

Tax Credit Scholarships: An Investment in Educational Opportunity

SUMMARY

- Pennsylvania scholarship organizations awarded 77,670 K–12 scholarships through the Educational Improvement Tax Credit (EITC) and Opportunity Scholarship Tax Credit (OSTC) in the 2021–22 school year.
- The average 2021–22 scholarship amount was \$2,583 for EITC and \$1,853 for OSTC.
- In 2021–22, K–12 students in Pennsylvania submitted almost 139,000 scholarship applications, the highest on record. Unfortunately, more than 63,000 student scholarship applications went unfunded due to arbitrary program caps.
- State lawmakers should increase scholarship caps and implement an “automatic escalator” to provide more students with access to a high-quality education.

PENNSYLVANIA'S SCHOLARSHIP PROGRAMS

- Pennsylvania's EITC and OSTC are state tax credit programs that give thousands of low- to middle-income students access to high-quality schools of their choice.
- Students can apply for scholarships through local scholarship organizations in the fall for the following school year.
 - Scholarship applicants must be below the [household income limit](#) of \$108,444, plus \$19,088 for each dependent;¹ furthermore, [OSTC applicants](#) must also live within the attendance boundary of [a low-achieving school](#).^{2, 3}
 - While no state agency collects income information regarding students, the 2021 data from Simple Tuition Solutions—one of the largest application processors in the state—showed an [average household income](#) of \$64,000 for EITC and \$52,000 for OSTC. Meanwhile, the Children's Scholarship Fund Philadelphia (CSFP), with scholarships primarily funded through EITC and OSTC, noted in October 2023 testimony to the state House Appropriation and Education Committees the medium income for CSFP families is \$38,498.⁴
- In the spring, businesses and individuals can donate to one of over 200 scholarship organizations across the state and receive a 75 percent (1-year commitment) or 90 percent (2-year commitment) credit against their state income tax.⁵

INCREASING DEMAND FOR SCHOLARSHIPS

New data—obtained by the Commonwealth Foundation from the Department of Community and Economic Development (DCED) through Right to Know Requests—reveal the current impact of Pennsylvania's tax credit scholarship programs.

- In 2021–22, K–12 students submitted 141,482 scholarship applications, 2,914 more than the previous year and the highest on record.
- Scholarship organizations awarded 77,670 K–12 scholarships in 2021–22, up more than 15,000 from the previous year's 62,507. Students now attend school on an EITC or OSTC scholarship in all 67 counties.⁶
- In 2021–22, the average K–12 tax credit scholarship was \$2,218 or \$316 less per scholarship compared to the previous year.

Tax credit scholarship caps (K-12)

	Scholarships Awarded	Applications Denied	Average Scholarship	EITC	OSTC	EDS	Total
2016-17	48,977	52,857	\$1,885	\$75 million	\$50 million		\$125 million
2017-18	52,144	49,356	\$2,002	\$85 million	\$50 million		\$135 million
2018-19	60,387	42,918	\$2,113	\$110 million	\$50 million		\$160 million
2019-20	61,767	75,651	\$2,201	\$135 million	\$50 million	\$5 million	\$190 million
2020-21	62,507	76,031	\$2,534	\$135 million	\$50 million	\$5 million	\$190 million
2021-22	77,670	63,812	\$2,218	\$175 million	\$50 million	\$5 million	\$230 million
2022-23	N/A	N/A	N/A	\$263 million	\$65 million	\$12 million	\$340 million

