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Public Education
Tax Credits for Virginia
The Way Forward on School Choice
by Adam B. Schaeffer, Ph.D.
RECOGNITION

As the reader will observe, a number of organizations submitted logos to appear on the back cover of this policy report. These groups, which are listed below, have endorsed the policy proposal contained within this publication of a universal tuition tax credit for K-12 education in Virginia.

I want to express my appreciation to each of these organizations for the support they have shown during the research and writing of Public Education Tax Credits for Virginia: The Way Forward on School Choice. I also want to express my appreciation for the concern they have shown for the children of the commonwealth—a fundamental often overlooked in debates on education policy.

John Taylor
President
Virginia Institute for Public Policy

Albermarle Truth in Taxation Alliance
Alexandria Taxpayers United
American Freedom Project: Conservative Speakers Forum
American Legislative Exchange Council
Arlington County Taxpayers Association
Black Alliance for Educational Options
Clare Boothe Luce Policy Institute
Coalition on Urban Renewal and Education (CURE)
Concerned Women for America
Fairfax County Taxpayers Alliance
Fairfax Family Forum
Family Foundation
FreedomWorks Foundation

The Friedman Foundation for Educational Choice
Frontiers of Freedom
Libertarian Party of Virginia
Loudoun Taxpayer Association
Norfolk Tea Party 2
Parents in Charge
Prince William Taxpayers Alliance
Republican Liberty Caucus of Virginia
Tertium Quids
Unalienable Rights Foundation
United Conservatives of Virginia
Virginia Eagle Forum
Virginians Over-Taxed on Residences (VOTORS)
EXECUTIVE SUMMARY

The factual argument in favor of school choice becomes more compelling with each passing year; choice improves the academic performance of the children participating in the program while modestly improving public school performance and saving large amounts of money. And yet it remains very difficult to pass school choice legislation.

There are many reasons it is difficult to enact school choice. At the most basic level, our system of government makes it relatively easy for a powerful minority to block legislation. The teachers unions, along with all those directly benefiting from a government monopoly on education, constitute an extremely powerful minority, and they have been very successful at blocking this popular and manifestly effective education reform. Most reforms, however, face an entrenched minority that stands to lose much and therefore fights hard to keep its advantages.

The question we ask in this paper addresses what can be accomplished within these constraints: what policy and argument are most likely to win the day for school choice in Virginia?

We analyze a wide range of evidence, including a survey of school choice policy elites and a large survey of the general public, in order to draw conclusions about the best approach to school choice in Virginia. We find that education tax credits are by far the most promising school choice policy for Virginia and that broad-based tax credits that include both a personal-use and a donation component are the most promising kind of tax credit. Model legislation derived from the policy and from political principles discussed below is presented in the appendix to this paper, along with real-world examples of how the legislation would work.

We find that education tax credits are by far the most promising school choice policy for Virginia and that broad-based tax credits that include both a personal-use and a donation component are the most promising kind of tax credit.
The pure “financial model” would emphasize the fiscal and tax-cut side of the tax-credit issue to the exclusion of most other concerns. The “early-education model” would harness the political momentum behind policies expanding access to preschool to promote education tax credits and school choice by emphasizing the educational and financial benefits of those policies.

INTRODUCTION

That the school choice movement can have greater success by focusing on the best policy and the best message is axiomatic—it’s true for any reform movement. There is little analysis by choice supporters, however, of what constitutes the best school choice policy and message. This policy study will fill the strategy gap for Virginia by providing an overview of the best policy and best message for securing educational freedom for all Virginia families and taxpayers.

This paper does not present arguments meant to convince opponents of the need for school choice; there are countless books and papers that make a solid case for educational freedom. Reforms of a government monopoly will leave us still with the problems inherent to all government monopolies: consumers have few choices and little power, the services provided are uneven and poor relative to a market system, and there is little or no innovation or improvement in the service over time. After dozens of education reforms have run their course multiple times over the past few decades, even many former skeptics have turned their eyes toward choice as the last, best hope for revitalizing public education. The status quo powers protecting this massive government monopoly are strong, however, and the school choice movement has not yet pursued the most promising strategies for effecting reform.

The sections that follow will review why Virginia school choice supporters should put their energy behind broad-based education tax credits rather than ones targeting special populations and should promote school choice as a general education reform that will benefit all citizens—parents and nonparents, rich and poor, taxpayers and the state and local governments. However, before we get to arguments about what is the best policy and message for school choice in Virginia we will review some basics of school choice policy and politics.

The School Choice Issue

From public school choice to seemingly similar private school choice, policies such as vouchers and education tax credits are governed by very different political considerations. Charter schools are public schools usually subject to the full power of the education establishment. Vouchers provide private school choice through government funds and are more direct and simple than tax credits, but they prompt coalitional and legal problems that tax credits largely avoid. These brief examples touch just the surface of important differences between school choice policies. In order
to understand the success or failure of a movement, we must attend to the details of the policies that the movement advances. In the case of private school choice that means we must examine the details of vouchers and education tax credits.

There is a wide variety of policies that fall under the broad category of “school choice,” and grasping what they mean and how they work is crucial for understanding school choice politics. In the taxonomy of choice, these reforms are divided into two genera: public school choice and private school choice. Within each genus there are multiple species of school choice that are very closely related but that are clearly distinct policies. Genera and species of policies, as in plants and animals, are often difficult to discern but necessary categories for understanding how any part of an ecosystem functions. Attempts to understand the political ecology of any reform issue are likewise unfathomable without such distinctions.

Public school choice is both the least radical and the most broadly popular of the school choice genera. Charter school, voucher, and tax-credit legislation lend themselves to different arguments and constituencies in opposition and support. Charter schools, for instance, are the compromise school choice reform policy for a multitude of reasons. Charters are still government schools, are often overseen by a government agency (often a school board), and their future is in the hands of the chartering authority. This is the case in Virginia, which has a charter school law that ensures that the local public school monopoly acts as the chartering authority and that any charter schools remain burdened with onerous regulations. It’s no wonder that the commonwealth has only three charter schools—the creatures of the local public school board and subject to its interests.

Terry Moe, in a recent paper detailing the causes and consequences of teachers union political power, notes that the unions support charter schools as a fallback position because they “are within the public sector, they are somewhat under the control of districts, and there are political means of keeping them at bay.” Although money is diverted from direct union control, the threat is contained and susceptible to rollback. Private school choice is the only kind of reform that fundamentally shifts the balance of power in education in favor of parents and taxpayers.

Private school choice policies, such as vouchers and education tax credits, present a much greater threat to status quo interests because education funds are put directly under the control of parents. Vouchers are grants of government funds that are distributed to families through a government agency for use on specified educational expenses. Vouchers are the most familiar of private school choice policy—often demonized by choice opponents and typically the default policy for choice supporters. Education tax credits are a less-well-known policy, but, this paper will argue, are much more promising for long-term success.

In an education tax-credit program, individual taxpayers and corporations get a dollar-for-dollar tax credit for every dollar they spend on education. Personal-use tuition tax credits allow taxpaying
parents to reduce the state taxes they owe by the amount they pay in tuition to a private school: parents who owe $5,000 in taxes and spend $3,000 on tuition get a $3,000 tax credit. They end up paying only $2,000 in state taxes. Tax deductions, on the other hand, reduce only the amount of taxable income, which means there is much less bang for each buck. Donation tax credits provide the same kind of state tax credit to businesses and taxpayers that contribute to nonprofit scholarship organizations (SOs). These SOs pay tuition for children from low- and middle-income families, ensuring that children from poor families that do not pay much in state taxes can attend private schools as well.

The Advantages of Education Tax Credits in Virginia

Although school choice supporters in many states must decide whether to pursue vouchers or tax credits, it is clear that education tax credits are the best policy in Virginia. According to extensive state-court precedent, vouchers are considered government funds, whereas tax credits are considered private, taxpayer dollars. The disbursement of government funds to religious schools is expressly prohibited in most states by turn-of-the-century anti-Catholic Blaine Amendments. Many states also have what are called “compelled support” clauses, which get the same result through different language.

Virginia has both of these provisions and state Supreme Court precedent that found the use of public funds to pay for a child’s education at a private religious school unconstitutional. Because the elimination of religious schools from choice programs excludes around 90 percent of current private schools, this renders any such program largely ineffectual. It is therefore no surprise that The Institute for Justice, a libertarian public interest law firm that has defended many school choice programs in court, concludes that tax credits should be pursued in Virginia rather than vouchers.3

It is particularly helpful to have tax credits as the clear consensus policy in Virginia for other reasons as well. Virginia is a relatively conservative state, but it is also increasingly politically diverse. With a Democratic governor and state Senate and Republican House, any school choice legislation must have cross-party appeal and draw in moderates of both parties. Fortunately, the best means of achieving school choice—tax credits—is also the policy with the widest political support. Although vouchers remain politically toxic for almost all Democratic politicians, tax credits enjoy significant bipartisan support. With the support of a Democratic legislature or the signature of a Democratic governor, Arizona, Rhode Island, and Iowa passed tax-credit programs last year, and Pennsylvania expanded its existing program. In 2008 a unified Democratic government in Iowa increased the tax-credit dollar cap by 50 percent, to $7.5 million from $5 million. New York’s then-Democratic governor, Eliot Spitzer, proposed an education tax deduction in his first state budget and also supported tax credits.
A strong center-left coalition, including many prominent African-American Democrats, most notably, Newark mayor Cory Booker, supports tax credits. Although African Americans are usually much more supportive of school choice policies of all kinds than is the general public, the traditional black leadership is generally very hostile to choice reforms. In part this can be explained by financial and political interests: the teachers unions are a potent force in the Democratic coalition and the public school system is a major employer of the black middle class. The opposition of the traditional black leadership is also driven in part, however, by memories of the battles of desegregation and the use of vouchers and choice as a way for some communities to avoid integration.

Education tax credits are a big-tent policy, with more support on the left and right and in the middle. Odd as it may seem at first, tax credits are also more popular than vouchers on the right as well. Many social conservatives, libertarians, and home-schoolers support tax credits but not vouchers because they fear government funds will bring government control. In Virginia, a socially conservative state with a strong homeschool and religious private-school community, credits can mobilize more enthusiastic support on the right. Credits can also mobilize and engage the business community in support of school choice in a way that other forms of school choice cannot. Tax credits offer individuals and businesses the chance to support the kind of education they prefer and help ensure that their education dollars are used effectively. Tax credits can bring parents, nonprofits, taxpayers, and businesses together to revitalize education.

