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Qualified Education Expense Tax Credit

Economic Analysis

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Special Report: Qualified Education Expense Tax Credit

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What we found

The Qualified Education Expense Tax Credit (QEEC) allows Georgia's corporate and individual taxpayers to earn a dollar-for-dollar tax credit when they donate funds to organizations that award scholarships to students attending private schools. Statute created Student Scholarship Organizations (SSOs) to manage donations and award scholarships to eligible students. In addition, state law established oversight responsibilities for the Georgia Department of Revenue (DOR) and the Georgia Department of Education (GaDOE).

In calendar year 2022, 18,743 scholarships were awarded to private school students. The average award amount was approximately $4,400, though amounts varied by SSO. For example, in 2022 one SSO provided scholarships averaging more than $10,000 per student, while another provided scholarship amounts averaging less than $1,000. Lower income students were more likely to receive scholarships from an SSO in 2019-2022; however, average scholarships were generally consistent across income groups until 2022, when lower income groups generally saw higher scholarship averages.

The QEEC reduces the state's revenue when credits are claimed by taxpayers, and state expenditures decrease with potential reductions in education funding. In addition, the QEEC may create potential economic impacts and public benefits. These are further discussed in the sections below.

Net Fiscal Impact

The QEEC's fiscal impact is driven by expenditure reductions resulting from fewer students in public schools, which offsets the forgone tax revenue. Because the portion of scholarship recipients who would have attended a public school without an SSO scholarship (i.e., the "switcher rate") is unknown, the exact fiscal impact cannot be determined. However, research and SSO policies indicate that there are possible state cost savings and certain local cost savings.

We estimate for the state to break even on the QEEC tax credit for 2021 contributions, the switcher rate would need to be 67%. This rate is based on our estimates of the number of scholarships resulting from 2021 contributions and the taxpayer use of credits. The break-even rate will vary due to changes in the credit amount issued, the number of resulting scholarships, and state costs for public education. If 67% of the students switched from public to private school due to the scholarship, the state would save approximately $81 million in public education costs, which would fully offset the forgone revenue of $81 million projected for calendar year 2021 contributions. If the switcher rate is 90%, as empirical studies of other states' programs have found, the QEEC would result in an expenditure reduction of approximately $109 million and a net cost savings of approximately $28 million.

In addition, there are certain local cost savings due to the QEEC. With a switcher rate of 67% for 2021 contributions, local cost savings would total $24.8 million. Calculating based on the 90% switcher rate taken from research, local cost savings would total $33.4 million. It should be noted that local expenditure reductions depend on the number of students receiving an SSO scholarship in each school system.

Economic Impact & Public Benefits

Though research on academic and attainment outcomes is mixed, numerous empirical studies have found that school choice programs (such as private school tax scholarships and vouchers) have correlated with positive impacts on student test scores and college attainment, providing potential public benefits. Additionally, because college enrollment and degree completion are correlated with higher lifetime wages, increased college attainment is expected to generate long-term economic impacts through increased tax revenue. Economic benefits are also closely aligned with the overall public benefit. However, some evaluations of other states' voucher programs found negative impacts to student achievement.

Tax scholarship/voucher program design may affect academic and attainment outcomes and related impacts. In addition, the magnitude of these impacts (positive or negative) also depends on the true switcher rate of students from public to private schools because students who would have attended private schools even without a scholarship do not represent impacts that are attributable to the QEEC.

What we recommend

This report is intended to document the fiscal, economic, and public benefit impacts for the QEEC and does not contain recommendations.

We provided a draft of the report to DOR, GaDOE, and researchers from Georgia State University and Kennesaw State University and made technical corrections based on their responses.

Why we did this review

O.C.G.A. § 20-2A-2 charges the state auditor to issue an economic analysis report on the performance of this tax credit to the chairpersons of the House Committee on Ways and Means and the Senate Finance Committee.

This report provides an overview of the potential fiscal, economic, and public benefit impacts of the QEEC to the state.

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QEEC Overview

In 2008, House Bill 1133 created the Qualified Education Expense Credit (QEEC), which allows Georgia's corporate and individual taxpayers to earn a tax credit when they donate funds to organizations that award scholarships to students attending private schools. The QEEC is a full tax credit, which means contributors receive a dollar-for-dollar credit against their state income taxes. State law does not explicitly identify the "intent" of the scholarship program, but the originating bill states that the QEEC provides funding "for a program of education improvement." Proponents have also lauded the QEEC as a way to provide school choice for students who could not access private school due to cost constraints.

O.C.G.A. § 48-7-29.16 and Chapter 20-2A outline the donation and claims processes, including individual and aggregate limits on donations as well as the eligibility criteria for prospective students and schools. Additionally, these sections created Student Scholarship Organizations (SSOs) to manage donations and award scholarships to eligible students; taxpayers are required to donate through an SSO. Finally, statute established oversight responsibilities for the Georgia Department of Revenue (DOR) and the Georgia Department of Education (GaDOE).

Credit Limits

The initial annual aggregate cap on annual tax credits was $50 million before increasing to $58 million in 2013 (see **Exhibit 1**). The aggregate cap increased again to $100 million in 2019 and then to $120 million in 2023. The tax credit given to taxpayers is equal to 100% of the contribution taxpayers make to an SSO, up to certain caps.

Exhibit 1

Aggregate Limit on Donations Has Increased

Aggregate Limit	2013-2018	2019-2022	2023 Onward
Aggregate (All Taxpayers)	$58 Million	$100 Million	$120 million
Taxpayer Credit Limits	**2013-2022**		**2023 Onward**
Individual	100% of amount expended $1,000 for Individuals $2,500 Married couples filing jointly		100% of amount expended $2,500 for Individuals $5,000 Married couples filing jointly
C-Corporate	100% of amount expended, or 75% of the corporation's tax liability, whichever is less		100% of amount expended, or 75% of the corporation's tax liability, whichever is less For insurance companies, 100% of amount expended or 75% of their premium tax liability, whichever is less[2]
S-Corporations (And other pass-through entities)	100% of the portion of income on which such tax was actually paid by S-Corporation member, up to a maximum of $10,000[1]		100% of the portion of income on which such tax was actually paid by S-Corporation member, up to a maximum of $25,000

[1] Presuming a tax liability of at least the amount claimed.
[2] The aggregate amount of tax credits to all business enterprises for state insurance premium tax liability shall not exceed $6 million for any year.
Source: O.C.G.A. and legislative changes

Individual and S-Corporate limits remained the same until 2023. As shown in **Exhibit 1**, the maximum annual credit was initially $1,000 for individuals and $2,500 for married couples filing jointly. For C-Corporations, the maximum credit remains equal to the actual contribution amount or 75% of the corporation's state income tax liability, whichever is less. For those with an ownership interest in S-Corporations and other pass-through entities, the maximum credit was equal to the actual amount expended or $10,000, whichever was less.[1] In 2023, these limits increased to $2,500 for individuals, $5,000 for married couples, and $25,000 for S-Corporations and other pass-through entities. In addition, new provisions were established for business enterprises, which can claim a credit in the amount equal to its qualified education expenses or 75% of its state insurance premium tax liability, whichever is less. Taxpayers have up to five tax years after the contribution year to claim the tax credit against a year's state income tax liability.

