

Opportunity Unleashed

Record Number of Pennsylvania Families Seek Tax Credit Scholarships

Stefanie Mason, Policy Analyst, and Marc LeBlond, Senior Policy Analyst.

KEY POINTS

- In June 2019, Pennsylvania's General Assembly expanded the Educational Improvement Tax Credit (EITC) and Opportunity Scholarship Tax Credit (OSTC) programs by a combined \$30 million.
- In the 2019-20 school year, the number of student scholarships awarded increased by 1,380 and the average overall scholarship increased by \$100.¹
- In 2019–20, K–12 students in Pennsylvania submitted 137,000 scholarship applications, the highest on record.
- Unfortunately, because of government-imposed caps on the scholarship program, the state denied a record 75,651 student tax credit scholarship applications.
- The state also waitlisted \$116 million in K–12 business donations to the EITC and OSTC scholarship programs.
- Tax credit scholarships provide high-quality, life-changing education for low- and middle-income students, but students are not the only beneficiaries. All Pennsylvanians gain from the fiscal and societal benefits that tax credit scholarship programs produce.
- Students are in an educational crisis and need more education options. The General Assembly should enact an automatic escalator that allows the supply of scholarships to keep pace with student need.² An automatic escalator could end scholarship waitlists by 2025.

EXPANDED TAX CREDIT SCHOLARSHIPS INCREASE OPPORTUNITIES FOR PA KIDS

Since the inception of tax credit scholarships in 2001, hundreds of thousands of low- to middle-income Pennsylvania kids have received these vital educational lifelines through the Educational Improvement Tax Credit (EITC) and Opportunity Scholarship Tax Credit (OSTC) programs.

Businesses or individuals can donate to over [250 scholarship organizations](#) across the state and receive a 75 percent (1-year commitment) or 90 percent (2-year commitment) credit on their state income taxes.³ New numbers, revealed by a series of Right to Know Requests from the Commonwealth Foundation, show the impact of the 2019 tax credit expansion on children across the Commonwealth.

- The 2019–20 budget increased EITC and OSTC by a combined \$30 million, providing an additional 1,380 student scholarships. Approximately 62,000 children in 65 counties now attend school on an EITC or OSTC scholarship.⁴
- In 2019–20, the average K–12 tax credit scholarship was \$2,201, a \$100 increase from the previous year.

Tax Credit Scholarship Caps (K-12)

	Scholarships Awarded	Applications Denied	Average Scholarship	EITC	OSTC	Total
2016	48,977	52,857	\$1,885	\$75 million	\$50 million	\$125 million
2017	52,144	49,356	\$2,002	\$85 million	\$50 million	\$135 million
2018	60,387	42,918	\$2,113	\$110 million	\$50 million	\$160 million
2019	61,767	75,651	\$2,201	\$135 million	\$55 million	\$190 million
2020	N/A	N/A	N/A	\$135 million	\$55 million	\$190 million
2021	N/A	N/A	N/A	\$175 million	\$55 million	\$230 million

Source: Pennsylvania Department of Community & Economic Development, Right to Know Law Request.

INTEREST IN TAX CREDIT SCHOLARSHIPS IS AT AN ALL-TIME HIGH, BUT THOUSANDS DENIED

More than ever before, Pennsylvania families are eager to access the educational opportunities that a tax credit scholarship brings. Individuals and businesses in Pennsylvania are also enthusiastic to support the program, quickly maxing out the government-imposed caps on the program each year.⁵

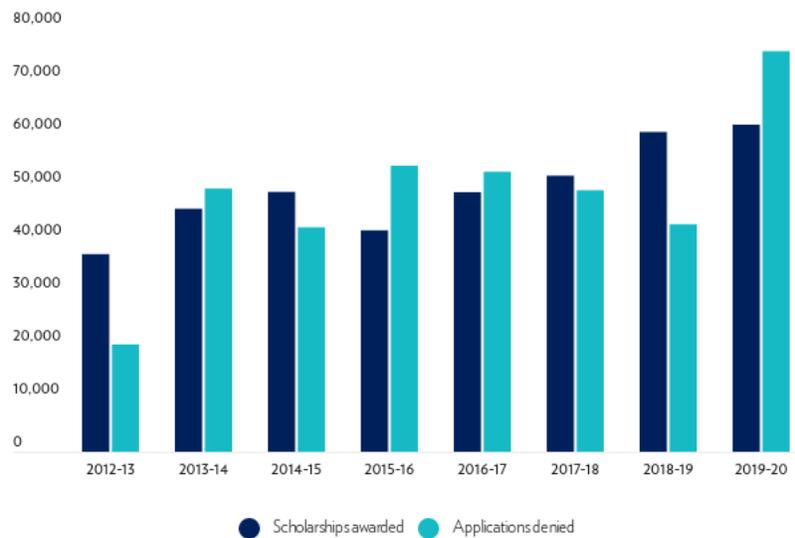
- In 2019–20, K–12 students submitted 137,000 scholarship applications, 34,000 more than the previous year and the highest on record. Between the 2018–19 and 2019–20 school years, scholarship applications increased 33 percent.
- In 2019–20, individuals and businesses donated a record \$190 million for K–12 student scholarships.

