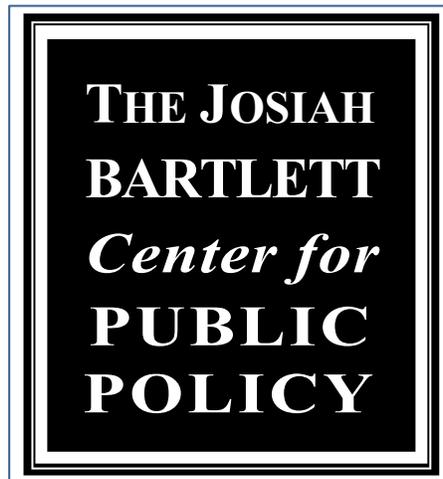


Choosing to Learn

**Scholarship Tax Credit Programs in the United States
and their Implications for New Hampshire**



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EXECUTIVE SUMMARY

Access to educational opportunities in New Hampshire is primarily determined by zip code and accident of birth. Though New Hampshire has some of the highest-performing public schools in the nation, performance across school districts is uneven. Public school students in wealthier towns like Windham and Bedford perform highly on standardized tests while their low-income peers in Claremont and Stratford lag behind. Moreover, even New Hampshire's best public schools are not best for every child. Not all children thrive in the traditional classroom environment. Some students need extra support academically, socially or emotionally. Our public schools may work well for most children, but there is no school that is right for all children.

Unfortunately, tens of thousands of New Hampshire students have only one choice of school. While wealthier families can meet their children's individual needs by moving to communities with higher-performing public schools or paying tuition at an independent school, most low-income families lack the financial capacity to do either.

In recent decades, legislators and policymakers have implemented several innovative policies to expand educational options, including vouchers, charter schools, education savings accounts, and more. In the last decade, scholarship tax credit (STC) programs have expanded educational opportunities for hundreds of thousands of students in eight states, particularly those from low-income families. In just the last two years, two states have adopted new STC programs while five others expanded their existing STC programs.

Section I: Scholarship Tax Credits

Nationwide, eight states currently operate corporate scholarship tax credit programs. Program design, levels of funding and student participation vary. STC programs are constitutionally sound and receive strong support from parents and the general public.

- Scholarship tax credit programs are on firm constitutional ground. STC programs have withstood every single legal challenge to date at both the state and federal levels.
- Parental satisfaction in STC programs is exceptionally high. More than 95 percent of families participating in Florida's STC program reported that their schools were good or excellent.
- Nationwide, support for STC programs is more than double the opposition. Support among parents nationwide is even higher at four-to-one in favor.

Section II: Fiscal Impact

The proposed School Choice Scholarship Act (HB 1607) creates a scholarship tax credit program that is designed to save money by reducing state spending more than it reduces tax revenue. Under even the most conservative assumptions, the proposed STC program will affect approximately one tenth of one percent of the current state and local spending on public education. STC programs in several other states have reduced state government expenditures while expanding choices for families.

Section III: Impact on Performance

- Studies show that school choice program participants perform as well as or better than their public school peers.
- Participants in school choice programs graduate from high school at higher rates than their public school peers.
- School choice programs are associated with a positive impact on public school students' academic performance.

Section IV: Program Design

While broadly similar, STC programs across the country vary significantly in program design, such as means-testing, disbursement requirements, and corporate credits. These differences affect how well the STC programs are able to effectively and efficiently meet the needs of scholarship recipients. Some of the main findings include:

Means-Testing:

- Means-testing can help target funds to the truly needy, though evidence suggests that SOs target low-income families even without a means-testing requirement.
- Income caps that are too low reduce the flexibility of SOs to address the needs of families with exigent circumstances (special needs, serious illness, job loss, etc.).

Disbursement Requirement:

- Scholarship organizations require some level of allowance for administrative costs, especially when starting up. Over time, most spend less than 10 percent on administrative costs.
- A more liberal administrative cost allowance allows for the creation of more scholarship organizations. Policymakers should consider greater administrative cost allowances (15 to 20 percent) for new scholarship organizations.

Corporate Credits:

- Most scholarship organizations reported having little to no trouble soliciting donations from businesses when the tax credits were worth 90 percent of the donations.
- Policymakers should be able to reduce the tax credit percentage somewhat below 90 percent without a significantly negative impact on fundraising. However, it is not clear at what point there would be a negative effect.

When designed and implemented properly, a scholarship tax credit programs is a constitutional, popular and fiscally sound method to increase educational options for low-income families. STC programs can even improve the academic performance of all students, whether they participate in the program or not. Most importantly, a scholarship tax credit program will move New Hampshire from an educational system where access is primarily determined by a student's zip code and accident of birth toward a system tailored to meet the individual needs of every child.

I. SCHOLARSHIP TAX CREDITS

1. The Challenge

Access to educational opportunities in New Hampshire is primarily determined by zip code and accident of birth. As in most state, students are assigned to district schools based solely on the location of their family's home. This would be acceptable if every school offered a high quality education that met the individual needs of every child. Unfortunately, this is not the case.

Compared to the rest of America, New Hampshire has great schools. On the 2011 National Assessment for Education Progress (NAEP), New Hampshire 4th graders scored 2nd in the nation behind Massachusetts in mathematics and 6th in the nation in reading. New Hampshire 8th graders performed almost as well, scoring 3rd in the nation behind Massachusetts and New Jersey in mathematics and 8th in the nation in reading.¹ While the rankings appear impressive, the percent of students who are rated proficient or above is disconcerting. Only 57 percent of 4th graders and 44 percent of 8th graders were proficient or above in mathematics on the NAEP exam, while 43 percent of 4th graders and 40 percent of 8th graders were proficient or above in reading. This level of proficiency may be competitive in the United States, but today's children will be competing for jobs in a global economy with students in Helsinki and Shanghai.

Moreover, performance across school districts is uneven. On the 2011 New England Common Assessment Program (NECAP) mathematics exam, 8th grade public school students in Bedford and Windham scored 84 percent and 89 percent proficient and above respectively.² By contrast, the proportion of 8th graders scoring proficient or above was 55 percent in Claremont and 42 percent in Stratford. Higher-income families can afford to move to towns with higher-performing schools or pay to send their children to high-performing independent schools. The median household income is \$121,452 in Windham³ and \$114,681 in Bedford⁴ compared to \$41,721 in Claremont⁵ and \$33,571 in Stratford.⁶ Low-income families have few, if any, choices besides their assigned local public school.

Moreover, even New Hampshire's best public schools are not best for every child. Not all children thrive in the traditional classroom environment. Some students need extra support academically, socially or emotionally. Some students require a highly structured environment while others flourish in a more dynamic setting that allows greater individual expression and exploration. Our public schools may work well for most children, but there is no school that is right for all children

To address these inequities and promote an educational system that is better-tailored to the needs of individual children, policymakers around the country have implemented "school choice" programs such as charter schools, vouchers, and several tax credit or tax deduction programs. The New Hampshire legislature is currently considering a corporate scholarship tax credit program. This paper analyzes similar plans in eight states and discusses their implications for the Granite State.

2. Scholarship Tax Credits Overview

A scholarship tax credit (STC) program expands educational opportunities by creating a partnership among families, scholarship organizations and businesses. The program grants tax credits to corporations that contribute to state-approved, non-profit scholarship organizations (SOs).⁷ The SOs then grant scholarships to families seeking alternatives to their assigned district schools. Since Pennsylvania created the first corporate scholarship tax credit program in 2001, seven other states have followed suit, including Arizona, Florida, Georgia, Indiana, Iowa, Oklahoma and Rhode Island.

Figure 1.

State	Students	Participating Schools	Scholarship Organizations	Year Enacted
Arizona	4,215	325	17	2006
Florida	37,578	1,181	1	2001
Georgia	1,900	400	39	2008
Indiana	978	unknown	5	2009
Iowa	10,208	155	12	2006
Oklahoma	N/A	N/A	N/A	2011
Pennsylvania	38,646	unknown	247	2001
Rhode Island	460	54	5	2006

While similar in structure, each state's scholarship tax credit program is unique. As shown in Figure 1, programs vary widely with regard to size and participation. Major differences include the varying levels of tax credits, mean-testing, scholarship caps, program budget caps, and disbursement requirements. These differences are discussed in greater detail in Section IV

Scholarship tax credit programs vary by state in other important ways as well, both in terms of policy design and implementation. Different states permit different types of corporations to donate, and some even grant individuals eligibility to receive tax credits for their donations. Auditing and reporting requirements vary in frequency and detail. Arizona's scholarship cap for secondary education is higher than the cap for elementary education, both of which automatically increase by \$100 each year. Arizona and Florida both have separate school choice programs for students with special needs, while Oklahoma's newly-enacted scholarship program raises the cap for students with special needs. Though Rhode Island has no special regulations for students with special needs, one

of its five scholarship organizations caters specifically to them.

3. Tax Credits vs. Vouchers

Like scholarship tax credit programs, vouchers programs expand the educational options available to families by providing funding to attend an assortment of different schools. However, there are key differences between the two programs regarding funding, administration and eligibility. Voucher programs are centrally administered by the government, which uses tax dollars to provide funding to students under uniform standards for eligibility. By contrast, a scholarship tax credit program is administered by non-profit scholarship organizations, which utilize private donations and have the prerogative to establish their own standards for eligibility so long as they comply with state standards. These differences have important implications regarding the implementation and constitutionality of the programs.

Figure 2.

Program	Funding Mechanism	Administration	Eligibility
Scholarship Tax Credits	Private donations	Decentralized: Administered by non-profits	Tailored: Determined by scholarship orgs
School Vouchers	Tax revenue	Centralized: Administered by government	Uniform: Determined by government

Implementation

One of the major differences between voucher programs and tax credit programs is the implementation. Under a voucher program, government funding follows the student, whether to her assigned public school or to a chosen independent school. The government decides how much money should follow the student, often through means-testing. A portion of the allocated funds often remains at the assigned public school. In this sense, vouchers resemble food stamps or subsidized housing assistance, both of which are government-run programs that grant beneficiaries public funds to purchase private goods.

By contrast, the government’s role in tax credit programs is much more limited. Non-profit scholarship organizations raise funds directly from corporations then administer the program themselves. The government grants tax credits to the corporation or, in some states, to individuals. This is more akin to tax deductions for charitable contributions than to food stamps. Tax credits and deductions stimulate charitable giving by reducing the donor’s tax burden. The New Hampshire Department of Revenue Administration already offers tax credits for community projects,⁸ as well as for research and development⁹ and job creation.¹⁰

Experience in other states has illustrated that decentralized administration produces a variety of practices regarding mission, eligibility, partner schools, prioritization of resources, and more. Some scholarship organizations might work with a dozen schools, while others might partner with regional schools or schools with a particular religious affiliation or pedagogical approach (such as Montessori or Waldorf). Some will target low-income families while others might focus on students with special needs. When there are more applicants than scholarships available, scholarship organizations will differ over prioritizing need, merit, and other considerations. A scholarship tax credit program allows individual scholarship organizations to determine and address the needs of their communities.

Constitutionality – Federal Level

Both scholarship tax credit programs and vouchers are on firm constitutional ground at the federal level. In the landmark *Zelman v. Simmons-Harris* decision in 2002, the U.S. Supreme Court ruled that states are constitutionally permitted to use state revenue to pay for students to attend independent schools, even if they are religiously affiliated. This is akin to patients who use Medicare at Catholic Medical Center, food stamps recipients who purchase Christmas dinner, or citizens holding Bible studies in their federally-subsidized apartments. These government programs are constitutional when they have a valid secular purpose and the funds are disbursed to individual recipients, not directly to religious organizations. Any involvement with religious activities or organizations must be the personal decision of the aid recipients. Chief Justice Rehnquist wrote in the majority opinion: “The incidental advancement of a religious mission, or the perceived endorsement of a religious message, is reasonably attributable to the individual aid recipients not the government, whose role ends with the disbursement of benefits.”¹¹

Scholarship tax credit programs are on even more secure constitutional footing. In the spring of 2011, the U.S. Supreme Court ruled in *Arizona Christian School Tuition Organization v. Winn* that the plaintiffs did not have the legal standing to challenge the constitutionality of a similar tax credit program since the money never entered the government treasury. Writing for the majority, Justice Kennedy wrote that the plaintiffs’ argument improperly “assumes that income should be treated as if it were government property even if it has not come into the tax collector’s hands.”¹² The Court rejected that premise since it “finds no basis in standing jurisprudence. Private bank accounts cannot be equated with the Arizona State Treasury.” While the New Hampshire state supreme court is not bound to accept this ruling with regard to the state constitution, they should accept that the same logic applies to tax credit programs at any level of government.

Constitutionality – State Level

Scholarship tax credits are also on firm constitutional ground at the state level. However, it is uncertain how vouchers would fare under the New Hampshire state constitution’s so-called “Blaine Amendment,” which states: “no money raised by taxation shall ever be granted or applied for the use of the schools or institutions of any religious

sect or denomination.”¹³ (The amendment is named for the nineteenth century politician, James G. Blaine, who led a failed effort to add a similar amendment to the U.S. Constitution. Thirty-nine states eventually adopted Blaine Amendments with the support of the nativist and anti-Catholic Know-Nothing Party.¹⁴) Former NH State Supreme Court Justice Charles G. Douglas, III makes a compelling case for the constitutionality of a government-run scholarship program, employing logic similar to the U.S. Supreme Court’s decision in *Zelman*.¹⁵ Indeed, state supreme courts in Indiana¹⁶, Ohio¹⁷ and Wisconsin¹⁸ upheld their states’ voucher programs as constitutional even under their Blaine Amendments. However, the state supreme courts in Arizona¹⁹, Colorado and Florida²⁰ ruled voucher programs unconstitutional. It is not clear how the New Hampshire state supreme court, as it is currently composed, would rule on a government-run voucher program.