Student Scholarship Organizations

With the creation of the QEEC, SSOs were established as charitable 501(c)(3) organizations authorized to collect and manage taxpayer donations, which are then awarded as scholarships to eligible students who attend private schools.[2] As of March 2023, GaDOE listed 28 active SSOs.

State law outlines operational requirements, prohibitions, and reporting requirements for SSOs. For example, SSOs must have an annual audit of their accounts verifying statutory compliance and report the results to DOR. SSOs must also report summary information such as the total number of contributions and scholarship recipients, as well as the average scholarship amount awarded to each recipient family's Federal Poverty Level (FPL) category and the number of awards in each category. In addition, House Bill 517 (passed during the 2022 legislative session) added requirements for SSOs to report the total number of scholarship recipients and the average scholarship dollar amount by each county within which any scholarship recipient resides. The bill also requires SSOs to annually submit copies of Form 990s to DOR.

State law also establishes a set of minimum percentages SSOs must obligate toward scholarships based on the annual revenue they receive from donations. As shown in **Exhibit 2**, percentages vary based on the total amount of annual donations an individual SSO receives and marginally decrease as they collect more in donations. As a result, SSOs must obligate a larger percentage of donations to scholarships as total donations increase. House Bill 517 added requirements for SSOs to include in minimum scholarship calculations interest earned on deposits and investments of scholarship funds or tuition grants.

Exhibit 2

SSOs Must Obligate between 92% and 96% of Donation Revenue for Scholarships

Annual Donations Collected[1]	Minimum % to Obligate for Scholarships	Corresponding Maximum Allowable Administrative Fee %
Up to $1.5 Million	92%	8%
Between $1.5 Million and $10 Million	94%	6%
Between $10 Million and $20 Million	95%	5%
Above $20 Million	96%	4%

[1] Includes interest earned on deposits and investments of scholarship funds or tuition grants
Source: O.C.G.A.§ 20-2A-2

[1] Individuals have been allowed to claim the higher credit limit through income from ownership interests in pass-through entities since January 2013.
[2] State law prohibits SSOs from limiting scholarships to students from one school.

Scholarships

SSOs partner with eligible schools that enroll students who receive the scholarships. Students and schools must meet statutory criteria to participate, as described below.

- **Schools –** Qualified schools or programs include most Georgia nonpublic pre-kindergarten programs, primary schools, or secondary schools. According to statute, qualifying schools must be located in Georgia and meet the requirements prescribed by law for private schools; adhere to the provisions of the Civil Rights Act of 1964; and be accredited or in the process of becoming accredited by one of the entities specified. The SSOs are not required to publish a list of schools they have partnered with, though some publish this information on their websites.

- **Students –** Statute requires that students meet one of the following criteria to be eligible for the scholarship. Once eligible, students maintain year-over-year eligibility, meaning they can retain the scholarship. Students must be:
  - Homeschooled;
  - Entering grades pre-kindergarten, kindergarten, or first grade;
  - Attending grades 2 through 12 in a public school for at least six weeks prior to transferring to a private school;
  - Attending (or slated to attend) a "low-performing public school" as defined by the Governor's Office of Student Achievement; or
  - A victim of (officially documented) bullying or abuse in a public school.

  State law does not prohibit SSOs from applying additional eligibility criteria for prospective scholarship applicants; however, it does require SSOs to consider applicants' financial need in awarding scholarships. Some SSOs report using a third-party service to assess financial need as part of the application process. In addition, state law prohibits donations from being designated for a specific student.

- **Scholarship Amount and Awards –** In calendar year 2022, 18,743 scholarships were awarded to students, with an average award amount of approximately $4,400. This amount is significantly below the maximum award amount for that year ($11,903).[3] However, award amounts generally vary by SSO. For example, one SSO provided scholarships averaging more than $10,000 per student, while another provided scholarship amounts averaging less than $1,000.

  As shown in **Exhibit 3**, lower income students were more likely to receive scholarships from an SSO in 2019-2022.[4] However, average scholarships remained generally consistent across income groups until 2022, when lower income groups generally saw higher scholarship averages (see **Appendix B** and **Appendix C**). It should be noted that average scholarship amounts generally remain consistent across most years; however, when the cap increased in 2019, the average scholarship award increased by 20% and the number of scholarships increased by 18%. There will likely be additional increases in scholarship awards and numbers due to the cap's increase in 2023.

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[3] *The maximum amount allowed is determined by GaDOE based on the statewide average of state and local expenditures per student.*

[4] *Prior to these years, GA Adjusted Gross Income quartiles were used to measure scholarship students' family income.*

Exhibit 3
Most Scholarships Were Awarded to Families in the Lower Income Categories (Calendar Years 2019-2022)

Federal Poverty Level (FPL)	2019		2020		2021		2022	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Under 125% of FPL	5,667	34%	6,158	37%	6,072	35%	6,978	37%
125-250%	5,037	31%	5,063	31%	5,411	31%	5,828	31%
250-400%	2,830	17%	2,626	16%	2,845	16%	3,238	17%
Above 400% of FPL	2,917	18%	2,702	16%	3,113	18%	2,699	14%
Total	16,451	100%	16,549	100%	17,441	100%	18,743	100%

Source: SSO Reports

Agencies Involved in the QEEC

Per statute, DOR and GaDOE oversee parts of the tax credit and scholarship processes, as well as reporting requirements for SSOs.

- **GaDOE** must maintain a list of all active, participating SSOs. The agency must also enforce the requirement that SSOs submit a notice of intent to accept donations and award scholarships. In addition, GaDOE must establish the maximum annual scholarship amount an SSO can award, as derived from the average state and local expenditures per student in fall enrollment in public elementary and secondary education.

- **DOR** facilitates processes related to obtaining preapproval and claiming the credit. The process starts when a taxpayer notifies DOR of their intent to donate to the tax credit through DOR's Georgia Tax Center. An SSO may request preapproval on behalf of the taxpayer. After verifying the contribution amount is eligible, DOR sends taxpayers a notice of preapproval, and taxpayers then have 60 days to make their preapproved contribution to their SSO. DOR must also enforce annual aggregate and individual taxpayer credit limits and post required information on its website.

Both agencies also have responsibilities if an SSO fails to comply with statutory requirements. First, DOR issues written notice in the form of a letter. If the noncompliant SSO does not correct identified deficiencies within 90 days of receipt, DOR sends a letter notifying the SSO that it will be immediately removed from the list of eligible SSOs. DOR also notifies GaDOE of the SSO's failure to comply, and GaDOE removes the SSO from its list of eligible SSOs. The noncompliant SSO must cease all operations as an SSO and transfer all scholarship account funds to a compliant SSO within 30 days of receiving DOR's notice of removal.

Fiscal Impact – State Revenue and Expenditures

Overall Fiscal Impact

While the exact fiscal impact of the QEEC cannot be determined, the credit may result in state cost savings.

The QEEC's fiscal impact is driven by expenditure reductions resulting from fewer students in public schools, which offsets the forgone tax revenue. Because the portion of scholarship recipients who would have attended a public school without an SSO scholarship (i.e., the "switcher rate") is unknown, the exact fiscal impact cannot be determined. However, research and SSO policies indicate that there are possible state cost savings and certain local cost savings.

When scholarship students switch from public to private school, the state can reduce education spending. Only "switchers" generate an expenditure reduction.

