

# Assisting Students in Economically Disadvantaged Schools

## OVERVIEW

- The Economically Disadvantaged School component of the Educational Improvement Tax Credit (EITC) provides supplementary scholarships for Pennsylvania students receiving scholarships and attending private schools with the greatest financial need. These supplementary scholarships for elementary/middle school students and high school students are capped at \$2,000 and \$4,000, respectively.

## REASON FOR THE LEGISLATION

- A student's future should not rely on their zip code. Low-income students and parents deserve the same flexibility wealthier families enjoy to find the education that works best for them. Low-income and minority students in Pennsylvania too often experience large achievement gaps, and COVID-19 related closures only widened the disparity. A national study found that while students lost, on average, three months of learning in math due to the pandemic, students of color **lost three to five months** of math learning.<sup>1</sup> Increasing tax credit scholarships for Economically Disadvantaged Schools will channel more resources to the children most likely to fall behind.

## SUMMARY

- **Tax Credit Scholarships**
  - Under the EITC and Opportunity Scholarship Tax Credit (OSTC) programs, businesses and individuals receive tax credits for donations to approved organizations that grant scholarships to students. Yet, caps on the tax credits limit the amount of total donations. In 2020–21, the state, due to these arbitrary caps, turned away a record 76,000 student scholarship applications and waitlisted \$156.3 million in tax-credit donations.<sup>2</sup>
  - Pennsylvanian students are eligible for EITC and OSTC scholarships if their household incomes are less than \$105,183 plus \$18,514 for each child. The household income baseline adjusts upwards for special needs children. OSTC scholarship recipients must also live in a “low-achieving” school zone, whose public schools rank in the bottom 15 percent according to statewide Pennsylvania System of School Assessment (PSSA) scores.
- **What are Economically Disadvantaged Schools?**
  - Economically Disadvantaged Schools are schools where 51 percent or more of the students received EITC or OSTC scholarship of at least \$1,000 in the preceding school year.<sup>3</sup>
  - Economically Disadvantaged Schools serve predominately low-income families who are unable to pay full tuition. Targeting more tax credit scholarships to students in these schools provides increased education funding to the kids and schools that need it most.

- The Department of Community and Economic Development publishes a list of schools that meet the criteria of an Economically Disadvantaged School. The appendix includes Pennsylvania’s 2023–24 list of Economically Disadvantaged Schools.
- **Who Can Receive a Supplemental Scholarship?**
    - Any student who attends an Economically Disadvantaged School and receives an EITC and/or OSTC scholarship of at least \$1,000 will receive a supplemental scholarship.
    - There is currently a \$12 million cap on total Economically Disadvantaged School supplemental scholarships. All eligible students in Economically Disadvantaged Schools receive a supplemental scholarship, prorated based on the cap and number of students.
  - **How Much is a Supplemental Scholarship?**
    - All eligible elementary and middle school students can currently receive a supplemental scholarship amount up to \$2,000. The scholarship increases to \$4,000 for high school students. The higher amount for high school students reflects the higher costs of operating a high school. The total scholarship amount awarded to a student cannot exceed the costs of tuition and school-related fees.
    - The average OSTC and EITC scholarship amounts awarded are only [\\$2,600](#) and [\\$2,500](#), respectively.<sup>4</sup>
  - **Background on Tax Credit Scholarships**
    - The current cap on the K–12 scholarship tax credits under the EITC and OSTC programs combined is \$340 million.<sup>5</sup>
    - Scholarship organizations receive donations from private businesses and individuals to provide scholarships to low- and middle-income students. Donors receive a state tax credit of 75 percent or 90 percent of their donation.
    - Increasing tax credit scholarships is financially beneficial to school districts because they retain all local funding for the students who are no longer attending their schools.
    - Costs incurred by the state for the tax credit scholarships are far less than the \$21,263 (about \$7 per person in the United States) spent per student in Pennsylvania public schools. An [analysis](#) by Dr. Martin Lueken of EdChoice concluded that a \$100 million EITC increase would save state and local taxpayers a combined \$265 million.<sup>6</sup>
    - An [economic impact analysis](#) by Dr. Corey DeAngelis of the Reason Foundation concluded that EITC and OSTC expansion would result in greater lifetime earnings for kids, billions of dollars in economic benefits to the commonwealth from those increased earnings, and reductions in criminal activity.<sup>7</sup>