By contrast, no state supreme courts have struck down scholarship tax credit programs. (See Figure 3.) The key constitutional difference is that in STC programs, *the funds never enter the government treasury*. After previously rejecting a voucher program, Arizona’s state supreme court upheld a scholarship tax credit program in *Kotterman v. Killian*, ruling that the program’s funds did not meet the definition of “public money”:

Figure 3.

Program	Upheld	Struck Down
Scholarship Tax Credits	U.S. Supreme Court, Arizona, Illinois	None
School Vouchers	U.S. Supreme Court, Indiana, Ohio, Wisconsin	Arizona, Colorado, Florida

According to Black’s Law Dictionary, “public money” is “[r]evenue received from federal, state, and local governments from taxes, fees, fines, etc.” *Black’s Law Dictionary* 1005 (6th ed.1990). As respondents note, however, no money ever enters the state’s control as a result of this tax credit. Nothing is deposited in the state treasury or other accounts under the management or possession of governmental agencies or public officials. Thus, under any common understanding of the words, we are not here dealing with “public money.”²¹

While ceding that the funds never enter the public treasury, opponents of STC programs further argue that the tax credits are functionally equivalent to grants, hence they constitute public funds. In *Kotterman*, the Arizona Supreme Court rejected this argument, finding that tax credits are constitutionally no different than tax deductions: “Though amounts may vary, both credits and deductions ultimately reduce state revenues, are intended to serve policy goals, and clearly act to induce ‘socially beneficial behavior’ by taxpayers.”²² In 2009, the Arizona Court of Appeals reaffirmed the constitutionality of Arizona’s STC program in *Greene v. Garriott*,²³ and the state supreme court declined to consider a legal challenge to the decision. Two courts of appeal in Illinois likewise upheld a program granting tax credits for educational expenses.²⁴ The courts of appeals rejected the argument that tax credits constitute “appropriations” or “public funds” and found the program to be consistent with the Illinois constitution’s Blaine Amendment.

Every state court to address the constitutionality of STC programs thus far has found them to be constitutional. Additionally, STC programs in several states with Blaine

Amendments, including the long-standing programs in Florida and Pennsylvania, remain unchallenged. These precedents suggest that a scholarship tax credit program would likely withstand any similar legal challenge in New Hampshire.

Impact on Families: The Ferre Family (Laconia)

Heidi Ferre is a single mom raising two teenage boys, Christian and Nicholas. Both attended public school, but Heidi grew concerned when in 8th grade, Christian went from being honor roll student to a D student in half a semester. “It didn’t raise any red flags to teachers,” Heidi explains, “He was slipping through the cracks.” Heidi had trouble getting him help and was surprised when his counselor didn’t know his name. “Unless you’re a trouble student, a star athlete or an A+ student, they don’t know who you are.”

Heidi was even more concerned about the block scheduling system at Christian’s assigned public high school. Under the new system, a student might go more than a year without taking a math class, allowing their skills to atrophy in the meantime. Many parents suspected that the new scheduling system contributed to the recent decline in student performance on the New England Common Assessment Program (NECAP) exam.

Moreover, Christian struggles with Attention Deficit Hyperactivity Disorder, or ADHD. The high school’s method of block scheduling meant that students would take four classes each day that lasted one and a half hours. “For a student with ADHD, that’s just torture,” explains Heidi, “I think it would be hard for an adult to sit through four hour-and-a-half meetings every day.”

But it was more than concerns over academics that led Heidi to choose a different school. When Christian visited the high school to “shadow”, he was disturbed by what the students told him. “They said, ‘If you can go somewhere else, go somewhere else,’” says Christian. More shocking was when he witnessed students dealing drugs in the middle of class. “When I got home, I told my mom, ‘I don’t want to be surrounded by that stuff, I just can’t go there.’”

Christian now attends Tilton School, a secular high school with a diverse student body including children from 23 states and 17 countries. “I liked their headmaster and their slogan ‘The Power of Potential,’” says Heidi, “To me that says so much. I looked at my son and thought, ‘He has so much potential if someone could just find it and cultivate it.’”

Heidi likes that Christian gets a lot of attention, both in and out of class. Advisors meet with the students on a weekly basis. “It’s more than a job for a lot of these teachers, it’s a lifestyle.” He earned B’s and C’s in his first term, then faculty helped him pull them up. This year, he made the honor roll. Christian particularly likes his English teacher, though he hadn’t liked the subject previously. “He makes it interesting, he makes me want to learn English.”

(Continued on next page.)

Heidi is “thrilled” with the change she’s witnessed. “[Christian] loves school. He wants to be there all the time. He’s much more self-confident now than he used to be. He’s more mature, more dedicated. He sees more value in his studies, and he’s not just doing it because he has to do it.”

Paying the tuition hasn’t been easy. “I told Christian before he went that I could only do one year. I made this year happen... I don’t know about next year.” Though the school offered some financial aid, the family has had to make sacrifices to cover the difference, including using much of their savings. “It’d be nice to have some extra support as a single parent,” says Heidi, “In another year, I have another decision to make. Unless we get some help, I just don’t know how I’m going to do it.”

4. Parental Satisfaction

One important benefit of educational choice programs is parental satisfaction. In 2010, a survey commissioned by the Florida Department of Education found that 75.1 percent of families in their scholarship tax credit program said their schools were “excellent” and 20.3 percent said they were “good,” for a combined approval rating greater than 95 percent.²⁵ A 2009 Friedman Foundation study went further, asking scholarship recipients about their satisfaction relative to their previous experience in the public school system. The report found:

- 80 percent of the parents were “very satisfied” with the **academic progress** their children are making in their chosen independent schools, compared to 4 percent in their previous public schools.
- 80 percent were “very satisfied” with the **individual attention** their children received at their chosen schools, compared to 4 percent in public schools.
- 76 percent were “very satisfied” with the **teacher quality** in their chosen schools, compared to 7 percent in public schools.
- 76 percent were “very satisfied” with their chosen schools’ **responsiveness to their needs**, compared to 4 percent in public schools.
- 62 percent were “very satisfied” with the **student behavior** in their chosen schools, compared to 3 percent in public schools.²⁶

That scholarship recipients reported such divergent levels of satisfaction regarding their public school and independent school experiences should not be interpreted as necessarily representative of parents of public school students in general. However, it clearly demonstrates that public schools are not meeting the needs of a segment of the population.

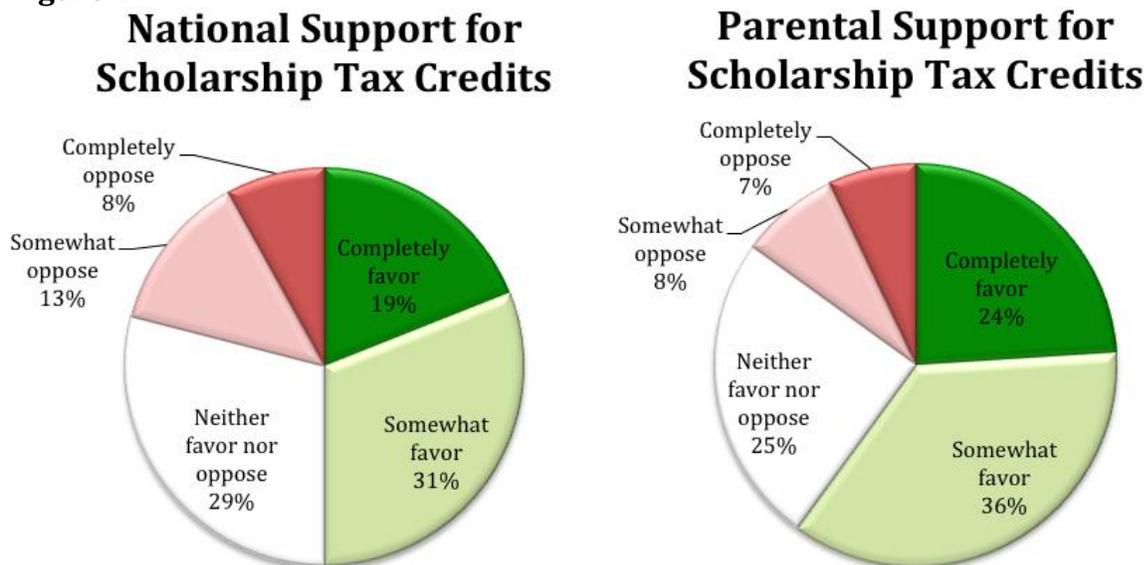
Even when survey data is not available, the behavior of parents indicates a demand for scholarships. In Pennsylvania, for example, demand far exceeds available scholarships. Over the last decade, a single SO, the Children’s Scholarship Fund Philadelphia, had over 95,000 applications for just 7,700 scholarships awarded.²⁷

The reason that scholarship recipients are so much more satisfied is simple: when given more education options, families have a greater ability to choose the program that’s right for them. Even the best schools – public or independent – cannot meet the needs of 100 percent of students. Families seek alternative education options for a variety of reasons, including academics, discipline, class size, special needs programing, values, and more. The existing education system in NH assigns students to schools solely on the basis on their home’s geographic location. When states empower families with choices, they choose the education that best meets the individual needs of their children.

5. Public Support

Public support for school choice programs, including scholarship tax credits, has increased in recent years, particularly among parents. The following charts (Figures 4 and 5) employ data from nationwide surveys conducted by Harvard University’s Program of Education Policy and Governance in 2009,²⁸ 2010,²⁹ and 2011.³⁰ After asking about other school choice programs, the surveys asked: “Another proposal has been made to offer a tax credit for individual and corporate donations that pay for scholarships to help parents send their children to private schools. Would you favor or oppose such a proposal?” Results are shown in Figure 4 for the most recent year.

Figure 4



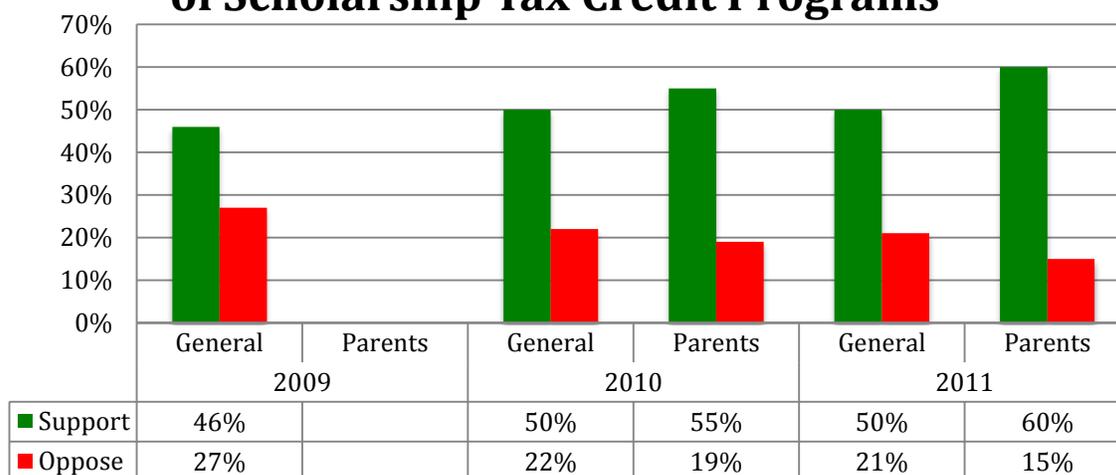
Support for the proposal among the general populace is at 50 percent, which is more than double the 21 percent who oppose STC programs. Parents support scholarship tax credits by a four-to-one margin, 60 percent to 15 percent. Among both groups, a significant portion of respondents neither favored nor opposed STC programs (between 25 to 29 percent).

As shown in Figure 5, support among the general populace in recent years has increased by 4 percent as opposition has declined by a corresponding 4 percent. From

2010 to 2011, support among parents has increased by 5 percent as opposition decreased by 4 percent. (Note: No data is available for parents in 2009 because the survey began separating parents as a group in 2010.)

Figure 5

National Public Opinion of Scholarship Tax Credit Programs



Policymakers have responded to the high levels of public support for STC programs and other school choice initiatives by enacting 34 school choice programs in 18 states and Washington D.C., serving more than 212,000 students.³¹ In 2011 alone, states adopted 8 new school choice programs and expanded 11 existing programs. (See Figure 6.) Oklahoma adopted a new corporate STC program while Florida, Georgia, Iowa and Indiana expanded their STC programs. Florida amended its STC program to allow unused credits to carry forward into the following fiscal year and eliminated the donation cap (previously 75 percent of the donor’s tax liability).³² Georgia made numerous changes to its STC program, including: adopting an “escalator” on the tax credit cap that ties it to the Consumer Price Index (with a sunset provision for 2018); making first graders automatically eligible for a scholarship; creating a web-based approval process so that donors can contribute quickly and easily; and granting donors more time to make contributions after the Department of Revenue has approved their request, among other modifications.³³ Both Indiana and Iowa raised their STC programs’ caps from \$2.5 million to \$5 million in Indiana and from \$7.5 million to \$8.75 million in Iowa.³⁴

Three states added or expanded individual tax credits and deductions in 2011. Indiana adopted a new tax deduction for educational expenses (maximum \$1000 per child annually) and North Carolina adopted a new tax credit for parents of children with disabilities to cover educational expenses (maximum \$6,000 per child annually).³⁵ Louisiana expanded the cap on its individual tax deduction to \$5,000.³⁶

Figure 6: New and Expanded School Choice Programs in 2011-12

Program	New (9)	Expanded (13)
Scholarship Tax Credits (8)	Oklahoma, Virginia	Florida (2), Georgia, Indiana, Iowa, Arizona
School Vouchers (10)	Colorado (Douglas County), Indiana, Ohio (special needs), Wisconsin	Florida (special needs) Ohio (Cleveland), Ohio (low-performing districts), Utah (special needs), Washington D.C., Wisconsin
Other (4)	Arizona (Education Savings Accounts for students with disabilities), Indiana (individual deduction), North Carolina (individual credit, special needs)	Louisiana (individual deduction)

As of March, 2012, three states have added or expanded STC programs. Arizona doubled the maximum size of individual donations to scholarship organizations from \$500 to \$1000.³⁷ In February of 2012, Virginia’s General Assembly passed legislation creating a scholarship tax credit program that Governor Bob McDonnell has pledged to sign into law.³⁸ The proposed STC program, which has an annual \$25 million cap, targets students from low-income families and students with disabilities. In March, Florida’s legislature passed a bill to increase the credit cap by \$10.25 million to a total of \$229 million.³⁹

Key Takeaways: Constitutionality, Parental Satisfaction and Public Support

- **Scholarship tax credit programs are on firm constitutional ground. STC programs have withstood every single legal challenge to date at both the state and federal levels.**
- **Parental satisfaction in STC programs is exceptionally high. More than 95% of families participating in Florida’s STC program reported that their schools were good or excellent.**
- **Nationwide, support for STC programs is more than double the opposition. Support among parents nationwide is even higher at four-to-one in favor.**
- **Public support has translated into eight new and eleven expanded school choice programs in 2011. So far this year, Arizona has expanded its STC program and Virginia has passed a new STC program.**

II. FISCAL IMPACT

Scholarship tax credit programs have saved money in other states and the School Choice Scholarship Act (HB 1607-FN-Local, 2012) is designed to save money in New Hampshire. States save money when the reduction in state spending outweighs forgone revenue. Moreover, if students transfer from public schools to independent schools in significant numbers, local school districts can reduce their expenses. Since school district revenues from local sources do not decline with enrollment, New Hampshire school districts have the potential to save money as well.

