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To: All Members of the House of Representatives
From: Edward J. Albert, Ed.D., Executive Director, Pennsylvania Association of Rural and Small Schools
Re: **Oppose HB 800— private/religious school scholarship expansion through the EITC program**
Date: May 6, 2019

Dear Members of the General Assembly,

We are writing today about House Bill 800, which seeks to increase funding for private/religious school scholarships through Educational Improvement Tax Credit (EITC) program by \$100 million in 2019-2020 and to increase this funding to \$544 million/year by 2029-2030 through a built-in 10% annual escalator in the legislation.

We urge you to take a moment to consider the following before making a decision about this sweeping expansion to the program.

Without any significant debate, HB 800 nearly doubles the funding for this Commonwealth program and it enables the program to swell to more than half a billion dollars without any legislative oversight or action in the years ahead.

- The bill provides for a \$100 million expansion in one tax expenditure, making HB 800 the vehicle for the largest percentage increase of any state program supported either by state funds or state-enabled tax expenditures.
- The bill ties the hands of future legislatures by providing and establishing an automatic escalator that will balloon the cost of the program in ten years to more than \$544 million.

The bill dramatically grows a program that has some of the weakest financial controls and transparency requirements of any Commonwealth program.

- PA taxpayers know virtually nothing about how more than \$1 billion in diverted tax dollars have been spent on K-12 private and parochial school scholarships since 2001.
- Scholarship organizations do not have to report how they spend the money they receive through EITC.
- In addition, current PA law explicitly prohibits the collection of data that would provide demographic information about students who receive scholarships. As a result, it is impossible to know how who benefits from these programs.
- Our law also explicitly prohibits the collection of information about the progress of students who receive EITC/OSTC scholarships. As such, this tax expenditure, which is intended to provide educational alternatives for children, cannot be reviewed for evaluated for its effectiveness.

This bill expands educational resources in urban and suburban areas while the Commonwealth continues to neglect the school safety and property tax relief that would benefit all communities across the state, including those in rural counties.

- The majority of this EITC funding increase would benefit the greater Philadelphia and Pittsburgh region and other areas with large urban centers and a significant density of private and parochial schools.
- Residents in rural areas will receive little to no benefit from this EITC increase because they do not have private and parochial schools that can absorb any significant amount of new EITC funding.
- Instead, residents of rural areas will be subsidizing the private education of students in urban and wealthy suburban areas by receiving fewer services in their communities, including funding for school safety and property tax relief, as a result of less funding in the state budget.

The \$100 million increase paves the way to divert critically needed state revenues to students in families earning twice the state's average income and to high tuition payments to some of the most expensive private schools in the state.

- In 2014-2015, just 23 of Pennsylvania's most expensive (average tuition \$32,000) private schools received \$11.2 million in EITC/OSTC funding. It's impossible to know if these schools will receive the lion's share of the new funding because they have the highest tuition rates that can absorb enormous increases in scholarships.
- The proponents of the bill have not provided any data demonstrating the need for expanding the income guidelines to children in households earning as much as \$125,000, or twice the state's average income for a family of four.
- Because there are no public auditing powers associated with these funds, this expansion could end up supporting families who are significantly over the proposed new income limit of \$125,000 for a family of four or the funds could end up making it possible for wealthy families to make contributions via the EITC/OSTC in exchange for reduced tuition for their own children.

There is no evidence that proposed expansion of the program can responsibly occur in one fiscal year.

- A \$100 million increase in EITC scholarship funding will flood scholarship organizations with an extraordinary amount of money and it's entirely unclear all these students will be accepted and ready to enroll in private or parochial schools this August.
- Further there is no evidence that private and parochial schools will be able to assemble thousands of additional seats needed to absorb this increase the start of school this August.

Every tax dollar diverted for private scholarships is a dollar that is unavailable to meet other pressing needs of the Commonwealth and this bill will create a hole that will need to be filled in future state budgets.

- Most businesses receive tax reductions worth at least \$9 for every \$10 they divert to K-12 scholarship organizations to provide private/religious school scholarships to students. This leaves a gap in the state budget that individual and family taxpayers are left to fill.

- If HB 800 becomes law, the 2020-2021 state revenues will start off with a \$260 million hole that will need to be filled either with cuts in other programs and services or increased revenue from higher taxes or another line item in the budget. In ten years, this cost will balloon to \$544 million.

As stewards of the public trust, for the reasons we've stated, we urge you to oppose the proposed increase to the EITC program.

Thank you for your consideration. If we can be of assistance, please do not hesitate to contact me at albert@parss.org or (717) 587-3521.