Donation tax credits also create political dynamics that help reinforce school choice programs, making it easier to expand them in the future. In Pennsylvania, for instance, the 183 SOs have become a permanent institutional base for supporters and beneficiaries, and a serious political force. These institutions, which exist in most of the state’s legislative districts, organize parents and children for yearly letter-writing campaigns and rallies and keep businesses who donate connected with families and politicians. Individuals, businesses, and SOs that participate in the program will have a direct interest in defending and expanding the law. And expand it has: The program has more than doubled, to almost $45 million this year from $20 million in 2001.

Finally, donation tax credits are an extremely cost-effective form of school choice, which means that a large constituency can be quickly and solidly established. Tax-credit programs support almost seven times the number of students that vouchers do with the same amount of money. Even comparing only programs that target disadvantaged children, tax credits support almost three-and-a-half times the number of students as do vouchers with almost the same amount of money.

Tax credits are by a wide margin the best school choice policy for Virginia. There are two issues that remain: what constitutes the best specific tax-credit program for Virginia and what is the best...
approach to explaining the benefits of that tax-credit program to Virginia voters. In the next section we will explore whether it is best to pursue a targeted donation tax credit that focuses on bringing choice only to lower-income families or a broad-coverage program combining personal-use and donation credits. We will then turn to newly collected public-opinion data that shed light on who supports these different kinds of tax credits and why these people support choice policies. Finally, we will explore what arguments work best in expanding support for education tax credits and the best approach to advancing tax-credit reform in Virginia.

**TARGETED VS. BROAD-BASED TAX CREDITS**

Most school choice policy is targeted to small segments, such as children in low-income families, children with special needs, or foster children. The primary dispute among school choice activists revolves around the desirability of targeting choice programs. Often choice programs for special-needs children are used as stepping stones to programs for low-income children, which are in turn thought to provide a route to broad-based or universal coverage. Although differences in the political dynamics created by targeted and universal programs stay relatively constant between vouchers and tax credits, there is also some interaction between the specific policy and its breadth of coverage. The institutional support systems that even targeted tax credits create substantially mitigate the problems inherent to targeted school choice policies. The discussion below will show, however, that targeted school choice problems create postpassage and coalitional dynamics that lower the probability of survival and future expansion. Broad-based choice programs hold the most promise for establishing educational freedom in Virginia.

**Size and Type of Constituency**

Opponents of school choice are powerful, and thus for broad-based choice programs to succeed, an organized and politically powerful constituency for the defense and expansion of a program after its initial passage will be required. Targeted school choice programs, however, do not build a politically effective constituency for school choice; the only individuals directly benefiting from most targeted voucher policies are low-income parents and their children, and these individuals have the fewest resources to spare for political activity and therefore have a low degree of political influence. The political disadvantages of low-income parents are also massively compounded by the existing interest-group structure. The organizations most active in representing the interests of low-income and urban individuals and communities are typically the most active opponents of school choice. The Urban League, the NAACP, much of the Democratic Party establishment, and

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1 This is not to say that the interests of low-income individuals are best served by the policy positions of these organizations. However, these organizations are seen by most of the media, public, and low-income individuals themselves as their representatives and are trusted as such.
other organizations with a reputation for and an organizational focus on low-income, urban, and minority issues are staunch foes of private school choice, despite the overwhelming support for school choice among the populations for whom they claim to speak. In addition, the organizations that support school choice are typically without a reputation for or an organizational focus on low-income, urban, and minority issues.

Donation tax credits mitigate the political liabilities inherent to targeted social welfare programs. As was discussed above, tax credits require the participation of businesses and wealthy individuals, which means that the programs have significant political and financial resources devoted to their survival from the beginning. Donation tax credits also foster the development of private organizations with the resources, including human capital, necessary for defending and expanding the policy after passage. Broad-based policies, however, are still preferable.

The argument that “programs for the poor are poor programs” is no cold-hearted rationalization; rather, it’s a conclusion arrived at by social scientists generally and liberal progressives most prominently. Theda Skocpol—professor of government and sociology at Harvard University, prize-winning scholar of the American social welfare system, and sometime liberal-progressive activist—came to the following conclusion about targeted programs: “The history of social policy has a clear lesson. Programs that benefit all citizens do more to reduce poverty than programs targeted to the poor,” and the same is true for school choice programs in helping to improve the educational prospects of the poor.

**Market-Effectiveness Concerns**

Targeted school choice programs cannot create effective markets in education services, and this can negatively affect support for the targeted program, support for expansion, and support for school choice more generally across the country. Severely restricted school choice programs mistakenly come to be thought of as examples of true education markets and their underwhelming effects can undermine support for large-scale programs and impede the prospects for their own expansion. More generally, the tiny customer base created by most targeted choice programs means that few new producers will arise to meet the demand and that those who do will have little ability or incentive to invest in research and innovation.

Heavy research-and-development investment presupposes the prospect for substantial market growth if effective new techniques and products are developed. Narrowly targeted programs provide no such growth potential, and hence, at the outset, eliminate the core mechanism by

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ii This opposition may arise for a variety of reasons, from the experience of school choice used to maintain segregated schools in the South to the financial interests of the urban middle class, for which the public school system is a very significant employer. Whatever the specific reasons, the cluster of history, politics, and interests ensures that the opposition is stable and strong.
which markets have driven costs down and quality and diversity up for centuries. With few new schools created and limited prospects for specialization, competitive pressures among education service providers remain weak, necessarily reducing any improvements in performance that come about because of competition. The extent to which government schools respond to private-sector competition is attenuated to the extent that competition is attenuated. A drastically limited market in education can have, by definition, only a limited impact on the overall educational system and student performance.

Coalitional Support

In terms of passing school choice legislation, it is of uncertain benefit to back targeted programs for political expediency. Programs covering all children are much more popular among the general public than are those that cover only low-income children. The margin of support for universal programs is often huge—two or three to one in favor—and the results have proven consistent over the years, across states, and even across different political dispositions. Again, head-to-head comparisons are dramatic: a survey conducted for the Mackinac Center in 2004 found that 65 percent of the public preferred a universal tax-credit program, whereas only 24 percent preferred one targeted to low-income children, and the margin of voucher support increased from a balance of opposition to targeted vouchers, -22 points, to a 7-point margin of support for universal vouchers. These numbers confirm a 1999 survey by Public Agenda that showed a heavy preference for universal choice: 72 percent of the public supported universal vouchers while only 22 percent supported a program targeted to low-income families.

Many potential allies are lost when a targeted program is pursued, while a larger program will drive off few or no allies—in both targeted and broad-based programs, low-income families receive benefits. A large number of private schools, private-school parents, and home-schoolers, however, will only weakly support targeted choice efforts, if they support them at all, because they receive no direct benefit from such programs. Promises of future expansion and the “camel’s nose under the tent” theory are abstract and distant promises that ring increasingly hollow with each passing year. The principle of universality permeates America’s political culture, and universal school choice programs are consistently much more popular with the general public than are targeted programs. Republicans, Democrats, and Independents all prefer universal programs to targeted ones.

Furthermore, much of the energy and enthusiasm of the core school choice supporters will be dissipated, as they strongly prefer broad-based coverage. The margin of support for universal programs is twenty-five points higher than it is for targeted programs among organizations already involved in supporting school choice efforts. Controversial reform issues like school choice require the largest and most energized coalition possible. Targeted programs needlessly shrink and enervate the school choice coalition.
The most comprehensive analysis of voucher opinion to date, Moe's *Schools, Vouchers, and the American Public* (2001), nonetheless concludes that targeted programs are the type most viable politically. This conclusion is based primarily on the response to one question, which asks respondents to choose one of two arguments: (1) In order to promote the greatest reform and include the most children, vouchers should be made available to all children in the state; or (2) Because a voucher plan would be such a big change, it is better to start with a smaller plan that is limited to children whose educational needs are the greatest. Respondents chose the targeted first argument by an 8-point margin of 48 to 40 percent. It should be noted that the implication in the targeted choice is that a universal program would follow, but we know from the history of targeted voucher programs that this is not the case. A more typical method of limiting the initial impact of a major policy change is to phase in the implementation of the change over a number of years to allow adjustments and assessments. This choice was not given to respondents.

Moe's data on the public's general and overwhelming preference for universal programs over targeted programs are consistent with all other surveys, showing a 28-point margin of support for universal over targeted even after the survey introduces through earlier questions a number of arguments in favor of targeted programs and numerous arguments against universal ones. For instance, one question asks respondents to agree or disagree with this statement: "I worry that a large-scale voucher plan might be too risky and experimental to try out on all of our kids." The question is problematic for at least two reasons. First, it suggests that small-scale experiments have not been tried and that such a program is therefore necessary; certainly a very arguable point given the research conducted on targeted voucher programs. Second, it introduces significant negative considerations into the survey with no equivalent negative considerations for targeted programs, for example, that such programs might never be expanded to include all families, as the statement arguing for a targeted program first implies will follow a successful targeted program.

We are therefore left with a few facts from Moe's and other surveys. The public overwhelmingly prefers universal to targeted programs. Even opponents of vouchers, when forced to choose one kind of program over another, choose universal over targeted by a 10-point margin. When asked how to implement what is implied to be a universal program, people support what sounds like a low-income-first implementation rather than an immediate full-coverage program by an 8-point margin. Moe takes this rather thin support for gradual implementation to mean that there is significantly more support for targeted programs and that targeted voucher programs are the most politically viable policy. Although he recognizes that the "vast majority of people are universalists and believe that a voucher system should be broadly based," school choice supporters, Moe argues, "should start with programs for needy kids." The support questions on which Moe relies do not support the conclusions he draws, and his data generally confirm the findings of other school choice polls and those of this project.

The principle of universality permeates America’s political culture, and universal school choice programs are consistently much more popular with the general public than are targeted programs. Republicans, Democrats, and Independents all prefer universal programs to targeted ones.
In my own research on school choice opinion, I also found that the public overwhelmingly favors universal choice policies over those targeted to low-income families (Table 1; Figure 1). Support for tax credits increases dramatically from the two most targeted coverage levels, which include only low-income children in failing schools or all low-income children to universal coverage, from 1.8 to 30.5. Much of that increase in support comes from a huge increase, 160 percent, in the percentage of strong supporters for the universal choice programs when compared with targeted (Table 2).

