In Arizona, tax credits caused funding inequity

Your Turn
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Guest columnist

The debate about tax-credit programs is not new.

More than 20 years ago, Arizonans discussed many of the same points that Kentuckians are now considering in relation to House Bill 205, which would establish a separate income tax credit for private school tuition assistance based on contributions made to a qualified scholarship-granting organization.

Since 2012, I have been examining and conducting research surrounding school choice programs and policies in Arizona to better understand how parents, community members, school leaders and other stakeholders perceive school choice and make decisions.

As a response to EdChoice KY's Feb. 18 opinion piece about HB 205, I wanted to share evidence-based research about some, but not all, tax-credit programs.

First, as written, Kentucky's scholarships would be limited to students who meet one of the following requirements: live in households that receive not more than 200 percent of the amount of income necessary to be eligible for federal reduced-price meals, are in the commonwealth's foster care program, receive qualified special educational services or are members of households with an eligible scholarship recipient.

On the other hand, Arizona's Original Individual Income Tax Credit Scholarship Program does not have these income thresholds and other limitations. All education tax-credit programs are not the same. So, it is important to understand the nuances of bills so that the public can most easily understand, ask questions and make decisions.

Early research about how Arizona's tax-credit program impacts funding for public schools showed that the tax-credit law increased education funding inequity and that donations to private schools far exceeded early expectations. Michele Moses, a professor at the University of Colorado at Boulder, called Arizona's tax-credit law a voucher in sheep's clothing because it was missing justice-oriented regulations.

Primary beneficiaries were those who were already relatively well-off financially. This is still the case, as Jeanne Powers, associate professor at Arizona State University, and I recently reported.

In Arizona's public schools, where the lines between what is public and what is private are increasingly blurry, we saw a Matthew effect (from the Bible, Matthew 25:29) of cumulative advantage wherein, "...whoever has will be given more, and they will have an abundance. Whoever does not have, even what they have will be taken from them." In other words, inequities increased.

Kevin Welner, a professor at the University of Colorado at Boulder and the director of the National Education Policy Center, has called tax-credit programs neovouchers for many years, and he provides an explanation of programs and initiatives here.

Scholarship Tuition Organizations (STOs) oversee and distribute money, yet tuition tax credits, as Powers and I explain, give individuals and corporations a reduction on their taxes for all or some funds they spend on private school tuition or in donations to nonprofit organizations that provide scholarships. Some tax subsidies can reduce available revenue for public schools and redirect dollars from public to private schools.

In Arizona, long-standing tax cuts, which understandably make funding public schools harder, have had wider implications and have been connected to low teacher pay. Arizona taxpayers have reached the $1 billion mark in overall scholarships granted or, put another way, taxes saved.

Today, Arizona Christian STO's website states, "Since 1998, ACSTO has awarded over $185 million in scholarships to 31,500 students at over 150 Christian schools."

The rules for Arizona's STOs partly work in the following way: You cannot donate directly to your dependent child, but you can recommend that donations go to a specific student who is not a legal dependent (so grandparents, neighbors and friends can direct donations through recommendations). STOs keep a percentage of the donations to finance salaries and distribution efforts.

U.S. Education Secretary Betsy DeVos is moving forward with the Trump administration's Education Freedom Scholarships, which run like Arizona's program for private education funding. Whatever they are called (private-school tax credits, empowerment accounts, freedom scholarships) and however they are promoted in the media, there may be intended and unintended consequences.

Chris Lubienski, a professor at Indiana University Bloomington, reveals here how an advocacy report sharing "Myths" vs. "Facts" for private educational programs ignores data that it uses to justify its position. Practitioners and researchers are closely watching media accounts to check "Myths" and "Facts," (see Joel Malin, Ian Hardy and Lubienski's research study about media framing that has a purpose to influence the polity here).

Finally, Malin and colleague's study reveals that "Media-based 'choice for all' advocacy, and support of generalized parent choice/empowerment via voucher reforms, have become more prominent, while advocacy related to expanding choice for the disadvantaged has receded (though with certain high-profile exceptions)."

According to what I shared above about Arizona's programs, and for the sake of considering Kentucky's potentially different but similarly named program via HB 205, it is important to consider how bills may or may not expand, and how marginalized and minoritized students can be affected by changes in education inequities for public schools.

Hopefully, the evidence we have on Arizona's tax-credit program, and its similarities and differences to other existing and proposed programs, can serve to provide data-based resources for consideration during the upcoming critical discussions in Frankfort.

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