



Issue Brief: Florida Tax Credit Scholarship Program

Background

Established in 2001, the Florida Tax Credit Scholarship Program (FTC Program) was initially designed to provide scholarships to low-income students for private school tuition and fees or for transportation expenses to a Florida public school outside the student's school district. Originally, the FTC Program was funded by allowing corporations to receive a dollar-for-dollar credit against their corporate income tax liability by redirecting their tax liability payment to a Scholarship Funding Organization (SFO) which, in turn, provided private-school tuition of \$3,500 per student or up to \$500 for transportation expenses to a Florida public school. At its inception, the program had an expenditure cap of \$50 million annually. Since its original enactment, the FTC Program has been expanded several times to provide increases in the voucher amount, expansion of the student eligibility criteria, increases in the annual expenditure cap, and the inclusion of additional corporate tax liability sources.

Current Situation

During the 2016-17 school year, scholarships were awarded to 98,936 students enrolled in 1,722 participating Florida private schools – nearly 68% of which were religious schools. Several changes have been made to the FTC Program since its inception:

- Voucher Amount – Initially, the maximum private school tuition scholarship awarded to each individual student was set at 72% of the per-student funding provided to public schools. Also, the law provided for an automatic increase in the voucher amount to a cap of 82%. At its inception, the FTC Program provided a voucher for private school tuition of \$3,500. For the 2016-2017 school year, the voucher amount is \$5,886. *[NOTE: Changes were enacted during the 2017 Legislative Session that increased the scholarship amount so that, beginning in the 2017-2018 school year, the scholarship amount will be differentiated by grade level to provide 88% of public school per-student funding for grades K-5, 92% for grades 6-8, and 98% for grades 9-12. In addition, the amount for the transportation scholarship was increased from \$500 to \$750.]*
- Student Eligibility – Initially, student eligibility was limited to children from families with annual incomes below 185% of the federal poverty level – about \$48,000 for a family of four. For the 2016-2017 school year, eligibility was extended to children in middle income families with annual incomes up to 280% of the federal poverty level – about \$63,000 for a family of four – but the total amount of the voucher is reduced as a function of annual family income. Children in foster care also are eligible, regardless of income. In addition, current law no longer requires a student in grades 6-12 to have been enrolled in a public school in the prior year. In effect, this change allows any K-12 student with a family income within the set limits to be eligible for a voucher.

- Expenditure Cap – There is a cap on the maximum amount of tax credits that may be allowed in any given year, but current law provides for an automatic 25% increase in the cap in the subsequent year whenever tax credits in the prior fiscal year exceeds 90% of the cap for that year. At its inception, the program had an expenditure cap of \$50 million. The 2016-2017 cap is approximately \$599 million.
- Eligible Tax Credits – Originally, the FTC Program was funded with contributions to private nonprofit SFOs from corporate taxpayers who receive a dollar-for-dollar tax credit against some or all of their liability for state corporate income tax. Eligible tax credits have been expanded to include the same dollar-for-dollar credit for insurance premium tax, severance taxes on oil and gas production, self-accrued sales tax liabilities of direct pay permit holders, and/or alcoholic beverage taxes on beer, wine, or spirits.

Concerns

- Students participating in the FTC program are not required to take statewide required assessments so there is no mechanism to determine how these students are performing in mastering state standards nor is there any mechanism to determine how these students compare with their cohort of students in Florida's public school system. Further, this lack of accountability may place these students at a disadvantage if they should choose to return to the public school system.
- Voucher proponents contend that the expansion of this voucher program is justified, in part, by the claim that this program will improve both student achievement and public school performance. However, research has shown no conclusive evidence that this is the result. The program's annual independent analysis of voucher student academic performance consistently shows little or no difference in voucher students' performance when compared to their national cohort.
- As currently established, the FTC Program allows any K-12 student with a family income within the set limits to be eligible for a voucher regardless of whether the public school to which the student is assigned is a high performing school. Further, the FTC Program allows any eligible K-12 student to receive a voucher regardless of whether the student is already attending a private school.
- Participating private schools do not have to be accredited, teachers do not have to be certified, curriculum does not need to be aligned with Florida's state standards, and dismissal and discipline policies do not need to be consistent with local, state, or federal policies and guidelines.
- Since 2001, when the program first launched, Florida has redirected more than \$3 billion in tax revenue to this program. The loss of billions of dollars in state revenue for this voucher program not only diminishes the state's ability to adequately fund public education programs, but it also diminishes the state's ability to fund every other state program and service – including programs such as health care, child protective services, transportation, and environmental protection – and perpetuates the state's chronic underfunding of these programs and services.

- A Scholarship Funding Organization (SFO) – Step Up for Students is currently the predominant SFO in Florida – is authorized to retain 3% of each year’s voucher revenues as an administrative fee and this fee grows with each increase in the funding caps. For 2016-17, this administrative fee could be as much as \$18 million to be used for staff salaries, advertising, recruitment, and related costs. From these funds, the current Step Up for Students president was paid an annual salary in excess of \$245,000 in 2016.
- Proponents claim that the expansion of this voucher program is justified, in part, by the savings of state funds because the amount of the voucher is less than the amount the state provides to school districts in per-student FEFP funding. However, the savings is based on unverifiable reports from the participating private schools and, more important, state studies and reports show that the state’s savings diminishes each year. Further, this ignores the costs that school districts incur, such as costs for parental notification, record-keeping, testing accommodations, data collection, and data reporting. No state funding is provided to offset these district costs.
- According to video taped comments by proponents, the SFO has directed millions of dollars in campaign contributions to legislators and in fees to lobbyists to help ensure support for the program.

Relevant Florida Statutes and Rules

[Section 1002.395, F.S.](#) – Florida Tax Credit Scholarship Program

[Section 1002.421, F.S.](#) – Accountability of private schools

[Rule 6A.6.0960, F.A.C.](#) – FTC Scholarship Program