Table 1 Support for Breadth of Tax-Credit Coverage
(all respondents and all conditions)

<table>
<thead>
<tr>
<th>Coverage</th>
<th>Favor</th>
<th>Neutral</th>
<th>Oppose</th>
<th>Support-Opposition</th>
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<tr>
<td>Low income/failing</td>
<td>38.28</td>
<td>20.29</td>
<td>41.42</td>
<td>-3.14</td>
</tr>
<tr>
<td>Low income</td>
<td>41.07</td>
<td>19.71</td>
<td>39.21</td>
<td>1.86</td>
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<tr>
<td>Through middle class</td>
<td>49.64</td>
<td>19.43</td>
<td>30.94</td>
<td>18.70</td>
</tr>
<tr>
<td>Through upper-middle class</td>
<td>41.00</td>
<td>24.36</td>
<td>34.64</td>
<td>6.36</td>
</tr>
<tr>
<td>All children</td>
<td>56.28</td>
<td>18.00</td>
<td>25.71</td>
<td>30.57</td>
</tr>
</tbody>
</table>

Figure 1 Percentage Support for Tax Credits by Coverage
(all respondents and all conditions)

Table 2 Percentage Change in Strong Support/Opposition from Low-Income Targeted to Universal

<table>
<thead>
<tr>
<th>Treatment</th>
<th>Strong Support Increase</th>
<th>Strong Opposition Decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax Credits</td>
<td>159%</td>
<td>-22%</td>
</tr>
</tbody>
</table>

iii The sample of 2,891 respondents was drawn from Zoomerang’s pool of over two million online panelists to approximate the general population in terms of age, gender, and race. Respondents in this sample pool have opted in to Zoomerang’s program and can take a certain number of surveys sent to them per month to accumulate points to use for products. Survey respondents were randomly assigned to 1 of 8 treatment groups. The treatments consist of a brief “news article” containing arguments for either an education tax-credit policy or voucher policy that are framed in one of three ways: equity, financial, or moral values. The control group was exposed to news-article treatments with no political content. The respondents were asked to read the treatment article at the beginning of the online survey. The survey that followed each treatment asked questions only about the policy addressed in the treatment—either vouchers or education tax credits. Two different surveys addressing either vouchers or tax credits followed the control treatment. The survey instruments are identical in every possible respect and are as similar as possible in every other respect.
There is, in other words, relatively little support for tax credits of the kinds of low-income targeted programs that have most dominated the school choice movement’s agenda. On the other hand, support is overwhelming for the kind of choice program that has been least visible on the agenda: universal coverage. The dominance of universal programs has been repeatedly confirmed by many surveys. It therefore seems likely that a policy that combined personal-use and donation tax credits would command the most support, as such a policy would ensure universal coverage.

**Potential Difficulties with Broad-Based Programs**

Broad-based programs can certainly raise concerns among legislators about the fiscal and general disruptive impact of large programs, but these concerns can be addressed without eliminating allies or permanently hobbling the program. The most effective and easiest way to address these concerns is by pointing out the savings involved with the switch of each student from government-run to independent schools. Fiscal worries that make targeted programs seem less risky can be turned to advantage. The more students enrolled in a choice program, the more the state saves by avoiding the need for new or expanded schools, allowing school staff reductions, or avoiding tax increases while class sizes and per-pupil spending increase. The staff reductions, however, most likely will be concentrated among the ballooning administrative ranks in the government system rather than among teachers. Independent schools on average have far fewer administrators but more teachers per student than do government schools.

Another way of addressing concerns regarding the impact of a broad-based program is to phase it in by grade level, so that the change occurs gradually over a number of years. This allows more time for the system to adjust and makes short-term effects more predictable, although it also leaves the program itself more vulnerable. A school choice program can also be steeply means tested in initial years (or indefinitely like the recently overturned universal voucher law in Utah), with full low-income coverage immediately effective and a gradual increase in middle-class coverage over time. This will ensure active and widespread support by middle-class interests while also guaranteeing that the program has a benign budgetary impact even in its early stages.

Finally, a school choice program can be permanently means tested, reducing the benefits to wealthy families and the overall cost of the program. There is, of course, a political trade-off between the number of families covered and the size of vouchers or tax credits. Politically, it is usually best to err on the side of reducing the amount of a benefit rather than the number of eligible families in order to build a wider constituency of supporters. It is vital to have as large a constituency as possible in the first year of implementation in order to defend and expand the program. Passage of school choice legislation is only the first step, and a relatively large and politically powerful constituency is the best insurance against rollback or stalling.
It is a well-known principle that prospective losses are more noticeable and much more important to individuals than are prospective gains. The rollback of even relatively small benefits will be noticed by the beneficiaries, making politicians reluctant to reverse them once established. A small benefit is also an important symbol of progress and momentum. These incremental victories, as long as they are structured correctly and build political capital, can be used by school choice organizations as encouragement for participation in the movement and to make future victories seem more plausible and therefore participation more attractive.

MODEL TAX-CREDIT LEGISLATION FOR VIRGINIA

Existing school choice programs all fall far short of the ideal policy, which would combine personal-use with donation tax credits to ensure universal access to the education marketplace. They are also capped at arbitrary amounts and don't tap all tax revenue streams available in the state, which means that their growth potential is limited. Three states have modest forms of personal-use tax credits: Illinois allows families to claim credits worth 25 percent of their educational expenses up to $2,500; Iowa allows 25 percent up to $1,000; and Minnesota allows 75 percent of nontuition expenses up to a maximum credit of $1,000 per child. Five states—Arizona, Florida, Iowa, Pennsylvania, and Rhode Island—have more-powerful donation credits. Pennsylvania allows a 90 percent credit for donations, and Florida allows a 100 percent credit, helping thousands of children from lower-income families attend good, independent schools.

The Virginia Institute for Public Policy published a proposal for and analysis of a universal tuition tax credit program in 1999 that solved many of the primary deficiencies in current tax credit laws and other model legislation. Most important, the proposal combines personal-use and donation tax credits to ensure that low-income and middle-class families had access to educational options. The proposal also avoids an arbitrary program dollar cap by instead limiting the size of the credit that can be claimed. At the time, in 1999, it was estimated that the program would save about $18 million annually. This proposal is a great improvement over others that focus solely on low-income students, rely on donation credits alone, and place the program under a dollar cap.

I recently developed new model legislation, called “The Public Education Tax Credit Act,” which keeps these core improvements and makes new advancements in tax-credit legislation. The full model legislation is presented here in the appendix, along with extensive notes to explain the reasoning behind each provision and possible modifications that may be necessary. The Public Education Tax Credit Act allows all taxpayers, individual and corporate, to claim education tax credits for direct payment of educational expenses and for contributions to organizations that provide educational scholarships to lower-income families. Taxpayers can claim these credits against their state income, sales, and local property taxes where these are applicable. Because of
the increased size and power of this program, preliminary analysis suggests that Virginia taxpayers could save billions of dollars each year.iv

All education providers—government, religious, or secular—constitute public education because all serve the public by educating children. Expanding the embrace of “public” education is an overdue recognition of educational reality, not political semantics. This model legislation presents a more effective way of fulfilling the ideals of public education by ensuring that all families have the means to choose their children’s schools from a diverse market of education providers.

The act is designed to provide universal access to the educational marketplace, not to create unnecessary dependence on third-party education funding or government programs. It therefore limits access of higher-income individuals to the scholarships funded by donation tax credits and phases out personal-use credits at the highest income levels. All individuals, regardless of income, can claim credits for education donations.

This proposal is the most comprehensive and broad-based tax-credit model legislation yet developed. It offers the strongest prospects for creating a public education system that is dynamic, productive, and driven by freedom rather than coercion. Although this model tax-credit legislation combines many aspects of previous proposals, it breaks from most other model legislation in five crucial respects:

1. Taxpayers are allowed to take credits against all three primary sources of nonfederal government revenue: state income taxes, state sales taxes, and property taxes.
   This will ensure that the tax liabilities are sufficient to underwrite universal educational freedom.

2. The program is not capped at an arbitrary dollar amount.
   Each child is eligible to receive tax-credit-derived funds up to an amount that is less than current per-pupil spending in government schools. Taxpayers may donate all of their tax liability for education; the total amount will be limited by the needs of each scholarship organization, which must use the funds for scholarships on the basis of need and return any funds in excess of a 25 percent reserve. Therefore, money will be saved—as is the case in current choice programs—with each student’s switch from the government system to the tax-credit system.

3. Scholarship eligibility is not capped at an arbitrary income level.
   Families can secure scholarship assistance on a sliding scale relative to their tax liability. As family income increases, so does the tax liability against which it can claim personal-use credits.

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iv The Cato Institute published an analysis of the fiscal impact of the model legislation presented here for five states in the summer of 2008.
credits. And as this personal-use credit increases, the amount of scholarship funds for which the families are eligible decreases correspondingly.

Every family will have a “child credit cap” for each child, with the amount varying by family income. For example, one family’s child credit cap is $3,000 and they have one child. If that family pays enough taxes to claim $1,000 in personal-use credits, then it is eligible to use up to $2,000 in scholarship funds derived from donation tax credits. If it can claim $2,000 in personal-use credits, it can use only $1,000 in scholarship funds.

This formula will ensure that there is no coverage gap or unfair penalty for middle-class families who are able to pay for a significant portion of their education expenses but still need assistance.

4. The tax credits cover all education expenses, not just tuition.
   This aspect of the legislation ensures that parents have the greatest flexibility in choosing the best education possible for their child. It will enable the use and encourage the development of educational services such as distance learning, tutoring, and education support networks such as those for homeschooling. It will produce the most dynamic education market choice for families possible.

5. Anyone can directly donate money for the education of a child.
   Grandparents, uncles and aunts, other relatives or friends, and even businesses can all pitch in together to help educate a child. This provision will ensure that friends and families take responsibility for a child’s education before strangers do, helping to strengthen family and community bonds.

Although the concepts presented here are similar to ones contained in other model legislation and existing law, a number of innovations may require additional explanation. The extensive endnotes in the appendix explain important provisions in the model legislation and are crucial to understanding the legislation.

The legislation in the appendix can appear more complicated than it is, and the need to spell out in technical detail all provisions can make it difficult to see the big picture. The examples below show how the act would work for a variety of families and businesses. Two short scenarios and a few longer examples highlight the flexibility and comprehensive coverage of the Public Education Tax Credit Act.

- Lower-Income Family—Short Example
  Nancy Williams just moved to a new city to look for work. She found a job right away but isn’t earning much money, isn’t married, and has no family in the area. The biggest worry for Nancy is her son, John, who’s in the sixth grade and not doing well. John is getting into trouble at school and falling behind academically.
Nancy knows she has to get John out of the failing school to which he’s assigned but can’t imagine how she would pay for tuition, even at the Catholic school down the street, which costs only $2,500. Luckily, Nancy’s neighbor tells her about a scholarship organization that helps out with his daughter’s tuition.

