



Education Scholarships

- *Reduces the cost of education*
- *Saves the state and local taxpayers money*
- *Creates options for students and parents*
- *In a State wide opinion poll, supported equally by Democrats and Republicans*
- *Is strongly supported by the business community in the states that have this program.*

The Purpose: Public Schools are the backbone of the Montana educational system, and work very well for most, but not all, children. This is evidenced by Montana's approximately 20 % drop-out rate. Those children, for whom public school is not a good fit, need options.

In a recent poll on educational attitudes, 64% of Montanans said they are favorable to a tax credit scholarship program similar to the one in this bill. (The poll can be viewed in its entirety at www.montanafamily.org)

Support for this scholarship program was equally strong across all demographic lines including income, political party affiliation, religion, and geographic location.

What does it do? The bill allows an initial \$3.5 million scholarship fund with a 30% automatic increase when 80% has been given in scholarships in a dollar for dollar credit of up to 90% of the taxpayer's income tax liability. The tax credit is for corporations and individuals who make donations to nonprofit Student Scholarship Organizations (SSO's). Parents apply to the SSO's for scholarships to help pay for tuition for attendance to a K-12 private school, or private virtual/online school.

What does it cost? The cost to educate a child in a Montana public school is approximately \$10,500 per year in 2011. The cost to educate a child in a Montana private high school averages \$6000 per year and private elementary tuition cost averages about \$3,500 to \$4,500 per year. These scholarships average \$3,000 per year so the taxpayers actually save an enormous amount of money.

How does it work?

- Individuals and Corporations apply to the Department of Revenue (DOR) for approval of their donation. DOR will grant tax credits until \$3.5 million cap is reached.
 - Income Tax credits equal 100% of donation.
 - Individual: maximum donation up to 90% of the taxpayers income tax liability
 - Married filing jointly: Same as individual
 - Corporation: 100% dollar for dollar maximum donation, up to 90% of the tax liability can be donated.
- Starting in 2011, \$3.5 million in income tax credits are allowed for donations to 501(c)3 nonprofit Student Scholarship Organizations (SSO's). In any given year when the SSO's report to the DOR that 80% of the capped amount has been given in scholarships the cap shall rise by 30%.
- SSO's accept applications from Montana residents who would like a scholarship to send their student to a K-12 private school or private virtual school. All of these schools must be accredited or notify the parents if they are non-accredited and administer a norm reference test. To qualify for a scholarship the student must be a resident of Montana.
- The average dollar value of the total scholarships granted must be \$3,000.
- Students who are eligible for a tax credit scholarship include only students who desire to transfer from public school to a private school or students who are entering a private school in K or 1st or students transferring from out-of-state at any grade.
- 10% of the scholarships are reserved for Native American Students
- Donors and SSO's may not direct parents to any particular school. The parents use the scholarship to send their child to the school of their choice.
- SSO's are required to submit a copy of a financial review, the number and dollar amount of scholarships awarded and the total amount of donations received to the DOR annually. DOR reports to the Tax & Transportation interim committee.
- 1,050 scholarships would be available in 2012 at an average of \$3,000 each if donations totaled 3.5 million. Starting in 2011 donations could be made and scholarships would be available for the 2012/2013 school year.

THE BOTTOM LINE

- **Montana public schools spend an average of over \$10,000.00 /year/student**
- **Educating students with \$3,000.00 scholarships saves taxpayers' money.**
- **Because of the Montana school funding formula public school district dollars available per pupil increases when a student moves to a private school on an Tax Credit Scholarship at the same time saving the taxpayers money. In the school funding formula all funds are not attached to the student.**

- **Net savings to State Budget: approximately; Year one (\$225,000) to \$2 million depending upon the components, Year two (0) to \$2.5 million, Year three \$175,000.00 to \$3.2 million Year four \$470,000.00 to \$4.2 million**
- **Net Savings to Local County Tax Payers across the State: \$2 million to \$6 million per year during the first four years.**
- **Social/Economic effects of reducing the high school dropout rate would vastly improve the well-being of all of the citizens of Montana.**

Montana is one of only eight remaining states without school choice or charter schools. It is in the best interest of this state to ensure that all parents and foster parents, regardless of means, have the opportunity to choose an educational venue that works best for their child.

Many Montana parents and foster parents would like the opportunity to choose a school for their child among options that include private schools, charter schools, virtual schools, and home schooling. Approximately 2,000 new dropouts enter the state's labor market each year. Montana high school graduates on average earn 22% more than Montana high school dropouts after controlling for differences in age, gender, and race. The total cost to Montana's economy that results from these reduced taxable earnings amounts to \$216 million annually. The lost wages of high school dropouts lead to lower state tax contributions. This lost tax revenue amounts to approximately \$16.3 million annually due to the lower wages of high school dropouts.

Montana's high school dropouts are almost twice as likely to report "fair" or "poor" health as graduates. Dropouts are also almost twice as likely to receive Medicaid subsidies and be more reliant on the state to cover the related expenses. Higher Medicaid use by dropouts costs Montana nearly \$23 million per year. Nearly 1 of every 10 young male dropouts was institutionalized on a given day in 2006-2007 versus less than 1 of 33 high school graduates. The total annual fiscal impact of dropouts on the state's incarceration costs is almost \$10 million. By permanently cutting the dropout rate in half, each class of new high school graduates will yield over \$32 million in direct gross economic benefits to the state.