1. Fiscal Impact in Other States

This section examines the fiscal impact of scholarship tax credit programs on state budgets in several states (where data was available), using official state government reports where possible.

Arizona:

In 2009, an economist from Baylor University released an independent study of the fiscal impact of Arizona's scholarship tax credit program. The study determined that the state saves between \$99.8 million and \$241.5 million as a result of its scholarship tax credit program.⁴⁰ Even under the study's most conservative assumptions, the state saves nearly twice as much as the \$55.3 million in forgone revenue.

Florida:

In an official report in 2010, the Florida legislature's nonpartisan Office of Program Policy Analysis and Government Accountability estimated that Sunshine State taxpayers saved \$32.6 million, which is approximately \$1.44 in state education funding for every dollar lost in corporate income tax revenue due to credits for scholarship contributions.⁴¹ While Florida's state government collected \$82.2 million less in tax revenue as a result of the program, this was more than outweighed by the \$118.4 million in reduced expenses. These figures were adjusted to account for children who would have attended an independent school anyway.

Iowa:

The fiscal impact of Iowa's scholarship tax credit program has not been studied in sufficient detail by the state or by independent analysts to warrant strong conclusions. The Iowa Department of Revenue reported in 2009 that the return on investment for the program was "not meaningful."⁴² However, the report failed to estimate the amount of money the state saved from students switching away from public schools. Iowa's state government provides a minimum level of funding per pupil in public schools, plus additional funding in property-poor districts. Considering only the per pupil aid, Iowa would save money when the percentage of scholarship recipients that would otherwise

have attended public schools is greater than or equal to the loss in state revenue per scholarship divided by the average state spending per pupil.

In 2007 (the latest year for which data is available), Iowa awarded \$4.9 million in tax credits, which translated into over \$7.5 million in scholarships due to Iowa's 65-percent credits for donations. This funded 8,737 students from families earning less than 300 percent of the federal poverty line, therefore average scholarships were \$855 and the lost tax revenue per scholarship was \$555.75. Average state per pupil funding in Iowa was \$6,497 in 2007,⁴³ therefore Iowa would save money if at least 8.6 percent of scholarship recipients would have otherwise attended public school. Since low-income families are the least likely to be able to afford independent school tuition, it is likely that the Iowa scholarship tax program did save money. Savings would be even greater if low-income families tend to live in property-poor districts. However, estimates of the magnitude of the savings are currently unavailable.

Pennsylvania:

A 2011 study by the Commonwealth Foundation reports that Pennsylvania saves \$512 million a year as a result of its scholarship tax credit program.⁴⁴ Though the study does not take into account students who would have attended independent schools anyway, there is still very likely substantial savings since the average scholarship size is only \$1,044, which is far below the \$14,300 average cost-per-child in Pennsylvania public schools. Moreover, as discussed in section III-1 below, a majority of scholarship recipients in Pennsylvania come from low-income households, which are less likely to send children to independent schools without assistance.

2. Fiscal Impact on the State of New Hampshire

The New Hampshire state legislature is currently considering the School Choice Scholarship Act, HB 1607-FN-Local (2012)*. In its amended form,⁴⁵ HB 1607 grants 85-percent tax credits against the Business Profits Tax and Business Enterprise tax in return for contributions to registered scholarship organizations. Scholarship organizations may grant scholarships to eligible students from families with incomes up to 300 percent of the federal poverty line.⁴⁶ Students may use scholarships, worth \$2,500 on average, at independent schools and out-of-district public schools. Homeschooled students are also eligible for up to \$625 to cover approved educational expenses.

It is impossible to predict the precise fiscal impact of the proposed STC program on New Hampshire's budget. However, since the program caps the amount of available credits, it is possible to identify the fiscal impact if all credits are disbursed. It is also possible to provide a projected range of fiscal impact based on the uptake rates among students in other states. Since this paper adopts the most conservative estimates, the fiscal analysis that follows omits homeschooled students because they receive smaller scholarships.

* A companion bill in the New Hampshire state senate, SB 372, is nearly identical but for the size of the program. This section analyzes only HB 1607, as amended.

Figure 7.

NH Public School Spending vs. Scholarship Tax Credits, in Millions

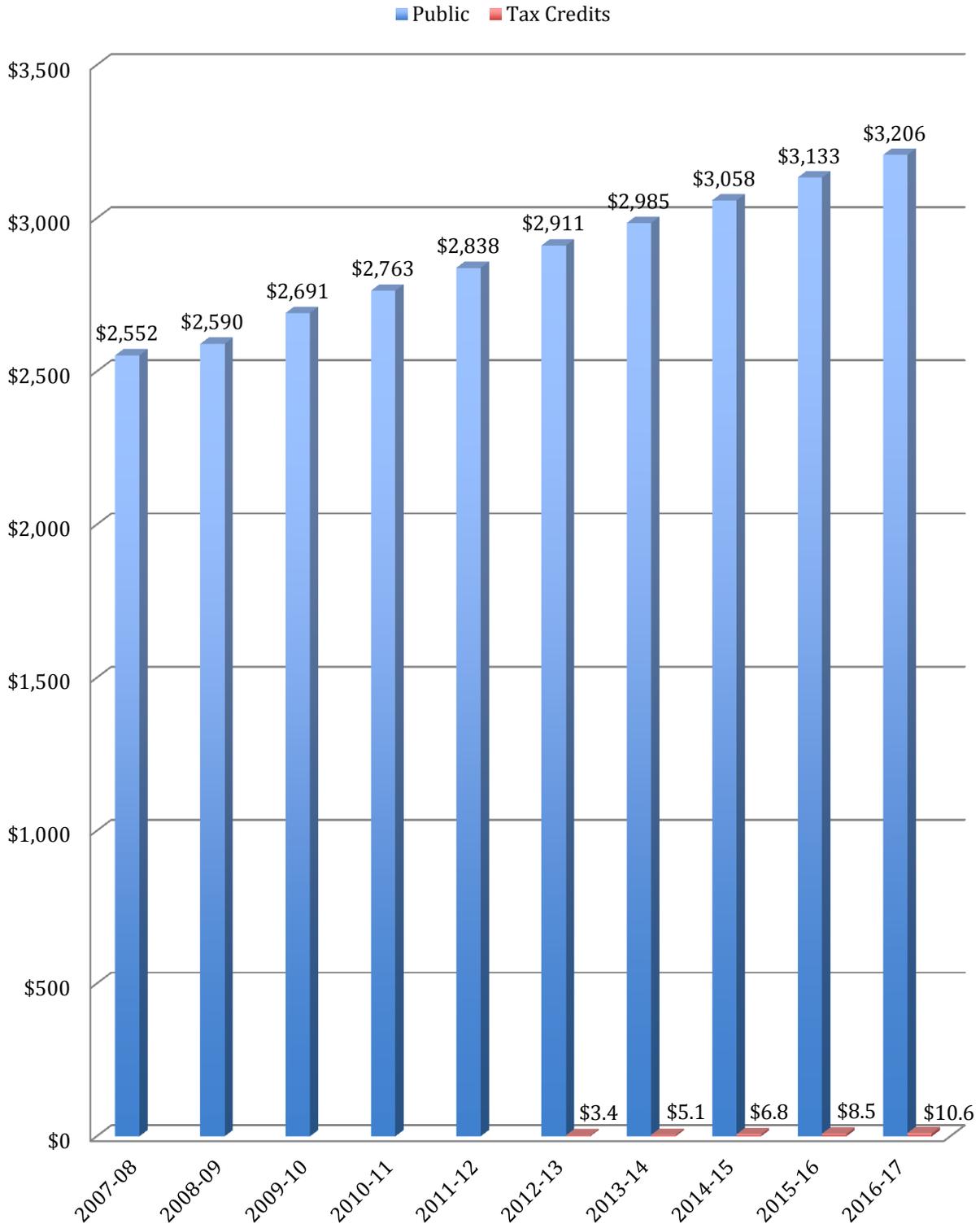


Figure 7 compares recent and projected state and local spending on education to the potentially forgone revenue resulting from the maximum amount of allowed tax credits in each year. The revenue projections for total state and local spending on public schools assume a constant growth of 2.7 percent, the average of the three previous fiscal years' growth, minus the full value of the tax credits. Under HB 1607, as amended, the STC program has an initial cap of \$3.4 million in tax credits that increases to \$5.1 million and \$6.8 million in the first three years, then grows by the maximum annual 25 percent afterward if the number of scholarships disbursed reaches 80 percent of the previous year's cap. By contrast, total state and local spending on public education is approximately \$3 billion per year. Even without considering the potential savings, it is clear that the proposed scholarship tax credit program will have a minimal fiscal impact since the credits equal approximately a tenth of one percent of overall spending on public education.

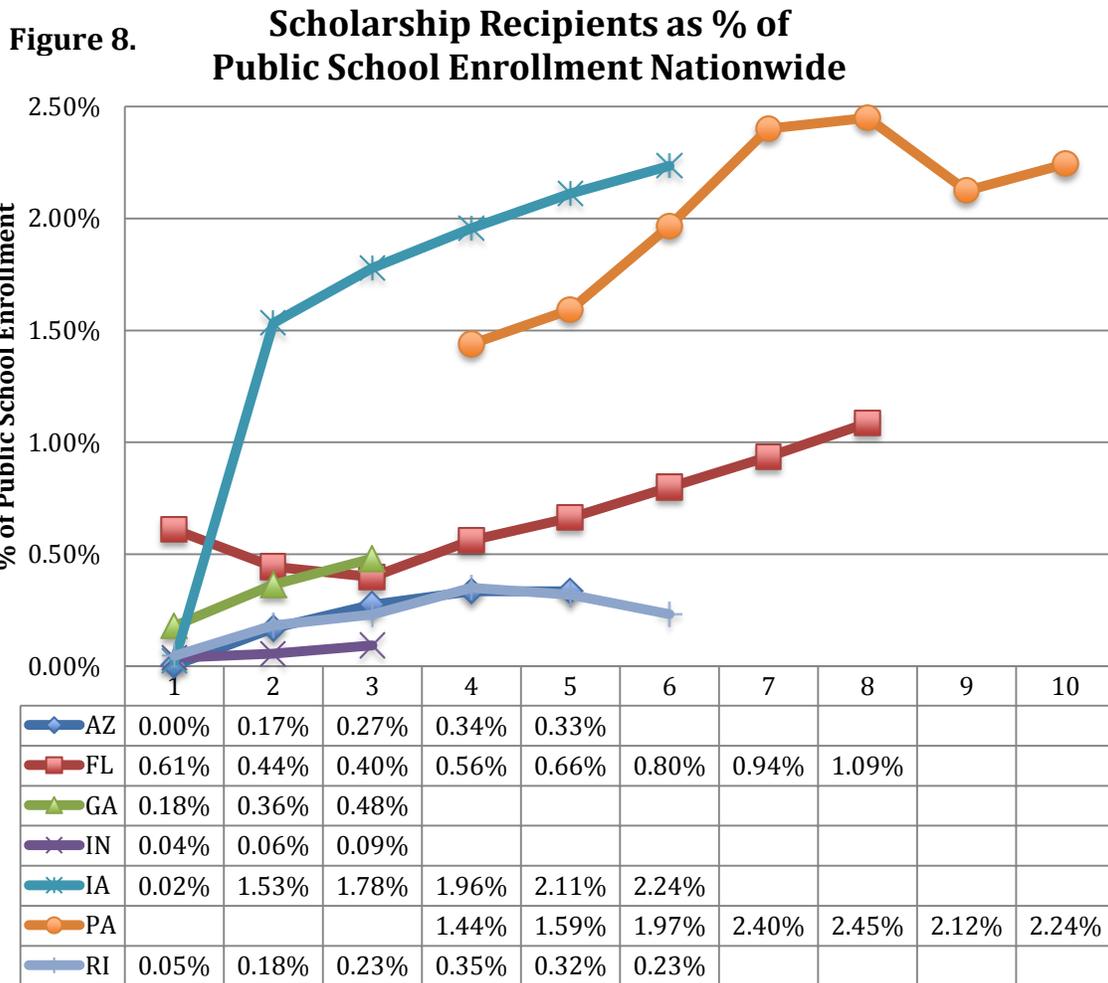
Furthermore, the program is designed to save money. Under HB 1607, scholarships are worth \$2,500 on average, compared with an average \$4,100 in state spending per pupil.⁴⁷ Since maximum administrative overhead is 10 percent of donations, the average spent per scholarship recipient will be \$2,778 under the most conservative estimates.⁴⁸ Tax credits are worth 85 percent of donations, plus corporations can receive up to an 8.5 percent charitable tax deduction if they have any remaining Business Profits Tax liability, therefore the state forgoes a maximum \$2,597 per scholarship recipient.⁴⁹ This means that the state saves \$1,503 for each scholarship recipient who leaves the public school system.⁵⁰ New Hampshire saves money if the percentage of scholarship recipients that would otherwise have attended public schools is greater than or equal to the loss in state revenue per scholarship divided by the average state spending per pupil, or 63.3 percent. (See Appendix A.) The legislation mandates that in the first year of the program, at least 70 percent of scholarship recipients must be "switchers" (i.e. – students who had attended public school in the previous year), therefore the program will save money initially.

