



Kansas's New Scholarship Tax Credits Worth a Look

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By Dick Clark

With Governor Sam Brownback's April signature on HB 2506,[\[1\]](#) Kansas joined thirteen other states with scholarship tax credit programs and the majority of states that offer some variety of school choice, including scholarship tax credits or deductions, charter schools, or vouchers.[\[2\]](#) The bill included a number of education funding and education policy provisions relating to both K-12 and higher education.[\[3\]](#) Among other measures enacted in the thirty-nine page bill was a new scholarship tax credit program benefiting low income students.

The new Tax Credit for Low Income Students Scholarship Program allows corporate income, premium, and privilege tax liabilities to be offset by donations to qualified Scholarship Granting Organizations (SGOs). These donations are rewarded with a tax credit equivalent to 70 percent of the amount contributed. The tax credits available under the new program are non-refundable, but unused portions may be carried over to offset liabilities in subsequent tax years. The total credits granted in any given year may not exceed \$10 million.[\[4\]](#)

SGOs are privately operated, but they are held publicly accountable for funds they receive through the program. Administration costs may not exceed 10 percent of contributions. SGO accounts in Kansas will be subject to annual audits, and organizations receiving more than \$50,000 in a given year will also be required to either demonstrate financial ability to pay or provide the state with a surety bond.[\[5\]](#)

Individual student scholarships are capped at \$8,000 annually. To qualify for a scholarship funded through the new program, students must meet the qualifications for a free lunch under the National Schools Lunch Act. They must also attend one of the public schools that have been identified as having significant gaps in student achievement relative to state benchmarks and other schools in the state.[\[6\]](#) Ninety-nine troubled schools in Kansas currently fall into one of the two categories required for scholarship eligibility.[\[7\]](#)

Although all parents and students should enjoy the benefits of school choice, students living in or near poverty are also the most likely to be disadvantaged in their education by enrollment in a failing public school. It is critically important that these students be given the best possible educational opportunities, because a student who does not receive an adequate education is less

likely to avoid poverty as an adult and is more likely to become entangled in the criminal justice system.[8] Despite cynical claims to the contrary, students from disadvantaged backgrounds can succeed in school. Rather than blaming children for their bad educational outcomes, policymakers and parents should look to the structure and practices of the failing educational institutions.

In Nebraska, the negative effects of failing schools disproportionately fall on minority students. But as demonstrated by the data reviewed in a Platte Institute policy report from April 2014, the minority student achievement gap can be greatly diminished in schools operating independently of the traditional public education bureaucracy.[9]

School choice provides needed options for students. Targeted scholarship tax credit programs like the new one being implemented in Kansas allow for private donors to critically and independently review SGOs and the educational practices implemented with the dollars they disburse. SGOs and private schools that do not measure up would face the direct discipline of declining contributions from donors. Educational institutions that are financially dependent on success are more apt to be successful in educating young people. Students here in Nebraska deserve no less.

[1] House Bill 2506. Kansas Legislature. 2014 Legislative Session. [URL: http://kslegislature.org/li/b2013_14/measures/hb2506/]

[2] “School Choice Programs.” Friedman Foundation for Educational Choice. 2014. [URL: <http://www.edchoice.org/School-Choice/School-Choice-Programs>]

[3] Summary, LB 2506. Kansas Legislature. 2014 Legislative Session. [URL: http://kslegislature.org/li/b2013_14/measures/documents/summary_hb_2506_2014.pdf]

[4] *Ibid.*

[5] *Ibid.*

[6] *Ibid.*

[7] *See* “Title I Priority Schools.” Kansas State Department of Education. August 3, 2012. [URL: <http://www.ksde.org/Portals/0/Title%20Programs%20and%20Services/Title%20I%20Priority%20Schools.pdf>], and “Kansas Title I Focus Schools.” Kansas State Department of Education. September 21, 2012. [URL: <http://www.ksde.org/Portals/0/Title%20Programs%20and%20Services/Title%20I%20Focus%20Schools.pdf>]

[8] *See, e.g.*, Lochner, Lance and Enrico Moretti. “The Effect of Education on Crime: Evidence from Prison Inmates, Arrests, and Self-Reports.” Econometrics Laboratory. Institute of Business

and Economic Research. University of California-Berkeley. October 2003. [URL:
<http://eml.berkeley.edu/~moretti/lm46.pdf>]

[9] Alger, Vicki. "Ending Nebraska's Achievement Gap: A First Look at Student Achievement in Omaha's Public and Catholic Schools." Platte Institute for Economic Research. April 2014.
[\[http://www.platteinstitute.org/library/docLib/Ending-Nebraska-s-Achievement-Gap-042814.pdf\]](http://www.platteinstitute.org/library/docLib/Ending-Nebraska-s-Achievement-Gap-042814.pdf)