Nancy calls the school the next day and they tell her that she clearly qualifies to get John a scholarship. The scholarship organization will cover $2,340—all but $160 for the year. She knows that saving even that small portion of the tuition will take an effort, but the scholarship organization promises to help her with financial planning. Nancy is relieved to know that next year John will be in a safe, disciplined environment with a solid academic reputation, and she’s proud to be supporting her son’s education as much as she can right now.

- **Middle-Income Family—Short Example**
  Mr. and Mrs. Jones have a four-year-old daughter, Emily, and an income of $45,000. They have been thinking about preschool and would love to send her to a great Montessori school down the street, but the $4,800 tuition is out of their price range.

  The Joneses started asking some friends with older kids about preschool options, and one couple told them that they should take a look at the state education tax-credit program, which lets them keep their money to spend on education instead of sending it to the state in taxes. It sounded too good to be true, but Mr. Jones looked at an information page online and saw that they could use the $3,100 they owed in combined state income and local property taxes to help pay for the Montessori school.

  That weekend, the Joneses took a look at their budget and saw that they could pay the $1,700 left on the tuition after claiming their tax credits if they made some changes to their budget. The Joneses quickly signed Emily up for the next year and started telling all of their friends about the great tax-credit program that let them control their own education funds.

- **Lower-Income Family**
  Mr. and Mrs. Smith have one child, Joe, and a family income of $27,000. They live in a state that spends $10,000 per student in the government system (the national average). Because they qualify for the Free or Reduced-Price Lunch Program, they can use public education tax credits worth 80 percent of government school per-student spending, which means $8,000 (that limit is called the “child credit cap”).

  During the summer, the Smiths aren’t sure what they are going to do, but they know they need to get Joe into a better school. The one he’s assigned to just isn’t working for him. They’ve talked to friends and neighbors and have heard about a state program to help parents do exactly what they want to: choose another school for Joe. When they ask friends from their
church, they discover that it actually runs a scholarship program to help parents choose a school. The church established its own scholarship organization a few years back by filing an application with the state, an easy process because it was already a registered nonprofit. The Smiths get some pamphlets the next Sunday and set up an appointment with an administrator to talk about their options.

At the meeting, Sue, from the church’s scholarship organization, explains the program and gets them started. The Smiths have a small state sales-tax credit that they can claim for education expenses. But that comes to only about $500 for the year. They are going to need a lot of help to get Joe into a better school.

Sue tells the Smiths that they can use up to $8,000 total under the tax-credit program. Of that amount, they can get $7,500 in scholarships and claim the remaining $500 in credits from their own tax liability. Sue says that the church will be happy to give Joe scholarship money to go to a good school, but she reminds them to ask relatives if they can help out, too. She explains that Joe’s grandparents or uncle, or even a family friend or employer, can help pay and claim tax credits for Joe’s education expenses (thanks to the credit, their contributions may cost them little or nothing).

Sue gives the Smiths a few forms and helps fill them out. She also gives them a list of schools in their area to ask around about. Then she sets up another meeting so they can see how much scholarship money Joe will need to go to the school his parents choose.

At their next meeting, the Smiths tell Sue that Apple Elementary looked great and that Joe’s grandparents filled out their form to claim $1,000 in tax credits on their taxes that year and write a check to the school. Because Apple Elementary costs $3,000, Sue files the church scholarship application for $1,500, along with a $500 loan that will let Mr. and Mrs. Smith pay their share up front, and tells them that they will have their confirmation letter in a week. The Smiths file their application with Apple Elementary and hear back in a few weeks that Joe has been accepted for the fall.

• **Middle-Income Family**

Mr. and Mrs. Johnson have two children, Jack and Jill, and a family income of $58,000. They live in a state that spends $10,000 per student in the government system. Because their income is more than 1.5 times the Free or Reduced-Price Lunch Program but less than 3 times that limit, they can use public education tax credits worth 50 percent of government school per-student spending, which means $5,000 for Jack and $5,000 for Jill (the child credit cap).

During the summer, the Johnsons made a tough decision. Their daughter, Jill, is doing well at the government school she’s assigned to, but Jack is really struggling. They know Jack needs
to go to a school that has more structure and discipline but don’t know how they can pay for tuition at Maple Middle School, a school they know has done wonders for a boy who used to play soccer with Jack.

Mrs. Johnson remembers reading something in the newspaper about a state program that gives parents a tax break to help pay for education expenses, just like their mortgage tax deduction helps them with house payments. Mrs. Johnson calls Maple Middle School to ask about applying to the school and to find out more about the education tax break. She sets up a meeting for the next week. In the meantime, Mrs. Johnson looks at the public education tax-credit information Web site that the school recommended.

The Johnsons find that they can claim a sizeable amount of money in tax credits. Among their property taxes that fund local schools, sales taxes, and income taxes, they can claim $2,000. Mrs. Johnson also finds out that her employer has an employee donation policy and will pay $2,500 for each child of every employee—because the employer can adjust its tax payments and claim a tax credit for the donation, it costs the employer only a little paperwork. Also, Mr. and Mrs. Johnson discover they can adjust their state income tax withholding according to the state sales and income tax credits they will claim at the end of the year. That way they won’t have to pay everything out of pocket before they file their return.

The Johnsons are excited but still a bit concerned because Maple Middle School costs $5,500 and they have only $4,500 in credits so far. They speak with the school admissions adviser, and he informs them that the school has a scholarship fund supported by former students and community businesses that can be used to help fill the gap. The Johnsons are eligible for up to $3,000 in scholarship funds, because their tax liability is only $2,000 and their child credit cap for each child is $5,000. Because Mrs. Johnson’s employer gave them $2,500, they can use $500 in scholarship funds. The Johnsons and the admissions adviser work out a plan whereby the school scholarship fund will give Jack $500, and the Johnsons will pay the last $500 out of their own pocket without a credit.

The school adviser gives them a few papers to fill out, and the Johnsons rest easy knowing that Jack will be in a school that’s a better fit this year. And they now know they can get more help for Jill if she needs to switch schools later on. Mrs. Johnson’s employer would donate another $2,500 in credits if Jill needed to find another school, and they would be eligible to get Jill another $2,500 in scholarship funds because they used all of their personal tax credits on Jack. The school adviser assures them that they can work out a combination of scholarships and payments if they find that Maple Middle School or Oak High School is where Jill would do best.
• Upper-Income Family

Mr. and Mrs. Garcia have one child, Isabel, and a family income of $200,000. They live in a state that spends $10,000 per student in the government system. Because their income is more than six times the Free or Reduced-Price Lunch Program, they can’t use any public education tax credits for Isabel. But they can claim credits on 100 percent of their state tax liability for donating money directly to another family or to a scholarship fund.

Mr. Garcia heard about the state education tax-credit program on a radio news show and talked about it with a friend and business colleague over lunch. His friend said he’d learned about it through his accountant and business manager, who recommended it as a good option for his business and for him personally—it’s a great way to help people.

Mr. and Mrs. Garcia spoke about it that night, and the next day Mr. Garcia met with his accountant. The Garcias can claim credits on $22,000 of sales taxes, property taxes that fund local schools, and income taxes. They decided they want to divide the credits among a few different scholarship organizations: $15,000 would go to a scholarship organization that works with schools that have tremendous success raising achievement levels of children from lower-income families in the city; $5,000 would go to a scholarship organization at a school that specializes in science and math (because Mr. Garcia is an architect and Mrs. Garcia is a biologist); and $2,000 would go to the scholarship organization to help families at the school where Isabel is enrolled.

The Garcias are excited to be able to spend their money directly on high-performing schools and the kinds of education that they personally find important.

• Business

The scenario for businesses is much the same as the example for an upper-income family, because most businesses are S-Corps or LLCs, where business income is in many ways equivalent to individual income. All corporations are allowed to claim tax credits for donations to scholarship organizations and expenses incurred in support of a qualifying student’s education expenses.

The Public Education Tax Credit Act is model legislation that doesn’t address each state’s specific taxes. Businesses should, however, be allowed to claim tax credits against any state business taxes in addition to property and income taxes. Furthermore, businesses could donate directly to employees or other parents needing aid for the education of their eligible children.
PUBLIC OPINION ON EDUCATION TAX CREDITS

The public is remarkably ignorant of politics and public policy in general and education policy is no exception. This fact is important to keep in mind as we investigate the contours of public opinion on tax credits; public opinion is largely uninformed on these issues and is therefore quite susceptible to cues and arguments from trusted elites. It is therefore likely that, as the school choice issue becomes salient in any state, public opinion will trend heavily in the direction of the elites in whom different segments of the population trust.

School choice is a strongly partisan and ideological issue at the elite level, which means that Republican and conservative support should tend to increase while Democratic and liberal support should tend to decrease. Coalitional considerations are therefore particularly important to consider when evaluating public opinion on school choice; because elite conservative-coalition support for tax credits and universal choice is broader and more enthusiastic than for vouchers and targeted programs, these kinds of policies will carry with them an advantage in mobilizing public opinion in any choice reform effort. The fact that credits are more popular with Democratic politicians and liberals will help blunt some of the force of the traditional opposition to school choice.

A large majority of the public support school choice reform in general, and a majority support vouchers and tax credits in particular. Tax credits are more popular than vouchers, generally garnering five to ten points more support, with a similar advantage going to credits in terms of lower opposition. Parents of school-aged children are more supportive of choice than those without school-aged children (loosely called “nonparents” hereafter), lower-income individuals are more supportive than those with higher incomes, minorities are more supportive than whites, and parents who have kids in private schools are more supportive than those who do not.

In short, public support seems generally connected to self-interest; in particular, the more dissatisfied one is with public schools, the more supportive one is of choice. The public, however, is reasonably satisfied with their public schools; they see room for improvement and think that private schools do a better job on all important aspects of schooling, but think that their local schools do pretty well. The public sees bigger and more-serious problems with the system in general and with schools other than their own; they think government schools in general and across their state are in fairly serious need of reform. Again, these are expected and consistent findings akin to the common phenomenon, often mistaken as a paradox or contradiction, of voters expressing dislike for and disapproval of Congress, congressmen, and/or the government generally, while heartily approving of their own representative.
This section will rely primarily on data collected in a messaging, or framing, experiment conducted in 2006. The experiment used a large, randomized sample reflective of the U.S. general population (although not a random sample of the U.S. public). The policy questions I ask in these surveys diverge in two significant ways from other surveys that deal with tax credits. First, a specific dollar amount ($2,500) is suggested for a possible tax-benefit amount when explaining the personal-use credit concept. I think that explaining clearly how a tax-credit program works is best done using numbers to illustrate that each dollar spent on education comes directly off of a taxpayer’s tax liability. Most tax-credit surveys do not illustrate how the policy works with specific dollar amounts.