We estimated that based on 2021 contributions any switcher rate above 67% would result in a state cost savings.[5] As shown in **Exhibit 4**, contributions made in 2021 are estimated to result in $81 million in forgone tax revenue.[6] The forgone tax revenue would be completely offset by expenditure reductions if 67% of scholarship recipients would have attended public school without the scholarship (i.e., the break-even point). If 90% of scholarship recipients would have attended public school, as empirical studies of other states' programs have found, then the QEEC would result in a state cost savings of $28 million. The QEEC also results in local cost savings, regardless of the switcher rate.

Exhibit 4

Switcher Rates Above 67% Result in Cost Savings for 2021 Contributions

Switcher Rate	Estimated Expenditure Reductions	Estimated Forgone Revenue	Estimated Net State Fiscal Impact
60%	$73 million	$81 million	-$8 million
67%	$81 million	$81 million	$0
70%	$85 million	$81 million	$4 million
80%	$97 million	$81 million	$16 million
90%	$109 million	$81 million	$28 million

Source: Audit team analysis of agency records

State fiscal impact is defined as the total net change in state revenues and expenditures generated by QEEC. Fiscal impact includes the forgone tax revenue and the cost savings in public education. As part of this analysis, we determined the QEEC does not generate short-term revenue gains from economic activity, as discussed on page 11.

To estimate the QEEC's fiscal impact, we reviewed the following (each are discussed in more detail):

- Forgone tax revenue from tax credits claimed against tax liability;

[5] We based our analysis on 2021 contributions because source data for school system revenues was not available for fiscal year 2023, the first year in which 2022 contributions could be utilized. It should be noted the estimated impact of the switcher rate is based on assumptions such as the potential number of students who could receive scholarships based on 2021 contributions, the amount of contributions claimed by taxpayers, education costs per student, and whether certain costs are considered fixed or variable. Changes to any variable will impact this estimate.

[6] Forgone tax revenue is calculated based on contributions made in one calendar year, or the year the tax credit was generated. As discussed on page 2, contributions made in one year may be claimed across multiple tax years.

- Potential cost savings in public education; and
- Agency expenditures related to the administration and management of QEEC.

Both fiscal and economic impact should be considered when evaluating tax incentives. Potential long-term economic impacts are discussed on page 11. For a more complete description of our methodology, see **Appendix A**.

Forgone Tax Revenue

QEEC tax credits generated approximately $81 million in estimated forgone tax revenue in 2021. Forgone tax revenue represents the amount that the state will no longer collect from taxpayers who claim a QEEC tax credit. We calculated the forgone tax revenue by estimating the amount of 2021 contributions that will be claimed over the subsequent five-year period. As discussed below, not all tax credits earned through contributions are claimed.

- **Preapprovals & Contributions** – To receive a QEEC tax credit, individuals' and corporations' intended contribution must be preapproved by DOR. Historically, preapprovals have met the QEEC's annual cap, though preapprovals fell just short of the $100 million cap (approximately $96.0 million) in tax year 2020. As shown in **Exhibit 5**, after the cap increased in 2019, individual preapprovals nearly doubled while corporate preapprovals remained more consistent in the two years following. Changes will likely occur after 2023 when the total credit limit cap and individual and corporate taxpayer caps increase.

  Taxpayers who are preapproved for the QEEC must contribute funds to an SSO before they can earn a tax credit. However, actual contributions may be smaller than the preapproved amounts because individuals and corporations may contribute only a portion of their preapproved amount—or choose not to contribute at all. For example, of the approximately $100 million preapproved in calendar year 2021, $96 million (96%) in contributions were made to earn tax credits.

Exhibit 5
Preapprovals Generally Met the Annual Cap, but Contributions Were Less in Calendar Years 2018-2022[1]

CY	Annual Cap	Preapprovals			Contributions			
		Individual	Corporate	Total	Individual	Corporate	Total	% of Preapprovals
2018	$58 million	$45 million	$13 million	$58 million	$39 million	$12 million	$52 million	89%
2019	$100 million	$83 million	$17 million	$100 million	$69 million	$14 million	$82 million	82%
2020	$100 million	$82 million	$14 million	$96 million	$70 million	$12 million	$83 million	86%
2021	$100 million	$83 million	$16 million	$100 million	$80 million	$17 million	$96 million	96%
2022	$100 million	$64 million	$35 million	$99 million	$58 million	$31 million	$89 million	90%

[1] Numbers may not sum to total due to rounding. Also, there were minor discrepancies between total preapprovals reported in DOR's data and the amounts reported by the SSOs. Amounts shown are those reported by SSOs.

Source: DOR, SSO documents

- **Credits Claimed** – Because taxpayers have up to five years after the contribution year to claim the credit, we utilized historical data to estimate the forgone tax revenue from 2021

contributions. As shown in **Exhibit 6**, taxpayers claimed approximately 83% and 85% of contributions made in 2015 and 2016, respectively, over the subsequent five-year periods. With 2021 contributions totaling $96 million, we estimate that $81 million (84% of contributions) will be claimed over the subsequent five years.

Exhibit 6
Taxpayers Have Historically Claimed an Average of 84% of Contributions Generated[1]

CY	Total Contributions	Credits Unclaimed	Credits Claimed	% of Contributions Claimed
2015	$53 million	$9 million	$44 million	83%
2016	$52 million	$8 million	$45 million	85%
2021	$96 million	$15 million[2]	$81 million[2]	84%

[1] Numbers may not sum to total due to rounding.
[2] Projected value
Source: DOR documents and audit team analysis

Expenditure Reductions

While agency administration expenditures related to the QEEC are negligible, the state and local school systems realize significant expenditure reductions because they educate fewer students in public schools.

Expenditure reductions are primarily driven by the switcher rate, which is difficult to determine with available data. If a scholarship recipient would have attended private school regardless, the QEEC did not cause an expenditure reduction through state funding. By contrast, savings of state education funds can be attributed to the QEEC for students who would have attended a public school had they not received a scholarship. Unfortunately, data on switchers is not usually tracked by program agencies or scholarship organizations, and switcher rate estimates are often based on assumptions that lead to wide-ranging results. Factors impacting switcher rate are discussed further in the textbox on page 8.

For the state to break even on the QEEC tax credit for 2021 contributions, the switcher rate would need to be 67%. Under this scenario, the state would save approximately $81 million in public education costs, which would fully offset the forgone revenue of the projected $81 million discussed above. If the switcher rate is 90%, as empirical studies of other states' programs have found, the QEEC would result in an expenditure reduction of approximately $109 million and a net cost savings of approximately $28 million.

The QEEC's impacts on state administrative costs, state public education expenditures, and local public education expenditures are discussed below.

- **State Administrative Costs (negligible) –** GaDOE and DOR indicated their administrative costs related to the QEEC are negligible. GaDOE's QEEC-related work is primarily limited to maintaining the list of active SSOs, which constitutes a small percentage of time for two staff members. While DOR administers the tax credit itself, tasks are completed by analysts working on many tax credits at once, and staff indicated any costs specific to the QEEC are negligible.

Switcher Rates and Georgia SSOs

Research indicates switcher rates can be influenced by specific program design elements, including prior enrollment requirements, financial need requirements, and scholarship amounts. To better understand how these factors may influence the QEEC, we reviewed program-wide requirements and also obtained SSO specific requirements from five SSOs that account for approximately 75% of the scholarship funds awarded.

