

## **Ballooning Tax Credit for Private School Scholarships**

### **Bill Analysis: House Bill 217 (LC 34 5120S)**

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State lawmakers are considering a bill that proposes to swell the annual price of Georgia’s tax credit for private school scholarships. House Bill 217 raises the cap to \$100 million from the current \$58 million on a program that diverts tax revenue from the state to organizations that provide private school scholarships. The tax credit would leave the state short \$42 million that could be used for more proven investments, including high quality childcare, services for schools serving impoverished children or need-based financial aid for low-income students. In addition there is little information about who participates in the program and none about its impact on student learning. In 2015 Gov. Nathan Deal’s Education Reform Commission outlined [recommendations](#) to increase the program’s transparency and report more information about participants. The recommendations are not yet adopted.

### **Overview of Proposal**

Under current law, taxpayers can receive a dollar-for-dollar tax credit in exchange for contributions to a student scholarship organization. Individuals can donate up to \$1,000, couples up to \$2,500 and corporations up to \$10,000 each year. The annual cap on contributions is \$58 million.

Students can receive a scholarship if they are Georgia residents eligible to enroll in pre-kindergarten, kindergarten or first grade or attend a public school for six weeks. The attendance requirement is waived if the student is otherwise required to attend a public school identified as low performing, suffered from a documented case of bullying or is homeschooled for at least one year.

The proposal outlined in HB 217 increases the cap by 10 percent annually if contributors claimed the total amount of available tax the prior year until the \$100 million cap is reached.

The state tax commissioner now approves contribution requests in the order they are filed. The proposed legislation amends that by limiting corporate contributions to 25 percent of the total amount of tax credits. It also sets the first 10 business days in January as the period in which taxpayers can request approval from the commissioner. Once all requests are received, the commissioner allocates the credits on a pro rata basis if the total requested amount exceeds the limit for that year. If the requested credits do not meet the annual cap, the commissioner will continue to accept requests until November 1 or until the cap is reached.

**Estimated Cost of HB 217 Over Time**

Year	Annual Cost
2017	\$ 58,000,000
2018	\$ 65,000,000
2019	\$ 71,500,000
2020	\$ 78,650,000
2021	\$ 86,515,000
2022	\$ 95,166,500
2023	\$ 100,000,000

*Source: GBPI calculations*

Student scholarship organizations now report the number of recipients as families in each four groups of adjusted family income. The organizations will also report the average scholarship amount for those groups under HB 217. Organizations will also report any fees they retain to the department if the bill passes.

## Rising Price Tag for Program with Big Question Marks

The private school scholarship tax credit program already lacks transparency and accountability. Little information is gathered and disseminated about scholarship recipients, their academic outcomes and the quality of the schools they attend. Without these data, lawmakers and the public cannot accurately judge whether the program is working. The limited data available indicate that most families whose children participate in the program bring in incomes above the state average.

### Adjusted Family Income of Scholarship Recipients 2015\*

Income Rankings	% of Families	Income Range
First 25% (Lowest)	18.7	Up to \$13,707
Second 25%	25.9	\$13,708 to \$30,260
Third 25%	32.3	\$30,261 to \$64,291
Fourth 25%	23.0	\$64,292 and up

Source: Georgia Department of Revenue

\*Most recent data available

In addition it is likely that the program serves few students in rural communities and effectively favors those in urban areas. Fifty-four of the state's 159 counties are not home to a private school and 41 others have only one.

The unimplemented Education Reform Commission's 2015 recommendations call for more information about participating students and, through use of federal poverty level guidelines, a more standard measure of family income. This can move Georgia closer to the practices of other states, which provide more information about the students receiving scholarships as well as their academic outcomes. Unlike most other states, Georgia does not target the program to help students from low- and moderate-income families or those in low-performing public schools.

## Recommendation: Shelve HB 217

Through careful management of the state's resources, lawmakers set Georgia on solid financial footing in recent years. Lifting the cap on the private school scholarship tax credit program to \$100 million reverses this trend. The proposal sends \$42 million more to a program that lacks basic reporting requirements and is in need of evaluation. Without better safeguards, lawmakers, parents, educators and the general public cannot make informed assessments about its effectiveness and whether its continuation makes sense.