Second, I break the tax-credit questions down into multiple policies because all tax credits are not created equal. As we discussed briefly above, there are both personal-use and donation tax credits. The most basic form of an education tax credit, the original proposals pursued in the 1970s and 1980s, is the personal-use tax credit that gives a tax benefit to parents for money they spend on tuition or other education expenses. This, however, means that low-income families can’t take advantage of credits because most owe little or nothing in taxes. Some proposals have made the credit “refundable,” which means that families receive money from the government if their tax burden is too low to bring a meaningful credit. Because this is the legal equivalent of a voucher and therefore brings with it disadvantages with little benefit, refundable tax credits are not commonly pursued. Instead, a new approach to funding low-income families developed during the 1990s: donation tax credits that allow individual and corporate taxpayers to claim credits for donations made to scholarship-granting organizations that provide education funds to needy families.

The survey begins the program questions with a question on personal-use credits, and this is followed by a question that explains donation tax credits in general, with separate responses provided for individual-donation credits and business-donation credits. That means respondents give three separate support answers for three different kinds of tax credits. Following the questions on tax-credit programs, respondents are asked about their support for five different levels of coverage for a general-voucher or tax-credit program. The coverage levels are generally described in economic terms, but the first and most targeted coverage level is described as covering “only children in low-income families who attend consistently failing schools.” Respondents are then asked about their support for a program that covered “only children in all low-income families,” then “low-income and middle-class families,” followed by “low-income, middle-class, and upper-middle-class families,” ending with “children in all families, regardless of family income.” This is the first survey to ask questions about such a large range of coverage levels.

These questions on different kinds of tax-credit policies will give us a level of detail that no other survey on school choice provides. And we will be able to connect choice support levels to a
number of important factors. The survey asks about a respondent’s views on public and private school performance across a number of dimensions, such as academics, efficiency, and teaching moral values, as well as her views on what impact the school choice policy presented to her might have. In addition, respondents are asked about what effects they think a credit program is likely to have on such issues as academics and the cost of education in their state. In conjunction with a full array of demographic and political questions, we will be able to learn possible reasons for support of or opposition to education tax credits.

**Demographics**

Respondents to this survey were asked a number of demographic and political questions to determine what basic personal characteristics might affect support for tax credits. The school choice issue is, of course, extremely partisan at the elite level, but it is much less so on the mass level. One reason is simply the lack of familiarity most citizens have with education and choice policies and the absence of major political battles over the issue in most states. Previous surveys have suggested, however, that public opinion on school choice is structured. Parents connect their self-interests in their child’s education to the issue, and nonparents tend to connect their concerns about more-general issues, such as the cost and quality of education, to the issue.

This survey’s results certainly confirm many of these basic findings: in particular, parents are much more supportive of choice policies than are nonparents. However, support for tax credits overwhelms opposition for every demographic category, with support ranging from a low of 54 percent to a high of 77 percent and most often over 60 percent. An absolute majority of even nonparents support all choice policies, with that support topping 60 percent for both types of donation tax credits. Individual-donation credits are the most broadly popular, with the largest margin of support in almost every demographic category. Table 3 shows the margin of support for tax credits within each group, which means the percentage opposing a policy is subtracted from the percentage supporting the policy. For example, individual-donation tax credits are supported by 61 percent of nonparents and opposed by just over 18 percent, which means they have a 43-point margin of support. A negative number would, of course, mean that the percentage opposed to

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vii The margin of support will generally be used for the tables in this chapter to facilitate comparisons of support levels across groups and policies, which, because of the large number of categories involved, becomes extremely difficult if support and opposition percentages are presented. The level of opposition is equal in importance to the level of support because it puts cross-pressures on politicians, and the margin of support captures the relative weight of these pressures in one simple number. Respondents were asked in the support questions to pick from a 7-point scale, from 1, indicating strong opposition; to 7, strong indicating support; with 4 indicating neither support nor opposition. The average score on this scale more precisely balances the strength of support against the strength of opposition, but the difference between 4.5 and 4.7 is less meaningful intuitively than saying the margin of support among nonparents is 30 points for vouchers and 43 points for donation tax credits. In addition, public opinion on choice policy is relatively volatile, and we are therefore most interested in large differences that are easily captured in the margin of support. Finally, the differences highlighted in the text are statistically significant when compared on the 7-point scale through a t-test.
the policy is greater than the percentage in support. Although the basic policy support questions never come close to negative territory, opinion on different coverage levels, which is discussed below, is sometimes opposed on balance.

Republicans and social conservatives generally prefer personal-use credits more than donation credit programs. In contrast, Democrats, Independents, social liberals, economic liberals, and economic conservatives all prefer donation tax-credit programs significantly more than personal-use credits. Parents prefer personal-use credits and nonparents have a large preference for donation credits over personal-use credits.

### Table 3 Margin of Support: Percentage Supporting the Policy minus Percentage Opposing the Policy

<table>
<thead>
<tr>
<th></th>
<th>Personal-Use Credits</th>
<th>Individual-Donation Credits</th>
<th>Business-Donation Credits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Black</td>
<td>50.6</td>
<td>64.5</td>
<td>60.2</td>
</tr>
<tr>
<td>Male</td>
<td>33.9</td>
<td>45.3</td>
<td>39.6</td>
</tr>
<tr>
<td>Female</td>
<td>48.6</td>
<td>52.1</td>
<td>50.9</td>
</tr>
<tr>
<td>Republican</td>
<td>54.0</td>
<td>50.5</td>
<td>49.3</td>
</tr>
<tr>
<td>Democrat</td>
<td>36.1</td>
<td>51.9</td>
<td>47.3</td>
</tr>
<tr>
<td>Independent</td>
<td>34.8</td>
<td>42.3</td>
<td>39.3</td>
</tr>
<tr>
<td>Social conservative</td>
<td>54.6</td>
<td>54.1</td>
<td>49.7</td>
</tr>
<tr>
<td>Social liberal</td>
<td>31.4</td>
<td>45.2</td>
<td>45.4</td>
</tr>
<tr>
<td>Economic conservative</td>
<td>47.8</td>
<td>51.5</td>
<td>49.1</td>
</tr>
<tr>
<td>Economic liberal</td>
<td>41.2</td>
<td>52.0</td>
<td>49.2</td>
</tr>
<tr>
<td>Low income</td>
<td>50.4</td>
<td>59.0</td>
<td>53.7</td>
</tr>
<tr>
<td>High income</td>
<td>27.0</td>
<td>42.2</td>
<td>39.9</td>
</tr>
<tr>
<td>Nonparent</td>
<td>28.7</td>
<td>42.7</td>
<td>43.2</td>
</tr>
<tr>
<td>Parent</td>
<td>55.9</td>
<td>55.7</td>
<td>48.9</td>
</tr>
<tr>
<td>Private-school parent</td>
<td>64.8</td>
<td>66.2</td>
<td>57.7</td>
</tr>
</tbody>
</table>

We can also look at how these variables impact support when the others are held constant in a regression analysis. The regression models run here reveal a few patterns and unique correlations that are noteworthy (Table 4). The most strikingly consistent and significant of all of the characteristic impacts—one that holds for all tax credits—is having no school-aged children. This should not surprise us; all other surveys on choice demonstrate that parents are much more supportive than are nonparents. There is a difference, however, in the magnitude of the impact that this characteristic has on support for different choice policies. Being a nonparent reduces support for personal-use tax credits significantly, with an impact coefficient of -.38. The impact weakens to almost half that found in the voucher regression, to -.26 for individual-donation credits and yet again with business-donation credits, to -.16, with fading statistical significance.
Table 4 Demographic-Variable Impact
(all respondents, support scale from 1 to 7)

<table>
<thead>
<tr>
<th></th>
<th>Personal-Use Credits</th>
<th>Individual-Donation Credits</th>
<th>Business-Donation Credits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Black</td>
<td>0.22</td>
<td>0.40**</td>
<td>0.47**</td>
</tr>
<tr>
<td>Male</td>
<td>-0.17^</td>
<td>-0.06</td>
<td>-0.16^</td>
</tr>
<tr>
<td>Age</td>
<td>-0.02**</td>
<td>-0.01**</td>
<td>-0.01**</td>
</tr>
<tr>
<td>Republican</td>
<td>0.40**</td>
<td>0.18</td>
<td>0.29*</td>
</tr>
<tr>
<td>Democrat</td>
<td>0.11</td>
<td>0.23^</td>
<td>0.15</td>
</tr>
<tr>
<td>Social conservative</td>
<td>0.10</td>
<td>-0.06</td>
<td>-0.08</td>
</tr>
<tr>
<td>Social liberal</td>
<td>-0.33^</td>
<td>-0.27</td>
<td>-0.04</td>
</tr>
<tr>
<td>Economic conservative</td>
<td>0.42*</td>
<td>0.40*</td>
<td>0.41*</td>
</tr>
<tr>
<td>Economic liberal</td>
<td>0.44*</td>
<td>0.41*</td>
<td>0.39*</td>
</tr>
<tr>
<td>Low income</td>
<td>0.12</td>
<td>0.26*</td>
<td>0.30**</td>
</tr>
<tr>
<td>High income</td>
<td>-0.23^</td>
<td>-0.10</td>
<td>-0.14</td>
</tr>
<tr>
<td>Education</td>
<td>-0.11**</td>
<td>-0.05</td>
<td>-0.04</td>
</tr>
<tr>
<td>Church attendance</td>
<td>0.06</td>
<td>0.06</td>
<td>0.08*</td>
</tr>
<tr>
<td>Nonparent</td>
<td>-0.38**</td>
<td>-0.26**</td>
<td>-0.16^</td>
</tr>
<tr>
<td>Private-school parent</td>
<td>0.48*</td>
<td>0.19</td>
<td>0.15</td>
</tr>
<tr>
<td>Heard of the program</td>
<td>-0.06</td>
<td>-0.03</td>
<td>-0.10</td>
</tr>
</tbody>
</table>

What this means is that, with all other characteristics held constant, nonparents are much less supportive of personal-use credits than they are of donation credits. Nonparents are significantly more negative toward all choice policy, but the impact of that characteristic fades with donation credits. In terms of margin of support, donation tax credits outperform personal-use credits by around 43 to 30. Other surveys have generally found that nonparent support for personal-use credits is relatively solid. The PDK/Gallup poll, for instance, finds nonparents on balance supportive of tax credits (Table 5). We will discuss the role of nonparents in greater detail below.
but a simple recognition of the fact that they compose about two-thirds of the electorate and pay
for the bulk of education should suffice to highlight the importance of their views.