- **Prior enrollment requirements** – Programs that require prior public school enrollment without exceptions will likely have higher switcher rates. As discussed on page 3, Georgia allows exceptions for pre-kindergarten, kindergarten, and first grade, as well as others. Three of the five SSOs contacted reported awarding most scholarships (58%-64%) to students transferring from public schools; however, public school transfers accounted for a smaller portion of scholarships awarded by the other two SSOs (29% and 3%).
- **Financial need requirements –** Programs specifically targeted toward students with financial need likely have higher switcher rates than programs that are not need based. For example, several studies that result in the median 90% switcher rate are of programs with financial need requirements. Georgia's SSOs are only required to *consider* financial need when awarding scholarships. As shown in **Appendix D**, most scholarships in Georgia (66%) are awarded to families earning less than 250% of the federal poverty level (about $26,500 for a family of four in 2021). Four of the five SSOs contacted indicated scholarship students were required to meet specific income limits, though one SSO's limit was an adjusted gross income of $300,000. It should also be noted that even if all scholarships are awarded to low-income families, the funds could be supplanting other financial need resources students would have used to attend private school, which would not result in new switchers. For instance, a private school may have used other fund sources to provide needs-based scholarships to 20% of its enrolled students prior to the creation of the QEEC. If only 20% of that school's enrollment continues to be needs-based after students begin receiving SSO scholarships, use of the QEEC for a lower income student would not necessarily mean that the program is the reason for the reduced public school enrollment.
- **Scholarship amounts** – Larger scholarship amounts are more likely to influence decisions to switch from public to private school. In Georgia, a scholarship cannot exceed the average state and local expenditures per student. In 2021, the maximum scholarship amount allowed under the QEEC was $11,359, but the average awarded was approximately $4,300. With private school tuition averaging $11,500, the typical SSO scholarship would offset about 37% of private school costs. While there is significant variation in both private school tuition and scholarship amounts, information provided by three of the contacted SSOs indicates that the scholarships offset approximately 34%-45% of tuition. It should be noted, however, that higher scholarship amounts would mean fewer scholarship students (assuming total funding is the same), which would in turn increase the break-even switcher rate. In addition, it is possible the QEEC scholarship may be combined with other financial aid sources, allowing lower income students to attend despite potential gaps between the scholarship and tuition.

- **State Expenditure Reductions –** As previously discussed, state expenditures decrease when those who would have attended public school decide to attend a private school due to the scholarship. Although the exact switcher rate is unknown, a break-even switcher rate can be calculated based on the number of scholarship students and state allocations for public school students.

    - **Scholarship Students (19,200) –** To estimate the number of scholarships funded by 2021 contributions, we divided the total amount available for scholarships ($90.6 million) by the estimated scholarship amount ($4,720). The $90.6 million reflects the $96 million in total contributions less estimated SSO administrative costs (6%). The $4,720 average scholarship amount assumes a 10% increase from the 2021 average scholarship amount. Contributions increased by 16% in 2021, and previous increases resulted in higher scholarship amounts (as well as additional scholarships). The estimated 10% increase is generally consistent with changes seen in 2019, when increased contribution funding corresponded to increases in average scholarship amounts.

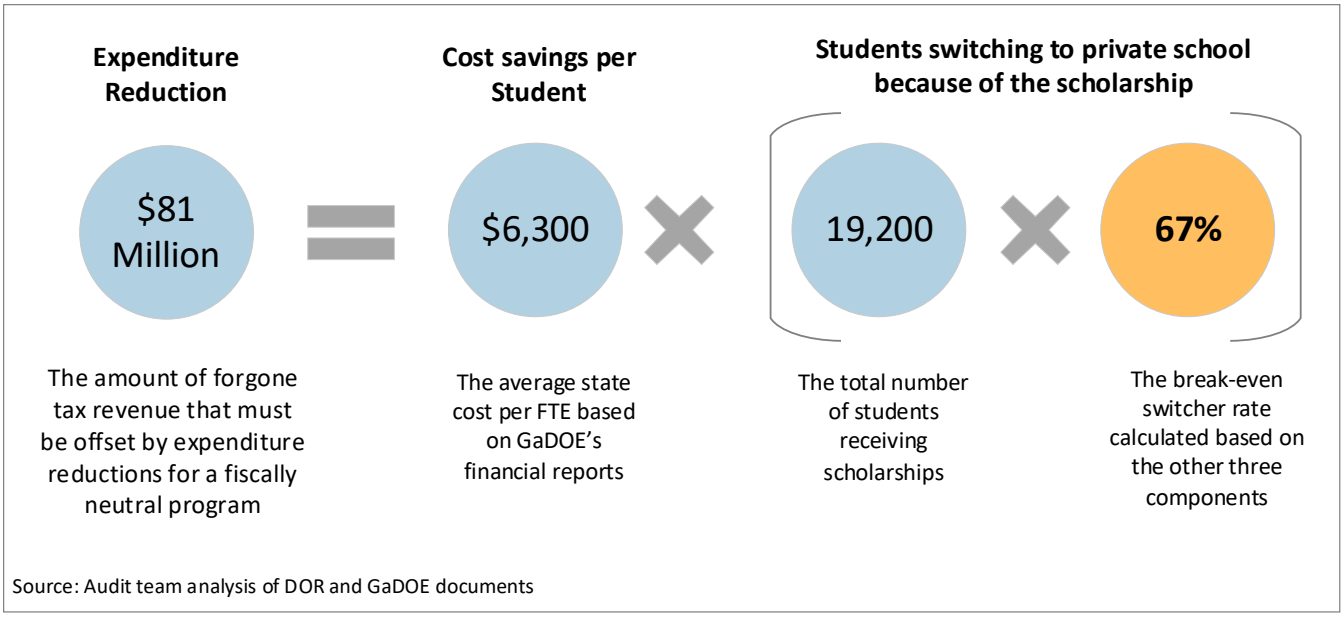
    - **State Allocations ($6,300 per student) –** In fiscal year 2022, the average state allocation per FTE[7] in public school was approximately $6,300. This amount includes direct instructional costs (e.g., teacher salaries), indirect costs (e.g., school administration), and grants for other student services (e.g., nursing and transportation) but does not include other expenses such as capital projects.[8] While we use this state average to estimate expenditure reductions, actual costs per FTE vary by school system, grade level, and educational programs/services (e.g., special education). **Appendix D** discusses state education funding in greater detail.

    As shown in **Exhibit 7**, if 67% of scholarship students (12,840 of 19,200) are enrolled in private school because of the scholarship, the state would save approximately $81 million (12,840 x $6,300), completely offsetting the $81 million in revenue reduction.[9] The actual switcher rate may be higher based on the research and information provided by SSOs (see text box on page 8). For example, the largest SSO that accounts for 44% of all scholarship funds reported that most scholarship recipients (64%) were previously enrolled in public schools and 93% were from families at or below 250% of the poverty level—two factors associated with higher switcher rates. In addition, a 2019 report for EdChoice found that nationally switcher rates for lottery-based school choice programs ranged from 79% to 98%, with a median of 90%.[10] A 90% switcher rate would result in an estimated state expenditure reduction of $109 million and state taxpayer savings of $28 million.

