



GAO Finds Loose Oversight of Scholarship Tax Credits

Lauren Camera

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State officials in Arizona and Pennsylvania provide no oversight or monitoring of the private schools that participate in the tax credit scholarship programs they operate, a new [report from the](#) Government Accountability Office found, confirming long-standing concerns of congressional Democrats pushing back against the Trump administration's pursuit of a federal tax credit program.

In a deep dive on the three states with the largest tax credit scholarship programs – Arizona, Florida and Pennsylvania – investigators with the nonpartisan investigative arm of Congress found that the states differ in how they oversee participating private schools. Specifically, they found that all four of Arizona's tax credit scholarship programs and one of two Pennsylvania programs generally rely on the individual scholarship-granting organizations to confirm that schools comply with program requirements.

"Arizona and Pennsylvania state agency officials said they do not conduct ongoing monitoring activities due to the parameters of their statutory authority," they wrote.

Florida's tax credit scholarship programs use multiple monitoring methods, the report found.

Tax credit scholarship programs offer state tax credits for donations that can fund scholarships for students to attend private or parochial schools. Individuals or businesses donate to scholarship-granting organizations that then award scholarship funds to eligible students. They're just one type of private school choice program, which also includes vouchers and education savings accounts.

The GAO report also found that Arizona and Pennsylvania's programs allow donors to recommend that funds go to specific schools, which GAO investigators concluded can affect how scholarship granting organizations solicit donations and award scholarships. Florida does not allow such recommendations.

All three states require scholarship granting organizations to report on operations and undergo annual financial audits or reviews.

The report, published Thursday, comes as Secretary of Education Betsy DeVos continues to push Congress to back the so-called Education Freedom Scholarship, a \$5 billion federal tax credit scholarship that would help families cover the cost of private or public K-12 school of their choice, or pay for online classes, tutoring and after-school programs, among other things. The proposal provides a tax credit to individuals and businesses that contribute part of their taxable income to an organization that provides scholarships, mostly set aside for low-income students.

The chances are virtually zero that the Democratic-controlled House would ever consider a tax credit scholarship, effectively tabling the proposal in perpetuity. Even if it did, the looming 2020 presidential election and the ongoing impeachment inquiry make passing any legislation – bipartisan or otherwise – a tough prospect.

That's to say nothing of its unlikely passage in the GOP-controlled Senate, where Republicans like Lisa Murkowski of Alaska and Susan Collins of Maine oppose anything that smacks of private school choice, and influential conservative organizations, like the Heritage Foundation, which have come out against the proposal on the grounds that flow of federal dollars to private and parochial schools, would open them to all the federal regulations that schools that receive federal funds are required to abide by.

Earlier this month, DeVos tried to breath new life into the administration's federal tax credit scholarship proposal by calling out Republicans in Congress who have refused to entertain the idea and conservative education policy experts, like those at Heritage and the Cato Institute, who've opposed the plan.

"I remain dumbfounded that some conservatives who masquerade as education reformers criticize this proposal," she said at the American Enterprise Institute, a conservative think tank in Washington, D.C., where she spoke earlier this month alongside White House counselor Kellyanne Conway, perhaps underscoring the pressure DeVos is under by the White House to gain traction on the administration's top education priority – one in which she's been unable to interest Republicans in Congress.

The GAO report also found that of the 22 existing tax credit scholarships:

- All require scholarship granting organizations to register with or be approved by the state and limit the percentage of donations they can use for non-scholarship expenses.
- Nineteen require scholarship granting organizations to undergo annual financial audits or reviews.
- Nine have requirements about scholarship granting organizations' fundraising practices.
- Ten have qualifications of scholarship granting organization leadership personnel, such as restrictions on officials having previous bankruptcies.
- Eighteen require private schools to follow certain academic guidelines related to curriculum content.
- Nineteen require private schools to follow certain rules about instructional time.
- Eighteen require staff at private schools to undergo background checks.
- Eleven require private schools to conduct academic testing.

- Twelve require private schools to ensure teachers have specified qualifications.
- Four undergo an annual audit or financial review.