



## Tuition Scholarship and Parental Choice in Education

### Summary

Historically, Louisiana public schools have struggled to provide quality education for our students. Within the last 15 years, our state improved the reporting and grading of our schools to give accurate information on the progress we are making to improve education and to make Louisiana schools competitive with other states. The grading of our public schools highlighted the inadequacies, especially in disadvantaged areas of our state.

The concept of school choice began to make its way through the legislative process. The initial step was to authorize charter schools. Next, was to allow the state's financial allocation per student to follow the student from a failing school to another public school or a private school. This was initially met with opposition from public education advocates including teacher unions. But eventually, the Louisiana voucher program (officially, the Louisiana Scholarship Program) became a reality under the administration of then Governor Bobby Jindal.

The biggest drawback to the voucher program is the limitation on the number of students per year who can take advantage of the program. A lottery system is used to select students.

Following the success of the wildly popular Louisiana Scholarship Program, elected officials sought solutions to expand the number of students who could take advantage of school choice.

In 2012 the Louisiana Legislature created a program which allows tax benefits to those who donate to an organization (Student Tuition Organization or STO) that makes scholarships available to low income students. As originally crafted, the law allows donors to receive a rebate on state taxes equal to the amount of the donation(s). The original Louisiana statute was patterned after similar plans developed in other states. Also, as originally crafted, individuals, corporations or other organizations who have no

Louisiana state tax liability would receive a check in the amount of the donation minus any administrative fees.

In 2011, the U.S. Supreme Court ruled on the constitutionality of public funds financing education in religious schools. More info on that ruling can be found here: [https://www.edchoice.org/school\\_choice\\_faqs/is-school-choice-constitutional/](https://www.edchoice.org/school_choice_faqs/is-school-choice-constitutional/)

Low income students in failing public schools and their families benefit from this program because the tuition dollars follow the student to a school of their choice. Students are able to receive a high quality education which they would otherwise be unable to afford.

The State of Louisiana benefits because overall, the cost to educate individual students under this program is lower than the amount allocated to each public school student in the state.

The Act passed in 2012 can be viewed here:

<http://www.legis.la.gov/legis/ViewDocument.aspx?d=798959>

### **Why is the Tuition Donation Rebate Program a Good Idea?**

- 1) School tuition organization scholarships **benefit low-income families** by allowing them to select schools which best suit their children. Parents in low-income families are able to make the best possible decision about the education of their children.
- 2) School tuition organization donations **benefit Louisiana taxpayers** by essentially providing a donation at no cost to them.
- 3) The average Minimum Foundation (MFP) allocation for scholarship students in Louisiana is actually \$540 less than the overall MFP. Originally, it was thought that donations to school tuition organizations and the resultant scholarships would have **no fiscal impact** on the state since the state MFP per scholarship student is reduced by the amount of the tax rebate to those making the donations. However, this program has actually demonstrated nearly \$1 million in savings to the taxpayer per year.
- 4) **Accountability** is built into every aspect of the program.
- 5) The constitutionality of tax rebates for donations to school tuition organizations and the resultant scholarships were upheld by the U.S. Supreme Court in 2010.

### **What are the Safeguards built into the Tuition Donation Rebate Program?**

- 1) In order for a taxpayer's donation to qualify for the rebate, the donation must be used by the School Tuition Organization (STO) to cover tuition expense at qualified nonpublic schools.
- 2) Ninety-five percent of the donations must be used for actual scholarships to students.
- 3) The "STO" must be a §501(c)(3) tax exempt organization.

- 4) The parents of the scholarship recipients choose the “qualifying” nonpublic school of choice.
- 5) STO’s are not allowed to “bankroll” the donations. Seventy-five percent of the donations must be spent in the fiscal year of donation.
- 6) The maximum amount of a scholarship for a student in grades K-8 is limited to 80 percent of the state average MFP per pupil funding amount for the previous year and for a student in grades 9-12 to 90 percent of the state average MFP per pupil funding amount for the previous year.
- 7) The family income of scholarship recipients must not exceed 250% federal poverty level.
- 8) New students of the program must have attended public school or be entering kindergarten and priority is given to students in failing public schools.
- 9) School tuition organizations must provide documentation on adherence to provisions of the bill
- 10) Scholarship recipients must be tested using current public school tests for math and language arts.

### **Changes to the program enacted in 2017**

For a variety of reasons, Louisiana Legislators and other stakeholders believed that the program could benefit by changing the tax rebate to a non-refundable income tax credit.

The credit may be used in addition to any federal tax credit or deduction earned for the same donation, but prohibits the taxpayer from receiving any other state tax credit, exemption, exclusion, deduction or any other benefit for which the taxpayer has received a credit for the donation. This provision of the change fixed what some considered to be “double dipping” which potentially allowed a taxpayer to receive the STO donation rebate and also to receive a tax credit for the charitable donation to the 501c3 organization.

To qualify for the credit, the taxpayer must be required to file a Louisiana income tax return.

The biggest negative to changing from a tax rebate to a non-refundable income tax credit is that out-of-state corporations and non-profits both inside and outside the state which have no Louisiana tax liability cannot receive a tax benefit by donating to Student Tuition Organizations.

The Act passed in 2017 to change to a non-fundable tax credit can be viewed here:

<http://www.legis.la.gov/legis/ViewDocument.aspx?d=1052397>

**For more information on Student Tuition Organizations please visit [www.lafamilyforum.org](http://www.lafamilyforum.org)**

**We can be reached by phone at 225-344-8533 or email [info@lafamilyforum.org](mailto:info@lafamilyforum.org)**