[7] FTE refers to full-time equivalent, defined as the enrollment value used for calculating QBE funding.
[8] In theory, capital costs could be impacted in the long term if significant numbers of students switch from public to private schools. Because approximately 16,000-17,000 students receive scholarships each school year (representing less than 1% of the total student population), it is unlikely they significantly impact capital costs.
[9] Using these numbers, the break-even percentage is actually 66.88%. We have rounded to 67%.
[10] Lueken's study evaluated 27 unique estimates of switcher rates from nine studies of six private school choice programs that observed schools attended by students losing random school assignment lotteries. The proportion of students who attended a public school was used to identify potential student switcher rates.

Exhibit 7

State Expenditure Reductions Would Equal Forgone Tax Revenue with a 67% Switcher Rate



Source: Audit team analysis of DOR and GaDOE documents

It should be noted that the break-even switcher rate calculated varies from year to year. Factors such as the amount of contributions, the amount of credits actually claimed by taxpayers, and state allocations toward public education may impact the exact break-even switcher rate.

- **Local System Cost Savings in Public Education –** We estimate that on average local school systems saved at least $1,935 for each student who left public school due to the QEEC based on contributions in 2021. This amount represents 36.6% of the $5,287 local funding[11] and is the short-term local variable costs directly attributable to a given student, according to research by Georgia State's Fiscal Research Center. The remaining 63.4% is dedicated to fixed costs, which would not decrease with a student's departure.

  Our estimate is conservative because it assumes that the system is receiving federal funds only when providing services to a student. As a result, the system does not financially benefit from a student departure. In contrast, Kennesaw State University's Education Economics Center (KSU EEC) conducted a fiscal impact analysis assuming that local school systems retained the federal funding when a student leaves, which resulted in higher estimated local cost savings. Annual federal funding per student was approximately $650 prior to the pandemic but reached approximately $1,850 in fiscal year 2022 with the addition of pandemic funding. **Appendix D** discusses public education funding in greater detail.

  Local cost savings are $24.8 million if the switcher rate is 67% (break-even level for the state). Calculating based on the 90% switcher rate taken from research, local cost savings would total approximately $33.4 million. It should be noted that local expenditure reductions depend on the number of students receiving an SSO scholarship in each school system.

[11] *The local funding total does not include spending for capital projects, capital assets, or debt services. These categories were excluded from the original research on which the FRC analysis was based. Additionally, these types of funds are very likely to be used for fixed costs in the short term and therefore unlikely to be relevant to the local cost savings calculation.*

Economic Impact and Public Benefits

Though research on academic and attainment outcomes is mixed, some studies have found that school choice programs (such as private school tax scholarships and vouchers) have correlated with positive impacts on student test scores and college attainment, providing potential public benefits. Additionally, because college enrollment and degree completion are correlated with higher lifetime wages, increased college attainment is expected to generate long-term economic impacts through increased tax revenue. Economic benefits are also closely aligned the overall public benefit. The magnitude of these impacts depends on the true switcher rate of students from public to private schools because students who would have attended private schools even without a scholarship do not represent positive impacts that are attributable to the QEEC.

Due to the nature of the tax credit and data limitations, we conducted a literature review to be combined with a discussion of public benefit, rather than quantifying economic activity. Unlike other tax incentives that seek to increase economic activity, the QEEC's purpose is to improve education; as such, it is not connected to specific economic outputs or data necessary to quantify that improvement. Additionally, while there may be long-term economic impacts (as described in the Impact on Wages section below), these are difficult to quantify without specific data on scholarship students. See **Appendix A** for additional discussion on limitations.

Studies related to school choice programs' impact on academic achievement and attainment, lifetime wages, and other areas are described below.

Academic Achievement

Academic achievement, as described in this section, refers to student grades and test outcomes. The literature on student academic outcomes is largely limited to students in state-funded voucher programs rather than students who receive tax credit scholarships like the QEEC (though some studies treat various types of school choice programs as functionally equivalent). This is because scholarship tax credit programs are significantly less regulated and rarely require participating private schools to administer a standardized test. Additionally, it is unclear whether conclusions regarding academic impacts can be applied to universal choice programs like the QEEC because many evaluated school choice programs require that recipients come from a low-income family.

- **Research on the academic outcomes of school choice participants is largely mixed.**

  A review of random assignment studies published in 2008 found that, for 9 of the 10 programs evaluated, some or all voucher recipients had increased test scores after enrolling in private school. However, the programs evaluated were targeted voucher programs designed to serve disadvantaged students. Additionally, a 2022 EdChoice[12] review of random-assignment studies conducted on school choice programs found that 11 of the 17 studies evaluated observed positive effects on test scores for some or all students, four found no visible effects, and three found negative effects for some or all students. Finally, a meta-analysis of voucher and tax credit scholarship programs around the world found overall positive and statistically significant achievement effects of vouchers (such as increased math scores), though impacts were larger for programs outside the United States.

School vouchers are state-funded scholarships while tax credit scholarships are funded by individuals and/or corporations.

[12] *EdChoice is a school choice advocacy group.*

Other studies on the academic performance of school choice recipients returned neutral or negative results. Evaluations of voucher programs in Indiana, Ohio, and Washington D.C., found voucher programs negatively impacted student achievement. For example, an evaluation of an Ohio voucher program found that students who used vouchers to enroll in private schools performed worse than their peers in public school, particularly in math. Additionally, the 2020 evaluation of Florida's Tax Credit scholarship program (FTC) found that the average student participating in the FTC Program scored in the 44th national percentile in reading and the 35th national percentile in math; however, students participating in the program outscored their demographic peers.

- **Private school voucher programs may have a neutral to small positive impact on the academic performance of public school students.**

  Evaluations in Ohio, Florida, and Louisiana suggest that competition resulting from voucher programs modestly improved public school performance. For example, in a recent study of the FTC, researchers found that exposure to private school choice was associated with higher reading and math standardized test scores, as well as lower absences and suspension rates, among public school students. Additionally, a 2022 EdChoice review of 28 studies evaluating school choice's impact on public school academic achievement found that 25 studies showed improved public school outcomes such as improved test scores (one found no visible effect, and two found a negative effect).

Academic Attainment

Research has found that tax scholarship/voucher programs may have positive impacts on student attainment outcomes, including high school graduation, college entrance, and college graduation. These outcomes can often be tied to improved job and wage outcomes across student lifetimes. However, tax scholarship/voucher program design may affect the magnitude of positive attainment outcomes and related impacts. For example, research indicates programs specifically targeted toward low-income students may provide greater changes in attainment outcomes.

In 2020, researchers from KSU EEC examined the attainment outcomes of students who received QEEC scholarships from the SSO Georgia GOAL[13] and found higher high school graduation and college entrance rates in scholarship students compared to the general public school student population. Specifically, 99% of Georgia GOAL scholarship students graduated high school, compared to 82% of public school students. Additionally, when comparing students qualifying for the federal Free and Reduced Lunch program (an indication of financial need), 98% of Georgia GOAL students graduated high school, compared to 77% of public school students. College entrance rates illustrated similar trends (68% for public students and 87% for Georgia GOAL students).

Research in other states has also found positive attainment outcomes for recipients of tax scholarship/voucher programs. For example, research on the FTC found that participants were more likely to enroll in two- and four-year colleges than non-participants. FTC participants who began the program in elementary or middle school were 12% more likely to enroll in college, while participants who began in high school were 19% more likely to enroll. Also, FTC participants who began in elementary or middle school were 10% more likely to earn a bachelor's degree, while students who entered the program in high school were 20% more likely to graduate with a bachelor's degree.