Yet program caps still deny scholarships to thousands of students.

- Even with the 2019 tax credit expansion of the EITC and OSTC programs, a record of 75,651 K-12 student scholarship applications received denials. In other words, program limits turned away 55 percent of student scholarship applications.
- In 2019, program caps waitlisted \$116 million in business donations to K-12 EITC and OSTC scholarships.⁶

Demand for EITC/OSTC far outpaces supply

While almost 62,000 students received a tax credit scholarship in 2019-20, over 75,000 applications were denied.

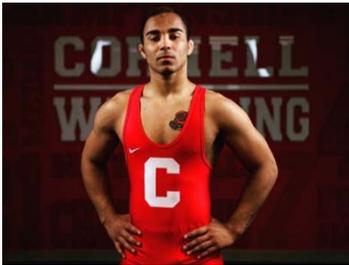


Source: Combined yearly total of EITC and OSTC applications.
Pennsylvania Department of Community & Economic Development, Right to Know Law Request, 2012-13 through 2019-20 (most recent data available).

The interest in tax credit scholarships is rising, accelerated by COVID-19 school disruptions causing students to fall behind—or out of the classroom altogether. When a public school fails to offer consistent in-person learning, students need more options. A recent November study published by the [National Bureau of Economic Research](#) found that students experienced significantly larger test score declines in school districts with less access to in-person learning, compared to students in districts that offered fully in-person learning.⁷

Even before the pandemic, EdChoice and the Commonwealth Foundation polling [found that](#) in 2020, 71 percent of likely Pennsylvania voters support tax credit scholarships.⁸ According to a 2021 national poll by [EdChoice](#), eight out of ten parents support tax credit scholarships—higher than all years prior to 2020.⁹ Backed by parents and voters, legislators not only in Pennsylvania but in more than a dozen states have passed school choice expansions to empower families. Pennsylvania can do more—and end the scholarship waitlist.

WHO BENEFITS FROM EITC AND OSTC?



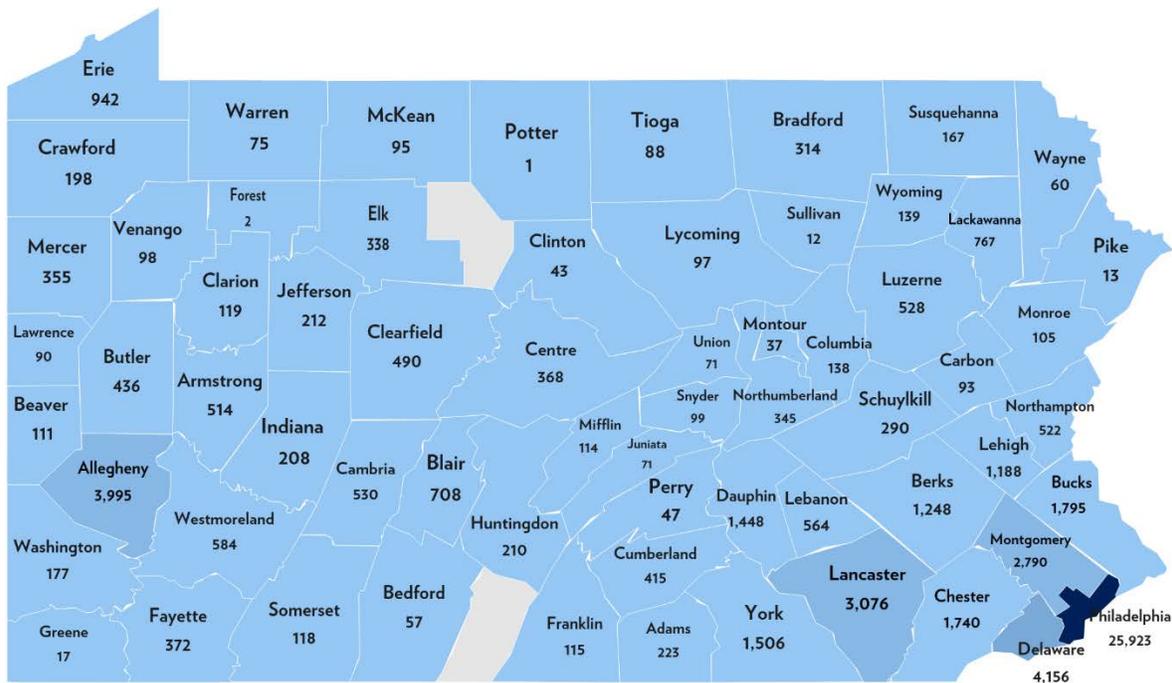
Erik Gibson was in an impossible situation. The star wrestler struggled with bullying and racism at Forest Hills High School. To make matters worse, school leadership ignored the incidents and Erik’s daily life at school became miserable. His parents looked for other options.

