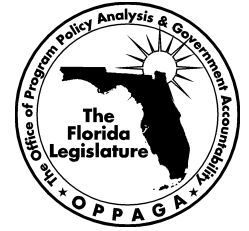




# The Florida Legislature

OFFICE OF PROGRAM POLICY ANALYSIS AND  
GOVERNMENT ACCOUNTABILITY



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## RESEARCH MEMORANDUM

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### Florida Tax Credit Scholarship Program Fiscal Year 2008-09 Fiscal Impact

March 1, 2010

#### *Summary*

As requested, OPPAGA updated its fiscal impact estimate of the Florida Tax Credit Scholarship Program. For Fiscal Year 2008-09, OPPAGA estimates that the scholarship program saved \$36.2 million.

Some proposed changes to the program could reduce savings. Tax credits are capped at \$118 million annually. If the cap is raised and student demand for the scholarships is significantly below the cap amount, savings would be reduced until the number of students requesting scholarships increases to the new level. Increasing scholarship amounts would likely increase student demand but would reduce program savings.

#### ***The Florida Tax Credit Scholarship Program saved \$36.2 million in Fiscal Year 2008-09.***

While the Florida Tax Credit Scholarship Program reduces the amount of tax revenues received by the state, it produces a net fiscal benefit. This occurs because education spending for students receiving scholarships is reduced by more than the amount of revenue lost.

As shown in Exhibit 1, we estimate that the program saved \$36.2 million in Fiscal Year 2008-09. The scholarship funding organizations collected \$82.2 million in contributions. The combined total of Fiscal Year 2008-09 contributions and contributions carried forward from the prior year was enough to fund 21,219 scholarships at the maximum amount of \$3,950 per student. We estimate that 95% of these scholarships went to students who would have attended public school if not for the scholarship, avoiding \$118.4 million in education spending through the Florida Education Finance Program (FEFP).

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Gary R. VanLandingham, Ph.D., Director

**Exhibit 1**

**Florida Tax Credit Scholarship Program Saved an Estimated \$36.2 Million in 2008-09**

Fiscal Year 2008-09	Amount
<b>Education Savings</b>	
Number of scholarships funded at the maximum of \$3,950 per student	\$21,219
95% of scholarships (recipients who would have attended a public school) <sup>1</sup>	\$20,159
Savings per scholarship	\$5,872
<b>Total education savings</b>	<b>\$118.4 million</b>
<b>Revenue Lost</b>	
Forgone taxes	\$82.2 million
<b>Net Savings</b>	<b>\$36.2 million</b>

<sup>1</sup> According to the 2000 U.S. Census Bureau’s Integrated Public Use Microdata Series (IPUMS) 5% sample, 5% of school-aged children living in households with an income of 185% of poverty or below attended private school.

Source: OPPAGA analysis.

***The timing of donations, student scholarship demands, and scholarship amounts effect annual savings***

The scholarship program generates net savings when (1) scholarship outlays are equivalent to the level of tax credits granted and (2) scholarship levels are below the per-student funding provided to public schools. Some proposals to modify the program could reduce the current level of savings. Because there can be a lag between the time that contributions are made to the scholarship fund (which reduces state revenues) and the time that these funds are used by students to attend private schools (which reduces educational expenses), care must be taken in raising the cap. If the cap is increased too quickly and there is insufficient student demand for scholarships, revenues will be reduced without a corresponding reduction in educational spending. A 2008 OPPAGA report recommended that the Legislature consider whether the scholarship funding organizations had a waiting list of students requesting scholarships and whether at least 95% of the current cap had been approved for tax credits during the two prior fiscal years before increasing the program’s funding cap.<sup>1</sup>

Increasing the level of scholarships could increase the number of students who request scholarships, as this would reduce families’ need to supplement the scholarships with personal funds to pay private school tuition. However, increasing the scholarship level would also reduce the savings realized when students shift from public to private schools.

***Note on savings calculation***

Education funding is determined by the Legislature in the annual General Appropriations Act, which establishes

- the total per-student funding through the Florida Education Finance Program (FEFP),
- the proportion of the FEFP paid by state funds and local property taxes,
- the amount of Lottery funds spent, and
- the funds appropriated for categorical programs, such as instructional materials.

<sup>1</sup> *The Corporate Income Tax Credit Scholarship Program Saves State Dollars*, OPPAGA Report No. [08-68](#), December 2008.

The Department of Education allocates these funds to school districts using complicated formulas based on student counts and other factors. FEFP allocations include a base student allocation plus a declining enrollment supplement, exceptional student education allocation, supplemental academic instruction allocation, and several other adjustments.

To estimate the program’s net fiscal impact, we included funds that are appropriated annually, FEFP components that fund education services to the general student population, and FEFP components that are based primarily on student counts. We did not include components of the formula that have a narrow application such as discretionary funding for lab schools, supplemental funding for students at Department of Juvenile Justice facilities, the Safe schools program, or the School Recognition program. In addition, we did not include components such as the declining enrollment supplement or sparsity supplement that provide funding to select districts to assist with increased per-student costs due to declining and small enrollments, and did not include local funding that is not determined annually through the appropriations process. Exhibit 2 outlines the FEFP components included.

**Exhibit 2**

**Estimated Per-Student Funding Saved in Fiscal Year 2008-09**

Funding Components		Total Per Student Funding
FEFP Components	Weighted base student funding <sup>1</sup>	\$4,048.58
	0.250 mills discretionary equalization	1.56
	0.498 mills discretionary compression	45.05
	Exceptional student education guaranteed allocation	111.87
	Supplemental academic instruction	280.35
	Reading allocation	40.98
Discretionary lottery funds		\$25.06
Categorical funds	Instructional materials	\$96.30
	Student transportation	159.83
	Teachers Lead Program appropriation	14.10
	Class size reduction allocation	1,048.08
<b>Total Funding (does not include discretionary local funding)</b>		<b>\$5,871.75</b>

<sup>1</sup> FTEs for scholarship recipients are weighted by their grade and their last public school funding program multiplied by the base student allocation and the districts’ cost differential.