



September 2018

## Opportunity Denied: To Meet Demand, Tax Credit Scholarship Caps Must Expand

Marc LeBlond

On June 22, Gov. Wolf signed a budget that included a \$25 million expansion of Pennsylvania’s [Educational Improvement Tax Credit \(EITC\)](#) program. This will allow up to 15,000 additional students to receive scholarships. While helpful, the recent expansion falls far short of the demand for scholarships. **52,857** student tax credit scholarship applications were denied last year—**52 percent of all applications**. Proposed legislation in the [House](#) and [Senate](#) would resolve this problem by annually increasing tax credit caps by 25 percent if 90 percent of available credits are used.

### Summary of Pennsylvania’s 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 [immensely popular programs](#) limit the supply.

#### FY 2016-17 Tax Credit Scholarships

	(K-12) SO Credits Available	K-12 Scholarships	Applications Denied	Avg. Scholarship Amount
EITC	\$75,000,000	34,433	<b>26,761</b>	\$1,658
OSTC	\$50,000,000	14,556	<b>26,096</b>	\$2,420

- A \$10 million increase in 2017-18 brought EITC K-12 credits to \$85 million.
- The 2018-19 state budget includes a \$25 million increase for EITC K-12 scholarships, matching the second largest increase in the EITC program’s history. This will serve up to **another 15,000 students**.
- In total the EITC and Opportunity Scholarship Tax Credit (OSTC) programs now provide \$210 million in tax credits.

#### FY 2018-19 Budgeted Tax Credit Scholarships

	(K-12) SO Credits Available	(Pre-K) SO Credits Available	Educational Improvement Organization Credits Available	Program Total Credits Available
EITC	\$110,000,000	\$12,500,000	\$37,500,000	\$160,000,000
OSTC	\$50,000,000	N/A	N/A	\$50,000,000

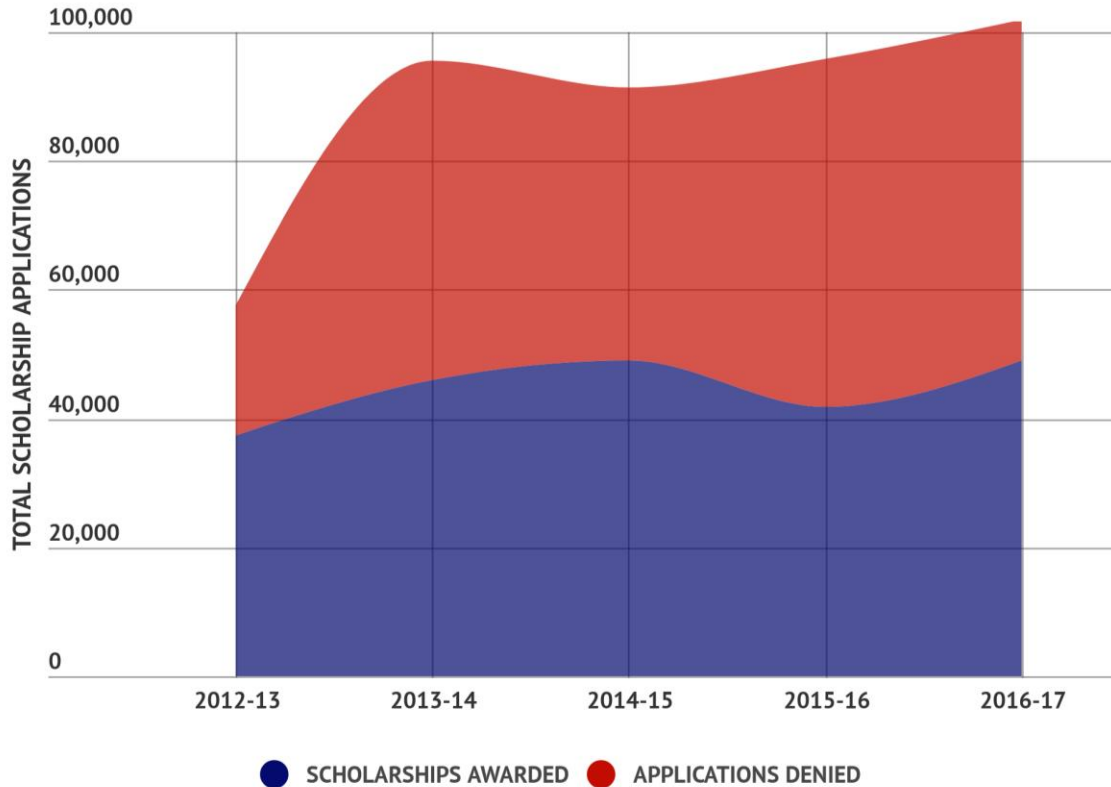
Tax credit scholarships aren’t just good for students, they also benefit taxpayers. In fact, EITC alone [saved taxpayers more than \\$1 billion](#) from 2002-2014, according to an EdChoice audit.