Fast Facts

- First Year Program Cap: \$3.4 million tax credits
- Estimated Scholarships in First Year: 1,440
- Average Scholarship Value: \$2,500
- Public School Average State Per Pupil Expenditure: \$4,100
- Reduced Revenue Per Scholarship: \$2,597
- State Savings Per Scholarship: \$1,503

The "switcher" provision of HB 1607 is relaxed over time, since it is not possible to determine whether incoming students (i.e. – those entering first grade or kindergarten, or who moved to the state) would have attended independent schools in absence of the program. However, while the precise fiscal impact over time is less certain, it is clear that the overall fiscal impact will be minimal. As noted above, even under maximum growth assumptions, the STC program affects approximately one tenth of one percent of total spending on public education.

It is possible that the credit cap will not be reached in the first year or subsequent years. STC programs tend to serve a small portion of the statewide student population. Figure 8 shows scholarship recipients in STC programs in seven states as a percentage of public school enrollment. In the first year of each program, scholarship recipients represented less than 0.5 percent of public school enrollment, with the exception of Florida (and possibly Pennsylvania). Even after several years, no STC program in any state reaches 2.5 percent of public school enrollment, though Iowa and Pennsylvania come close.

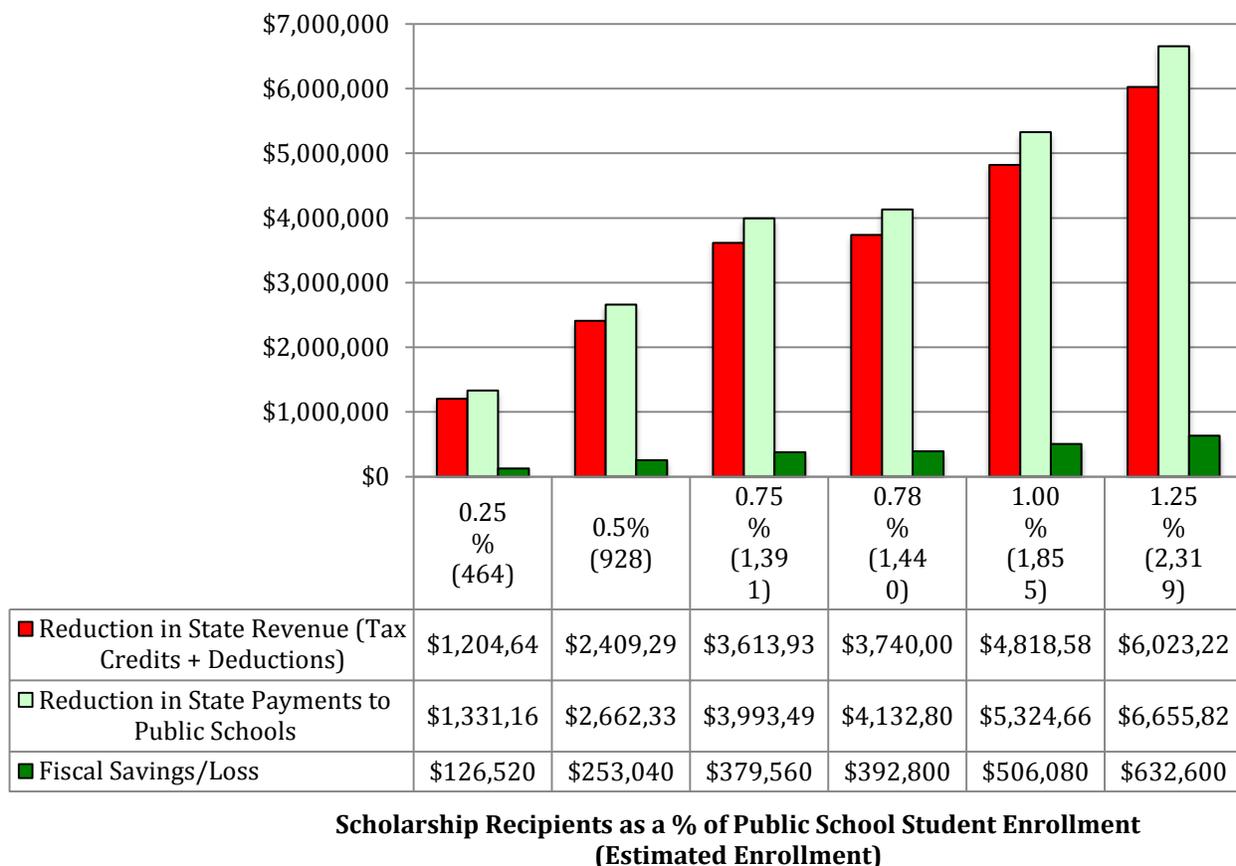


Note: Data for Pennsylvania's first three years is not available on the PA Department of Revenue website.

Based on the experience of other states, Figure 9 forecasts the fiscal impact of a scholarship tax credit program under several scenarios, assuming that average scholarships equal the maximum allowed \$2,500. (See Appendix B.) Figure 9 assumes no cap on credit amounts. In its current form, HB 1607 limits the credit-eligible donations in the first year to \$4 million. This limits the number of scholarships to 1,440 students, assuming that scholarship organizations spend the maximum allowable amount on administration, which is capped at 10 percent. Therefore, the maximum number of

scholarships would be approximately 0.78 percent of the estimated 185,528 public school students in 2012-13. This would generate \$392,800 in savings. However, in most STC programs nationwide, the number of scholarship recipients is between 0.25 percent and 2.5 percent of public school student enrollment. (See Figure 8, above.) In the first year of each program, enrollment rates were almost always below 0.5 percent of public school enrollment, therefore New Hampshire should expect to save between \$126,520 and \$253,040 in the first year of the STC program.

Figure 9. 2012-13 Estimated Fiscal Impact of Scholarship Tax Credits



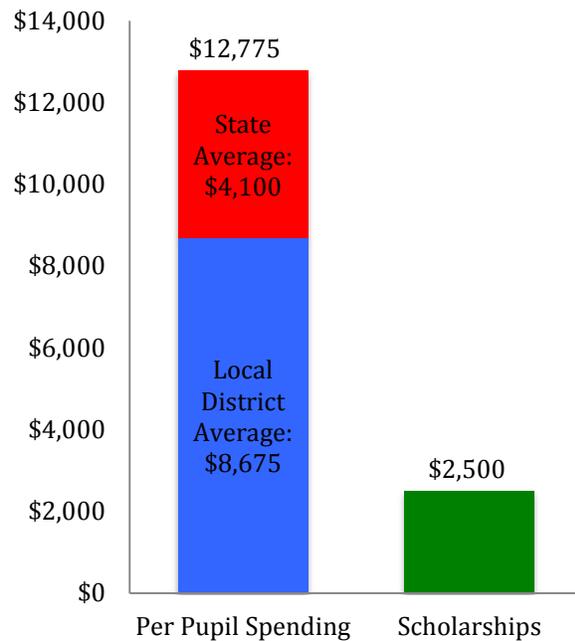
Note: "Tax Credits" assumes average scholarships of \$2,500. "Reduction in State Payments to Public Schools" assumes the minimum required amount of switchers (70 percent) and average \$4,100 state aid per pupil. A higher number of switchers would result in less "deadweight loss" and therefore higher savings.

In addition to the impact on state spending on public education, the department charged with administering the program may incur costs. Under the proposed legislation, the New Hampshire Department of Revenue Administration would administer the program. The Department currently administers other tax credit programs, including for low-income housing,⁵¹ research and development,⁵² and job creation in Coos County.⁵³ Based on their analysis of the legislation, the Department believes that it will be able to administer the program with existing staff, hence the legislation will not need to appropriate additional funds to administer the program.⁵⁴

3. Fiscal Impact on Local School Districts in New Hampshire

Assuming a relatively even distribution of scholarship recipients, individual school districts should expect a reduction of about one tenth of one percent of their annual budgets. Moreover, since New Hampshire public schools spend \$12,775 per pupil, on average,⁵⁵ and lose only \$4,100 in state aid per pupil when a student leaves, then public schools will save money if their short-run variable costs are greater than 32 percent. (See Figure 10.) Short-run variable costs include significant portions of the costs associated with instruction, student support, instructional staff support, enterprise operations (e.g. – bookstores), and food service while short-run fixed costs include capital expenditures, interest, general administration, maintenance, etc. A recent study from the Friedman Foundation for Educational Choice estimates that short-run variable costs for New Hampshire public schools are 72.3 percent, on average, so public school districts are likely to save money.⁵⁶

Figure 10.
New Hampshire Average
Per Pupil Spending



Key Takeaways: Fiscal Impact

- **STC programs in other states have generated significant savings for their state governments.**
- **New Hampshire should expect to save between \$126,520 and \$253,040 in the first year of the STC program and may save up to \$392,800.**
- **Public schools should expect revenue from state aid to decrease approximately one tenth of one percent, on average. Since the reduced revenue is estimated to be less than the average district's short-run variable cost, public school districts are likely to save money.**

III. IMPACT ON PERFORMANCE

School choice programs are among the most-studied education interventions. However, while researchers have conducted scores of studies on voucher programs, STC programs have received little attention. The lack of attention is primarily because it is easier to study and draw conclusions from voucher programs due to their design. Often, voucher programs are designed such that when the number of applicants is greater than the number of available vouchers, the vouchers are distributed by lottery. This allows researchers to conduct random assignment studies, the “gold standard” of empirical science. STC programs, by contrast, are not centrally administered and different scholarship organizations handle oversubscription differently. However, while the program designs, administration, and constitutionality of voucher programs and STC programs may differ, the effect is essentially the same: students receive money to attend the school of their parents’ choice. Hence, it is possible to draw conclusions about the effect of STC programs from studies of voucher programs, though it is important to interpret the results cautiously. This paper will draw on studies of STC programs where possible and draw upon studies of vouchers as necessary.

In 2011, two education policy organizations published reviews of the existing academic literature on school choice programs in the United States. In March of 2011, the Friedman Foundation for Educational Choice (FFEC) released “A Win-Win Solution: The Empirical Evidence on School Vouchers,” which covered 10 studies of participant effects and 22 studies of the effect of school choice programs on public schools.⁵⁷ In July of 2011, the Center on Education Policy (CEP) released “Keeping Informed about School Vouchers: A Review of Major Developments and Research,” which analyzed 21 studies of voucher programs and six literature reviews, including the FFEC review.⁵⁸

The reviews differed in their breadth and selectivity. The CEP review only included studies of broad-based voucher programs, while the FFEC review also included studies of STC programs, vouchers for students with disabilities, and town tuition programs. On the other hand, the FFEC review was more selective about quality since it only included “gold standard” studies of participant effects, while the CEP review included studies with numerous observational designs of varying quality. These differences may account, in part, for some of the differences in conclusions between the two reviews.

Summary of Findings: The two literature reviews differ on the extent of the positive impact of school choice programs on the academic performance of participants, but neither finds evidence of a negative impact. Both reviews, as well as a recent study of the Milwaukee voucher program find that participants in school choice programs graduate from high school at higher rates than their public school peers. The Milwaukee study also finds higher rates of college attendance among choice program participants. A study of Florida’s STC program finds a small but statistically significant positive impact on public school performance. Both the FFEC and CEP reviews likewise find that school choice programs are associated with positive impacts on public school performance.

1. Participant Effects

The FFEC review reports that nine of ten gold standard studies found positive effects on the academic performance of school choice program participants, as measured by standardized tests. Six studies found positive effects for all students while three found positive effects for only some students (particularly African-American students). Only one study found no impact. None of the studies found a negative impact. The CEP review is less optimistic about the impact of school choice programs on student performance, finding that:

While some studies have found limited test score gains for voucher students in certain subject areas or grade levels, these findings are inconsistent among studies, and the gains are either not statistically significant, not clearly caused by vouchers, or not sustained in the long run.⁵⁹

Though more skeptical about the positive impact of school choice programs, the CEP review finds no evidence that such programs negatively impact student performance. At minimum, the two reviews agree that school choice program participants perform at least as well as their public school peers, on average.

The disagreement over the positive effects of school choice programs may stem from differences in how the reviews were conducted. As noted previously, the FFEC review was more selective than the CEP review, since it only included random assignment studies while the CEP review included observational studies. Observational studies cannot completely control for unobserved factors that could affect student performance, such as the possibility that the students with the lowest performance in the public schools might be the most likely to participate in a school choice program. Random assignment studies are the “gold standard” because they compare two groups that are almost exactly similar except for the “treatment”. In this case, the studies compare students who applied for a voucher and won the voucher lottery against students who applied for a voucher but lost the voucher lottery. Since the lotteries were random, the only important difference between the two groups was the offer of a voucher, therefore any observed difference in performance between the two groups can be interpreted as being caused by the “treatment” of winning the voucher lottery.

