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## Opportunity Denied Again: Despite Recent Increase, Thousands of Scholarships Still Denied

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In 2017-18, Pennsylvania's [Educational Improvement Tax Credit \(EITC\)](#) program expanded by \$10 million. This increased the number of student scholarships by 3,000 and the average amount of each scholarship. While helpful, **49,356** student tax credit scholarship applications were denied—**49% of all applications**. To meet the current demand for scholarships, lawmakers need to increase tax credit caps by \$100 million.

### Summary of Pennsylvania's Education Tax Credit Programs

Each child deserves an education that fits their unique needs. For [hundreds of thousands of low to moderate-income Pennsylvania students](#), tax credit scholarships have offered an educational lifeline. But arbitrary tax credit caps on these [popular programs](#) limit the supply.

Tax Credit Scholarship Caps (K-12)

	EITC	OSTC	Combined	Scholarships Awarded	Applications Denied	Avg. Scholarship
2016-17	\$75,000,000	\$50,000,000	\$125,000,000	48,977	<b>52,857</b>	\$1,885
2017-18	\$85,000,000	\$50,000,000	\$135,000,000	52,144	<b>49,356</b>	\$2,002
2018-19	\$110,000,000	\$50,000,000	\$160,000,000	N/A	N/A	N/A
2019-20	\$135,000,000	\$55,000,000	\$190,000,000	N/A	N/A	N/A

- A **\$10 million** (13%) increase in 2017-18 brought EITC K-12 credits to \$85 million, serving an **additional 3,000 student scholarships**.
- The 2018-19 state budget increased EITC K-12 scholarships by **\$25 million**, which could empower up to **12,500 additional students** with life-changing scholarships.
- The 2019-20 budget increased EITC by **\$25 million** plus **\$5 million** for Opportunity Scholarship Tax Credits (OSTC), which could add up to **15,000 student scholarships**.
- According to the latest estimates from DCED, businesses have applied for **\$180 million in EITC and OSTC tax credits beyond the 2018-19 cap**, including \$80 million for EITC K-12 scholarships and \$60 million for OSTC.
- Senator Regan's SB 299 would apply a Florida-style escalator allowing Pennsylvania's tax credit program to grow with demand.

Tax credit scholarships also benefit school districts and taxpayers. In fact, a new [report from EdChoice](#) shows EITC and OSTC have produced cumulative **savings of \$3 to \$5 billion**.

## Who is Served by EITC and OSTC?

EITC and OSTC are lifelines for parents like Thalia McClenton. Thalia's sons would have attended Rowland Academy in Harrisburg, which would not have met their needs. According to Thalia, the school was too dangerous for her sons to learn effectively. Thanks to tax credit scholarships they are now thriving at Harrisburg Catholic Elementary School.

*"I just thank God that He opened the door to take some of the burden off so my kids could have a quality education."*

- Thalia McClenton



Scholarship organizations distribute scholarships in [65 counties](#):

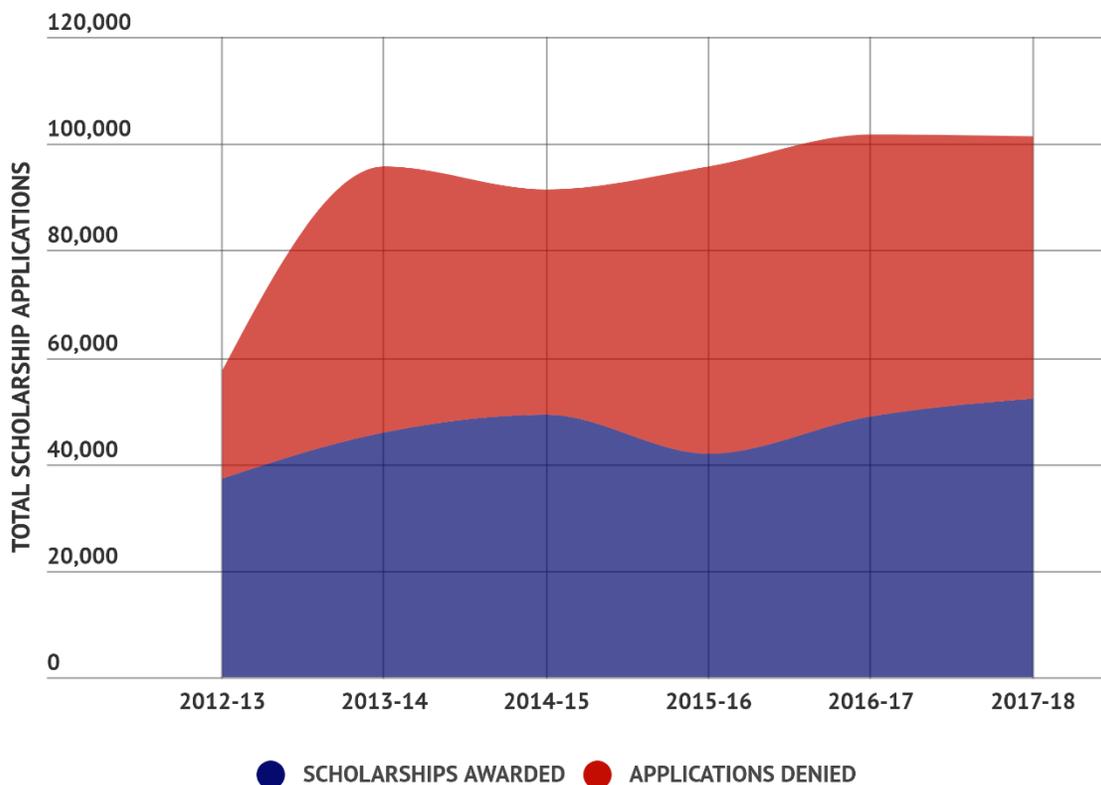
- **Gesu School** in Philadelphia, which [serves 450 students, 100% of whom are on free and reduced lunch](#). The student population is 99% black and 90% graduate on time while 85% attend college;
- **Independence Mission Schools** in Philadelphia serves nearly 5,000 students, 70% of whom are eligible for a free or reduced lunch and 80% live in families making less than \$50,000 a year. Seventy-five percent are non-Catholic, and 71% are African-American;
- **Children's Scholarship Fund** in Philadelphia has so many scholarship applicants, they hold a [lottery to select](#) recipients. Seventy-six percent of CSFP scholarship recipients are eligible for free or reduced school lunch;
- **Logos Academy** in York, [which serves 275 students](#) through an open enrollment policy. The student population is 82% minority and 66% below the poverty line;
- **Joshua Group** in Harrisburg provides scholarships to help more than 150 low-income K-12 city students attend a private school;
- **Extra Mile**—which supports schools including **Sister Thea Bowman Catholic Academy** and **St. Benedict the Moor School** in Pittsburgh--currently serves more than 600 children from pre-kindergarten through eighth grade. The majority of these students are African American and non-Catholic, and more than 80% of qualify for free and reduced lunch.

