



# 2017 Session Brief

## State Tax Subsidies for Private K-12 Education

### Background

Legislation has been introduced that would provide significant taxpayer subsidies to nonpublic K-12 schools. The proposed legislation would facilitate the granting of scholarships to students attending nonpublic schools through tax credits, extend the current K-12 tax credit to nonpublic school tuition and index the K-12 education tax credits and deductions to inflation. A summary of the proposed legislation is below.

Legislation Subsidizing Private K-12 Education 2017	
Bill Numbers and Authors	Bill Information
HF 4, House Omnibus Tax Bill (Davids)  Includes provisions from HF 386 (Kresha) and HF 387 (Knoblach)	Allows individual income and corporate franchise tax credits equal to 70 percent of the amount contributed to foundations that award scholarships to students attending a nonpublic K-12 school or foundations that support one or more public schools or districts. State revenues would be reduced by almost <b>\$30 million</b> in the 2018-2019 biennium. The bill also extends the existing K-12 education credit to nonpublic school tuition reducing state revenues by an additional <b>\$25 million</b> . In addition, the bill increases the existing K-12 education subtraction and credit amounts and the phase-out threshold for the credit and adjusts them annually for inflation. The nonpublic school tax subsidies in HF 4 would reduce state revenues by almost <b>\$55 million</b> in FY 2019.
SF 2255, Senate Omnibus Tax Bill (Chamberlain)  Includes provisions from SF 256 (Chamberlain)	Allows individual income and corporate franchise tax credits equal to 70 percent of the amount contributed to foundations that award scholarships to nonpublic K-12 students. Indexes the existing K-12 education tax credit amount and income threshold to increases in inflation. The nonpublic school tax subsidies in SF 2255 would reduce state revenues by <b>\$35 million</b> per taxable year beginning in 2018.

### Key Points

#### Minnesota Is Not Meeting Its Constitutional Obligation to Public Schools

- State policymakers should focus on adequately funding our public schools rather than subsidizing nonpublic schools. Minnesota's constitution makes it the duty of the Legislature to establish a general and uniform system of public schools. By many measures, the State is not meeting that constitutional obligation. For example:
- The general education basic formula for FY 2017 is \$550 per pupil (8.5 percent) less than it was in FY 2003 in inflation adjusted (FY 2017) dollars.
- Mandated special education expenditures exceeded the funding provided by the state and federal government by \$680 million in FY 2016.

### **Public Funding Requires Public Accountability and Accessibility**

- State taxpayers expect that any institution that receives public funding will be held accountable for how those funds are expended and will follow all applicable state laws and regulations.
- Likewise, Minnesotans expect that taxpayer dollars will be used at schools that are accessible to ALL children, including children with special needs.

### **Minnesota Offers Extensive School Choice Options**

- Minnesota offers students and families extensive public school choice options including charter schools, open enrollment, dual credit programs, shared time, online learning, alternative learning programs, magnet schools and home schooling. In addition, Minnesota already subsidizes private schools by assisting with transportation, special education, textbooks, counseling and nursing services.

### **Research Does Not Support Public Subsidies for Private K-12 Education**

- Numerous studies since the 1990s have found that students receiving vouchers do not outperform students who remain in their public schools. In 2015, a report from the bipartisan Center for Tax and Budget Accountability found that none of the independent studies of the voucher programs in Milwaukee, Cleveland and Washington, D.C. revealed any statistical evidence that children who utilized vouchers performed better than children who remained in public schools.
- In 2013, the Wisconsin State Department of Instruction released enrollment figures for its voucher program expansion and revealed that only 21% of those students receiving a voucher attended a Wisconsin public school the previous year; 73% already attended a private school the previous year. During the fall of 2014, a review by the Wisconsin State Journal released findings showing that since 2004, Wisconsin taxpayers had paid \$139 million to private schools subsequently banned from their voucher system for failing to meet requirements related to finance, accreditation, student safety and auditing. The Milwaukee Journal Sentinel reported that the voucher program in Wisconsin will cost taxpayers \$245 million in the 2016-17 school year.

### **The Public Overwhelmingly Opposes Private School Vouchers**

- The American public is overwhelmingly opposed to private school vouchers. The 2015 Phi Delta Kappa (PDK)/Gallup Poll of the Public's Attitudes toward the Public Schools shows that only 31% of Americans favor allowing students and parents to choose a private school to attend at public expense. Minnesotans are likewise strongly opposed to private school vouchers. A public opinion survey conducted by the Morris Leatherman Company in August of 2016 shows that over 60% of Minnesotans oppose vouchers/tax credits for private/religious schools.