In other areas, the CEP review finds evidence that school choice programs do have a positive impact, such as graduation rates and parental satisfaction. The positive effect on graduation rates is corroborated by the most recent evaluation of Milwaukee’s voucher program, released in February of 2012.⁶⁰ The study finds that students participating in the school choice program graduated high school at rates that were four to seven percentage points higher than their public school peers. Increased graduation rates are important because they are associated with numerous positive life outcomes, including increased life expectancy, improved health, higher lifetime earnings, and reduced crime.⁶¹ Additionally, students participating in the school choice program were 18 percent more likely to attend college than their public school peers, on average.⁶²

2. Competitive Effects

There has been only one study of the effect of a scholarship tax credit program on public school performance. Dr. David Figlio and Cassandra Hart of Northwestern University examined the impact of Florida's STC program, finding a small but statistically significant impact on public school performance on standardized math and reading tests.⁶³ The study estimates the impact of competition resulting from Florida's STC program by comparing public school student test scores in the years just before and after the program became law, controlling for student characteristics such as race, gender, English-language-learner status and socio-economic status, as well as some school characteristics, such as the grade each school receives from the Florida Department of Education.

To isolate the impact of increased competition, the study examines the year just after the program was announced but before the program went into effect, thereby excluding the potential effects of students actually leaving the schools. For example, if lower-performing students left, then the public school performance would increase as a result of the school's new student composition. Likewise, when students leave, there is an impact on resources that may contribute to a change in performance. Assuming a direct causal relationship between greater resources and higher student performance, the loss of funds resulting from a decline in enrollment may negatively impact performance. However, if the reduction in variable expenses outweighs the reduction in funding, there may be a positive impact on performance. The study also measured the change in performance over the first five years of the program. The study estimated the impact of four different measures of competition:

- *Distance*: the crow's-flight distance between the physical addresses of each public school and the nearest private competitor. A private school qualifies as a competitor to a public school if it serves any of the grades taught in that public school.
- *Density*: the number of private competitors within a five-mile radius of the public school.
- *Diversity*: the number of different types of private schools within a five-mile radius of the public school. To generate this measure, we first identified 10 distinct types of private schools, defined by their stated religious (or secular) affiliation.
- *Concentration*: an index of how varied the private school competitors are for a given public school, based on the counts of different types of schools within a five-mile radius.⁶⁴

The study found that all four measures of competition were positively associated with public school student performance on standardized math and reading tests. In other words, public school students performed better on tests when their schools were in closer proximity to a private school, had more private schools nearby, had a wider variety of types of private schools nearby, or had a greater concentration of private schools nearby. This phenomenon held true in diverse settings, including urban, suburban and rural areas. Though the sizes of the impacts for each measure are relatively small, they are statistically

significant and consistent. This indicates the presence of a competitive response among public schools facing increased competition. In general, the size of the improvement in student performance was approximately one third the size of the black-white achievement gap.⁶⁵

Moreover, the study finds that the positive effects of the STC program grow stronger over time. Increased knowledge of the program over time may contribute to increased competitive pressure. Alternatively, the improved performance may stem from the effect of resources of students leaving the public schools (i.e. – spending reductions outweighing the loss in funding), or the type of student who leaves (i.e. – primarily low-performing students leaving). While it is impossible to disentangle these potential causes, the initial presence of a competitive response in the absence of these variables suggests that it remains a factor.

The results of the Figlio/Hart study of Florida’s STC program are in line with the results of numerous studies of other choice programs. Indeed, the FFEC and CEP reviews find much common ground in their assessment of the impact of school choice programs on public school performance. The FFEC review finds that 21 of 22 studies of school choice programs find a positive impact on public school performance, while only one study finds no impact. There are no studies finding a negative impact.

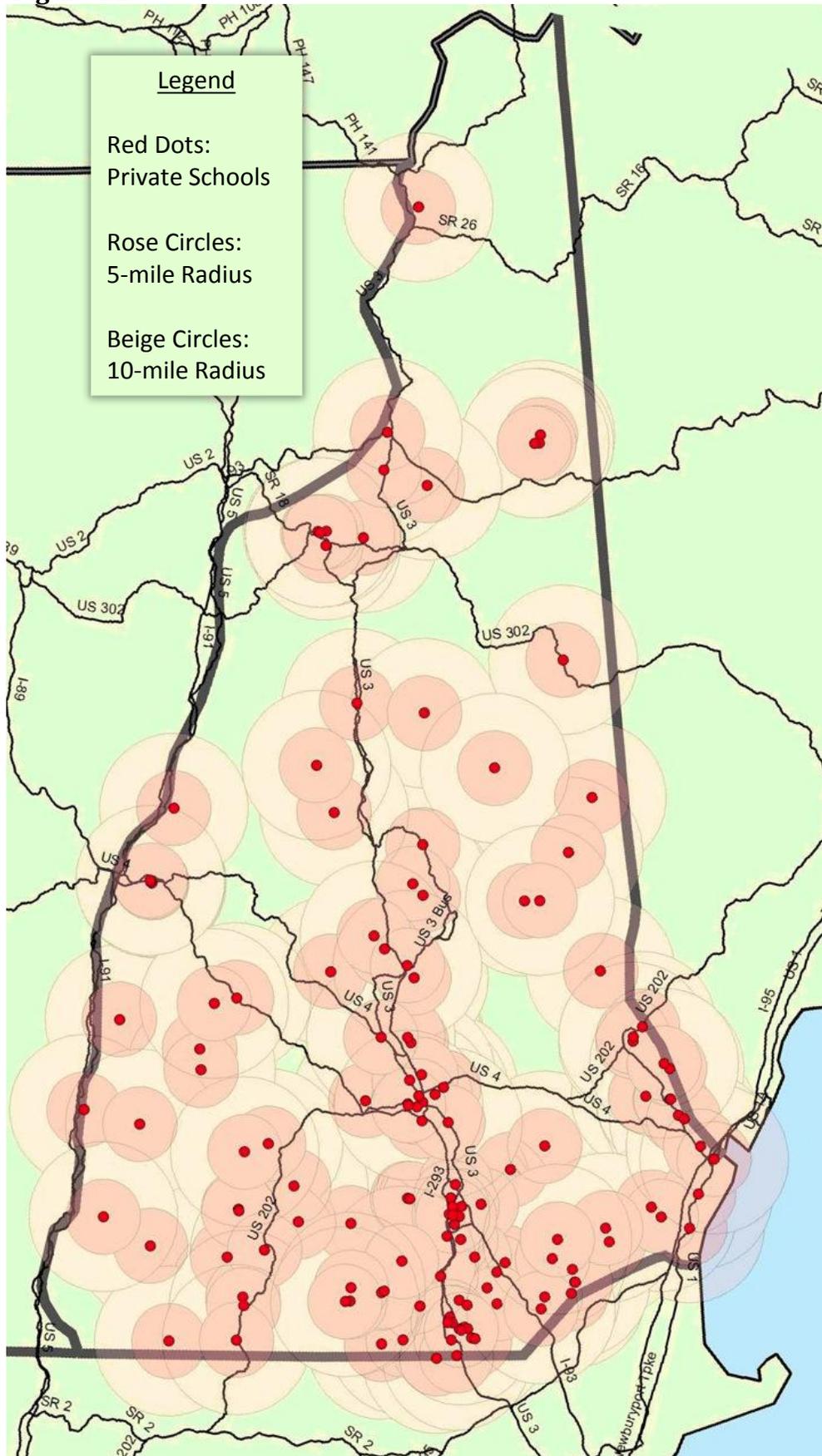
The FFEC study notes that the only program in which no impact was found – Washington D.C.’s Opportunity Scholarship Program – contains a “hold harmless” provision that compensates public schools for any decline in enrollment stemming from the school choice program.⁶⁶ Since there is no competitive pressure, little to no impact on performance should be expected. While noting that it is difficult to “decisively attribute the causes of achievement gains,” the CEP review finds that “In some cities or states with voucher programs, gains in student achievement were greater in public schools most affected by voucher competition than in other public schools.”⁶⁷

While it is beyond the scope of this paper to replicate the Figlio/Hart study, it may be possible to assess the generalizability of Florida’s experience to New Hampshire by comparing key features of the two STC programs and the proximity of citizens to private school options. Two key features of STC programs that directly impact competitiveness are the size of the scholarship amounts and means-testing requirements.

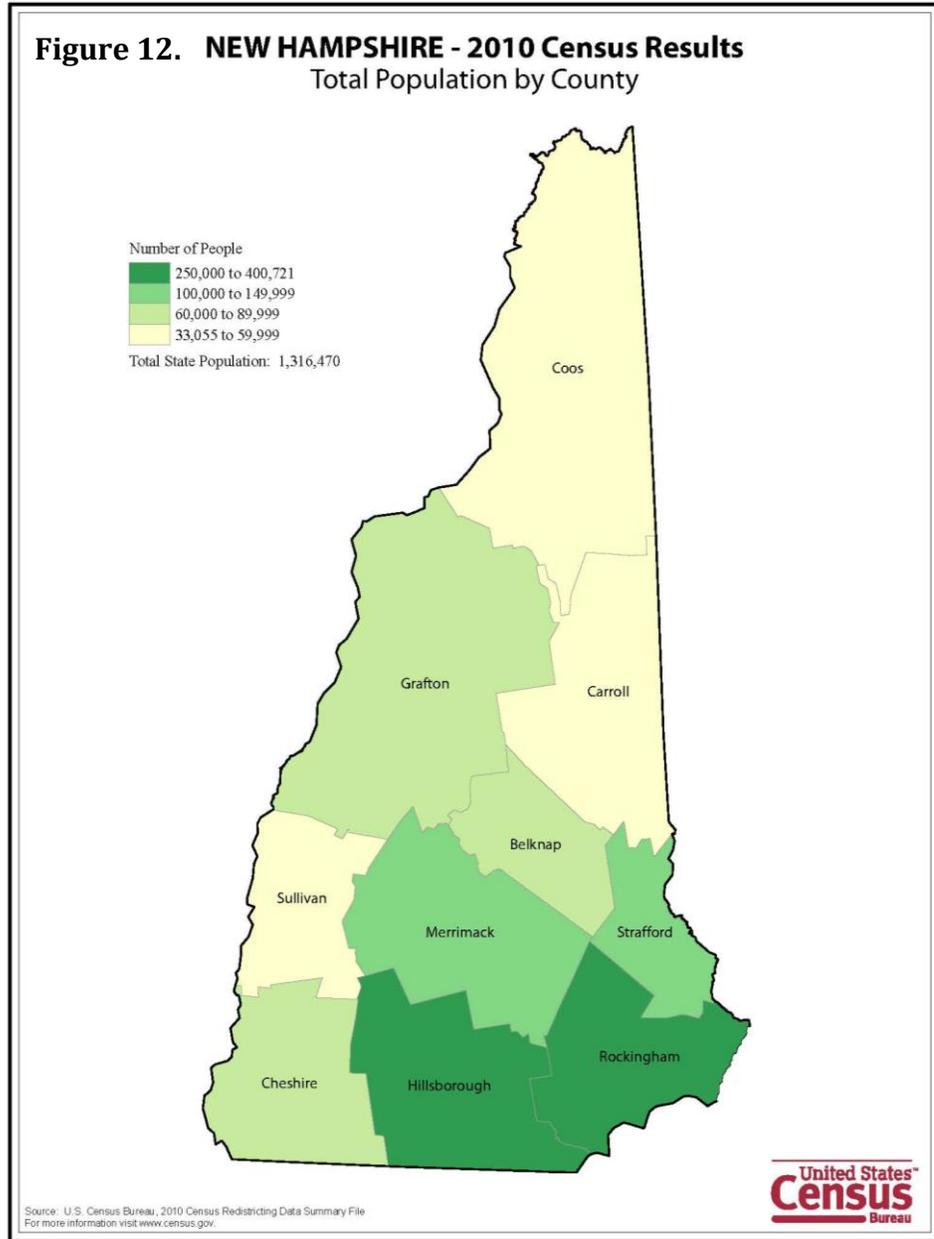
Proximity to Private Options:

Approximately 92 percent of Florida’s public schools have at least one private competitor within a 5-mile radius.⁶⁸ Figure 11 shows the location of all 162 private schools in New Hampshire, including the area within a 5-mile and 10-mile radius. The vast majority of the state, included all the most populated areas, have at least one private school option within a 10-mile radius. For comparison, Figure 12 shows the 2010 U.S. Census population by county. There are 52 private schools in the top ten most populous cities and towns in

Figure 11.



New Hampshire (Manchester, Nashua, Concord, Derry, Rochester, Salem, Dover, Merrimack, Londonderry and Hudson), which contain just over one third of the state's population (438,180 of approximately 1.3 million)⁶⁹ and 34 percent of the state's students (64,887 of 190,805 in 2010-11).⁷⁰ The access to so many educational alternatives within a relatively close proximity will likely provide the necessary environment to stimulate a competitive response from nearby public schools.



Scholarship Amounts versus Tuition:

The Figlio/Hart study found that the competitive pressure is affected by the size of the scholarship amounts relative to the typical private school tuition. The Florida STC program's initial scholarship amount was \$3,500, which was equal to 90 percent of the typical religious elementary school tuition and two-thirds of the typical religious high school tuition.⁷¹ The study found that the improvement in performance among elementary schools was about double the size of the effect on high schools. By contrast, the proposed New Hampshire STC program offers scholarships worth \$2,500 on average, which is half of the typical private elementary school tuition (\$5,000) and 31 percent of the typical private high school tuition (\$7,978) that low-income families would face in the top 10 most

populous cities in New Hampshire. (See Appendix C.) This indicates that the competitive response in New Hampshire may be somewhat weaker than in Florida.

Means-testing Requirements:

Florida's STC program is more targeted than the proposed New Hampshire STC program. Florida allows scholarship organizations to support families earning up to 185 percent of the federal poverty line, whereas the cutoff under proposed New Hampshire STC program is 300 percent of the federal poverty line, which applies to 80 percent of scholarship recipients.* In this case, the New Hampshire program induces greater competitive pressure since a wider range of families are eligible to participate. Additionally, families with relatively higher income may require smaller scholarship amounts to consider switching out of the public school system, which would further increase the competitive pressure.

