Enrollment and Graduation: Evidence from the Florida Tax Credit Scholarship Program

This study from Urban Institute scholars Matthew Chingos and Daniel Kuehn shows Florida's Tax Credit Scholarship Program boosted college enrollment for participating students by 15 percent, with students enrolled in the program for four or more years seeing a 46 percent hike.

## A Win-Win Solution: The Empirical Evidence on School Choice (Fourth Edition)

This paper by EdChoice details how a vast body of research shows educational choice programs improve academic outcomes for students and schools, saves taxpayers money, reduces segregation in schools, and improves students' civic values. This edition brings together a total of 100 empirical studies examining these essential questions in one comprehensive report.

## Ten State Solutions to Emerging Issues

This Heartland Institute booklet explores solutions to the top public policy issues facing the states in 2018 and beyond in the areas of budget and taxes, education, energy and environment, health care, and constitutional reform. The solutions identified are proven reform ideas that have garnered significant support among the states and with legislators.

## Education Savings Accounts: The Future of School Choice Has Arrived

In this Heartland Policy Brief, Policy Analyst Tim Benson discusses how universal ESA programs offer the most comprehensive range of educational choices to parents; describes the six ESA programs currently in operation; and reviews possible state-level constitutional challenges to ESA programs.

## The Public Benefit of Private Schooling: Test Scores Rise When There Is More of It

This Policy Analysis from the Cato Institute examines the effect increased access to private schooling has had on international student test scores in 52 countries. The Cato researchers found that a 1 percentage point increase in the share of private school enrollment would lead to moderate increases in students' math, reading, and science achievement.

## 2017 Schooling in America: Public Opinion on K–12 Education, Parent Experiences, School Choice, and the Role of the Federal Government

This annual EdChoice survey, conducted in partnership with Braun Research, Inc., measures public opinion and awareness on a range of K–12 education topics, including parents' schooling preferences, educational choice policies, and the federal government's role in education. The survey also records response levels, differences, and intensities for citizens located across the country and in a variety of demographic groups.