[13] *Georgia GOAL is the largest SSO operating in the state in terms of student participation.*

Impact on Wages

As mentioned previously, attainment outcomes can often be tied to improved job and wage outcomes across student lifetimes. KSU EEC estimated that the QEEC scholarship student cohort entering high school in 2018 should see increased lifetime earnings and other economic benefits to the state of $66.4 million, based on increased rates of high school graduation and college entrance.[14] Assuming these students remain in Georgia, these increased wages would provide an economic impact to state and local tax revenues in addition to constituting a public benefit. Other attainment outcomes discussed in the section above (such as FTC's increased bachelor's degree attainment) would also likely correlate with higher earnings.

While research has not generally focused on the outcomes of recipients of tax scholarship/voucher programs, literature has found some correlation between private school attendance and increased wages. A 2016 study found significant positive outcomes on women's earnings based on census and American Community Survey data, though it found no impact on men's wages. Additionally, a 2012 study using National Educational Longitudinal study data found increased wages correlated with private and Catholic school enrollment. This study also found that higher teacher wages and low drop-out rates correlated with increased student wages. However, these studies generally could not always control for other factors that may influence wages, such as race and socioeconomic status.

Other Economic and Public Benefits

Research indicates that school choice programs could have positive impacts related to crime, health care, and social services. These programs can also increase parental satisfaction, but opponents argue that school choice has adverse impacts on public schools.

- **If school choice programs lead to increased attainment outcomes and higher wages, they may also lead to other positive impacts, such as improved health care and decreased crime.**

  A 2012 study of a school choice program in North Carolina's Charlotte-Mecklenburg school district found evidence that attending a school of their choice reduced crime, particularly among youth who were at the highest risk for involvement in criminal activities. Additionally, a 2020 evaluation of Milwaukee's voucher program found that participation in the eighth or ninth grade was associated with a reduction in drug convictions, property damage convictions, and paternity suits. Finally, according to KSU researchers, students who have higher educational attainment have healthier and longer lives, which results in lower health care costs and less dependence on social services.

- **Research generally indicates parental satisfaction with school choice usage, though opponents argue that there are negative impacts to public schools.**

  One review of studies conducted on school choice programs found evidence that voucher programs increased parental satisfaction in areas such as curriculum, parent-teacher relations, and academics. Additionally, a survey of parents whose children participated in the FTC program

[14] *This calculation used Georgia GOAL student information to assume that of the total scholarship students at the time (13,895), 8% would be in a cohort of incoming ninth graders (1,112); of those students 17% would represent additional high school graduates (189) and 19% would represent additional college enrollment (211). The KSU researchers multiplied each group of students by $300,000, which is half of the $600,000 increased lifetime earnings and other economic benefits to the state that prior studies estimated for high school graduation and some college experience ($45,938, which represents estimated return in yearly earnings multiplied by the median annual income for a Georgia high school graduate). These figures were then summed to $66.4 million. The analysis assumes all cohort students graduate high school and enroll in college at the same rate as the sample of GOAL students.*

found that more than 90% of parents were satisfied with the program. Finally, a 2021 survey from Education Next found 56% of respondents favored tax credit scholarships for low-income students, compared to 23% who opposed and 21% who neither supported nor opposed. However, support for tax credit scholarships for low-income students was higher than support for both universal vouchers and vouchers targeted toward low-income families—45% of the general public supported universal vouchers and 36% opposed them, while 43% of the general public supported low-income vouchers and 40% did not.

Alternatively, opponents of school choice have argued that it negatively impacts public schools; however, debates on school choice are often based on values. Research studies cannot answer philosophical questions such as whether providing more school choice is inherently good.

Appendix A – Objectives, Scope, and Methodology

Objectives

This report provides an economic analysis of the Qualified Education Expense Tax Credit (QEEC) as required by O.C.G.A. § 20-2A-2. The report estimates fiscal impacts and discusses the economic impacts and public benefits resulting from the QEEC.

Scope

The report generally covered QEEC-related activity during tax years 2019-2022, with consideration of earlier or later periods when relevant. Information contained in this analysis was obtained by reviewing relevant laws, rules, and regulations; interviewing agency officials and staff from the Department of Revenue (DOR) and the Georgia Department of Education (GaDOE); interviewing researchers who had conducted work on the QEEC, including Kennesaw State University's Education Economics Center (KSU EEC) and Georgia State University's Fiscal Research Center (GSU FRC); analyzing data and public reports provided by DOR and GaDOE; and reviewing an audit conducted by the Department of Audits and Accounts.

We obtained DOR data reports on QEEC credits claimed against state income tax liability for credits initially generated in tax years 2015-2021. At the time of this review, tax year 2021 data was the most recently available data. It should be noted that tax year 2021 data is not considered final because taxpayers who filed for an extension may not be captured (taxpayers can also submit amended returns for up to three years after the due date). In addition, because taxpayers have five years to claim credits, the most recent year for final credits claimed data is 2016. Our assessment of this data determined that it was sufficiently reliable for our analyses.

Methodology

To estimate fiscal impact, we analyzed net changes in state revenue and expenditures resulting from the QEEC.

To estimate the change in state revenue, we reviewed state law, DOR public reports, and DOR-provided Budget Credit Module (BCM) data to identify the total amount of tax credits earned by taxpayers. We also used this information to identify the period over which credits could be claimed. To estimate the amount of tax credits that will be claimed for 2021 contributions, we used DOR BCM reports showing historical data.

There are no tax revenue generating activities related to the QEEC due to the nature of the program. As discussed below, potential revenue impacts were discussed with GSU FRC and determined to be absent in the short term. Therefore, the only impact to revenues is through forgone tax revenue.

To evaluate the change in state expenditures, we interviewed staff at DOR and GaDOE to identify agency expenditures associated with administering QEEC and asked each agency to provide an estimated cost.

In addition, we calculated the reduction in state QBE expenditures due to scholarship recipients switching from public to private schools. We reviewed prior research and GaDOE financial reports, interviewed researchers from KSU EEC and GSU FRC, and interviewed DOR and GaDOE staff to identify potential impacts to QBE expenditures based on QEEC scholarships. Average state, local, and federal funding per FTE was identified based on GaDOE's public financial school system revenues report for fiscal year 2022, the most recent year available at the time of report publication. Fiscal year

2022 aligns with the 2021-2022 school year, the first year in which 2021 contributions could potentially be utilized toward scholarships. As such, calculations were made based upon 2021 contributions. In addition, because contributions may be used toward scholarships in multiple years, we estimated an average scholarship amount assuming scholarships will continue to increase in the future and calculated the number of students potentially impacted by contributions from 2021. It should be noted that students could receive scholarships from multiple SSOs, which would decrease the total number of scholarship students and potential expenditure savings. In addition, students who would otherwise be homeschooled without an SSO scholarship may represent additional expenditures because the state would not otherwise allocate funding toward their education.

Though there is no data on the number of QEEC scholarship recipients who would attend public school without an SSO scholarship, academic research was reviewed to identify potential switcher rates. We also obtained information on data and policies that impact switcher rates from five Georgia SSOs and interviewed staff from one of the SSOs.

