



RESEARCH & COMMENTARY: KENTUCKY FAMILIES DESERVE TAX-CREDIT SCHOLARSHIP PROGRAM

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The Kentucky Legislature is considering matching proposals that would establish a tax-credit scholarship (TCS) program in the Bluegrass 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.

Under the proposed program, nonprofit organizations, after receiving approval from the state, would be eligible to grant scholarships to Kentucky students. Individuals and businesses would then donate to these nonprofits and receive a tax credit amounting to as much as \$1 million or 95 percent of the amount of their contribution, whichever is less. The total cap on donations for the fiscal year beginning July 1, 2020 when the program would take effect, would be \$25 million. 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 and students whose family income is less than 200 percent of the amount needed to qualify for the federal free or reduced-price lunch program would qualify for a TCS. Scholarships would be awarded on a first-come, first-served basis.

A TCS differs from other school choice options in two significant ways. First, TCS funds come 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 23 different programs in 18 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 23 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.

A 2019 study from the Urban Institute, expanding on previous research, of Florida’s Tax Credit Scholarship Program, the country’s largest TCS program, found participating students are 99 percent more likely to enroll in a four-year college, and 56 percent more likely to graduate, than their public school peers.

Copious other empirical research on tax-credit scholarships and other school choice programs has shown these programs offer families improved access to high-quality schools that meet their children’s unique needs and circumstances. Moreover, these programs improve access to schools that deliver quality education inexpensively. Additionally, these programs benefit public school students and taxpayers by increasing competition, decreasing segregation, and improving civic values and practices.

Students at private schools are also less likely than their public school peers to experience problems such as alcohol abuse, bullying, drug use, fighting, gang activity, racial tension, theft, vandalism, and weapon-based threats. There is also a strong causal link suggesting private school choice programs improve the mental health of participating students.

A TCS program is also broadly popular among Kentuckians. A November 2018 poll conducted by McLaughlin & Associates found 62 percent support for a TCS program statewide among likely Kentucky voters. Support was also broad, with 69 percent support from independents, 67 percent from Republicans, and 56 percent from Democrats.

Currently, private school choice in Kentucky is literally nonexistent. Therefore, enacting a TCS program, even one with the limited funding and reach as has been proposed, would be a great first step for the Bluegrass State, and would give low-income Kentucky families a greater opportunity to meet the unique education needs of their children.

The following documents provide more information on tax-credit scholarship programs and school choice.

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

<https://www.edchoice.org/wp-content/uploads/2017/08/2017-7-Tax-Credit-Brief.pdf>

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?

<https://www.edchoice.org/wp-content/uploads/2017/03/Tax-Credit-Scholarship-Audit-by-Martin-F.-Lueken-UPDATED.pdf>

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 the Florida Tax Credit Scholarship Program on College Enrollment and Graduation: An Update

https://www.urban.org/sites/default/files/publication/99728/the_effects_of_the_florida_tax_credit_scholarship_program_on_college_enrollment_and_graduation_0.pdf

In this update to a 2017 Urban Institute study, authors Matthew Chingos, Tomas Monarrez, and Daniel Kuehn find students participating in the Florida Tax Credit Scholarship Program are 99 percent more likely to enroll in a four-year college, and 56 percent more likely to graduate, than their public school peers.

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

<https://www.heartland.org/publications-resources/publications/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.

Protecting Students with Child Safety Accounts

<https://www.heartland.org/publications-resources/publications/protecting-students-with-child-safety-accounts>

In this *Heartland Policy Brief*, Vicki Alger, senior fellow at the Independent Women's Forum and research fellow at the Independent Institute and Heartland Policy Analyst Tim Benson detail the prevalence of bullying, harassment, and assault taking place in America's public schools and the difficulties for parents in moving their child from an unsafe school. Alger and Benson propose a Child Safety Account program, which would allow parents to immediately move their child to a safe school— private, parochial, or public— as soon as parents feel the school their child is currently attending is too dangerous for their child's physical or emotional health.

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

<http://www.edchoice.org/wp-content/uploads/2016/05/A-Win-Win-Solution-The-Empirical-Evidence-on-School-Choice.pdf>

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.

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

<https://object.cato.org/sites/cato.org/files/pubs/pdf/pa830.pdf>

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.

2018 Schooling in America Survey: Public Opinion on K–12 Education, Parent and Teacher Experiences, Accountability, and School Choice

<https://www.edchoice.org/wp-content/uploads/2018/12/2018-12-Schooling-In-America-by-Paul-DiPerna-and-Michael-Shaw.pdf>

This annual survey from EdChoice, 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.

The Effects of School Choice on Mental Health

https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3272550

This study from Corey DeAngelis at the Cato Institute and Angela K. Dills of Western Carolina University empirically examines the relationship between school choice and mental health. It finds that states adopting broad-based voucher programs and charter schools witness declines in adolescent suicides and suggests that private schooling reduces the number of times individuals are seen for mental health issues.

Competition: For the Children

<https://www.heartland.org/publications-resources/publications/competition-for-the-children>

This study from the Texas Public Policy Foundation claims universal school choice results in higher test scores for students remaining in traditional public schools and improved high school graduation rates.

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

<https://object.cato.org/sites/cato.org/files/pubs/pdf/pa830.pdf>

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