



# Tax Credit Scholarships: SB 542 & HB 1184

*Education is a parent's serious duty. Schools do not replace parents, they complement them. - Pope Francis*

## Bill Summary

The purpose of this parental choice bill is to enable lower income parents to access educational choices through scholarship opportunities. Essentially, a Tax Credit Scholarship lets Texas insurance companies invest in the future of Texas by receiving an insurance premium tax credit from state taxes when they contribute to a nonprofit scholarship fund that awards K-12 scholarships to students with financial and academic need. These scholarships defray educational costs so parents can choose the best education for their children, in either public or private schools.

A tax credit scholarship works when insurance companies donate a portion of their tax liability to a qualifying nonprofit scholarship granting organization; the nonprofit scholarship organization then distributes scholarships to children who wish to enroll in private school or seek additional educational support services while remaining in public school. The children then use that scholarship to pay for a portion or all of their education.

This bill is NOT a voucher; there is no direct appropriation in the bill. It is simply a tax credit, just like state and federal governments have used for years to promote positive public policy. Every year, millions of Americans take advantage of tax credits to pay for their children's college tuition, for their child care expenses, for an Earned Income Tax Credit for low-income families, and countless other useful programs. Unlike vouchers, the courts have upheld that parental-

choice tax credits are not "public money."

This program is proven. It has been in place in Florida and Pennsylvania since 2001, and total there are 17 states that have adopted this program based on its proven success.

Because the scholarship amounts are for significantly less than the amount that the state is currently spending on education per student, there is an overall savings to the state. The Tax Credit Scholarship Program in Florida has saved over \$2 billion in state spending since its inception.

In addition to the state savings, local school districts maintain all of their local tax base yet will have fewer children to educate. Because the Texas program is capped at \$100 million, it is estimated that between 15,000 and 18,000 students will be able to participate, which is less than current enrollment growth in the Texas public school system, which adds about 80,000 new students each year.

Private schools in Texas strongly support this program and are ready to implement it. They have the capacity to implement it now, without opening new schools.

## Student Eligibility

To qualify for the program, all students must have attended public school in the preceding academic year or be entering Kindergarten for the first time. In addition, families must meet one of the following eligibility criteria:

- Family income at or below 200% of free and reduced

lunch, which is roughly \$85,000 for a family of four. (Families with higher incomes in this range are only eligible for 50% of the typical scholarship amount);

- Children with special needs; or
- Children in foster or institutional care; or
- Children of active duty military.

## Scholarship Organization

The state Comptroller will conduct a bid process to select one statewide nonprofit scholarship granting organization that will accept the donations and distribute the funding to students. Administrative expenses are capped at 10% and scholarship funds must be dispersed within two years of donation. The scholarship organization is required to distribute funding based on greatest academic and financial need.

## School Eligibility

The scholarships for tuition must be used at accredited private schools. The Texas Private School Accreditation Commission (TEPSAC), in coordination with the Texas Education Agency (TEA), ensures quality in private schools by monitoring and approving organizations that accredit the various non-public elementary and secondary educational institutions in the state of Texas. This accountability has been in place in Texas since 1986 when the TEA, through the Commissioner of Education, recognized the accreditation responsibilities of TEPSAC. Schools are also required to administer a nationally norm referenced exam and conduct financial audits annually.

## Educational Expense Eligibility

In addition to tuition, students attending private schools may use scholarship funding for transportation, textbooks, tutoring, academic after-school programs, instructional supplies required by the school, school or lab fees, before-school or after-school child care, and uniforms.

Students in public schools may use educational expense

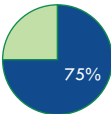
assistance for facility fees, transportation expenses, including the cost to transfer from one public school to another, textbooks, tutoring, academic after-school programs, instructional supplies required by the school, school or lab fees; and before-school or after-school child care.

All eligible students may use scholarship funds for educational therapies from a licensed or accredited practitioner or provider; a licensed or accredited paraprofessional or educational aide; tuition for vocational and life skills education; and associated services that include educational and psychological evaluations, assistive technology rentals, and translation services.

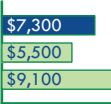
## Other Key Points

- Private donations are made to community non-profits that give scholarships to eligible families based on financial and academic need.
- The program is capped at \$100 million and previous bills with a similar structure have consistently resulted in positive fiscal notes with hundreds of millions of dollars in savings to the state.
- Requires schools to meet or exceed TEA recognized accreditation and curriculum.
- Scholarships are 75% of the statewide maintenance and operations (M&O) funding or the maximum tuition, whichever is lower. In the 2014-15 school year, total M&O was \$9,740; scholarships would then be valued at \$7,300.
- Public school students are offered \$750 scholarships for academic support programs.
- This program is considered a pilot because it is capped at \$100 million, or about 20,000 students.

### Tax Credit Scholarship Details



Scholarships will be valued at 75% of average M&O spending, which is about \$7,300, based on the TEA's 2014-15 Financial Actual Reports.



Because the average tuition at a K-8 Catholic school is \$5,500, and \$9,100 at a high school, scholarships will increase access & opportunity.



Scholarships can be used to pay for tuition, transportation, textbooks, tutoring, after-school programs, instructional supplies, and uniforms.



Eligible students include those that: are from low income families, have special needs, are in foster care, or are children of active military.

States with Parental Choice, 2016