Thanks to an EITC scholarship, Erik found a fresh start at Bishop McCort Catholic High School. Erik is happy and thriving at McCort. On the horizon is his full-ride academic scholarship to Cornell University.

Erik is just one of the thousands of students that have had their lives changed by a tax credit scholarship. In 2019, students in 65 counties benefit from approximately 62,000 tax credit scholarships.

EITC or OSTC scholarships, per county

Pennsylvania students benefit from approximately 62,000 tax credit scholarships. This map shows the number of Educational Improvement Tax Credit Scholarship (EITC) or an Opportunity Scholarship Tax Credit (OSTC) scholarships in each county.



Source: Pennsylvania Department of Community & Economic Development, Right to Know Law Request, 2019-20 (most recent data available)

The primary beneficiaries of tax credit scholarships are the low- to middle-income families that otherwise would not have access to a high-quality private education. Applicants for either scholarship program must be below the household income limit of \$96,676 and \$17,017 for each dependent; furthermore, OSTC applicants must also live within the attendance boundary of a low-achieving school (i.e., a public-school ranking at the bottom 15 percent based on standardized test scores). While no state agency collects income information regarding students, the numbers from Simple Tuition Solutions—one of the largest application processors in the state—show an [average household income](#) of \$64,000 for EITC and \$52,000 for OSTC.¹⁰

Here are several examples of high-quality, mission-driven scholarship organizations and private schools that students can participate in because of tax credit scholarships:

- [Children's Scholarship Fund Philadelphia](#) (CSFP) The [average household income](#) for a CSFP family of four is \$36,000, and 71 percent of CSFP students qualify for the federal free or reduced lunch program. Ninety-eight percent of scholarship recipients graduate high school on time.¹¹
- [Logos Academy](#) in York serves 220 students through an open enrollment policy. The student population is 62 percent minority and 59 percent at or below the poverty line. After graduation, [50 percent](#) of Logos Academy seniors earned full-tuition college scholarships.¹²
- [Gesu School](#) in Philadelphia serves 450 students, 100 percent of whom are on free and reduced lunch and 99 percent Black. [Ninety percent](#) of Gesu students graduate on time and 86 percent of those graduates go on to college.¹³ In comparison, Philadelphia SD has a [70 percent graduation rate](#).¹⁴
- [Immanuel Christian School](#): [Ninety percent](#) of children receive financial aid. The school has a 100 percent graduate rate, compared to the 75 percent average for the Hazleton area.¹⁵
- Erik Gibson's [Bishop McCort Catholic High School](#): [Seventy percent of students](#) receive financial aid. In 2021 the school had a 100 percent graduation rate. By contrast, [77 percent of students in Greater Johnstown SD](#) graduate high school on time.¹⁶

Yet legislative caps on EITC and OSTC deny these scholarships to too many students.

