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Expanding Educational Choice in Nebraska

One of the distinctive features of a free society is the citizen's ability to make choices. But in Nebraska there is one crucial area where citizens lack full freedom of choice: education. Unlike 21 other states, Nebraska does not have a program utilizing tax credits, vouchers, or educational savings accounts to aid students choosing to attend private schools, restricting private school attendance in Nebraska only to those who can afford the tuition.[\[1\]](#)

Fortunately, LB14, introduced by Omaha Sen. Bob Krist, seeks to remedy that situation by giving a limited tax credit for individuals or businesses donating to "state-certified, nonprofit, scholarship-granting organizations" with at least 95 percent of the donated revenue going to means-tested scholarships for children to attend private schools.[\[2\]](#) Under LB14, these scholarships would be means tested, so the recipient could not come from a household earning more than three times the eligible income for free and reduced lunch. Therefore, a family of four would have to have income less than \$69,150 in order for one of their children to receive a tax credit scholarship.[\[3\]](#)

Studies of these types of programs show that they have had some success in boosting student achievement. One prominent example is a study in Florida which found that low performing students who received a tax credit scholarship for private school improved test scores relative to their peers in their default public school.[\[4\]](#) Another study examining the effect private competition has on public schools showed Florida public schools actually saw student performance improve on state math and reading tests when there was a private school providing competition.[\[5\]](#) So not only did individual students receiving the scholarships improve, but the public schools improved their performance as well, benefitting all students affected.

Tax credits could also save the state money in the long term. A 2010 study examining a similar tax credit bill introduced in 2009, LB67, determined that if Nebraska gave out tax credits for up to 65 percent of the donated contribution with an annual aggregate cap of \$3 million, then the state would see a net fiscal benefit between \$2.4 and \$37 million, depending on the average scholarship amount. The fiscal benefits come from the fact that while the state may lose out on a certain amount of tax revenue, it would save money from no longer bearing the responsibility of educating that particular student. For example, if a scholarship valued at \$3,155 transfers a single student from public to private school, and the state gives a tax credit for 65 percent of that amount-\$2,024.75- then the state saves the \$1,130.25 difference. Similarly, if 80 percent of the scholarships

are awarded to public school students so they can attend private schools with an average value of \$1,750 and the state only gives credits up to 65 percent of that amount, Nebraska would save an estimated \$51 million over ten years.[6] The cost-saving virtues of tax credit programs can be seen in other states as well; for example, Florida's tax credit program saved \$1.49 for every \$1 lost in potential revenue, a 49 percent return on investment.[7]

It should also be stressed that tax credit scholarships do not take funding away from local school districts. Property taxes would continue contributing to local districts, and the money saved by the state from the implementation of a tax credit program could have the effect of increasing the amount available to public schools through state aid if the saved money is reinvested in public education. Indeed, the study evaluating LB67's tax credit program estimated that if approximately 1,583 public school students throughout the entire state utilized an average tax credit scholarship of \$2,500 with a 65 percent tax credit given, local districts would see revenues increase by nearly \$12 million per year, approximately \$7,765 per scholarship.[8] One more student in private education means one less student that the state has to pay for, resulting in more available resources for other students.[9] A successful tax credit program utilized by a significant number of students-such as the above 1,583 example-would save the state money while increasing revenue, leaving public schools with more available resources and benefitting all students on the process.

Nebraska has a long history of providing parent-controlled education, but without the ability to make choices, parents cannot truly be in control. Tax credit scholarships give parents the power to make choices in their child's education and provide much needed competition to the public school system, improving outcomes for all Nebraska's students.

[1] The Friedman Foundation for Educational Choice, "School Choice Programs." Accessed March 15, 2013, <http://www.edchoice.org/School-Choice/School-Choice-Programs.aspx>.

[2] Nebraska Legislature, "Introducer's Statement of Intent: LB14," March 5, 2013. Accessed March 15, 2013, <http://nebraskalegislature.gov/FloorDocs/Current/PDF/SI/LB14.pdf>.

[3] Nebraska Legislature, "Legislative Bill 14," January 10, 2013. Accessed March 17, 2013, <http://nebraskalegislature.gov/FloorDocs/Current/PDF/Intro/LB14.pdf>; Jeffrey J. Tribiano, "Federal Register, Vol. 77, No. 57," Department of Agriculture, March 19, 2012. Accessed March 17, 2013, <http://www.gpo.gov/fdsys/pkg/FR-2012-03-23/pdf/2012-7036.pdf>. The income cut-off on free and reduced lunches for a family of four is \$23,050.

[4] David N. Figlio, "Evaluation of the Florida Tax Credit Scholarship Program Participation, Compliance and Test Scores in 2009-10," University of Florida, Northwestern University, and National Bureau of Economic Research, August 2011. Accessed March 17, 2013, http://www.floridaschoolchoice.org/pdf/FTC_Research_2009-10_report.pdf.

[5] M.D. Hart and David Figlio, "Does Competition Improve Public Schools," Winter 2011 Education Next. Accessed March 17, 2013, <http://educationnext.org/does-competition-improve-public-schools/>.

[6] Brian Gottlob, "Tax-Credit Scholarships in Nebraska: Forecasting the Fiscal Impact," Foundation for Educational Choice, June 2010. Accessed March 18, 2013, <http://www.edchoice.org/CMSModules/EdChoice/FileLibrary/498/School-Choice-State-Research----Tax-Credit-Scholarships-in-Nebraska---Forecasting-the-Fiscal-Impact.pdf>.

[7] Office of Program Policy Analysis & Government Accountability, "The Corporate Income Tax Credit Scholarship Program Saves State Dollars," December 2008. Accessed March 18, 2013, <http://www.oppaga.state.fl.us/reports/pdf/0868rpt.pdf>.

[8] Brian Gottlob, "Tax-Credit Scholarships in Nebraska: Forecasting the Fiscal Impact," Foundation for Educational Choice, June 2010. Accessed March 18, 2013, <http://www.edchoice.org/CMSModules/EdChoice/FileLibrary/498/School-Choice-State-Research----Tax-Credit-Scholarships-in-Nebraska---Forecasting-the-Fiscal-Impact.pdf>.

[9] Adam Schaeffer, "School Tax Credit Can Help Kids and the State," Cato Institute Center for Educational Freedom, December 15, 2008. Accessed March 19, 2013, <http://www.cato.org/publications/commentary/school-tax-credit-can-help-kids-state>.