Research was also reviewed to understand potential local cost savings due to fixed and variable local and federal revenues. GaDOE staff were contacted and federal equitable services for private schools' guidance were reviewed to better understand federal funding as it may pertain to scholarship students. Based on this review, we identified a local variable cost percentage. We also found that while an indeterminate portion of federal funding may be saved by local school systems, it would likely be a small percentage depending heavily on particular student circumstance. For example, students with disabilities or eligible under Title I may still receive services based on a proportionate share of funding from local school systems if they attend eligible private schools. As such, federal funds were not calculated as part of local cost savings.

A full discussion of public education funding is found in **Appendix D**.

To identify any net change in economic activity, we discussed potential short-term and long-term economic impacts with researchers from GSU FRC. From these discussions, we determined that there were unlikely to be significant short-term economic impacts to activity. We reviewed academic and policy research literature regarding potential long-term impacts to economic activity, primarily centered on potential increased wages due to improved attainment outcomes. We did not conduct a long-term analysis of economic activity similar to KSU EEC's due to a lack of public data on SSO scholarship student outcomes.

To identify any net change in public benefit, we reviewed laws and articles concerning the QEEC's initial purpose. Additionally, we reviewed research discussing public benefits of private school attendance and other tax voucher or scholarship programs.

Appendix B – Calendar Year 2021 SSO Students & Average Scholarships by Federal Poverty Level

Student Scholarship Organization	Scholarship Recipient Count by FPL Percentage				Average Scholarship by FPL Percentage			
	Under 125%	Between 125% and 250%	Above 250% and below or at 400%	Above 400%	Under 125%	Between 125% and 250%	Above 250% and below or at 400%	Above 400%
A Pay It Forward Scholarship	69	118	144	237	$1,088	$1,082	$870	$1,109
AAA Scholarship Foundation, Inc.	28	27	7	-	$7,500	$6,944	$1,875	$0
Alef Fund, Inc.	93	128	136	397	$8,252	$7,459	$6,796	$6,459
Alyn Scholarship Fund	65	143	81	71	$2,693	$1,832	$1,331	$775
Apogee Georgia School Choice Fund	311	379	420	905	$4,959	$5,055	$5,046	$5,827
Arete Scholars Fund, Inc.	429	501	95	3	$4,265	$4,110	$3,030	$2,500
Christian Int. Counseling & Ministries, Inc.	27	26	29	17	$9,444	$8,923	$9,068	$8,471
G.R.A.C.E. Scholars, Inc.	371	391	227	82	$3,339	$3,470	$3,352	$2,043
GA GOAL Scholarship Program, Inc.	4,115	2,546	461	60	$4,613	$4,358	$4,667	$5,668
Georgia Bright Futures Foundation, Inc.	21	18	9	2	$5,599	$7,822	$7,161	$10,000
Georgia Kids First Scholarship, Inc.	-	-	3	-	$0	$0	$4,453	$0
Georgia Student Scholarship Organization, Inc.	350	641	741	673	$3,360	$3,263	$2,979	$3,107
Georgia Tax Credit Scholarship Program, Inc.	38	125	172	157	$10,300	$10,300	$10,300	$10,300
Georgia Tuition Aid Providers, Inc.	1	-	2	23	$2,500	$0	$1,919	$5,469

Student Scholarship Organization	Scholarship Recipient Count by FPL Percentage				Average Scholarship by FPL Percentage			
	Under 125%	Between 125% and 250%	Above 250% and below or at 400%	Above 400%	Under 125%	Between 125% and 250%	Above 250% and below or at 400%	Above 400%
Golden Dome Scholarship Fund, Inc.	68	204	202	292	$2,230	$1,807	$2,047	$1,381
Great SSO, Inc.	12	24	26	31	$6,450	$3,275	$2,800	$2,745
KIPP Metro Atlanta Opportunity Fund	-	-	-	-	$0	$0	$0	$0
Learning to Serve	56	97	70	25	$3,500	$1,500	$1,300	$1,000
Northwest Georgia Scholars Program Inc.	2	2	-	-	$2,187	$2,187	$0	$0
Student Scholarship Organization for Greek Americans	-	-	2	14	$0	$0	$5,625	$5,625
The Georgia Tuition Assistance Program, Inc.	12	34	5	1	$7,870	$1,532	$1,800	$2,250
Vision SSO Inc	4	7	13	123	$3,897	$3,443	$3,041	$3,831
Total	6,072	5,411	2,845	3,113	$4,497	$4,137	$4,025	$4,412

Source: DOR Records

Appendix C – Calendar Year 2022 SSO Students & Average Student Scholarships by Federal Poverty Level

Student Scholarship Organization	Scholarship Recipient Count by FPL Percentage				Average Scholarship by FPL Percentage			
	Under 125%	Between 125% and 250%	Above 250% and below or at 400%	Above 400%	Under 125%	Between 125% and 250%	Above 250% and below or at 400%	Above 400%
A Pay It Forward Scholarship	78	111	172	320	$1,021	$949	$754	$1,172
Alef Fund, Inc.	51	65	110	220	$10,978	$8,500	$5,000	$2,000
Apogee Georgia School Choice Fund	347	388	466	892	$6,046	$6,245	$5,237	$5,754
Arete Scholars Fund, Inc.	565	626	142	19	$3,833	$3,809	$3,299	$2,358
Christian Int. Counseling & Ministries, Inc.	14	31	14	20	$9,929	$9,290	$9,714	$9,716
G.R.A.C.E. Scholars, Inc.	394	396	215	71	$3,620	$3,353	$3,767	$2,670
GA GOAL Scholarship Program, Inc.	4810	3125	655	93	$4,969	$4,511	$4,520	$5,200
Georgia Student Scholarship Organization, Inc.	405	648	1061	584	$3,691	$3,314	$3,212	$2,977
Georgia Tax Credit Scholarship Program, Inc.	29	69	91	63	$10,300	$10,300	$10,300	$10,300
Golden Dome Scholarship Fund, Inc.	86	205	210	190	$2,763	$1,607	$1,758	$946
Great SSO, Inc.	10	29	28	54	$6,977	$4,861	$4,140	$3,936
Learning to Serve	150	97	65	40	$2,800	$1,750	$1,400	$1,195
Pace Scholarship Organization	18	10	0	0	$621	$288	$0	$0
The Georgia Tuition Assistance Program, Inc.	20	25	3	2	$2,021	$2,556	$2,500	$200

Student Scholarship Organization	Scholarship Recipient Count by FPL Percentage				Average Scholarship by FPL Percentage			
	Under 125%	Between 125% and 250%	Above 250% and below or at 400%	Above 400%	Under 125%	Between 125% and 250%	Above 250% and below or at 400%	Above 400%
Vision SSO Inc	1	3	6	131	$2,551	$7,800	$2,209	$3,377
Total	6,978	5,828	3,238	2,699	$4,721	$4,250	$3,841	$3,753

Source: DOR Records

Appendix D – Public School Funding in Georgia

State Funding

Most state funds are allocated through the Quality Basic Education Act (QBE) formula, which calculates funding for direct instructional cost, indirect costs, and categorical grants, as described below. The QBE formula then subtracts the amount that school systems are expected to contribute (the local fair share) to calculate school system allocations.

- **Direct Instructional Cost –** This primarily consists of teacher salaries and is based on the number of full-time equivalent (FTE) students in specific educational programs. Programs are based on student grade level (e.g., 6-8, 9-12) and services (e.g., gifted, remedial, etc.), and each program is assigned a weight. In addition, each school system receives funding for training and experience based on each teacher's actual salary.

