The Facts on Scholarship Tax Credits

House Bill 205 and Senate Bill 118 are all about helping Kentucky students. A Scholarship Tax Credit program is a simple proposal to create more options for students who might not be thriving in their current learning environment. As the General Assembly considers this important legislation, please keep in mind the reason behind it all - Kentucky’s students.

Education policy should do one thing- help students learn so they are prepared to be successful later in life. Below are some common misstatements you may hear. They are simply scare tactics, and as you’ll see below, there is solid reasoning behind passing HB 205 and SB 118 this year!

Let’s put kids first and make this the year Kentucky passes Scholarship Tax Credits!

**FALSE:** The real financial impact of scholarship tax credits is identical to the impact of vouchers. Functionally, they are the same, the tax credit is just an indirect way to get there, due to our state constitution prohibiting a direct voucher.

**TRUE:** Scholarship Tax Credits are NOT vouchers. Vouchers utilize public funding. Scholarship Tax Credits on the other hand, allow state tax credits for private donors who give money to non-profit scholarship granting organizations that help families with financial need have education opportunities. Scholarship Tax Credits are a winning issue- encourage private dollars to help Kentucky students!

**FALSE:** Any reduction in state general fund tax revenues, no matter the amount and no matter the purpose, will absolutely mean less money is available for the state portion of SEEK, which is critical to all students. We simply cannot afford to reduce state revenues when the needs for adequate education support and pension funding are so critically dire!

**TRUE:** SEEK money follows students and was actually increased per pupil in 2018. Independent fiscal analysis has consistently found that Scholarship Tax Credits saves states money by allowing individuals, businesses and non-profits to share in the cost of educating students.

**FALSE:** Any superintendent from a rural area that is declining in population and student enrollment will tell you that fewer students does NOT mean you somehow save money – the opposite happens, your fixed costs remain but your revenue declines. It is a death spiral for public schools. That is when enrollment falls for any reason, including even if there were a lot of kids to move from public to private under these tax credit vouchers.

**TRUE:** The most important issue at hand here is student success. So first off, this objection ignores what may be in the best interest of a student who needs options. In addition, enrollment changes from year to year and public schools always have to plan ahead for fluctuations in their population (graduations, relocation, etc.). A $25 million program would help approximately 7,000 students. There are over 650,000 students in the public-school system. Most of the impact would be felt in larger districts where there are more non-public schools with the capacity to serve students. There will not be a mass exodus from public schools and there would be time to adjust to the changes that do occur.
FALSE: Major, fundamental programs of student support are already woefully underfunded, such as textbooks, transportation, special education, etc., because of the state’s already strained general fund revenues. In fact, textbooks are currently getting ZERO state funding! If we all agree (and members of both parties do agree) that we are not adequately funding our schools now, how can we possibly say we have ‘extra’ money to afford a new tax credit in any amount, much less $25 Million to $75 Million!

TRUE: A Scholarship Tax Credit program will take absolutely no money away from public school funding. Scholarship Tax Credits will allow more students to attend a nonpublic school that works for them. School Choice programs exist in the majority of states. The vast majority of studies found that public schools have actually improved academically in states with school choice programs by helping families find the school that best fits their needs.

FALSE: The state needs every penny of general fund revenue currently coming in to adequately fund its moral and constitutional obligations to the system of public schools, as well as pensions. In other words, debts we already have and cannot avoid must be paid no matter what, and that means we can’t forgo a single cent.

TRUE: Despite common misperception, independent fiscal analysis shows that Scholarship Tax Credits will have a net positive impact on Kentucky’s budget. Since the program is privately funded, education costs will be shifted to participating businesses and individuals.

FALSE: These bills would provide public financial support to nonpublic/sectarian education, which is a major legal issue under our state Constitution. Only a few weeks ago the Montana State Supreme Court invalidated a very similar state tax credit program in that state, under very similar state constitutional provisions as what we have here in KY.

TRUE: Scholarship Tax Credits use only PRIVATE money to assist students to attend nonpublic schools, no public monies go to nonpublic schools. Scholarship Tax Credits have nearly a perfect record in the Courts for this reason. The Montana case will be appealed and likely overturned by the United States Supreme Court based on recent precedent.

FALSE: The governor and legislative leaders often cite the elimination of tax credits such as this as a critical component of comprehensive tax reform. In fact, the Tax Expenditure Task Force, made up of legislators and co-chaired by a Republican House member and Senator, met all last summer and fall and their #1 recommendation was to sunset most current tax credits, the opposite of creating new ones!

TRUE: Scholarship Tax Credits differ from other tax credits. This program is the only meaningful way that the General Assembly can provide families with a non-public school option. Scholarship Tax Credits give families the dignity of choice, save money, and improve academic outcomes.