

Myth busting the \$125 million private and religious school scholarship tax credits in the EITC/OSTC programs:

Lots of \$\$\$ with no fiscal or academic performance accountability

The Educational Improvement Tax Credit (EITC) program allows businesses to receive a 75%-90% credit on their state income tax for contributions they make to any of the following three organizations: approved scholarship organizations that provide scholarships to students to attend private/religious schools, educational improvement organizations, and pre-k scholarship organizations.

The Opportunity Scholarship Tax Credit (OSTC) program grants a 75%-90% state tax credit to businesses that make contributions to approved scholarship organizations that provide scholarships to students who live in the attendance boundaries of a low-achieving school, as determined by the Pennsylvania Department of Education, to attend private/religious schools.

Myth: The EITC/OSTC tax credit programs do not impact the state budget.

FACT: Because the EITC/OSTC programs divert tax dollars from the general fund budget and into private organizations, in 2016-2017 **the EITC/OSTC programs reduced funding available for PA's general fund budget by \$175 million.**

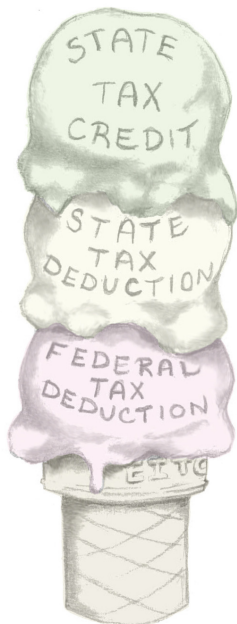
The breakdown of current funding is below:

EITC scholarship organizations for private/religious schools: \$75 million

Educational improvement organizations: \$37.5 million

Pre-K scholarship organizations: \$12.5 million

OSTC scholarship organizations for private/religious schools: \$50 million



Myth: Businesses receive no benefit for the charitable “donations” they make to scholarship organizations through EITC/OSTC.

FACT: Businesses that participate in the EITC/OSTC programs receive a 75%-90% credit on their state tax bills in return for their contributions to qualified organizations. Businesses can also take state and federal tax deductions for a “charitable” contribution, amounting to a “triple dip” tax reduction. Many businesses that participate in this program pay little. Some may even reap a tax benefit that is MORE than their contribution.

Source: Individuals, Not Corporations, Pick Up the Tax Tab for EITC Scholarships. Pennsylvania Budget and Policy Center. June 25, 2012.

PA's EITC/OSTC Tax Credit Programs

Myth: The EITC/OSTC programs are designed to provide increased educational opportunities for children in poverty.

FACT: Scholarships may be awarded to children from families that make up to \$76,350 plus \$15,270 for each dependent member of the household—that is up to \$106,890 for a family of four. Beyond that, PA law explicitly prohibits the collection of data about the socio-economic characteristics of scholarship recipients and their families. As a result, there is no data that demonstrates whether or not significant numbers of students living in poverty receive EITC/OSTC scholarships.

State law explicitly prohibits the collection of information that would demonstrate whether or not the EITC/OSTC programs benefit children in poverty or help students in low-achieving schools attend higher achieving schools.

Myth: EITC/OSTC voucher programs are designed to benefit children who attend low-achieving schools by providing them with scholarships to private schools.

FACT: *Scholarship organizations may use EITC/OSTC dollars to provide scholarships to students who are ALREADY attending private/religious schools.* There is no requirement in the law that EITC/OSTC contributions be used to provide scholarships to students currently attending a low-achieving school. PA law explicitly prohibits the collection of data that would provide information demonstrating the number of students from low-achieving schools who receive tuition scholarships to attend a private school. As a result, it is impossible to know how many students have moved from low-achieving schools into private/religious schools as a result of these programs.

Myth: The EITC/OSTC programs increase school choice for students.

FACT: Private/religious schools choose which students they will enroll and are not required to admit all students. ***Students only have increased school choice if a private school chooses to allow them to enroll.***

Private/religious schools that receive EITC/OSTC funding may discriminate against and refuse to enroll any student for any reason, including disability, race, socio-economic status, religious affiliation, and sexual orientation.

Myth: The EITC/OSTC programs contribute to improved student achievement in Pennsylvania.

FACT: No data exists to demonstrate the positive or negative impact of the EITC/OSTC programs on student achievement. PA law explicitly prohibits the collection of any information about the academic progress of students who receive EITC/OSTC scholarships. In addition, students who receive these scholarships do not have to take standardized tests like their counterparts in public school districts and charter schools.

PA's EITC/OSTC Tax Credit Programs

Only PA's public schools are open to every child in and accountable to the taxpayers who fund them.

MYTH: All communities in PA benefit equally from the EITC/OSTC voucher programs.

FACT: Many communities throughout the Commonwealth receive very little or no benefit from this private/religious school scholarship program, yet every community is impacted by the loss of \$125 million tax dollars from the state budget that flow into the EITC/OSTC programs.

Myth: PA law requires transparency and oversight over the \$125 million that flow through the EITC/OSTC scholarship programs each year.

FACT: The EITC/OSTC law was written to explicitly prohibit the collection of information about how EITC/OSTC dollars are spent and about the academic outcomes of students who receive private/religious school scholarships through these programs.

In addition, scholarship organizations are allowed to keep 20% of the funding they receive from businesses (\$25 million annually) and are not required to report how they spend it. For comparison, in Florida, which has a similar tax credit program, scholarship organizations are allowed to keep just 3% of the funding they receive.

[Tell your state lawmakers to put public schools first and oppose HB 250, which would divert \\$75 million additional tax dollars from the state budget in order to increase scholarships for students in private schools.](#)

HB 250 would funnel \$55 million additional tax dollars into unaccountable private/religious schools (\$180 million total) and \$20 million additional tax dollars (\$70 million total) into educational improvement and pre-K organizations.

Pennsylvania's EITC/OSTC programs siphon \$125 million away from PA's public schools into unaccountable, private schools that are allowed to discriminate against students for any reason. There is no evidence that these program have a positive impact on student achievement in the Commonwealth.

Lawmakers must prioritize funding our public schools, not increasing scholarships for students to attend unaccountable private/religious schools.