CSFP, for example, in April 2021 testified to the Senate Education Committee that each year 6,000 to 10,000 children apply through its lottery. CSFP's annual financial limits of 2,000 new recipients has left out 4,000 to 8,000 students that apply each year.¹⁷

ECONOMIC AND SOCIETAL BENEFITS OF TAX CREDIT SCHOLARSHIPS

Scholarships give students an opportunity to succeed, not only in the classroom but also in their communities. An [economic impact analysis](#) found that EITC and OSTC expansion in Pennsylvania would generate billions of dollars from increasing kids' lifetime earnings and reducing criminal activity.¹⁸

Even public-school districts benefit from Pennsylvania's tax credit scholarship programs. EITC and OSTC scholarships—funded by private donations—do not take a single dollar away from public school districts. Students that leave their public school on a scholarship free up resources and space for the other students that stay. Moreover, school districts retain all local property tax, state, and federal revenue, and the variable costs follow the students transferring on tax credit scholarships. An analysis by [Dr. Martin Lueken](#) concluded that a 25 percent escalator of Pennsylvania's tax credit scholarship program would, on net, save the Commonwealth \$356 million to \$875 million each year.¹⁹

In short, tax credit scholarships produce fiscal benefits to Pennsylvania society and public schools while providing an invaluable lifeline to some of the Commonwealth's most vulnerable children.

HOW TO ENSURE EDUCATION EXCELLENCE FOR EVERY CHILD?

An **automatic escalator** could end scholarship waitlists by 2025, giving our most vulnerable children the chance to choose a school that works for them.²⁰

- Sen. Mike Regan's proposal, [Senate Bill 527](#), would increase each program by 25 percent annually when 90 percent of available tax credits are allocated in the previous year. **The automatic escalator will allow the supply of scholarships to keep up with demand.**

- With an automatic escalator, the tax credit scholarship programs will only grow when there are more businesses willing to donate and an increased demand from students for scholarships. While a scholarship can be an invaluable lifeline for students, the cost to the state is small compared to spending for other educational programs. The automatic escalator is projected to increase the tax credit programs by \$57.5 million in the first year (2022) and by \$472 million over five years. For context, total state education spending was \$12.1 billion in 2019–20.²¹
- Florida and Pennsylvania have similar tax credit programs. The two states served a similar number of students until Florida enacted an escalator in 2011. Now Florida serves 40,000 more children at triple the average scholarship amount, while outpacing Pennsylvania on academic achievement.²² With an escalator, Pennsylvania can serve all children who seek a better education.

CONCLUSION

Demand for Pennsylvania’s tax credit scholarships is at an all-time high and the momentum for more school choice opportunities is only growing. CSFP announced in September 2021 they would offer scholarships to 500 additional Philadelphia children for the 2022–23 school year, a CSFP record, going forward.²³ Logos York expanded its campus in 2021 and now has the capacity to serve an additional 400 kids in the community.²⁴ Bishop McCort Principal Tom Smith stated on record that McCort could serve more Johnstown area kids and increase teacher pay if Pennsylvania expands EITC and OSTC.²⁵ These positive, kid-centric changes occur through the power that is unleashed through tax credit scholarship expansion. When parents are free to choose, kids win.

¹ Unless otherwise noted, 2019–20 EITC and OSTC scholarship numbers are from Pa. Department of Community & Economic Development, Right to Know Law Request, (2019-20).

² Rep. Michael Turzai, House Bill No. 800 (May 1, 2019),

<https://www.legis.state.pa.us/cfdocs/billInfo/billInfo.cfm?sYear=2019&slnd=0&body=H&type=B&bn=800>.

³ Pennsylvania Department of Community & Economic Development, “Scholarship Organizations: List of Scholarship Organizations Effective 01/01/2021 – 12/31/2021 (EITC),” <https://dced.pa.gov/scholarship-organizations/>.

⁴ Due to a lack of individual student data, we are unable to quantify the possibility of students applying to multiple scholarship organizations. Additionally, the number of supplemental Economically Disadvantaged scholarships was not available.

⁵ “Pennsylvania Education Tax Credits: An Evaluation of Program Performance,” Independent Fiscal Office (January 2022),

http://www.ifo.state.pa.us/download.cfm?file=Resources/Documents/TC_2022_Educational_Tax_Credits.pdf.

⁶ “Pennsylvania Education Tax Credits,” Independent Fiscal Office.

⁷ Clare Holloran, Rebecca Jack, James Okun, and Emily Oster, “Pandemic Schooling Mode and Student Test Scores: Evidence from US States,” National Bureau of Economic Research, (November 2021), https://www.nber.org/system/files/working_papers/w29497/w29497.pdf.

⁸ Collen Hronich, “New Education Polling Results,” Commonwealth Foundation (May 8, 2020),

<https://www.commonwealthfoundation.org/issues/detail/new-education-polling-results>.

⁹ “Schooling in America Polling Dashboard, Tax Credit Scholarships Parent Favorability Trends,” EdChoice (2021),

<https://www.edchoice.org/what-we-do/research/schooling-in-america-polling-dashboard-2/>.

