

## FLORIDA TAX CREDIT SCHOLARSHIPS

### **Facts on academic progress, cost and impact on public schools**

**Not a competition:** The Florida Tax Credit Scholarship was created in 2001 to give economically disadvantaged parents a learning option for their children that they cannot otherwise afford. The scholarship is not tied to the academic performance of the child or the child's public school, and is thus not intended as an alternative to a struggling public school. Rather, this private option is no different in concept than magnet schools and career academies and other choice programs operated by school districts themselves. They are created to empower parents to find the school that best matches their child's individual needs, and their existence is not intended as a criticism of other publicly funded schools.

**The scholarship saves money:** The financial impact of the scholarship has been studied in detail over the past 13 years, with five different independent and government agencies all reporting the same findings: The loss in tax revenues is more than offset by operational savings, which means the state saves tax dollars that can be used to enhance traditional public schools. Most observers consider the Florida Office of Program Policy Analysis and Government Accountability to have offered the most definitive study to date, and it found the state saves \$1.49 for every \$1 lost in revenue. That study is now six years old, but the Consensus Revenue Estimating Conference projected two years ago the scholarship saved \$57.9 million in 2012-13. It is true that the savings per student is reduced each time the scholarship amount is increased, but it is also true that these scholarships are the state's lowest-cost education option – amounting to \$5,272 this fall, or 76 percent of the average unweighted FTE in the Florida Education Finance Program. Under current law, they will top out at 82 percent of FEFP in 2016-17. In the face of such financial consensus, it would be erroneous to assert that the tax credits create negative impacts for public education or any other state government services.

**Unknown savings in construction costs:** None of the studies about financial impact has attempted to calculate the savings in public school construction. The scholarship is expected to serve 67,000 students this year – which would rank it 12<sup>th</sup> in size if it were a district – and the enrollment is concentrated in urban areas. Some 75 different zip codes this year have more than 100 scholarship students each, 25 zip codes with more than 400, and two adjacent zip codes in west Orlando with a total of 1,495. If districts had to build schools to accommodate only half of these students, the capital cost alone would exceed \$1.1 billion.

**Academic results:** Scholarship students are not currently required to take the state test and, until 2013, participating private schools were prohibited from administering it. But that doesn't leave parents or the public in the dark about how well the students are performing. Since 2006, all scholarship students in grades 3-10 have been required to take state-approved nationally norm-referenced tests, and most take the Stanford Achievement Test. Two annual findings have been consistent: 1) Students choosing the scholarship are among the lowest academic achievers from the public schools they left behind; and 2) Scholarship students are making the same gains in reading and math as students of all incomes nationally. Because school districts previously administered the Stanford alongside the FCAT, the researcher was able in earlier years to make a direct comparison with Florida public school students on free or reduced-price lunch. In the last report for which those comparisons were possible, in 2011, the researcher wrote that scholarship students had modest but “statistically significant” higher gains in reading and math.

**Public schools also doing well with low-income students:** Two Northwestern University academic researchers reported in 2011 that the public schools most impacted by the potential and actual loss of students to the Florida Tax Credit Scholarship experienced increases in their own test scores. The researchers saw this improvement in the year between law's passage in 2001 and its implementation in 2002-03. They also saw improvement over the next five years, in part because some of the lowest achieving students were choosing the scholarships.

**Scholarship growth:** Unlike charter schools and McKay Scholarships, statewide enrollment in the Tax Credit Scholarship is limited each year by virtue of a cap on tax credits. That cap is allowed to grow by 25 percent when 90 percent of the cap is reached the previous year. Since that provision was enacted in 2010, the cap has been reached every year and the scholarship has reached its enrollment capacity each year. Since 2012, the scholarship application period has been cut short each year because of the surge in applications. For 2014-15, roughly 67,000 students will be served. Applications were cut off on July 15, with ultimately 120,389 students who had started an application.

**Scholarship stewardship:** Florida has the tightest regulations and least reimbursement for Scholarship Funding Organizations of any of the 11 states with tax credit scholarships, which most experts believe is the reason only one of the eight original nonprofits has survived. For the past four years, Step Up for Students has been the only functioning SFO. This year, AAA Scholarship Foundation was approved and has reported \$600,000 in fundraising, as compared to \$329 million to date for Step Up. One of the financial pressures is that the law requires scholarship organizations to operate for three years with clean audits before it can use up to 3 percent of the tax-credited contributions for administrative purposes (Step Up went six years). The work is labor-intensive. Last year, Step Up served 59,822 students in 1,429 private schools, received 94,104 student applications, handled 119,455 calls in its three-language contact center, processed tens of thousands of pieces of mail, distributed roughly 250,000 individual checks, coordinated the collection of roughly 23,000 standardized test results, and analyzed independent financial reports from 360 schools. Step Up has 123 permanent and seasonal employees and takes its job quite seriously. This year, for the eighth time, Step Up was awarded the coveted Four-Star rating by Charity Navigator and scored 99.92 on the Navigator's scale of financial accountability and transparency – the fourth highest mark of any charity in the nation. Throughout its 13 years, Step Up has contributed financially to the program's success – raising more than \$17 million from private foundations and philanthropists to supplement the state allowance. In 2013-14, it received \$8.6 million through the 3 percent tax credit allowance.

**Step Up does not contribute to political campaigns:** Step Up has never contributed any money, directly or indirectly, to any political campaigns. The only tie to political activity is Step Up's board chairman, John Kirtley, who is also chairman of an electioneering organization, Florida Federation For Children, that raises money to support candidates of both parties who believe in school choice. That organization is also tied to a national organization, the American Federation For Children, that supports candidates in multiple states, and Kirtley is vice chairman of that national group. In a speech to a liberal academic group in Berkeley, Calif., in 2011, Step Up president Doug Tuthill was asked how the scholarship has achieved the support of so many Democrats in the Florida Legislature. He said the groups' campaign contributions were a key factor, since Democrats have historically relied on teacher union contributions that come with anti-voucher strings. In referring to the financial support, he used the word "we," speaking generally of school choice supporters, but he also described explicitly that the money came from the Florida Federation.