## APPENDIX

Economically Disadvantaged Schools 2023	City
Abrams Hebrew Academy	Yardley, PA
All Saints Catholic	Altoona, PA
Aquinas Academy	Gibsonia, PA
Archbishop Ryan High School	Philadelphia, PA
Bethel Christian School	Erie, PA
Bishop Canevin	Pittsburgh, PA
Bishop Carroll Catholic High School	Ebensburg, PA
Bishop Guilfoyle High School	Altoona, PA
Bishop McCort	Johnstown, PA
Bishop McDevitt Harrisburg	Harrisburg, PA
Blessed Trinity	Philadelphia, PA
Blessed Virgin Mary	Darby, PA
Cardinal O'Hara High School	Springfield, PA
CB Community Schools	Philadelphia, PA
Champion Christian School	Champion, PA
Cheder Chabad of Philadelphia	Bryn Mawr, PA
Cheder Menachem	Wilkes-Barre, PA
Children's Jubilee Fund	Wyncote, PA
Christ the Divine Teacher	Latrobe, PA
Community Partnership School	Philadelphia, PA
Conn Area	Connellsville, PA
Cornerstone Christian	Philadelphia, PA
Cristo Rey	Philadelphia, PA
Crossroads Foundation	Pittsburgh, PA
Delone Catholic	McSherrystown, PA
Diocese of Scranton	Scranton, PA
Divine Mercy Catholic	Johnstown, PA
Divine Redeemer	Sewickley, PA
Drexel Neumann Academy	Chester, PA
Epiphany Scranton	Dalton, PA
Father Judge	Philadelphia, PA
Gesu School	Philadelphia, PA
Holy Family Institute	Pittsburgh, PA
Holy Name Church	Ebensburg, PA
Holy Spirit Academy	New Castle, PA
Holy Trinity Altoona	Altoona, PA
Holy Trinity Catholic School York	York, PA
Holy Trinity School	York, PA
Hope bPartnership for Education	Philadelphia, PA
Imani Christian Academy	Pittsburgh, PA
Immanuel Christian School	Hazelton, PA
Johnstown Christian	Hollsopple, PA
Joshua Group	Harrisburg, PA

Source: Pa. Department of Community and Economic Development

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<sup>1</sup> Emma Dorn, et al., “COVID-19 and Learning Loss—Disparities Grow and Students Need Help,” McKinsey & Co., December 8, 2020, <https://www.mckinsey.com/industries/public-and-social-sector/our-insights/covid-19-and-learning-loss-disparities-grow-and-students-need-help>.

<sup>2</sup> Commonwealth Foundation, “Pa. Tax Credit Scholarships,” December 19, 2022, <https://www.commonwealthfoundation.org/research/pa-tax-credit-scholarships/>.

<sup>3</sup> Act 55 of 2022, enacted on July 8, 2022, pushed the Economically Disadvantaged School threshold from 75 percent to 51 percent of students receiving EITC or OSTC scholarships in the preceding school year. The drop has allowed more schools that serve low-income and impoverished families to participate in the scholarship program. See: Pennsylvania General Assembly, Public School Code of 1949 - Omnibus Amendments, Act of Jul. 8, 2022, P.L. 620, No. 55, <https://www.legis.state.pa.us/cfdocs/legis/li/uconsCheck.cfm?yr=2022&sessInd=0&act=55>.

<sup>4</sup> EdChoice, “Pennsylvania: Educational Improvement Tax Credit Program,” February 27, 2023 [update], <https://www.edchoice.org/school-choice/programs/pennsylvania-educational-improvement-tax-credit-program/>; EdChoice, “Pennsylvania: Opportunity Scholarship Tax Credit Program,” February 27, 2023 [update], <https://www.edchoice.org/school-choice/programs/pennsylvania-opportunity-scholarship-tax-credit-program/>.

<sup>5</sup> Commonwealth Foundation, “Pa. Tax Credit Scholarships.”

<sup>6</sup> Martin Lueken, “Fiscal Impact Statement, Pennsylvania 2020 Budget Session: Subject HB 800,” EdChoice, March 25, 2020, [https://www.commonwealthfoundation.org/docLib/20200520\\_PAHB800FiscalNote\\_FY2021.pdf?t=5/20/2020%205:10:27%20PM](https://www.commonwealthfoundation.org/docLib/20200520_PAHB800FiscalNote_FY2021.pdf?t=5/20/2020%205:10:27%20PM).

<sup>7</sup> Corey DeAngelis, “Unleashing Educational Opportunity The Untapped Potential of Expanded Tax Credit Scholarships in Pennsylvania,” Commonwealth Foundation, August 13, 2020, [https://www.commonwealthfoundation.org/docLib/20200813\\_UnleashingEducationalOpportunityDeAngelis08\\_13\\_2020reduced.pdf](https://www.commonwealthfoundation.org/docLib/20200813_UnleashingEducationalOpportunityDeAngelis08_13_2020reduced.pdf).