¹⁰ “K–12 Tax Credit Scholarship Income,” Simple Tuition Solutions (2021), <https://infogram.com/eitc-ostc-average-incomes-1h7j4o3wrwyvo4p?live>.

¹¹ “Why Invest with CSFP?” Children’s Scholarship Fund Philadelphia, <https://www.csphiladelphia.org/tax-credits/why-invest-in-csfp/>; Keisha Jordan, “Written Testimony to the PA Senate Education Committee,” Children’s Scholarship Fund Philadelphia (April 19, 2021),

<https://education.pasenategop.com/wp-content/uploads/sites/49/2021/04/Keisha-Jordan-Written-Testimony-April-19-2021.pdf>.

¹² Logos Academy, 2021 Factsheet, https://www.logosyork.org/wp-content/uploads/2021/09/Logos-FactSheet_2020-2021-1.pdf; Logos Academy, “Campus Expansion,” (2021), <https://www.logosyork.org/wp-content/uploads/2021/05/Website-Update-Documents-Logos-Campus-Expansion.pdf>.

¹³ Gesu School, “Whom We Serve,” (2017-18), <https://www.gesuschool.org/our-story/whom-we-serve>; Gesu School, “A Model for Success,” <https://www.gesuschool.org/a-model-for-success>.

¹⁴ Pennsylvania Department of Education, “Cohort Graduation Rates,”

<https://www.education.pa.gov/DataAndReporting/CohortGradRate/Pages/default.aspx>.

¹⁵ Immanuel Christian School Facts & Figures 2020–21, <https://drive.google.com/file/d/19X9ChAEsKOQCok8b6zI6yUEUZoLK6WMu/view>;

Private School Review, “Immanuel Christian School,” <https://www.privateschoolreview.com/immanuel-christian-school-profile/18201>; Pa. Department of Education, “Cohort Graduation Rates,” <https://www.education.pa.gov/DataAndReporting/CohortGradRate/Pages/default.aspx>.

¹⁶ Bishop McCort Catholic High School, “School Profile,”

https://www.mccort.org/apps/pages/index.jsp?uREC_ID=427076&type=d&pREC_ID=931546; Private School Review, “Bishop McCort Catholic High School,” <https://www.privateschoolreview.com/bishop-mc-cort-catholic-high-school-profile>; Pennsylvania Department of Education, “Cohort Graduation Rates,” <https://www.education.pa.gov/DataAndReporting/CohortGradRate/Pages/default.aspx>.

¹⁷ Jordan, “Written Testimony to the PA Senate.”

¹⁸ Corey DeAngelis, PhD, “Unleashing Educational Opportunity: The Untapped Potential of Expanded Tax Credit Scholarships,” (August 2020), <https://www.commonwealthfoundation.org/policyblog/detail/unleashing-educational-opportunity>.

¹⁹ Martin Lueken, PhD, “Projected Fiscal Impact of Pennsylvania Senate Bill No. 299,” EdChoice, (May 14, 2019),

<https://files.eric.ed.gov/fulltext/ED600662.pdf>.

²⁰ Sen. Mike Regan, Senate Co-Sponsorship Memoranda for SB 527, (December 22, 2020),

<https://www.legis.state.pa.us/cfdocs/Legis/CSM/showMemoPublic.cfm?chamber=S&SPick=20210&cosponId=33736>.

²¹ Pennsylvania Department of Education, Annual Financial Reports, State Revenue: 2019–20, <https://www.education.pa.gov/Teachers%20-%20Administrators/School%20Finances/Finances/AFR%20Data%20Summary/Pages/AFR-Data-Summary-Level.aspx>.

²² Commonwealth Foundation, “PA v. FL Academic Achievement,” (2019), <https://infogram.com/pa-v-fl-naep-1ho16vo3q9mj84n?live>.

²³ Children’s Scholarship Fund Philadelphia, “CSFP Will Award More Scholarships Than Ever for the 2022-23 School Year,” (September, 15 2021), <https://www.csphiladelphia.org/about/news/csfp-announces-that-it-will-award-more-scholarships-than-ever-for-the-2022-2023-school-year/>.

²⁴ Logos Academy, “Campus Expansion,” (2021), <https://www.logosyork.org/wp-content/uploads/2021/05/Website-Update-Document-Logos-Campus-Expansion.pdf>.

²⁵ “Bishop McCort 2021 Fall Assembly,” October 19, 2021, Youtube Stream, <https://www.youtube.com/watch?v=nWpfKvXkPEI&t=14s>.