Table 5 Margin of Support: Percentage Supporting the Policy minus Percentage Opposing the Policy
(PDK/Gallup avg. 1998–99)

<table>
<thead>
<tr>
<th></th>
<th>All Tuition</th>
<th>Part Tuition</th>
</tr>
</thead>
<tbody>
<tr>
<td>All respondents</td>
<td>15</td>
<td>33.5</td>
</tr>
<tr>
<td>No children in school</td>
<td>5.5</td>
<td>22</td>
</tr>
<tr>
<td>Children in public school</td>
<td>28</td>
<td>54</td>
</tr>
</tbody>
</table>

Source: Lowell C. Rose and Alec M. Gallup, “The 30th Annual Phi Delta Kappa/Gallup Poll of the Public’s Attitudes toward the Public Schools,” September 1998; and “The 31st Annual Phi Delta Kappa/Gallup Poll of the Public’s Attitudes toward the Public Schools,” September 1999.

Age has a strong, small, and consistent negative impact on support for all credit programs. This impact remains even though having no school-aged children is controlled for in the regression model and suggests additional difficulties for increasing support among nonparents. Being black has a statistically significant impact on support for both kinds of donation credits. The partisan impact on credit support is relatively weak—nonsignificant for individual-donation credits—and nonexistent for social conservatism. Economic conservatives are much more supportive of all three kinds of credits. The most surprising finding, however, is that economic liberals are much more supportive of all kinds of tax-credit programs. One possible explanation of this liberal support for tax credits is that credits are already used in higher education, where they began as a partisan Democratic-owned issue that was heavily promoted by President Bill Clinton. Given the low levels of knowledge regarding K–12 education tax credits, economic liberals may be far more familiar with the college tax credits than with other credits pushed primarily by Democratic politicians. This experience with Democratic-supported tax-credit programs may bias many economic liberals in favor of K–12 education tax credits who are unaware that the partisan and ideological sides are reversed for this specific policy.

Although individual-donation credits command the most widespread support, conservatives, Republicans, and parents tend to be more supportive of vouchers and personal-use credits, while liberals, Democrats, Independents, and nonparents are more supportive of donation credits. The question of whether targeted or broad-based choice programs are preferred is much more clear-cut: universal programs are clearly the dominant coverage level for tax credits, and broad-based programs that cover everyone up through the middle class come in a strong second place.

Indeed, opposition often outweighs support for programs like Milwaukee’s, which target low-income families only (Table 6). It should come as no surprise that the conservatives, Republicans, high-income respondents, and parents favor a universal program most heavily. The opposition to targeted programs is also quite serious, with women, Republicans, social and economic
conservatives, high-income respondents, and nonparents and private-school parents all opposing targeted programs on balance. Black respondents, Democrats, Independents, social and economic liberals, and low-income respondents all prefer middle-class coverage. A universal program, however, pulls in the second-highest margin of support from all of these groups except low-income and black respondents; they favor targeted over universal coverage, although the former does so by only about one-half of a percentage point and the latter by about three points.

Table 6  Margin of Support for Tax-Credit Coverage: Percentage Supporting the Policy minus Percentage Opposing the Policy

<table>
<thead>
<tr>
<th></th>
<th>Targeted</th>
<th>Middle Class</th>
<th>All Families</th>
</tr>
</thead>
<tbody>
<tr>
<td>Black</td>
<td>35.5</td>
<td>47.0</td>
<td>32.5</td>
</tr>
<tr>
<td>Male</td>
<td>6.8</td>
<td>15.5</td>
<td>22.5</td>
</tr>
<tr>
<td>Female</td>
<td>-1.9</td>
<td>21.2</td>
<td>36.7</td>
</tr>
<tr>
<td>Republican</td>
<td>-17.3</td>
<td>0.6</td>
<td>47.2</td>
</tr>
<tr>
<td>Democrat</td>
<td>14.3</td>
<td>31.6</td>
<td>21.3</td>
</tr>
<tr>
<td>Independent</td>
<td>8.1</td>
<td>22.5</td>
<td>22.5</td>
</tr>
<tr>
<td>Social conservative</td>
<td>-8.9</td>
<td>14.1</td>
<td>42.9</td>
</tr>
<tr>
<td>Social liberal</td>
<td>7.8</td>
<td>22.3</td>
<td>13.2</td>
</tr>
<tr>
<td>Economic conservative</td>
<td>-5.3</td>
<td>15.1</td>
<td>37.0</td>
</tr>
<tr>
<td>Economic liberal</td>
<td>11.2</td>
<td>28.2</td>
<td>17.0</td>
</tr>
<tr>
<td>Low income</td>
<td>32.0</td>
<td>43.0</td>
<td>31.4</td>
</tr>
<tr>
<td>High income</td>
<td>-26.6</td>
<td>-11.7</td>
<td>22.7</td>
</tr>
<tr>
<td>Nonparent</td>
<td>-0.3</td>
<td>14.8</td>
<td>19.1</td>
</tr>
<tr>
<td>Parent</td>
<td>4.0</td>
<td>22.6</td>
<td>42.1</td>
</tr>
<tr>
<td>Private-school parent</td>
<td>-9.9</td>
<td>8.5</td>
<td>54.9</td>
</tr>
</tbody>
</table>

When we look at the regression models for coverage support, which holds all other characteristics constant, we find results that shadow the general outlines of our margin of support comparisons (Table 7). Being black and having a low income have large and statistically significant positive impacts on support for targeted programs. Being a nonparent and a social liberal have large and statistically significant negative impacts on support for universal tax-credit programs. Social conservatism and being a Republican have large positive impacts on support for universal programs. Finally, and interestingly, both economic conservatism and liberalism have a significant positive impact on middle-class tax-credit support, and economic conservatism also has a significant positive impact on support for targeted tax credits.

It’s important to note here again that these are impacts that hold when all of the other variables in the model are held constant—in other words, when all else is equal. As the margin of support in Table 6, above, makes clear, however, all is not equal; economic conservatives on balance oppose targeted tax credits. It is important to consider the results of these regression models in the context of overall support levels for the particular groups.
# Table 7
Demographic-Variable Impact on Support for Choice Coverage Levels

*(all respondents, support scale from 1 to 7)*

<table>
<thead>
<tr>
<th></th>
<th>Low Income Tax Credits</th>
<th>Middle Class Tax Credits</th>
<th>Tax Credits for All Families</th>
</tr>
</thead>
<tbody>
<tr>
<td>Black</td>
<td>0.65**</td>
<td>0.54**</td>
<td>0.25</td>
</tr>
<tr>
<td>Male</td>
<td>0.31**</td>
<td>0.11</td>
<td>-0.22*</td>
</tr>
<tr>
<td>Age</td>
<td>-0.01**</td>
<td>-0.02**</td>
<td>-0.01*</td>
</tr>
<tr>
<td>Republican</td>
<td>-0.22</td>
<td>-0.22</td>
<td>0.53**</td>
</tr>
<tr>
<td>Democrat</td>
<td>0.17</td>
<td>0.20</td>
<td>-0.02</td>
</tr>
<tr>
<td>Social conservative</td>
<td>-0.24</td>
<td>-0.01</td>
<td>0.01</td>
</tr>
<tr>
<td>Social liberal</td>
<td>-0.11</td>
<td>-0.08</td>
<td>-0.40^</td>
</tr>
<tr>
<td>Economic conservative</td>
<td>0.36*</td>
<td>0.31^</td>
<td>0.26</td>
</tr>
<tr>
<td>Economic liberal</td>
<td>0.29</td>
<td>0.34^</td>
<td>0.17</td>
</tr>
<tr>
<td>Low income</td>
<td>0.66**</td>
<td>0.39**</td>
<td>-0.06</td>
</tr>
<tr>
<td>High income</td>
<td>-0.31*</td>
<td>-0.45**</td>
<td>-0.07</td>
</tr>
<tr>
<td>Education</td>
<td>-0.07^</td>
<td>-0.10**</td>
<td>-0.12**</td>
</tr>
<tr>
<td>Church attendance</td>
<td>-0.03</td>
<td>0.02</td>
<td>0.09^</td>
</tr>
<tr>
<td>Nonparent</td>
<td>0.01</td>
<td>-0.05</td>
<td>-0.46**</td>
</tr>
<tr>
<td>Private-school parent</td>
<td>-0.23</td>
<td>-0.34</td>
<td>0.36</td>
</tr>
<tr>
<td>Heard of the program</td>
<td>-0.46**</td>
<td>-0.31**</td>
<td>-0.20^</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The evidence is quite clear and one sided, however, on coverage support: targeted programs are significantly outperformed by both broad-based middle-class coverage and universal coverage programs.

Personal-use credits are generally preferred by conservatives, Republicans, and parents, whereas donation tax credits are generally preferred by Democrats, liberals, Independents, and nonparents. The evidence is quite clear and one sided, however, on coverage support: targeted programs are significantly outperformed by both broad-based middle-class coverage and universal coverage programs. The largest demographic hurdle for the school choice movement to overcome is the relatively low support of nonparents, a large and politically crucial segment of the electorate.
The Effects of School Choice on Academic Achievement

The core issue in modern school choice debates is whether or not, or how much, school choice increases academic achievement. And a central issue in answering that consideration is the relative academic performance of public and private schools. The evidence from my survey data suggest, however, that the relative academic performance of private schools has an inconsistent and relatively small impact on support for choice policies compared with the impact of efficiency concerns.

The public generally thinks private schools outperform public schools across all the dimensions about which they were asked, but the gap between the two varies significantly and the importance of each characteristic even more so. Academic performance is rated as the most important issue in education, but it is also the characteristic on which the public sees the smallest gap in performance between public and private schools. Efficiency, in contrast, comes in second in importance and second only to the teaching of moral values in terms of the performance advantage that the public thinks private schools have over public schools. It should therefore come as no surprise that the private-school advantage in the efficient use of funds has the most consistent and largest impact on policy support, particularly for broad-based choice programs. We can, however, look a bit more directly at why respondents support or oppose school choice.

The most logical place to look for underlying reasons for support or opposition is in what people believe the effects of a tax-credit program will be. After all, voters presumably support policies they believe will help themselves and society and oppose those they think will do harm. We will therefore now turn to an analysis of these impact perceptions in order to understand what might motivate public support for school choice reforms.

