



Addendum to Tax-Credit Scholarship Audit

Re: Georgia's Qualified Education Expense Tax Credit program

Date: 11/8/2016

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The purpose of this addendum is to update the fiscal impact estimates reported in the Tax-Credit Scholarship Audit (Lueken, 2016). This report estimates the fiscal impact of 10 tax-credit scholarship programs in seven states, including Georgia. The profile for Georgia's Qualified Education Expense Tax Credit program is found on pp. 44-46 and reports that taxpayer savings were between \$12 million and \$85 million, or about \$300 to \$1,700 per scholarship recipient. This estimated range reflects different assumptions about the number of students who would have enrolled in public schools without the program's existence and the number of students who receive multiple scholarships.

Table 11 on pp. 45-46 reports estimates based on the assumption that 25 percent of the scholarships awarded each year were given to multi-scholarship students. In addition, to generate cautious estimates, the analysis employed data that actually overstates the true cost of the program. That is, it used data from the GA Department of Revenue on tax credits that were pre-approved for individuals, corporations, and fiduciaries. These data are reported under the column "Tax Support Cost of Scholarships (GA Gov't)."

The Department of Revenue reports the actual total value of contributions made each year. These data reflect the true cost of the program, and their values each year are lower than the number of tax credits pre-approved. As noted above, the latter were used in the report to generate cautious estimates.

In addition, it should be noted that the columns labeled "Average Scholarship Amount" and "Average Tax Support Per Scholarship (GA Gov't)" are not comparable as they are based on different denominators.

Finally, Table 11 in the report, which was intended to illustrate how estimates were generated, is based on the assumption that 25 percent of scholarships were awarded to multi-scholarship students. Based on conversations and data received from the program's largest student scholarship organization (SSO), Georgia GOAL, this estimate is likely very conservative and greatly overstates the actual number. It's more likely that about 10 percent of the awards go to students who receive multiple scholarships. Please note that 10 percent was the assumption used in the report to generate high-end estimates.

In light of the above discussion, Table A below provides fiscal impact estimates that reflect the following updates:

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- 1) The values in the column “Tax Support Cost of Scholarships (GA Gov’t)” are replaced by the actual total value of contributions made each year;
- 2) The columns “Average Scholarship Amount” and “Average Tax Support Per Scholarship (GA Gov’t)” are computed with the same denominator to facilitate comparability;
- 3) Fiscal impact estimates are based on the assumption that 10 percent of scholarships are awarded to multi-scholarship students.

Between 2010-11 and 2013-14, Georgia’s Qualified Education Expense Tax Credit program saved taxpayers \$98.3 million, or \$2,132 per scholarship recipient. In order for the program to be fiscally neutral, 68 percent of the scholarship students must have enrolled in public schools if not for the program’s existence.

Figure A below depicts the fiscal impact annually by reporting the net impact per scholarship student, tax support (cost) per scholarship student, and variable cost relief per scholarship student.

TABLE A

Georgia Qualified Education Expense Tax Credit - Overall Fiscal Effect
(\$ adjusted for inflation)

Tax Year	Added Cost of Tax Support					Reduced Cost Burden on Public Schools				Total Net Savings	Net Savings Per Scholarship Student	Break-even Switcher Rate
	Number of Students	Total Value of Scholarships	Average Scholarship Amount Per Student	Average Tax Support Per Scholarship Student (GA Gov't)	Tax Support Cost of Scholarships (GA Gov't)	% Share of Scholarship Students Switching from Public School	Scholarship Students Switching from Public School	Average Variable Cost Per Student (GA Schools)	Variable Cost Burden Relief (GA Schools)			
2011	10,163	\$41,525,913	\$4,086	\$4,904	\$49,842,744	98.6%	10,023	\$7,016	\$70,317,135	\$20,474,392	\$2,015	70%
2012	11,957	\$46,406,362	\$3,881	\$4,150	\$49,615,085	98.6%	11,785	\$6,846	\$80,674,365	\$31,059,280	\$2,598	61%
2013	11,941	\$47,416,958	\$3,971	\$4,673	\$55,806,018	98.5%	11,763	\$6,656	\$78,291,631	\$22,485,614	\$1,883	70%
2014	12,085	\$42,308,313	\$3,501	\$4,451	\$53,786,581	98.5%	11,904	\$6,564	\$78,129,939	\$24,343,358	\$2,014	68%
Cumulative Total										\$98,362,644	\$2,132	68%

Sources: Georgia Department of Revenue; U.S. Census Bureau; National Center for Education Statistics; Friedman Foundation for Educational Choice, National Catalogue of School Choice Programs
* Because the Georgia Department of Revenue did not report data during the years 2008-2010, I omit these years from the analysis; I assume that 10 percent of scholarships are awarded to students who receive multiple scholarships.

FIGURE A

Georgia Qualified Education Expense Tax Credit - Net Savings Per Scholarship Student
(\$ adjusted for inflation)