## Nearly 53,000 Student Tax Credit Scholarships Denied in 2016-17

State records show that 52,857, or **52 percent** of all student scholarship applications, were rejected in (FY) 2016-17.

# PA TAX CREDIT SCHOLARSHIPS

## DEMAND FAR OUTPACES SUPPLY



### 52,857 DENIED

Last year, 52,857 scholarship applications were denied primarily due to program limits.



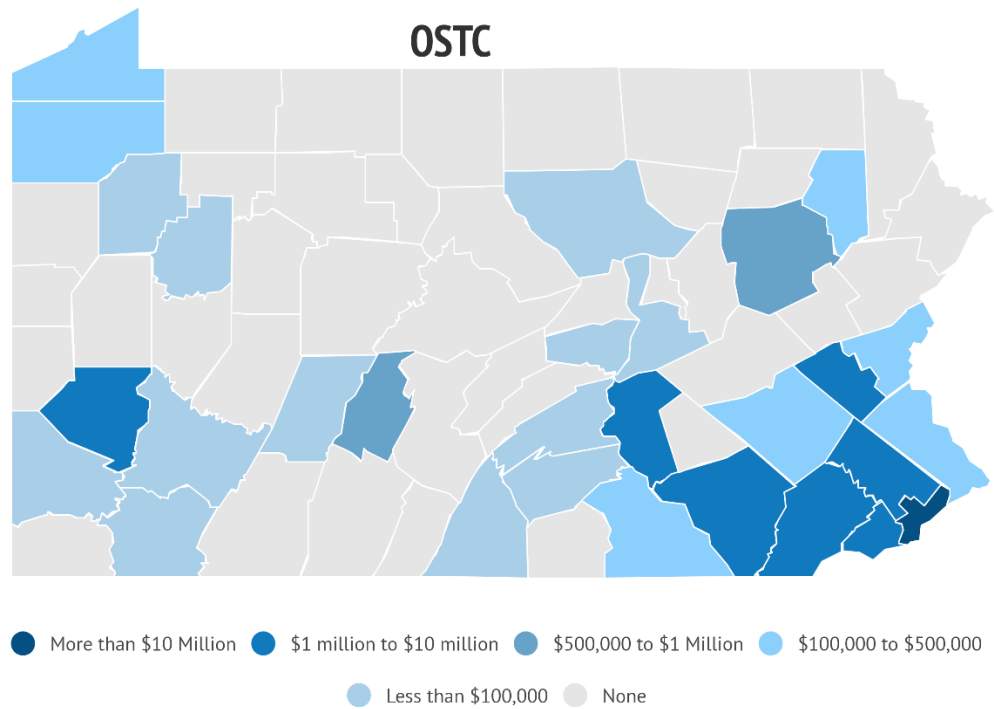
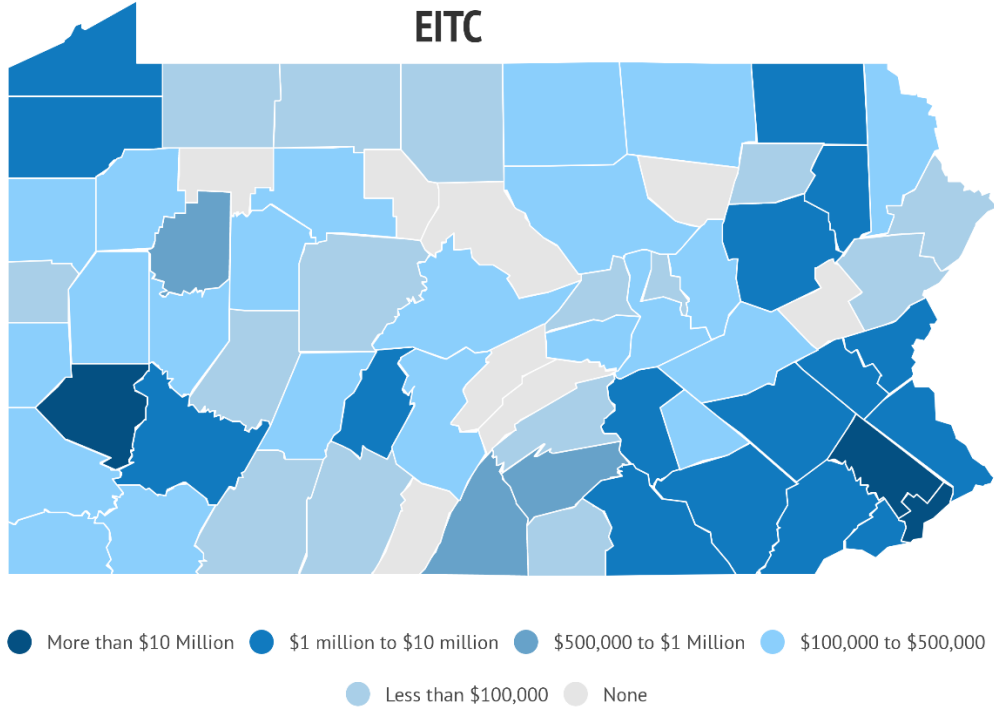
### 50% LEFT BEHIND