The proposed School Choice Scholarship Act offers sizeable scholarships to a significant portion of the population in a state that already has a plethora of private educational options in close proximity to the vast majority of residents. These factors create the necessary environment to elicit a competitive response from public schools. However, policymakers should not expect that improvements in public school performance will be dramatic. At the very least, the evidence from Figlio/Hart study of Florida's STC program as well as the FFEC and CEP reviews indicate that fears about a potentially negative impact on public school performance are unfounded and unnecessary.

Key Takeaways: Impact on Performance

- **Studies show that school choice program participants perform as well as or better than their public school peers.**
- **Participants in school choice programs graduate from high school at higher rates than their public school peers.**
- **Some studies find higher rates of college attendance among choice program participants.**
- **School choice programs are associated with a positive impact on public school students' academic performance.**

* The proposed STC program gives scholarship organizations the flexibility to grant up to 20 percent of their scholarships to students from families earning above this threshold who are facing exigent circumstances such as having a special needs child, job loss, or serious illness.

IV. PROGRAM DESIGN

Scholarship tax credit programs vary in design from state to state. In order to understand the impact of different program designs, it is useful to consider the experience of scholarship organizations operating in multiple states in varying regulatory environments. This section analyzes survey data from scholarship organizations participating in scholarship tax credit programs in five states: Arizona, Georgia, Iowa, Pennsylvania and Rhode Island. Oklahoma and Indiana were excluded since their programs are still being implemented. Florida's sole scholarship organization did not respond. Response rates in other states varied from 10 percent to 80 percent.* Since respondents may not be representative of all SOs in each state, the survey data should be interpreted cautiously. Nevertheless, such survey data is useful in drawing lessons from the experiences of SOs operating in diverse environments.

Impact on Families: The Nolet Family (Hooksett)

Before Brandon came to Liberty Harbor Academy in Manchester, he was a “trouble student.” “He’d shut down. He didn’t care anymore about school,” explains his mother, Sandy, who raised the youngest four of her seven children by herself since her husband passed away in 2002, “He was just turned off and they didn’t do anything to make him interested in school.” Though he had previously performed well academically, the public high school Brandon attended wanted to put him in a program for slow learners. His mother had other ideas.

Brandon was reluctant at first, but his mother persuaded him to at least visit the school. At the end of the tour, Brandon smiled and told his mother he wanted to attend Liberty Harbor. “My son loves going there!” exclaims Sandy, “I don’t have to fight with him to get up at five o’clock in the morning to go to school. And he’s doing extremely well academically!”

At Liberty Harbor, Brandon is in smaller classes with lots of personal attention. Teachers make sure that students like Brandon are always challenging themselves, without letting them become overwhelmed. Sandy is happy that there are high standards for both academic achievement and behavior, with a focus on civic involvement.

“I really believe in this school and it’s been wonderful for my family,” says Sandy, “I think most people don’t think they have a chance so they don’t even go visit the school. I took the chance because I just felt I needed to do something. They made it possible for my children to go to school there, because I certainly couldn’t afford it.”

(Continued on next page.)

* Response rates varied by state as follows: AZ: 6/17 (35%); GA: 4/39 (10%); IA: 5/13 (38%); PA: 49/247 (20%); RI: 4/5 (80%).

Like many independent schools, Liberty Harbor offers tuition assistance to some students, but resources are limited. The Nolets were fortunate that resources were available for Brandon, but thousands of families are not so fortunate. A scholarship tax credit program would give families similar to the Nolets the ability to choose the education that's right for them.

Figure 13.

State	Scholarship Caps	Average Scholarships	Means-testing	Program Cap	Corporate Credits	Minimum Disbursement
Arizona	K-8: \$4,700 9-12: \$6,000	\$2,212	185% of FPL	\$10 million	100% credit	90%
Florida	\$4,106 (may not exceed private school costs, 75% used for tuition)	\$4,011	185% of FPL (may rise to 230% once in program)	\$229 million	100% credit	97%
Georgia	\$9,437	Not reported	No	\$50 million	100% credit (up to 75% of tax liability)	90%
Indiana	No cap	\$754	200% of FPL	\$5 million	50% credit	90%
Iowa	No cap	\$1,061	300% of FPL	\$8.75 million	65% credit	90%
Oklahoma	Greater of: \$5000 or 80% average local cost per pupil; Special needs: \$25,000	N/A	300% of FPL (or "needs improvement" district)	\$3.5 million (50% corporate/ 50% individual)	50% credit up to \$100,000 per year	90%
Pennsylvania	No cap	\$1,165	\$70,000 + \$12,000 per child	\$44.5 million	75% credit (90% if two consecutive) up to \$300,000 per year	80%
Rhode Island	No cap	\$2,264	250% of FPL	\$1 million	75% credit (90% if two consecutive) up to \$100,00 per year	90%

The survey asked respondents to share their views about the impact of several state policies on the effectiveness of their organizations in carrying out their missions. In particular, the survey asked about the impact of means-testing requirements, disbursement requirements, and the percentage of corporate contributions eligible for tax credits. The survey also asked general questions about which policies or regulations the SOs would like to modify or eliminate and what advice they would give policymakers. Figure 6, above, provides a broad overview of the variation among key components of the scholarship tax credit programs in each state.

1. Means-Testing

The goal of a scholarship tax credit program is to expand educational choices for families. Wealthy families already have the financial ability to send their children to independent schools or to move to a town or city with high quality public schools. Those who stand to gain the most from a scholarship tax credit program are those with the least means. However, as discussed below, income caps that are too restrictive may unintentionally exclude financially struggling families.

All but one STC program in America restricts eligibility on the basis of household income. As shown in Figure 13, most states use the federal poverty line (FPL) as a benchmark for poverty, with means-testing caps ranging from 185 percent of the FPL in Arizona and Florida to 300 percent of the FPL in Iowa and Oklahoma. Under Pennsylvania's program, children are eligible for scholarships if their household incomes are under \$50,000, plus \$12,000 for each school-aged child in the home. The definition of "household income" varies across states, but it generally does not include disability payments, workers compensation, retirement pensions, public assistance or unemployment compensation. Scholarship organizations are generally authorized to develop their own eligibility requirements in addition to means-testing requirements.

Respondents were asked whether they believed their state's means-testing requirements were much too high, somewhat high, just right, somewhat low, much too low, or if there should not be any means-testing. Raising or eliminating the cap would allow more families to participate, while lowering the cap would target funding toward the families with lower incomes.

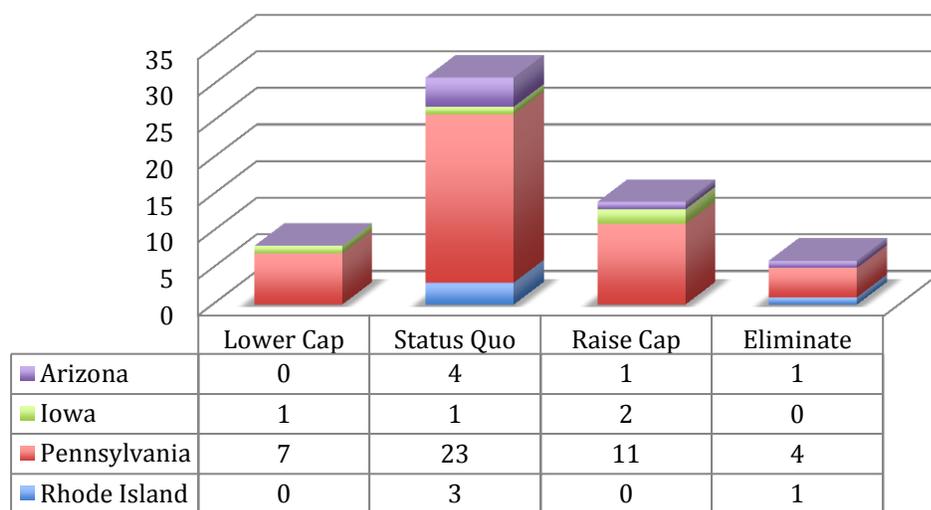
Despite state-by-state variation of means-testing levels, a majority of respondents supported maintaining their state's status quo. (See Figure 14, below.) Of the remainder, most supported raising or eliminating income caps with few in favor of making them more restrictive. The level of the income cap does not appear to affect support for raising or lowering the cap.

One Iowa respondent supported raising the income cap because tuition there is growing at a faster rate than the average income in the region. However, another was concerned that if the cap were too high then "people who could actually pay tuition would

qualify and that would take money out of the pockets of families who truly can't afford private education.”

Several SO respondents in PA stated that the income cap is “high enough to allow most middle income families to qualify.” Others, however, noted regional disparities. One respondent complained that state policymakers were “not looking at the median income for our region.” What might be considered middle-income in one area could be low-income in other regions.

Figure 14. Means-Testing Requirement



Among those who wished to eliminate means-testing, some complained that it is difficult to get the proper FAFSA forms. Another noted: “Many families make too much money to qualify for aid but not enough to afford to send their children to [an independent school].”

In Arizona, SOs may only disburse corporate donations to students whose household income is below 185 percent of FPL, however they have no means-testing requirement for individual donations. Nevertheless, a study by Harvard University’s Program on Education Policy and Governance found that the program disproportionately benefited low-income families even without a means-testing requirement. More than two-thirds of scholarship recipients’ families earned less than 185 percent of FRL (approximately \$75,000 for a family of four).⁷² These results should not be surprising, since non-profit organizations like the Salvation Army and Toys for Tots also provide for the needs of low-income families without a government mandate.

While targeting low-income families for aid, some SOs take exigent circumstances into consideration. One Arizona SO explained:

We may give tuition aid to someone whose family income is more than the 185 percent, but only if there are mitigating circumstances, like huge medical bills due to cancer, or tax return income is over, but the family earner lost his job and has not had any income for months. We can always look at particular circumstances.

Even in states with means-testing, SOs tend to grant scholarships to families with incomes well below the income cap. In Florida, the average household income of scholarship recipients is \$25,971, only 20 percent above FPL, though Florida's cap is 185 percent of FPL.⁷³ In Pennsylvania the majority of families receiving tax credit scholarships had family incomes below \$29,000, though the state allows a family of four to earn up to \$84,000.⁷⁴

Key Takeaways: Means-Testing

- **Means-testing can help target funds to the truly needy, though evidence suggests that SOs target low-income families even without a means-testing requirement.**
- **Income caps that are too low reduce the flexibility of SOs to address the needs of families with exigent circumstances (special needs, serious illness, job loss, etc.).**

2. Disbursement Requirement

Ideally, all of the funds raised would be disbursed in the form of scholarships. However, SOs incur administrative expenses in order to fill out all the paperwork, raise funds, field questions from families, conduct audits, etc. In order to balance the goal of providing financial assistance with the necessity of administrative expenses, states have set varying levels of required disbursement.

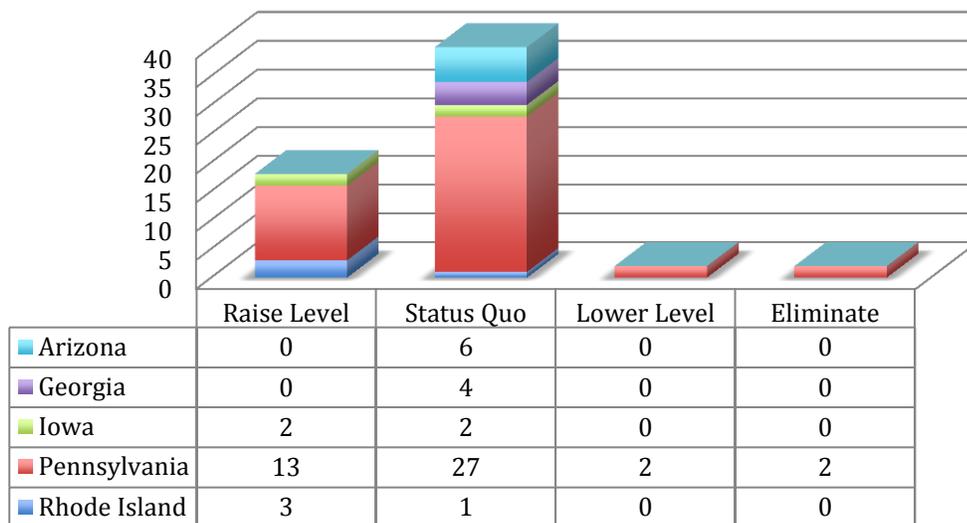
Most states require that scholarship organizations disburse at least 90 percent of their funds in the form of scholarships, allowing only up to 10 percent for administrative costs. Two exceptions are Pennsylvania, which allows up to 20 percent for administrative costs, and Florida, which allows only up to 3 percent. There is also some technical variation, such as the amount of funds scholarship organizations may “roll over” or “carry forward” into the following fiscal year, which is beyond the scope of this paper. The survey asked respondents what level they believed the disbursement percentage should be.

The vast majority of respondents favored the status quo for the required disbursement level. (See Figure 15, below.) Among the remainder, support tilted in favor of higher disbursement requirements, leaving less money for administration.

Support for raising the disbursement requirement was more pronounced in Pennsylvania, which has the most generous administrative cost allowance. One PA

respondent wrote: “I understand some entities may have some expenses, but the 20 percent allowance seems overly generous. Yet some allowance is needed due to students not attending and other matters beyond our control. A 100 percent distribution could create some unintended problems.” Nevertheless, even in PA most SOs supported maintaining the status quo. Another PA respondent wrote: “The 80 percent limit allows ample funds for administrative work while at the same time ensuring that the program's primary focus remains on providing assistance to families in need.”

Figure 15. Disbursement Requirement



Several organizations noted that they were able to disburse 100 percent of their funds as scholarships, though many who did so were supported by religious organizations. One secular respondent wrote that the “current percentage allows for independent [scholarship organizations]. Lowering the percentage could reduce the number of [scholarship organizations] that operate without the help of the religious community.”

