



*Thomas Jefferson*

## LEGISLATIVE POLICY BRIEF

### **HB 1036/ Children At Risk in Education Tuition Assistance Grant: Providing Educational Opportunity to Children At Risk**

#### **Issue:**

How can better educational opportunities be offered to children at risk of failure, while simultaneously improving the financial picture for local school divisions?

#### **Background:**

Public policy across America has struggled with how to best help students at risk of failure. Pennsylvania and Florida have corporate income tax credits for companies making contributions to scholarship funds aimed at helping at-risk students choose schools that fit their needs. Independent studies have indicated that school choice opportunities increase parental satisfaction and student performance. Creation of a Tuition Assistance Grant would not only provide assistance for at-risk children in finding a school that meets their needs, but would also leave more than \$20 million in additional money available for state and local education needs.

#### **Key Bill Provisions:**

- Creates a Tuition Assistance Grant of \$5,000 per student aimed at at-risk kids. The TAG grant would be funded by a corporate tax credit equal to 25 percent of an eligible contribution to approved non-profit organizations that funds scholarships for eligible students (family gross annual income of less than \$40,000 per household of four or fewer individuals). The tax credit could not exceed 75 percent of the company's tax liability.
- The non-profit organization must disburse at least 90 percent of its scholarship-designated receipts in student scholarships.
- The total TAG grants would be capped at \$6 million per year equally divided between three pilot programs to: 1) stimulate educational improvement in three underperforming school districts; 2) relieve overcrowding in three "high student enrollment growth" districts; and 3) enhance educational opportunities for at-risk students who have failed one or more SOL tests in any school division.

#### **Rationale:**

- A corporate tax credit program will likely offset declines in state tax collections. The tax credit "cost" to the state for a \$5,000 TAG Grant is \$1447 per pupil, but in 126 of 134 school divisions, per-pupil state aid is greater than that amount. The cost of the grant is less than the cost of the per-pupil state aid.
- The average per-pupil state aid is \$2,663. Should all 4,320 grants be used for students migrating away from public schools, the state would be left with more than \$5 million in additional statewide revenue available for education and other purposes (computed by multiplying the number of grants, times the average state aid, minus the \$6 million cost in tax credits and \$204,000 in state administrative costs).
- In addition, localities (spending, on average, \$3,983 per pupil) would have more than \$17 million at their disposal for K-12 education.

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