Since 2012, 50 percent of scholarship applications were denied primarily due to program limits.

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

**59 of the 67 counties have scholarship organizations utilizing these programs.**

## TAX CREDIT CONTRIBUTIONS RECEIVED BY SCHOLARSHIP ORGANIZATIONS (2016-17)



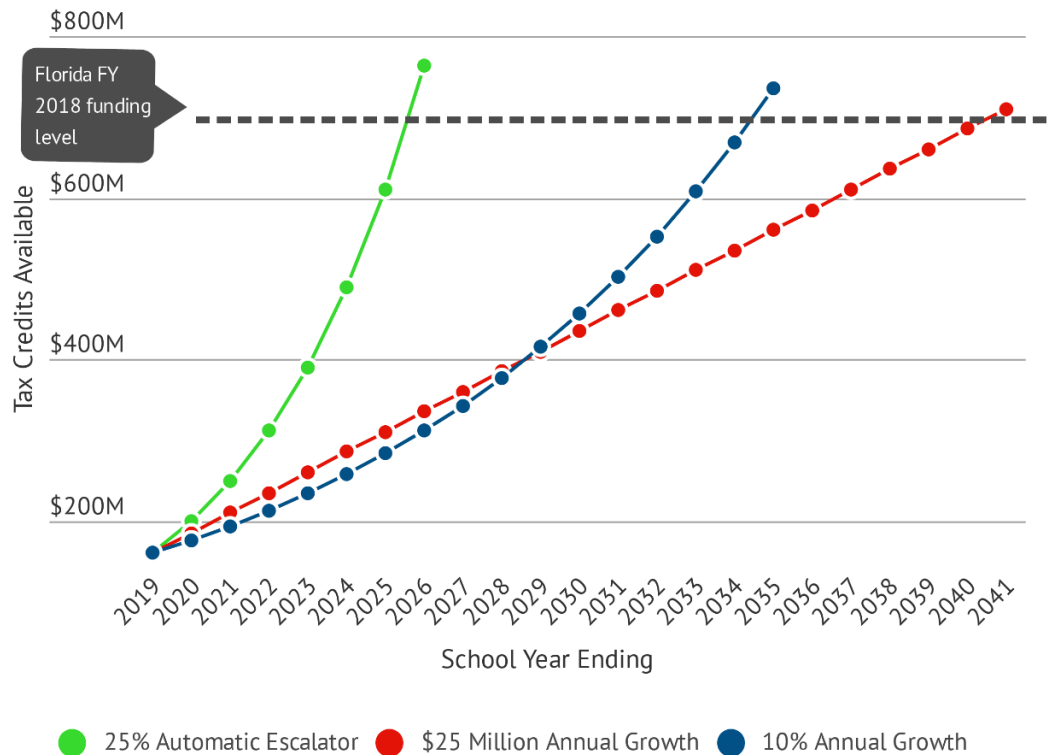
Source: Right To Know Law Request, Pennsylvania Department of Community and Economic Development (Total contributions received by Scholarship Organizations in each county).

## Automatic Escalator: How to End Waiting Lists

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 percent when at least 90 percent 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 \$25 million EITC increase is likely to resolve just one-fourth to one-third of the surplus demand.**

# THE FUTURE OF EITC

## POTENTIAL IMPACT



- If the EITC cap increases by \$25 million each year, the EITC would not reach [Florida's current \(2018\) level of funding](#) until **2041**.
- If the program cap increases by 10 percent each year, the EITC would not reach Florida's current (2018) level of funding until **2035**.
- **An automatic escalator, as proposed in [SB 1204](#) and [HB 2530](#) could match Florida's current (2018) level of funding by 2026.**

Program caps are trapping tens of thousands of students in schools that don't meet their unique needs. The best way to ensure no more students get left behind is to promote automatic escalator legislation.