Figure 2 shows the average school choice policy effect score for each impact question, which asks respondents to say whether they thought tax credits would increase, decrease, or do nothing on specific concerns, such as the cost of education, academic performance, the teaching of moral values, and respect for parents and students. Figure 3 illustrates how these scale numbers translate into percentage support for and opposition to cost, academic, and equity effects. For instance, the response average for how much costs would increase with a school choice program was about 4.4 on a 7-point scale, which means that respondents generally thought choice would increase costs (choosing 4 meant the respondent thought costs would stay the same, and the larger the number beyond that, the more respondents thought costs would increase.). In Figure 3 we can see that the 4.4 scale average translates into about 47 percent of respondents answering that the program would increase costs, around 30 percent answering that it would decrease costs, and around 23 percent of respondents answering that it would not change the cost of education in their state. A majority or plurality of respondents thought that tax credits would increase all categories: that they would increase costs, academic achievement, parental influence, etc.
Respondents appeared most uncertain about the effect tax credits would have on property values, with close to a majority of respondents saying that the program would have no effect on property values in their area and about 40 percent of respondents saying that they expect the program to increase property values.

The fact that a solid plurality of respondents think a tax-credit program will increase property values is particularly interesting. These numbers stay fairly static whether the respondents are parents, nonparents, high income, or low income, and provide evidence that casts doubt on one major theory about why higher-income individuals and nonparents are relatively less supportive of vouchers in particular and choice policy generally. A study of vote intention on the 2000 California referendum vote on a statewide universal voucher program (Prop. 38) showed that homeowners from good school districts without children were much more likely to vote against vouchers than were other voters, and the authors concluded that this was because of an expected decrease in their property values as the statewide voucher program reduced the value of living in good public school districts.31

It seems unlikely that this specific concern drove the vote intention of these respondents when even high-income respondents without school-aged children believe, by 30 percent to 16 percent,
that school choice will increase property values in their area with the adoption of school choice. A more likely explanation is that the relatively anemic support from homeowners in good districts comes from an expectation that school choice will be costly, risky, and provide relatively little in return by way of benefits. High-income individuals without children are much less optimistic about the costs and benefits of school choice, and these concerns likely grow substantially with the size and apparent potential impact of the program. The California voucher initiative was statewide and universal, thereby making any cost-benefit and risk assessment particularly salient; property values do not appear, however, to play a significant, direct role in these assessments.

Table 8, below, shows how much the policy effect scores increased or decreased when comparing the answers of nonparents to parents. Nonparents on average estimate the positive effects of a tax-credit program to be substantially less than do parents, and the difference is statistically significant. Nonparents also estimate that the cost of both programs will be more than parents do, although that difference is small and not statistically significant.

Table 8  Percentage Increase or Decrease in Nonparent Effect Assessment Compared with Parental Effect Assessment

<table>
<thead>
<tr>
<th>Cost</th>
<th>1%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Academics</td>
<td>-5%</td>
</tr>
<tr>
<td>Parental influence</td>
<td>-6%</td>
</tr>
<tr>
<td>Equity</td>
<td>-5%</td>
</tr>
<tr>
<td>Property values</td>
<td>-4%</td>
</tr>
<tr>
<td>Discipline</td>
<td>-3%</td>
</tr>
<tr>
<td>Moral values</td>
<td>-3%</td>
</tr>
<tr>
<td>Safety</td>
<td>-5%</td>
</tr>
<tr>
<td>Respect</td>
<td>-6%</td>
</tr>
</tbody>
</table>

The regression models below demonstrate most of what we should expect from past surveys and analyses of school choice support (Table 9). The effect that respondents think choice will have on academics, cost, and equity have the largest impacts on support. The variables representing a respondent’s predictions about the effect of choice programs on discipline, moral values, safety, and respect for parents and students all have very weak and mostly insignificant impacts on support in regression models for vouchers and credits. These variables are also the variables most strongly correlated with each other, which suggests that many of the same considerations underlie how respondents answer each of them. I have therefore created a composite variable that averages a respondent’s answers to each of these questions to better capture the impact these considerations have on support for school choice. This composite “values” variable has a large, consistent, and significant impact on support for all policies, rivaling cost, equity, and even academics in some cases.

vii The impact of this composite variable is strong, and regressions that include it explain more of the support for both vouchers and tax credits than do analyses that include all of the variables separately. Voucher regression model r-squared with separate variables = 5702, with composite =5709; tax-credit regression model r-squared with separate variables = 3557, with composite =3567.
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This table reports the results of four separate multiple regression analyses that test the impact of each policy effect variable on support for personal-use credits, individual-donation credits, and business-donation credits. Each analysis included all demographic variables for controls, but the impact coefficients for the demographic variables have been omitted for space. The impact coefficient is in bold, and the standard error is below. Impact coefficients indicate how much support increases or decreases on a 7-point scale of policy support for each 1-point increase in the variable. These variables represent the effect that respondents think a policy will have; for instance, every 1-point increase on the 7-point cost effect scale causes a -.21-point decrease in support for personal-use credits. Statistically significant impact coefficients are marked ** (p<0.01), for the highest level of significance; * (p<0.05) for the next highest level of significance, and ^ (p<0.10) for the final cut-off for determining statistically significant effects. Tests are two-tailed.

Respondents were also asked to judge how risky in general they think tax credits would be as a way of capturing how comfortable or uncomfortable a respondent is in general with school choice reform. This variable should help us capture the impact of any good or bad effects a respondent might predict a choice policy to have but about which we did not ask her. The respondents on average thought that credits would be moderately risky, with around 20 percent of all respondents thinking that the risk of such a program would be very high or very low (Figure 4). The risk assessment is of course higher for nonparents than for parents. And this perception of risk has a large impact on program support, ranging from -.32 for personal-use credits to -.23 for business-donation credits (Table 10).

Figure 4 Percentage Estimating the Degree of Tax-Credit Program Risk
(all conditions & all respondents)
Table 10  Impact of Perceived Risk on Support for Choice Policies
(all conditions & all respondents)

<table>
<thead>
<tr>
<th>Risk</th>
<th>Personal-Use Credits</th>
<th>Individual-Donation Credits</th>
<th>Business-Donation Credits</th>
</tr>
</thead>
<tbody>
<tr>
<td>-0.32**</td>
<td>-0.27**</td>
<td>-0.23**</td>
<td></td>
</tr>
<tr>
<td>-0.03</td>
<td>-0.03</td>
<td>-0.03</td>
<td></td>
</tr>
</tbody>
</table>

This table reports the results of four separate multiple regression analyses that test the impact of the risk assessment variable on support for personal-use credits, individual-donation credits, and business-donation credits. Each analysis included all demographic variables for controls, but the impact coefficients for the demographic variables have been omitted for space. The impact coefficient is in bold and the standard error is below. Impact coefficients indicate how much support increases or decreases on a 7-point scale of policy support for each 1-point increase in a respondent's assessment of the policy's riskiness. For instance, every 1-point increase on the 10-point riskiness scale causes a -.32-point decrease in support for personal-use credits. Statistically significant impact coefficients are marked ** (p<0.01), for the highest level of significance; * (p<0.05) for the next highest level of significance; and ^ (p<0.10) for the final cut-off for determining statistically significant effects. Tests are two-tailed.

Regression models also demonstrate that the “risky” variable has a large impact that increases in magnitude and statistical significance with the coverage level. In other words, the perceived riskiness of a choice program is more important in explaining support or opposition to broad-coverage programs than targeted ones, which one should expect because the effects of a program, good and bad, should increase with its size. We saw this general pattern in the effect variable analysis, which shows more effect considerations becoming significant with broader coverage. But what more-specific effects are most important to respondents when they think of how risky a choice program might be? What considerations underlie this general assessment of risk?

The regression model below looks at the relative impact of the policy effect variables on a respondent’s assessment of how risky they think tax credits are (Table 11). Not surprisingly, it appears that the variables with the greatest impact on support also have the greatest impact on the perception of how risky a credit program would be. The most significant difference is that cost is playing a much bigger role than are academics in risk assessment, moving a respondent’s risk assessment over a half a point for each one-point increase in the perceived cost of a program. The impact of the academic effect falls significantly from that of cost and falls still further with the equity effects. The impact of cost concerns on risk assessment is 189 percent larger than equity and 30 percent larger than academic concerns.
Table 11 Impact of Policy Effects Predictions on Perceived Riskiness of Choice Policies
(scale from 1, not risky at all; to 10, extremely risky; all conditions & all respondents)

<table>
<thead>
<tr>
<th></th>
<th>Tax Credits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost</td>
<td>0.53**</td>
</tr>
<tr>
<td></td>
<td>-0.04</td>
</tr>
<tr>
<td>Academics</td>
<td>-0.41**</td>
</tr>
<tr>
<td></td>
<td>-0.06</td>
</tr>
<tr>
<td>Parental influence</td>
<td>-0.17**</td>
</tr>
<tr>
<td></td>
<td>-0.06</td>
</tr>
<tr>
<td>Equity</td>
<td>-0.19**</td>
</tr>
<tr>
<td></td>
<td>-0.05</td>
</tr>
<tr>
<td>Property values</td>
<td>-0.04</td>
</tr>
<tr>
<td></td>
<td>-0.05</td>
</tr>
<tr>
<td>Discipline/moral values/safety/respect</td>
<td>-0.03</td>
</tr>
</tbody>
</table>

This table reports the results of two separate multiple regression analyses that test the impact of each policy effect variable on a respondent’s assessment of the policy’s riskiness. Each analysis included all demographic variables for controls, but the impact coefficients for the demographic variables have been omitted for space. The impact coefficient is in bold and the standard error is below. Impact coefficients indicate how much support increases or decreases on a 7-point scale of policy support for each 1-point increase in the variable. For instance, every 1-point increase on the 7-point cost effect scale causes a .53-point, over a half-point, increase in the perceived riskiness of personal-use credits. Statistically significant impact coefficients are marked ** (p<0.01), for the highest level of significance; * (p<0.05) for the next highest level of significance; and ^ (p<0.10) for the final cut-off for determining statistically significant effects. Tests are two-tailed.

What Drives Support for Education Tax Credits?

The findings of this survey largely confirm those of past polls and adds to our understanding of how the public reacts to different policy proposals. Although the public is very supportive of all tax credits, donation credits are significantly more popular. Broad-based and especially universal school choice policies are much more popular than low-income targeted ones among all important segments of the public; even low-income, liberal, Democrat, and black respondents prefer broad-based, middle-class coverage over targeted.