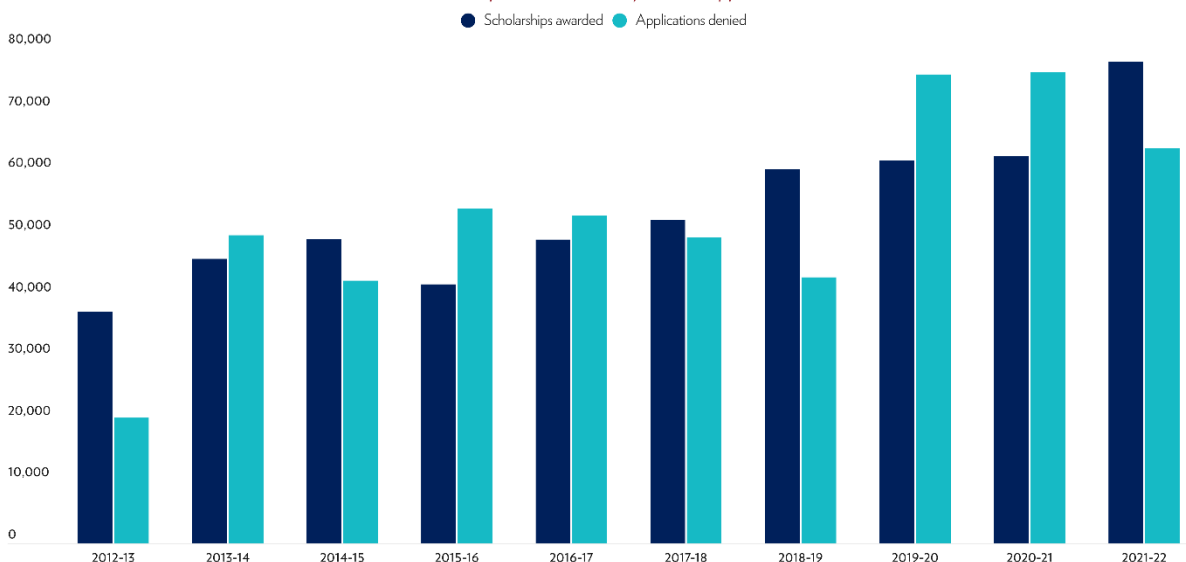
Source: PA Department of Community & Economic Development, Right to Know Law Request

While Pennsylvania's tax credit scholarship programs provide transformative opportunities to thousands of students, state caps limit the programs' impact.

- In 2021–22, Pennsylvania scholarship organizations turned away 63,812 K–12 student scholarship applications—almost 45 percent of applications—because of state caps.

Demand for EITC/OSTC far outpaces supply

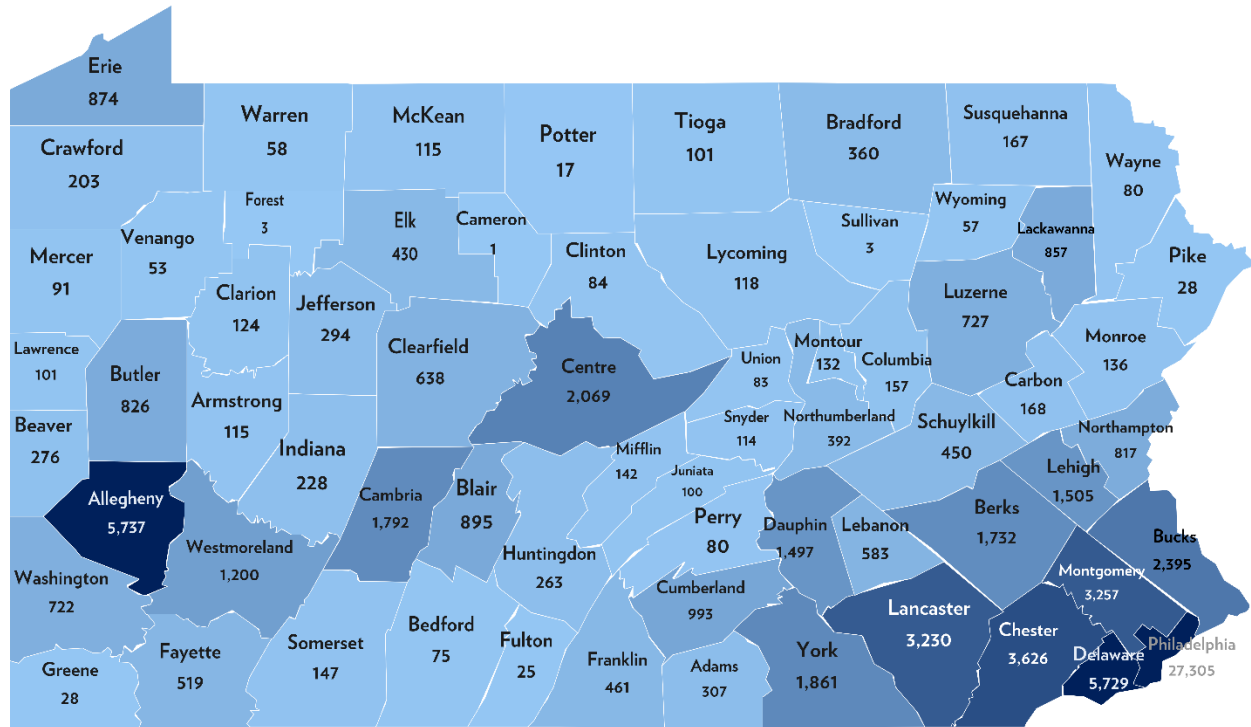
While almost 78,000 students received a tax credit scholarship in 2021-22, nearly 64,000 applications were denied



