

Florida Tax Credit Scholarship



MAY 2021

OFFICE OF POLICY AND PUBLIC AFFAIRS

The scholarship allowance in Florida

- Tax credit scholarship programs around the nation are administered by nonprofit scholarship organizations approved by the states. In Florida, two nonprofits administer both the Florida Tax Credit Scholarship, which serves 109,741 economically disadvantaged students this year. Step Up For Students manages five scholarship programs including programs for low-income students, bullied students, students with special needs and public school students struggling with reading and literacy.
- Florida's 3 percent administrative allowance for the tax credit scholarship is the lowest in the nation. Of the other 18 states, one provides 20 percent, 11 provide 10 percent, five are at 5 percent and one, South Carolina, is also at 3 percent. Within Florida, Early Learning Coalitions are allowed to keep 4 percent of pre-kindergarten vouchers for administrative purposes, and school districts keep between 2 and 5 percent of charter school allocations for oversight duties. Step Up also receives a 1 percent allowance from the Family Empowerment Scholarship for new student applications.
- Florida scholarship nonprofits are also prohibited from taking any allowance from tax-credited contributions for the first three years of operation, a provision found in no other state. Step Up For Students went six years with no allowance and depended on private fundraising to help cover basic administrative expense for its first 11 years.
- Not surprisingly, Florida has the fewest participating scholarship organizations. Only two are currently approved and Step Up is serving 99 percent of the students. Georgia has 33 such organizations, Arizona has 94, and Pennsylvania has 111.
- Unlike school districts, Step Up must raise private funds to use for lobbying expenses. No portion of the administrative allowance or any funds received from the state can be used for this purpose.
- The legal requirements and responsibilities for scholarship organizations in Florida are thorough and labor-intensive. They are governed by two statutes, sections 1002.395 and 1002.421, and a state rule, 6A-6.0960, that combined are 14,113 words long.
- Scholarship processing obligations include: verifying the income and household size of every family every year; verifying student attendance and issuing scholarship payments four times a year; reviewing annual financial reports for any school with at least \$250,000 in scholarship payments; coordinating collection of standardized test results; raising contributions to fund the scholarships. It is important to note that this annual verification process can be very labor-intensive for families making \$32,000 per year on average. There are often multiple relatives under the same roof and multiple sources of income.
- The size of the workload is driven by student enrollment. Last year, Step Up received more than 180,000 student applications. Its three-language contact center handled 195,349 calls, conducted more than 149,553 live chats with parents, distributed nearly a half-million scholarship checks, and verified and reimbursed 189,437 individual Gardiner expenses.
- The company's Office of Student Learning, which works with private schools on learning strategies, has trained more than 5,000 teachers and school leaders and visited 900 schools last year. It is currently working with 473 schools in an intensive program using the Measures of Academic Progress (MAP), which was developed by the Northwest Evaluation Association Partnership.
- Step Up developed a customized online application for families and is tasked with the security of personal and financial data of hundreds of thousands of families. As evidenced by school districts that have suffered data breaches, this is a real risk.
- Step Up's finance team reviewed over 1,000 financial reports prepared by independent public accounting firms for schools that received over \$250,000 from all Florida's K-12 scholarship programs.
- Step Up employs 244 full-time employees who work primarily from offices in Jacksonville and St. Petersburg. Roughly two-thirds of these employees work directly in scholarship processing, and less than one in 13 is in fundraising. The highest-paid employee is President Doug Tuthill, whose annual compensation is \$273,092. Executive compensation is set by a Board of Directors committee that has no employee members. This committee is guided by studies done by Sibson Consulting, an independent compensation analysis firm, to set salaries at levels commensurate with firms with similar size and responsibilities. The company's founder and board chairman, John Kirtley, has never received any compensation for his work.
- Step Up also raises private funds to help achieve its mission. It has raised more than \$22 million since 2001, including nearly \$4 million to create an online portal, called "MyScholarShop," to make the Gardiner program easier for families to use and provide a parent rating system for schools and providers. In 2014, Step Up raised \$800,000 to get the new Gardiner Scholarship up and running because the Legislature didn't appropriate any administrative funding in the first year.
- Step Up is audited every year by a national accounting firm and this audit must be without issues and submitted to the Florida DOE. Also by statute, Step Up is audited every year by the Florida Auditor General. School districts are audited every three years.
- Step Up has been awarded the top Four-Star rating by national watchdog Charity Navigator for nine consecutive years. It scored Step Up a total of 96.66 out of 100 this year.