- **Indirect Costs –** This consists of funding for other costs related to student services, such as libraries, school maintenance, and school administration. Funding is based on the number of schools within a system and the number of FTEs.

- **Categorical Grants** – This includes grant funding for other services, such as school nurses and bus transportation. In addition, smaller systems receive sparsity grants to help cover fixed overhead costs, and lower-wealth systems receive equalization grants to help ensure they can provide similar opportunities as wealthier systems.

Local Funding

The QBE formula calculates how much funding is needed to operate a school system and how much funding each school system will receive. The difference between the amount needed and the amount received is the "local fair share," which ensures that school systems will contribute local funding. The QBE Act requires each system to tax their district five mills, or $5 for every $1,000 of property value.

School systems supplement funding by levying property tax rates more than the required five mills. This funding is used for a variety of purposes, including to enhance programs beyond state minimum requirements, to pay salaries above the state salary schedule, and to fund capital improvements. Local school systems may also fund capital improvements through an Educational Special Purpose Local Option Sales Tax (ESPLOST), a temporary 1% tax that is subject to referendum.

When analyzing the impact of QEEC on local funding, it is important to consider the fixed versus variable costs. In our analysis (see page 10), we used a variable cost percentage calculated by GSU FRC based on prior research by Gottlob (2008).[15] Gottlob estimated the marginal cost of a student at $6,299, which accounted for 73% of per-pupil total public education costs (state, local, & federal). GSU FRC calculated marginal decline in local spending by subtracting the average state and federal revenue per student. This resulted in a marginal decline of $1,319, which accounted for 36.6% of the average local revenue per student.

While we used the 36.6% estimate, other research has calculated greater cost savings to local school systems based on the assumption that local school systems retain federal funding when a student withdraws. While schools may retain some federal funding, we utilized the methodology that assumed

[15] *Gottlob, Brian (2008). "The Fiscal Impacts of Tax-Credit Scholarships in Georgia." School Choice Issues in the State, The Friedman Foundation for Educational Choice.*

funding would be lost based on the provisions of the three largest federally funding programs, which are discussed in the next section.

Federal Funding

Local school systems receive federal funding for programs that generally target specific student populations or educational objectives. The three largest programs funded—Title 1, Individuals with Disabilities Education Act (IDEA), and nutrition—are discussed below.

- **Title 1 –** Title 1 funds are intended to improve academic achievement among low-income children. Funding is allocated primarily based on the number of low-income students (in both public and private schools) who reside in the public school attendance area.

  School systems are required to provide a proportional share of funding for services to private school students. The proportionate share is calculated based on the number of private school children from low-income families residing in a Title 1 school attendance area. However, many private schools do not participate in Title 1, and therefore, these students would not be included in the proportional share calculation. Also, to be eligible for services, private school students must be identified by the Local Education Agency (LEA) as low achieving.

  In the 2020-2021 school year, GaDOE reported that 2,644 private school students and 1.0 million public school students received Title I, Part A services.

- **IDEA –** Funds are intended to support students with disabilities. States award subgrants to LEAs using a formula that incorporates a base amount and amounts determined by population (public and private school enrollment) and poverty measures.

  LEAs are required to expend a proportionate share of IDEA Part B funds for students with disabilities who are parentally placed in a non-profit private school. However, children are not entitled to receive some or all of the special education services they would receive if enrolled in a public school.

  In the 2021-2022 school year, 990 private school students received IDEA services, while there were 227,179 students with disabilities statewide as of October 2021.

- **Nutrition –** Child nutrition is primarily funded through federal funds and student payments. The U.S. Department of Agriculture provides a per-meal reimbursement for each qualifying meal served. The amount of the reimbursement depends on the student eligibility (free, reduced-price, or paid) and the program the meal is being served through (e.g., Summer Food Service Program, National School Lunch Program). Non-profit, private schools can also participate in child nutrition programs.

In addition to these three programs, LEAs receive federal funding for other programs, including Striving Readers, school improvement grants, English language acquisition grants, rural education, and 21st century community learning centers.

Appendix E – Economic Impact and Public Benefit Research Bibliography

Author	Publication Date	Title
Patrick J. Wolf	2008	School Voucher Programs: What the Research Says About Parental School Choice
David J. Deming	2012	Does school choice reduce crime? Evidence from North Carolina
Michael T Owyang and E Katarina Vermann	2012	Measuring the Effect of School Choice on Economic Outcomes
Robert Buschman and David L. Sjoquist	2014	Georgia's Tax Credit Scholarship Program
Greg Forster	2016	A Win-Win Solution: The Empirical Evidence on School Choice
M. Danish Shakeel, Kaitlin P. Anderson, and Patrick J. Wolf	2016	The Participant Effects of Private School Vouchers across the Globe: A Meta-Analytic and Systematic Review
David Figlio and Krzysztof Karbownik	2016	Evaluation of Ohio's EdChoice Scholarship Program: Selection, Competition, and Performance Effects
Reilee L. Berger and John V. Winters	2016	Does Private Schooling Increase Adult Earnings? Cohort-Level Evidence for U.S. States
Anna J. Egalite	2016	The Competitive Effects of the Louisiana Scholarship Program on Public School Performance
Mark Dynarski, Ning Rui, Ann Webber, Babette Gutmann, Meredith Bachman	2018	Evaluation of the DC Opportunity Scholarship Program: Impacts Two Years After Students Applied
Jason Bedrick and Lindsey Burke	2018	Surveying Florida Scholarship Families: Experiences and Satisfaction with Florida's Tax-Credit Scholarship Program
R. Joseph Waddington and Mark Berends	2018	Impact of the Indiana Choice Scholarship Program: Achievement Effects for Students in Upper Elementary and Middle School
Jonathan N. Mills and Patrick J. Wolf	2019	The Effects of the Louisiana Scholarship Program on Student Achievement after Four Years
Matthew M. Chingos, Tomas Monarrez, and Daniel Kuehn	2019	The Effects of the Florida Tax Credit Scholarship Program on College Enrollment and Graduation: An Update
Martin F. Lueken	2019	The Fiscal Impact of K-12 Education Choice: Using Random Assignment Studies of Private School Choice Programs to Infer Student Switcher Rates
Zahid Kisa, Melissa Dyehouse, Marisa Benz, and Carolyn Herrington	2020	Evaluation of the Florida Tax Credit Scholarship Program: Participation, Compliance and Test Scores in 2018-19
David N. Figlio, Cassandra M.D. Hart, and Krzysztof Karbownik	2020	Effects of Scaling Up Private School Choice Programs on Public School Students
Corey A. DeAngelis and Patrick J. Wolf	2020	Private School Choice and Character: More Evidence from Milwaukee
Heidi Holmes Erickson and Benjamin Scafidi	2020	An Analysis of the Fiscal and Economic Impact of Georgia's Qualified Education Expense (QEE) Tax Credit Scholarship Program
Yusuf Canbolat	2021	The Long-Term Effect of Competition on Public School Achievement: Evidence from the Indiana Choice Scholarship Program

Author	Publication Date	Title
Michael B. Henderson, David Houston, Paul E. Peterson, and Martin R. West	2022	Hunger for Stability Quells Appetite for Change: Results of the 2021 Education Next Survey of Public Opinion

Note: For some articles, the audit team's understanding of the results was drawn from other articles that discuss these sources.

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