Source: Combined yearly total of EITC and OSTC applications. Pennsylvania Department of Community & Economic Development, Right to Know Law Request, 2012-13 through 2020-21 (most recent data available).

EITC & OSTC Scholarships by County

77,670 Pennsylvania students benefit from tax credit scholarships. This map shows the number of students receiving Educational Improvement Tax Credit Scholarship (EITC) or an Opportunity Scholarship Tax Credit (OSTC) scholarships in each county.



REFORM: END THE WAITING LIST FOR SCHOLARSHIPS

The 2022–23 state budget, passed by lawmakers and signed by then-Gov. Tom Wolf, [increased the caps](#) for EITC and OSTC by \$125 million. This increase, though not yet reflected in the available scholarship data, allows an estimated 31,000 more students to receive scholarships, while increasing scholarship amounts. Still, this increase falls far short of the need and demand for scholarships.

As of writing, the 2023–24 Pennsylvania state budget remains incomplete, impairing the growth of the EITC and OSTC programs. While there was an agreement to increase the programs by a combined \$150 million, the Pennsylvania House and Senate have yet to send Gov. Josh Shapiro the enabling legislation for that increase and other language to implement the budget. This legislative failure and subsequent delay jeopardizes educational opportunity for tens of thousands of students who are waiting for their scholarships to be funded.

- In 2024, state lawmakers should help end the waiting list of student scholarships **by increasing program caps by \$150 million.**
- Furthermore, **Harrisburg should approve an “automatic escalator”** which would allow the tax credit scholarship programs to grow with student need. Proposals, such as [Senate Bill 527](#)

introduced in 2022, would increase each program by 25 percent annually when 90 percent of available tax credits are allocated in the previous year.⁷ Florida has a similar escalator for its tax credit scholarship program and, as a result, can serve more students seeking educational alternatives.

¹ Pennsylvania Department of Community and Economic Development (DCED), “Educational Improvement Tax Credit Program: Organization Guidelines and Application for Scholarship and Educational Improvement Organizations,” (Harrisburg: September 29, 2023), 2, <https://dced.pa.gov/download/eitc-organization-guidelines/?wpdmdl=84187>.

² Pennsylvania Department of Community and Economic Development (DCED), “Opportunity Scholarship Tax Credit Program (OSTC),” accessed December 1, 2023, <https://dced.pa.gov/programs/opportunity-scholarship-tax-credit-program-ostc/>.

³ Pennsylvania Department of Community and Economic Development (DCED), “Opportunity Scholarship Tax Credit Program: Low Achieving Schools,” accessed December 1, 2023, <https://www.education.pa.gov/K-12/Opportunity%20Scholarship%20Tax%20Credit%20Program/Pages/default.aspx>.

⁴ Commonwealth Foundation, “K–12 Tax Credit Scholarship Income,” Simple Tuition Solutions (2021 data), <https://infogram.com/eitc-ostc-average-incomes-1hzj4o3wrwyvo4p?live>; Keisha Jordan, “Pennsylvania House Appropriations and Education Committees Tour,” (Testimony as the president and CEO of the Children’s Scholarship Fund Philadelphia), October 25, 2023, https://www.legis.state.pa.us/WU01/LI/TR/Transcripts/2023_0406_0001_TSTMNY.pdf.

⁵ Pennsylvania Department of Community & Economic Development (DCED), “Scholarship Organizations: List of Scholarship Organizations Effective 01/01/2023 – 12/31/2023 (EITC),” accessed December 1, 2023, <https://dced.pa.gov/scholarship-organizations/>.

⁶ 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.

⁷ Sen. Mike Regan, Senate Bill 527, Pennsylvania General Assembly, Regular Session 2021–22, <https://www.legis.state.pa.us/cfdocs/billInfo/billInfo.cfm?sYear=2021&slnd=0&body=S&type=B&bn=527>.