



## Updated Fiscal Effects of Georgia's Qualified Education Expense Tax Credit Program

Re: Georgia's Qualified Education Expense Tax Credit program

Date: 2/9/2018

By: Martin F. Lueken, Ph.D., Director of Fiscal Policy and Analysis, EdChoice

The purpose of this memo is to extend the fiscal impact analysis of the Georgia Qualified Education Expense Tax Credit Program from the *Tax-Credit Scholarship Audit* (Lueken, 2016). An additional year of data have become available that allows me to extend the analysis to fiscal year 2015.

The *Tax-Credit Scholarship Audit* report estimates the fiscal impact of 10 tax-credit scholarship programs in seven states, including Georgia. The profile for Georgia's Qualified Education Expense Tax Credit program is found on pp. 44-46 and reports that taxpayer savings were between \$12 million and \$85 million, or about \$300 to \$1,700 per scholarship recipient. This estimated range reflects different assumptions about the number of students who would have enrolled in public schools without the program's existence and the number of students who receive multiple scholarships.

In an addendum to the *Tax-Credit Scholarship Audit*, dated 11/8/2016, I used the actual total value of contributions made each year to student scholarship organizations (SSO), reported annually by the Georgia Department of Revenue. The Department of Revenue reports the actual total value of contributions made each year. These data reflect the true cost of the program, and their values each year are lower than the number of tax credits pre-approved. The latter were used in the *Tax-Credit Scholarship Audit* to generate cautious estimates.

For this memo, I updated the analysis by generating fiscal effects estimates for FY 2015.<sup>1</sup> Estimates assume that 10 percent of scholarships are awarded to multi-scholarship students.

Table A below provides fiscal impact estimates for FY 2011 to FY 2015.

In FY 2015, Georgia's Qualified Education Expense Tax Credit generated \$25.1 million, or \$2,157 per scholarship student. Between FY 2011 and FY 2015, Georgia's Qualified Education Expense Tax Credit program saved taxpayers \$123.2 million, or \$2,132 per scholarship recipient. For the program to be fiscally neutral, 68 percent of the scholarship students must have enrolled in public schools if not for the program's existence.

Figure A below depicts the fiscal impact annually by reporting the net impact per scholarship student, tax support (cost) per scholarship student, and variable cost relief per scholarship student.

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<sup>1</sup> To generate estimates for FY 2015, I used data from the U.S. Census Bureau'. For earlier years, I used data from the Common Core of Data, reported by the United States Department of Education's National Center for Education Statistics. All data are based on an annual public education financial survey that is completed by each state's education department. U.S. Census Bureau, *Public Education Finances: 2015*, G15-ASPEF, U.S. Government Printing Office, Washington, DC, 2017.

**TABLE A**

### Georgia Qualified Education Expense Tax Credit - Overall Fiscal Effect (\$ adjusted for inflation)

Tax Year	Added Cost of Tax Support					Reduced Cost Burden on Public Schools				Total Net Savings	Net Savings Per Scholarship Student	Break-even Switcher Rate
	Number of Students	Total Value of Scholarships	Average Scholarship Amount Per Student	Average Tax Support Per Scholarship Student (GA Gov't)	Tax Support Cost of Scholarships (GA Gov't)	% Share of Scholarship Students Switching from Public School	Scholarship Students Switching from Public School	Average Variable Cost Per Student (GA Schools)	Variable Cost Burden Relief (GA Schools)			
2011	10,163	\$41,525,913	\$4,086	\$4,904	\$49,842,744	98.6%	10,023	\$7,016	\$70,317,135	\$20,474,392	\$2,015	70%
2012	11,957	\$46,406,362	\$3,881	\$4,150	\$49,615,085	98.6%	11,785	\$6,846	\$80,674,365	\$31,059,280	\$2,598	61%
2013	11,941	\$47,416,958	\$3,971	\$4,673	\$55,806,018	98.5%	11,763	\$6,656	\$78,291,631	\$22,485,614	\$1,883	70%
2014	12,085	\$42,308,313	\$3,501	\$4,451	\$53,786,581	98.5%	11,904	\$6,545	\$77,912,591	\$24,126,010	\$1,996	68%
2015	11,625	\$44,189,420	\$3,801	\$4,538	\$52,754,110	98.5%	11,451	\$6,797	\$77,832,658	\$25,078,547	\$2,157	67%
<b>Cumulative Total</b>										<b>\$123,223,843</b>	<b>\$2,133</b>	<b>68%</b>

Sources: Georgia Department of Revenue; U.S. Census Bureau; National Center for Education Statistics; Friedman Foundation for Educational Choice, National Catalogue of School Choice Programs  
 \* Because the Georgia Department of Revenue did not report data during the years 2008-2010, I omit these years from the analysis; I assume that 10 percent of scholarships are awarded to students who receive multiple scholarships. To be consistent with the Tax-Credit Scholarship Audit report and addendum, dollars are reported in 2014 USD.

**FIGURE A**

### Georgia Qualified Education Expense Tax Credit - Net Savings Per Scholarship Student (\$ adjusted for inflation)