It appears likely that Pennsylvania’s relatively liberal disbursement requirement is one reason why Pennsylvania has the most SOs of any state, even when controlling for its size. Pennsylvania has 247 SOs compared with Georgia’s 39, Arizona’s 17 and Florida’s single SO. Indeed, Florida’s meager administrative cost allowance (3 percent) may explain its lack of SOs. Allowing more room for administrative costs may open the door for more SOs to start up, especially secular SOs without a built-in religious community or faith-based institutions to provide crucial financial and administrative support. As one Pennsylvania SO wrote: “Competition between organizations means that few take the full 20 percent, but some need that to get started.” One approach might be to allow 20 percent of funds to be for administration in the SO’s first year or two, then decrease the allowance to 10 percent.

Some SOs suggested a sliding-scale model for the disbursement requirement, based on the SO’s amount of scholarship dollars. As scholarship organizations grow, economies of

scale mean that administrative costs become proportionally smaller. As one PA respondent noted: “The costs to operate the program are similar no matter how much revenues we receive.”

Another consideration in determining the disbursement level is the amount of regulation. One Iowa SO stated that the 10 percent allowance for administration costs is “a workable number” but cautioned that overhead increases with the expansion of government requirements, such as increased paperwork or mandatory audits. An Arizona SO agreed: “A lower percentage would be difficult to attain given the amount of reporting required.” When policymakers consider adding or expanding regulations, they should also consider the financial impact on SOs and adjust the administrative allowance accordingly.

Finally, one SO suggested replacing the disbursement requirement with a requirement that each SO publish the amount they disbursed versus the amount used on administrative costs.

Key Takeaways: Disbursement Requirement

- **Scholarship organizations require some level of allowance for administrative costs, especially when starting up. Over time, most spend less than 10 percent on administrative costs.**
- **A more liberal administrative cost allowance allows for the creation of more scholarship organizations. Policymakers should consider greater administrative cost allowances (15 to 20 percent) for new scholarship organizations.**

3. Corporate Credits

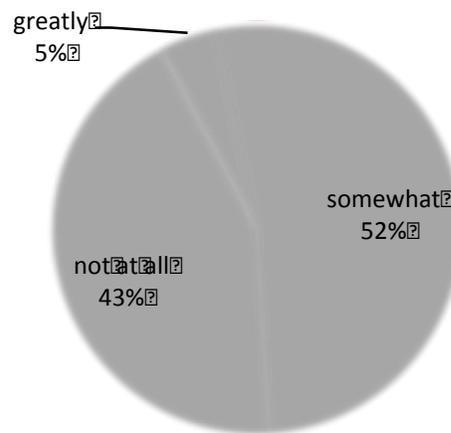
Another key feature of scholarship tax credit programs is the percentage of corporate donations eligible for tax credits. Higher percentages make it easier for scholarship organizations to raise funds by reducing the actual expense for businesses. Lower percentages mitigate forgone tax revenue. The right balance would maximize overall spending on education by increasing private spending as much as possible while reducing tax revenue as little as possible.

Variation also exists in the percentage of corporate donations eligible for tax credits. Arizona and Florida grant dollar-for-dollar tax credits up to the entire corporate tax liability. Georgia also grants dollar-for-dollar credits, but only up to 75 percent of a corporation’s tax liability. Iowa offers a 65-percent credit while Indiana and Oklahoma offer the least at 50 percent, with a \$100,000 annual limit in the latter. Pennsylvania and Rhode Island both offer 75-percent credits for a single-year donation, but corporations can receive 90-percent credits if they pledge to donate two consecutive years with limits of \$300,000 and \$100,000 respectively.

Only states that grant credits for a portion of corporate donations and which have operated the program for several years were surveyed. Since all four respondents from Iowa wrote that most or all of their funding comes from individuals, not corporations, all the responses in this section are from the forty-nine Pennsylvania respondents. Respondents were asked whether the policy of granting only partial credits hinders their fundraising ability “greatly, somewhat, or not at all”? It is important to note that most corporate donors in Pennsylvania pledge to donate for two years, hence they receive a 90-percent tax credit.⁷⁵

Most respondents said that the 75 percent level for credits “somewhat” negatively impacted their fundraising, followed by 43 percent who answered “not at all.” Just under 5 percent of respondents answered that the corporate tax credit cap “greatly” hinders their ability to raise funds. (See Figure 16.)

Figure 16. Corporate Credits
 Pennsylvania only grants credits for a portion of corporate donations. Would you say that this hinders your ability to raise funds:



Among those who had little trouble raising funds, most emphasized the role of the federal tax deduction. As one SO wrote: “The companies that participate are willing to make the 10 percent donation.

They are able to write the 10 percent out of pocket cost off on their federal return as the contribution is being made to a 501c3.” Another noted: “In my experience, corporations are satisfied with the amount they get back. I think with a small investment this allows them to be good community partners while still making good business decisions.”

The experience in Pennsylvania indicates that policymakers can safely reduce the percentage of corporate donations eligible for tax credits to at least 90 percent without excessively burdening businesses or scholarship organizations. Indeed, when federal deductions are taken into account, it may be practical to decrease that percentage even further. However, caution is advisable. In the words of one SO: “In the environment today we need help in opening up the doors to funding sources not hinder them.”

Key Takeaways: Corporate Credits

- **Most scholarship organizations reported having little to no trouble soliciting donations from businesses when the tax credits were worth 90 percent of the donations.**
- **Policymakers should be able to reduce the tax credit percentage somewhat below 90 percent without a significantly negative impact on fundraising. However, it is not clear at which point there would be a negative effect.**

4. Further Suggestions for Policymakers

One of the final open-ended questions in the survey asked respondents to provide any additional suggestions they might have for policymakers. Often, respondents within the same state would offer similar recommendations, which may point to specific challenges in those states. For example, many Pennsylvania SOs wanted regulations to be standardized and clarified. SOs wanted to standardize regulations governing Pre-K and K-12 as well as the different reporting dates for different corporations relative to the “first come, first served” policy on tax credits. Additionally, there is some confusion as to which corporations are eligible for tax credits at all.

Several respondents from Arizona requested that the state permit more types of corporations to donate, such as LLCs. They also wanted to raise the overall program cap. One wrote: “[We would like] more availability to corporate donors. We are struggling to get the funds we need. Our waiting list is growing.” Raising the program cap was a common theme across states. Other comments included:

- “I would just like to see more money set aside in terms of tax credits so that private education is within reach for more parents.” (IA)
- “Regulations don't seem to be hindering our mission, just the cap on funds available in the state budget to fund the educational tax credit. We are able to recruit a number of donors. However, the donors are not always approved for funding by the state and then the business is not able to participate.” (PA)
- [The state should] raise the corporate donation cap to \$500,000 from \$300,000.” (PA)
- “The state-wide cap on total contributions in Rhode Island is ridiculously low.” (RI) The cap is one million dollars in Rhode Island.
- “[There are] insufficient funds to meet the needs of families who choose to send their kids to one of our schools.” (RI)

Several respondents emphasized the need to relieve the burden of paperwork for SOs and donors. One suggested switching from annual to biennial reporting to cut down paperwork. Another suggested online approval for donors, which would reduce paperwork and allow approvals in real time. This sentiment was echoed by SOs that were frustrated by a lack of credits, especially when some claimed credits were actually not being used. One Georgia SO wrote: “[There should be] monthly reconciliation of approved donations from actual donations. SOs only reconcile the donations versus the approved donations once per year, after the year has closed. Reconciling monthly will allow unused credits to go back into the pool to be used by other donors.”

One Georgia SO wanted to raise individual scholarship caps, particularly for students with special needs and low-income households:

We serve a number of special needs students who require a bit more funding than what the new cap will provide. Additionally, the new cap will make it more difficult for higher priced schools to offer tax credit scholarships to lower income families as the variance between the tuition rate and the scholarship cap amount will put an enormous amount of pressure on

existing financial aid budgets for those schools. Many of our higher tuition schools have utilized tax credit scholarships to offer families with great need an opportunity to attend a school that would never have been a possibility without an SO non-capped scholarship. I think an average scholarship award cap is a more reasonable way to give a legislative body the feeling that tax credit scholarships aren't exceeding the public school cost of a child's education.

Other suggestions included:

- Increasing school choice options in areas with failing schools. (PA)
- Allowing individual schools to incorporate as a scholarship organization. (AZ)
- Allowing parents to contribute directly to their own children. (GA)

Impact on Families: The Baronas Family (Hopkinton)

Lee and Vicky Baronas of Hopkinton, NH had two sons in public school. Their younger son, Matthew, thrived socially and academically, but their older son, Peter, struggled. In third grade, he was diagnosed with a learning disability related to dyslexia. He was bright, but had extreme difficulty decoding reading and encoding his thoughts into writing. Though he devoured books on tape with passion and expressed himself well verbally, his dyslexia forced him to limit and simplify his writing to only a fraction of what he wanted to express.

Peter received assistance through special education classes at school, but because the resources are finite and there is a wide range of demands for services, his parents had to constantly negotiate and assert themselves to get him the special attention and one-on-one assistance that he needed. "We understood there was only so much funding to go around," explains Lee, "But he needed it. It was the right thing to do." His parents also paid for outside tutoring to supplement his education.

Worse, Peter was regularly bullied. A self-described "geeky kid" who preferred Star Wars, robotics, and science fiction to mainstream sports, he was a target both for his interests and his learning disability. His toughest year was sixth grade, when bullies would frequently call him names, steal his supplies, and sometimes shove him around. Repeatedly reporting the incidents had no effect. "He had a particularly tough group in his grade," says Lee. Dreading what the next year would hold for Peter at the grade 7-12 public school, Lee and Vicky decided to look for alternatives.

The next year, Peter enrolled in Shaker Road School, a small, secular independent school in Concord with Pre-K through 8th grade. Run by a family of educators with a dedicated faculty, the school has small classes sizes so students get plenty of attention.

"Community and respect are as important as grades," says Lee, "There were no bullies, so Peter could focus on his academics." Because of its size, there were fewer options for special education students at Shaker, but the small classes and individual attention from the teachers made up for that. Peter thrived.

(Continued on next page.)

“He just blossomed. It was absolutely a wonderful thing to see.” He worked harder than he ever had, earned excellent grades, participated in numerous extracurricular activities, felt accepted and respected by his peers, and told his parents that he loved going to school.

Paying the yearly tuition was difficult, but Peter's grandparents helped out and Lee and Vicky dipped into Peter's college fund. “If he doesn't get through high school, he won't need these college savings,” they explained. Sources of tuition assistance for middle and high school are very limited. Peter is fortunate that his family was able to provide him with the education he needed in an environment that was supportive for him, but there are thousands of students like him in New Hampshire with more limited options. A scholarship tax credit program would help more children like Peter get the education they deserve.

IV. CONCLUSION

When designed and implemented properly, a scholarship tax credit programs is a constitutional, popular, and fiscally sound method to increase educational options for low-income families. STC programs have withstood every single legal challenge to date at both the state and federal levels. Parental satisfaction in STC programs is exceptionally high. More than 95 percent of families participating in Florida's STC program reported that their schools were good or excellent. Nationwide, support for STC programs is more than double the opposition. Support among parents nationwide is even higher at four-to-one in favor

The proposed School Choice Scholarship Act (HB 1607) creates a scholarship tax credit program that is designed to save money by reducing state spending more than it reduces tax revenue. Under even the most conservative assumptions, the proposed STC program will affect approximately one tenth of one percent of the current state and local spending on public education. STC programs in several other states have reduced state government expenditures while expanding choices for families.

Scholarship tax credit programs can even improve the academic performance of all students, whether they participate in the program or not. Numerous studies have shown that participants in school choice programs perform as well or better than their public school peers, and are more likely to graduate from high school and attend college. Additionally, there is evidence that the increased competition resulting from STC programs elicits a competitive response from public schools that has a positive impact on public school student performance.

Most importantly, a scholarship tax credit program will move New Hampshire from an educational system in which access is primarily determined by a student's zip code and accident of birth toward a system tailored to meet the individual needs of every child.

ABOUT THE AUTHOR

Jason Bedrick is a Research Fellow at the Josiah Bartlett Center for Public Policy and a former New Hampshire state legislator from Windham, New Hampshire. He is also a Fellow at the Taubman Center for State and Local Government at Harvard University's John F. Kennedy School of Government, where he is pursuing a Master's in Public Policy. Jason had the good fortune to attend great public and private schools and hopes to see the day when all children have access to a high quality education that meets their individual needs.

APPENDIX A: FISCAL IMPACT OF SWITCHERS IN YEAR ONE

The following table assumes the maximum \$3,740,000 in lost revenue in year one. Reduced state expenditures equals the state's \$4,100 per pupil expenditure multiplied by the number of students who switch out of public school. "State Savings/Loss" is \$3,740,000 minus the reduced expenditures. The state breaks even at 63.3 percent. HB 1607 mandates that 70 percent of scholarship recipients be "switchers" in the first year.

