



## Yes, Valerie, School Choice Does Help Poor Kids

By: Jason Bedrick – March 1, 2013

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Yesterday, WaPo's Valerie Strauss accused scholarship tax credit (STC) programs of operating as Reverse Robin Hoods, robbing from the poor to give to the rich. Call it welfare for the rich. Why? Wealthy businesses and individuals are the folks who get the tax credits for putting up the cash to pay the tuition. Furthermore, the amount of money for tuition made available for tuition by private scholarship organizations often does not actually cover the full cost of attending a private school. Poor families can't make up the difference. Guess who can.

Fortunately, the reality is almost exactly the opposite. Donors are not benefiting financially at the expense of the poor or anyone. And while it is true that tax-credit scholarships do not always cover the full cost of tuition at private schools, thanks to low-cost options and needs-based tuition breaks, low-income families are the primary beneficiaries of STC programs.

### **STC Donors Do Not Benefit Financially**

It is odd to claim that "wealthy businesses" are financially benefiting by receiving a tax credit for their donations. Even a 100% tax credit means that they are simply no worse off than before. A corporation with a \$10,000 tax liability that made a \$10,000 donation to a scholarship organization would then owe no state taxes but they would still have \$10,000 less than they did before. Whether the \$10,000 went to the government or a non-profit is irrelevant to their bottom line.

Moreover, Strauss fails to mention that most state STC programs do not grant 100% credits. In fact, only four of the fourteen STC programs do. The other credits range from 50% to 90%. In these states, corporations would be better off financially if they merely paid their taxes.

### **STC Programs Benefit Low-Income Students**

It is telling that Strauss provides only one example to support her claim that rich people benefit from the scholarships instead of the poor: "[Pennsylvania families] eligible to receive money to pay private tuition can earn more than \$72,000..." The key words in that sentence are "can earn." The relevant question is how much do the families of scholarship recipients *actually* earn. The nonpartisan Pennsylvania Legislative Budget and Finance Committee reported in 2010 that the average scholarship recipient's family earned only \$29,000 annually, less than half what the program allowed at the time.

The available evidence shows that Pennsylvania is not unique. Scholarship recipients in Florida must earn less than 185% of the federal poverty line, which is the income threshold for the federal government's free and reduced lunch program. Nevertheless, the average annual household income of Floridian scholarship recipients is only \$24,250, just 12.3% above the federal poverty line. And though Arizona's corporate STC program has no means-testing requirement, a 2011 study found that more than two-thirds of scholarship recipients earned less than 185% of the federal poverty line.

There is clear evidence that students benefit by participating in educational choice programs. Numerous randomized-controlled studies have demonstrated that students in choice programs exhibit higher academic performance while additional studies have found higher graduation rates, increased college enrollment, and increased civic-mindedness.

## **Conclusion**

It should be noted that in addition to Strauss' central arguments, her broadside contained numerous significant inaccuracies. Contrary to Strauss' assertions, scholarship tax credit programs are not the same as vouchers. They differ greatly in terms of their funding mechanisms and administration. Moreover, the U.S. Supreme Court has ruled that STC programs use private money not public money. Every state supreme court to address the matter has agreed. Finally, well-designed STC programs such as those in Arizona, Florida, and Pennsylvania actually save states money by decreasing state expenditures more than they decrease state tax revenue.

Under the status quo, wealthy families already have school choice while low-income families do not. Wealthy families can afford to live in districts with high-performing government schools or to send their children to private schools. By contrast, low-income families generally only have one choice: the local assigned government school.

The good news is that scholarship tax credit programs work as intended. As the Washington Post editorial board understands, STC programs expand educational opportunities for low-income families, empowering them to meet the individual needs of their children.