## **49,000 Student Tax Credit Scholarships Denied in 2017-18**

State records show that 49,356, or **49%** of all student scholarship applications, were denied in 2017-18.

# PA TAX CREDIT SCHOLARSHIPS

## DEMAND FAR OUTPACES SUPPLY



### 49,356 DENIED

In 2017-18, 49,356 scholarship applications were denied primarily due to program limits.



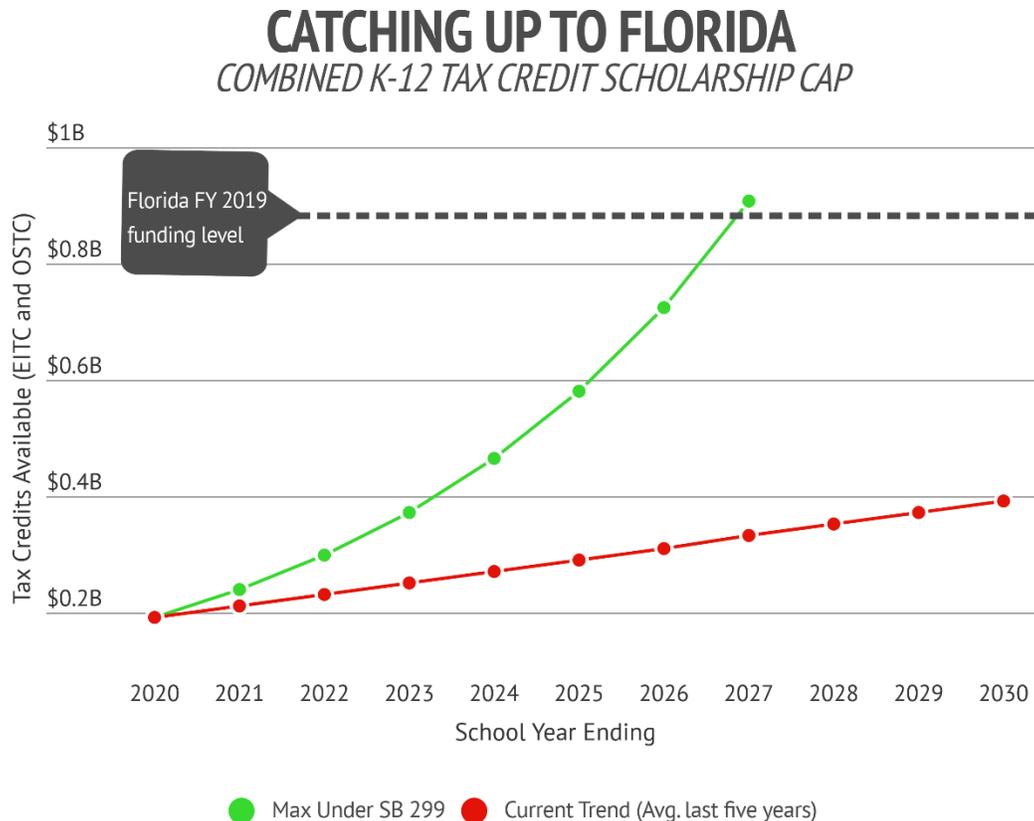
### 49% LEFT BEHIND

Since 2012, 49 percent of scholarship applications have been denied.

*Source: Combined yearly total of EITC and OSTC applications. Right-to-know-law request, PA Department of Community and Economic Development.*

## A Plan to Meet Scholarship Demand

Like Pennsylvania, Florida enacted tax credit scholarships in 2001. The two states followed similar paths until 2011, when Florida adopted an automatic escalator that increases the tax credit cap by 25% when at least 90% of available credits are used the previous year. Florida now awards **twice as many student scholarships** as Pennsylvania and their average scholarship amount is significantly higher. **This year's \$30 million combined EITC/OSTC increase is likely to resolve one-fourth to one-third of the surplus demand.**



Source: CF calculations based on SB 299 and 2020 combined K-12 caps of \$190 million.

- If the combined EITC/OSTC cap increases by the current trend—\$20 million per year—Pa. would not reach **Florida's current (2019) level of funding** until **2055**.
- Under Senator Regan's **25% escalator plan**, Pa. could match Florida's current (2019) level of funding by **2027**.

Program caps are trapping tens of thousands of students in schools that don't meet their unique needs and preventing local businesses from investing in their communities. Adding an automatic escalator is the best way to ensure no more students are denied education opportunity.