<u>% Switchers</u>	<u># Switchers</u>	<u>Reduced Spending</u>	<u>State Savings/Loss</u>
100.0%	1440	\$5,904,000	\$2,164,000
97.5%	1404	\$5,756,400	\$2,016,400
95.0%	1368	\$5,608,800	\$1,868,800
92.5%	1332	\$5,461,200	\$1,721,200
90.0%	1296	\$5,313,600	\$1,573,600
87.5%	1260	\$5,166,000	\$1,426,000
85.0%	1224	\$5,018,400	\$1,278,400
82.5%	1188	\$4,870,800	\$1,130,800
80.0%	1152	\$4,723,200	\$983,200
77.5%	1116	\$4,575,600	\$835,600
75.0%	1080	\$4,428,000	\$688,000
72.5%	1044	\$4,280,400	\$540,400
70.0%	1008	\$4,132,800	\$392,800
67.5%	972	\$3,985,200	\$245,200
65.0%	936	\$3,837,600	\$97,600
62.5%	900	\$3,690,000	(\$50,000)
60.0%	864	\$3,542,400	(\$197,600)
57.5%	828	\$3,394,800	(\$345,200)
55.0%	792	\$3,247,200	(\$492,800)
52.5%	756	\$3,099,600	(\$640,400)
50.0%	720	\$2,952,000	(\$788,000)
47.5%	684	\$2,804,400	(\$935,600)
45.0%	648	\$2,656,800	(\$1,083,200)

42.5%	612	\$2,509,200	(\$1,230,800)
40.0%	576	\$2,361,600	(\$1,378,400)
37.5%	540	\$2,214,000	(\$1,526,000)
35.0%	504	\$2,066,400	(\$1,673,600)
32.5%	468	\$1,918,800	(\$1,821,200)
30.0%	432	\$1,771,200	(\$1,968,800)
27.5%	396	\$1,623,600	(\$2,116,400)
25.0%	360	\$1,476,000	(\$2,264,000)
22.5%	324	\$1,328,400	(\$2,411,600)
20.0%	288	\$1,180,800	(\$2,559,200)
17.5%	252	\$1,033,200	(\$2,706,800)
15.0%	216	\$885,600	(\$2,854,400)
12.5%	180	\$738,000	(\$3,002,000)
10.0%	144	\$590,400	(\$3,149,600)
7.5%	108	\$442,800	(\$3,297,200)
5.0%	72	\$295,200	(\$3,444,800)
2.5%	36	\$147,600	(\$3,592,400)
0.0%	0	\$0	(\$3,740,000)

APPENDIX B: FISCAL IMPACT SCENARIOS

The following charts convert the scholarship enrollment as a percentage of public school enrollment in seven states into New Hampshire STC enrollment and fiscal impact figures.

A. State-by-State Percentage of Public School Enrollment Converted into NH Scholarship Enrollment							
<u>Year/</u> <u>State</u>	<u>AZ</u>	<u>FL</u>	<u>GA</u>	<u>IN</u>	<u>IA</u>	<u>PA</u>	<u>RI</u>
1	6	1,131	333	69	45	-	87
2	314	824	675	105	2,843	-	339
3	509	739	891	173	3,300	-	428
4	622	1,043	-	-	3,629	2,671	651
5	621	1,229	-	-	3,918	2,956	592
B. Forecasted NH Reduction in Revenue (A*2597)							
<u>Year/</u> <u>State</u>	<u>AZ</u>	<u>FL</u>	<u>GA</u>	<u>IN</u>	<u>IA</u>	<u>PA</u>	<u>RI</u>
1	\$15,048	\$2,938,398	\$865,185	\$178,053	\$116,079	-	\$225,519
2	\$815,457	\$2,141,056	\$1,753,976	\$271,457	\$7,382,752	-	\$881,060
3	\$1,321,622	\$1,918,078	\$2,314,631	\$448,681	\$8,570,488	-	\$1,111,290
4	\$1,614,754	\$2,708,595	-	-	\$9,425,308	\$6,936,093	\$1,690,656
5	\$1,613,823	\$3,192,427	-	-	\$10,175,392	\$7,676,140	\$1,536,438
C. Forecasted Reduction in Public Spending (A*4100*0.7)							
<u>Year/</u> <u>State</u>	<u>AZ</u>	<u>FL</u>	<u>GA</u>	<u>IN</u>	<u>IA</u>	<u>PA</u>	<u>RI</u>
1	\$16,630	\$3,247,286	\$956,134	\$196,770	\$128,282	-	\$249,226
2	\$901,179	\$2,366,127	\$1,938,356	\$299,993	\$8,158,836	-	\$973,679
3	\$1,460,553	\$2,119,709	\$2,557,948	\$495,847	\$9,471,428	-	\$1,228,110
4	\$1,784,499	\$2,993,326	-	-	\$10,416,109	\$7,665,224	\$1,868,379
5	\$1,783,470	\$3,528,019	-	-	\$11,245,043	\$8,483,066	\$1,697,951
D. Forecasted State Savings (C - B)							
<u>Year/</u> <u>State</u>	<u>AZ</u>	<u>FL</u>	<u>GA</u>	<u>IN</u>	<u>IA</u>	<u>PA</u>	<u>RI</u>
1	\$1,582	\$308,888	\$90,949	\$18,717	\$12,202	-	\$23,707
2	\$85,722	\$225,071	\$184,380	\$28,536	\$776,084	-	\$92,618
3	\$138,931	\$201,631	\$243,317	\$47,166	\$900,941	-	\$116,820
4	\$169,745	\$284,731	-	-	\$990,801	\$729,131	\$177,724
5	\$169,647	\$335,592	-	-	\$1,069,650	\$806,926	\$161,512

Note: Chart uses available PA data, starting from year 4. Conversion estimates 2012-13 NH public school enrollment at 185,528 students. "Tax Credits" assumes average scholarships of \$2,500. "Reduction in State Payments to Public Schools" assumes minimum amount of switchers (70 percent) and average \$4,100 state aid per pupil.

APPENDIX C: PRIVATE SCHOOL TUITION IN NEW HAMPSHIRE

The following table contains tuition information from all the independent schools in the 10 most populous towns and cities in New Hampshire, excluding special education and adult education schools. Where possible, the sample uses the tuition that low-income families would actually pay, rather than the sticker price. In many cases, however, the school only informs potential enrollees that “financial aid is available” without specifying an amount. Financial aid is often tailored to the income and financial situation of a given family, sometimes through third-parties such as FACTS Tuition Management. In such cases, the sample uses the sticker price, therefore the sample is upwardly biased relative to the actual tuition that low-income families would pay. Likewise, though family discounts are often available for multiple children, the sample only includes the tuition offered to a single child. Schools that have both elementary and high school grades will appear in both sections. Schools in one category with only one grade level in the other category (e.g. – an elementary school with grade levels up to 9th grade or a high school starting at 8th grade) were only included in one category.

<u>School</u>	<u>City</u>	<u>Affiliation</u>	<u>Grade s</u>	<u>Tuition</u>	<u>Comments</u>	<u>Website (Tuition)</u>
ELEMENTARY SCHOOLS						
Capital Christian School	Concord	Christian	K-8	\$5,000	discounts for multiple children, financial aid available	http://www.capitalchristianschool.net/article/11/tuition-information-and-fees
Concord Christian Academy	Concord	Christian	K-8	\$7,200	financial aid available	http://www.concordchristian.org
St. John Regional School	Concord	Catholic	K-8	\$4,100	discounts for multiple children, financial aid available	http://www.stjohnregional.org/admissions.html
Trinity Christian School-Concord	Concord	Christian	K-6	\$8,400	financial aid available	http://tcsswordsmen.org/
Shaker Road School	Concord	None	K-9	\$15,650	financial aid available	http://www.shakerroad.com/admission_place.html#financial
St. Thomas Aquinas	Derry	Catholic	K-8	\$3,406	supported rate, one child, paid early	http://staderry.com/school/admissions/tuition/
Cross Road Kindergarten & School	Dover	Christian	K-2	\$11,700	average of \$8,800-\$14,600, financial aid available	http://www.crossroadsacademy.com
Portsmouth Christian Academy	Dover	Christian	K-8	\$6,500	financial aid available	http://www.pcaschool.org

St. Mary Academy	Dover	Catholic	K-8	\$4,088	average of \$2,915-\$5,260	http://www.stmaryacademy.org
Presentation of Mary Academy	Hudson	Catholic	K-8	\$4,450	no financial aid	http://www.pmaschool.org
Southern NH Montessori Academy	Londonderry	Montessori	K-3	\$8,795	no financial aid	http://www.snhma.org
Holy Family Academy	Manchester	Christian	7-8	\$6,300	financial aid available	http://www.holyfamilyacademy.org/
St. Benedict Academy	Manchester	Catholic	K-6	\$3,740	rate for one child 1-6, discounts for multiple children	http://www.stbenedictacademy.org/admissions/tuition-financial-aid/
St. Casimir School	Manchester	Catholic	K-8	\$2,200	average of \$2,000-\$2,400	http://www.stcasimirnh.org
Derryfield School	Manchester	Prep	6-8	\$25,700	financial aid available	http://www.derryfield.org
Mount Saint Mary Academy	Manchester	Diocese Catholic	K-6	\$5,040	financial aid available	http://www.mtstmary.org
Mount Zion Christian Schools, Inc.	Manchester	Christian	K-6	\$5,855	\$375 + avg \$5030-\$5930, financial aid available	http://www.mountzionnh.org/private-school-tuition.html
St. Joseph Regional Junior High School	Manchester	Catholic	7-8	\$5,740	average of two rates	http://stjoesjrhs.org/tuition2012.pdf
St. Anthony Elementary School	Manchester	Catholic	K-6	\$3,990	financial aid available	http://www.stanthonyschool-nh.com/registration.html
South Merrimack Christian Academy	Merrimack	Baptist Church	K-8	\$4,229	avg K: \$2808.8, 1-5: \$4244.24, 6-8: \$4770.90; church member/on time rate	http://www.smcanh.org/#/admissions
Christian Bible Church Academy	Nashua	Christian Bible Church	1-8	\$3,056	on time rate, discounts for multiple children, financial aid available	http://www.cbcnashua.com/cbca/tuition/tuition.htm
Infant Jesus School	Nashua	Diocese	K-6	\$3,625	average of \$2,750-\$4,500, financial aid available	http://www.ijschool.org
Second Nature Academy	Nashua	None	K-6	\$9,000	financial aid available	http://www.naturesacademy.com/redesign/2nd_nature/admissions.html
St. Christopher School	Nashua	Catholic	K-6	\$3,850	average of \$3,350-\$4,350, limited financial aid available	http://www.stchrisschoolnh.org
Nashua Catholic Reg'l Junior High	Nashua	Catholic	7-8	\$5,598	supported rate	http://www.ncrjhs.org/admissions/tuition-and-financial-aid
Nashua Christian Academy	Nashua	Christian	K-8	\$5,420	average of elementary/ jr. high rates	http://www.nashuachristian.org/category/tuition/

World Elementary School	Nashua		K-6	\$7,875	\$875 per month for 8:15am-3:00pm, financial aid available	http://www.worldacademynh.com/elementary/tuition
Lighthouse Christian Academy-Rochester	Rochester	Pentecostal	K-8	\$2,405	no financial aid available	http://www.harvestofpraisecog.com/LighthouseChristianAcademy.dsp
St. Elizabeth Seton School	Rochester	Catholic	K-8	\$3,860		http://sesschool.org/?page_id=22
Salem Christian School	Salem	Christian	K-8	\$4,785	no financial aid available	http://www.salemchristianschool.org
St. Joseph Regional Catholic School	Salem	Catholic	K-8	\$4,600	supported rate	http://www.sjrccs.com/admissions/tuition-and-fees/kindergarten-grades-1-8/
AVERAGE ELEMENTARY SCHOOL TUITION				\$6,328		
MEDIAN ELEMENTARY SCHOOL TUITION				\$5,000		
LOWEST ELEMENTARY SCHOOL TUITION				\$2,200		
HIGH SCHOOLS						
Bishop Brady High School	Concord	CATHOLIC	9-12	\$8,750	financial aid available	http://www.bishopbrady.edu/page/2540/
Concord Christian Academy	Concord	Christian	9-12	\$9,500	financial aid available	http://www.concordchristian.org
St. Paul's School	Concord	Boarding/Prep	9-12	\$0	full financial aid for families with income under \$80,000	http://www.sps.edu/podium/default.aspx?t=5674
Portsmouth Christian Academy	Dover	Christian	9-12	\$6,500	financial aid available	http://www.pcaschool.org
St. Thomas Aquinas High School	Dover	Catholic	9-12	\$10,100		http://www.stalux.org/podium/default.aspx?t=140546&rc=0
Derryfield School	Manchester	Prep	9-12	\$25,700	financial aid available	http://www.derryfield.org
Holy Family Academy	Manchester	Christian	9-12	\$3,531	weighted average 9-11: \$7,000, 12: \$7,125, financial aid available	http://www.holyfamilyacademy.org/

Liberty Harbor Academy	Manchester	Prep	9-12	\$15,000	financial aid available	http://www.libertyharboracademy.org/admissions.html
Mount Zion Christian Schools, Inc.	Manchester	Christian	9-12	\$7,205	financial aid available	http://www.mountzionnh.org/private-school-tuition.html
Straight "A" Academy	Manchester		9-12	\$24,750	financial aid available	http://straightacademy.com/Tuition.html
Trinity High School	Manchester	Catholic	9-12	\$8,971	weighted average: 9-11: \$8,940; 12: \$9,065, financial aid available	http://www.trinityhs.org/admissions/tuition.html
South Merrimack Christian Academy	Merrimack	Baptist Church	9-12	\$4,725	rate for church members/paid on time, discounts for multiple children	http://www.smcanh.org/#/admissions
Bishop Guertin High School	Nashua	Catholic	9-12	\$12,250	financial aid available	http://www.bghs.org/Admission/tuitionfinancialaid
Christian Bible Church Academy	Nashua	Christian Bible Church	9-12	\$3,056	on time rate, discounts for multiple children, financial aid available	http://www.cbcnashua.com/cbca/tuition/tuition.htm
Nashua Christian High School	Nashua	Christian	9-12	\$6,395		http://www.nashuachristian.org/category/tuition/
Lighthouse Christian Academy-Rochester	Rochester	Pentecostal	9-12	\$2,405	no financial aid available	http://www.harvestofpraisecog.com/LighthouseChristianAcademy.dsp
AVERAGE HIGH SCHOOL TUITION				\$9,302		
MEDIAN HIGH SCHOOL TUITION EXCLUDING \$0				\$7,978		
LOWEST HIGH SCHOOL TUITION				\$0		
LOWEST HS TUITION EXCLUDING \$0				\$2,405		

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Figure 11

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