We found as well that this support or opposition is driven in large measure by the differences people see between public and private school performance and the likely effects of school choice policies. A few considerations stand out from the others as particularly important in influencing school choice opinion: the gap that respondents see between public and private school in the efficient use of funds; the general riskiness of the choice policy; and the effects they think choice will have on the cost of education, academic achievement of students, equity in educational opportunities, and an interrelated cluster of values considerations such as the teaching of moral values, safety, discipline, and respect. It is important to keep these concerns in mind as we explore what kinds of frames both sides of the school choice debate utilize and as we analyze the impact that the frames we tested have on support for choice policies and on the considerations we know affect that support.
HOW TO ARGUE FOR SCHOOL CHOICE: EVIDENCE FROM A FRAMING EXPERIMENT

Those excluded from the policy subsystem constitute "slack resources" that can be mobilized by policy entrepreneurs. Much, but of course not all, policy change comes about because new participants are attracted to an issue. Mobilization typically occurs through a redefinition of the prevailing policy image. New participants are attracted to the fray as the issue becomes redefined. Seldom do fresh participants enter a political conflict while an issue is confined to a single dimension (italics in original).32

The previous section revealed the general contours of public opinion on tax-credit policies and highlighted some of the most important considerations that drive support and opposition. The findings of the survey conducted for this project mostly confirm those of past polls. This section will turn to the relative effectiveness of different arguments in favor of school choice to determine what might be the best approach to promoting education tax credits in Virginia.

The school choice movement, as is common for other movements, has long been dominated by one policy and one way of framing the choice reform issue. Targeted vouchers are the dominant policy and the "equity" frame is the dominant argument in favor of school choice. We already know that tax credits are the most promising policy for Virginia, but what is the most promising argument, or frame, for selling education tax credits?

The equity frame presents school choice as a matter of educational equity, a way of ensuring that children of all incomes and races have access to quality education. From this perspective, too many public schools in low-income and minority neighborhoods fail to educate the children in their care. And school choice is presented as a way to help close the educational-achievement gap between rich and poor by allowing all parents to choose good schools for their children. This is typically the argument frame used to advance both targeted and universal programs.

There are, however, two prominent but subordinate issue frames. The "financial" frame presents school choice as a matter of financial responsibility and taxpayer relief. From this perspective, skyrocketing taxes go to support failing public schools, and more tax dollars are spent on education every year with no improvement in return. And school choice is presented as a way to help keep taxes low because private and other schools of choice cost less and parents spend education dollars more wisely than do bureaucrats. The "moral values" frame presents school choice as a matter of teaching moral values and character in a supportive environment. From this perspective, public schools fail to educate children in moral principles or character, causing a decline in discipline, responsibility, and good behavior. And school choice is presented as a way to help make sure
schools teach good values, because parents know best what values their children should learn in school and would be able to choose good schools that teach them those values.

Supporters almost always touch two points in the process of advancing the frames described above: parents will have more control and student achievement will increase because of competition and choice. Reformers, however, typically identify a specific and compelling problem that a reform proposal is meant to address. A “why” is needed. In the case of school choice, why do parents need control and why do we need to increase achievement if, as much polling suggests, the public is relatively satisfied with the public education system? The frames I tested in my survey work—equity, financial, and moral values—identify three specific problems in the current education system that school choice supporters think the reform will help rectify. The frames I tested discuss the general benefits of school choice, but one of these three problems commands the focus of the argument in favor of choice.

In order to test the three frames under consideration, I conducted an online survey experiment that presented each respondent with a “news article” treatment, which contained arguments in favor of education tax credits, to read before they completed the survey. Each of these “news articles” contained basic arguments that school choice through tax credits would increase parental control and student achievement, presenting school choice as an important issue in the respondent’s state. In addition, one of the three frames—equity, financial, or moral values—were emphasized in the headline and throughout the “news article.” The control group read a news article with no political content.

Respondents then took an extensive survey on public and private schools, school choice programs, and basic demographic information. This approach allowed me to examine any differences in the way that the public responds to six different policy frames and compare that response to a control group that was exposed to no arguments in favor of school choice.

When we compare the support level in treatment groups (those who received an argument frame) to the average support in the control group (those who did not read an argument), it is clear that some frames have a greater impact on tax-credit support than others. Support was highest for personal-use and business-donation credits when respondents were exposed to the financial argument for school choice, and the impact was statistically significant in both cases (Table 12). None of the

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viii The argument that schools in general need improvement and that choice will help improve them is a common premise in each frame; however, most people are relatively satisfied with the performance of their local schools and think that the problem lies in other communities. This makes an “academic achievement only” frame difficult for supporters to use to powerful effect without connecting it to other concerns. Arguments that focus on achievement are therefore typically presented within the context of the equity frame, because it is generally accepted that low-income children have low academic-achievement levels that are problematic. Increasing academic achievement can also be connected to the financial frame by pointing out the significant cost it takes to achieve mediocre results and to the moral values frame by arguing that schools eliminate the moral dimension and still underachieve in academics, or by noting the connection among values, discipline, and achievement more generally.
treatment had a statistically significant impact on support for individual-donation credits in this analysis, although the average support in both the financial- and the equity-treatment groups was noticeably higher than support in the control group. When we run a regression analysis, holding constant all the major demographic and political variables we reviewed earlier, we find the same pattern: the financial frame had a statistically significant, positive impact on support for personal-use and donation credits (Table 13). The respondents read only one "news article" one time that contained the financial argument for school choice, but that one exposure increased support, on average, by about 3.5 percent (a quarter of a point on a 7-point scale).

Table 12  Average Support for Tax-Credit Policies
(scaled from 1, strongly oppose; to 7, strongly support; all respondents)

<table>
<thead>
<tr>
<th></th>
<th>Personal-Use Credits</th>
<th>Individual-Donation Credits</th>
<th>Business-Donation Credits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Control</td>
<td>4.70</td>
<td>4.89</td>
<td>4.83</td>
</tr>
<tr>
<td>Equity</td>
<td>4.68</td>
<td>4.97</td>
<td>4.94</td>
</tr>
<tr>
<td>Financial</td>
<td><strong>4.95</strong></td>
<td>4.95</td>
<td><strong>5.06</strong></td>
</tr>
<tr>
<td>Moral values</td>
<td>4.78</td>
<td>4.91</td>
<td>4.82</td>
</tr>
<tr>
<td>Highest minus control</td>
<td>0.25</td>
<td>0.08</td>
<td>0.23</td>
</tr>
</tbody>
</table>

** p<0.01; * p<0.05; ^ p<0.10, two tailed

Table 13  Impact of Frames on Support for Choice Policies
(scaled from 1, strongly oppose; to 7, strongly favor; 4 is neutral; all respondents)

<table>
<thead>
<tr>
<th></th>
<th>Personal-Use Credits</th>
<th>Individual-Donation Credits</th>
<th>Business-Donation Credits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity</td>
<td>0.03</td>
<td>0.09</td>
<td>0.16</td>
</tr>
<tr>
<td>Financial</td>
<td><strong>0.24</strong></td>
<td>0.07</td>
<td><strong>0.25</strong></td>
</tr>
<tr>
<td>Moral values</td>
<td>0.10</td>
<td>0.01</td>
<td>0.00</td>
</tr>
</tbody>
</table>

This table reports the results of four separate multiple regression analyses that test the impact of each frame treatment on support for personal-use credits, individual-donation credits, and business-donation credits. Each analysis included all demographic variables for controls, but the impact coefficients for the demographic variables have been omitted for space. Impact coefficients indicate how much support increases or decreases on a 7-point scale of policy support when a respondent is exposed to the treatment. For instance, on average, being exposed to the financial-frame treatment causes a .24-point increase in support for personal-use credits. Statistically significant impact coefficients are marked ** (p<0.01), for the highest level of significance; * (p<0.05) for the next highest level of significance; and ^ (p<0.10) for the final cut-off for determining statistically significant effects. Tests are two-tailed.

Because the respondents were exposed to these argument frames only once, it seems reasonable that they would have a modest effect on overall support. We can look to see what the impact of additional exposures might be, however, by examining how each frame impacted considerations that we know are important in driving support and opposition. In particular, what impact did these frames have on the effects that respondents thought a tax-credit program might have? Table 14, on the following page, once again demonstrates that the financial frame had the most consistent and robust impact on the most important considerations driving support and opposition. No frame had a significant impact on what effect respondents thought credits would have on educational equity.
The financial frame significantly reduced respondents’ estimate of the cost and risk of the program and increased their assessment of how much credits would improve academic performance and values issues in the schools. The moral values frame had a smaller but significant positive impact on the estimate of the academic effect, and, not surprisingly, a much larger impact on the estimate of the values effect. The equity frame had a positive impact only on the values issues assessment, and its impact was the lowest of the three.

Table 14  Impact of Frames on Perceived Effects of Tax Credits
(scale from 1, decrease x a lot; to 7, increase x a lot; and 4 is neither increase nor decrease x; overall risk is a 1–10 scale, from not risky to very risky; all respondents)

<table>
<thead>
<tr>
<th></th>
<th>Cost</th>
<th>Academics</th>
<th>Equity</th>
<th>Values</th>
<th>Overall Risk</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity</td>
<td>0.13</td>
<td>0.14</td>
<td>0.12</td>
<td>0.23**</td>
<td>-0.04*</td>
</tr>
<tr>
<td></td>
<td>-0.11</td>
<td>-0.10</td>
<td>-0.10</td>
<td>-0.07</td>
<td>-0.18*</td>
</tr>
<tr>
<td>Financial</td>
<td>-0.21^</td>
<td>0.21*</td>
<td>0.07</td>
<td>0.28**</td>
<td>-0.41*</td>
</tr>
<tr>
<td></td>
<td>-0.11</td>
<td>-0.10</td>
<td>-0.10</td>
<td>-0.07</td>
<td>-0.18*</td>
</tr>
<tr>
<td>Moral values</td>
<td>0.03</td>
<td>0.17*</td>
<td>0.05</td>
<td>0.35**</td>
<td>-0.07</td>
</tr>
<tr>
<td></td>
<td>-0.11</td>
<td>-0.10</td>
<td>-0.10</td>
<td>-0.07</td>
<td>-0.18*</td>
</tr>
</tbody>
</table>

We found that respondents on average believe tax credits will have a positive impact on education across all of the dimensions about which we asked: respondents believed choice would increase academic achievement, educational equity, parental power, moral values, etc.

This table reports the results of five separate multiple regression analyses that test the impact of each frame treatment on a respondent’s effect assessment: how much a voucher program is likely to increase or decrease the cost of education, academic achievement, educational equity; the teaching of moral values; and last, how risky overall they think the program would be. Each analysis included all demographic variables for controls, but the impact coefficients for the demographic variables have been omitted for space. The impact coefficient is in bold and the standard error is below. Impact coefficients indicate how much each effect assessment increases or decreases on a 7-point scale (a 10-point scale for risk) when a respondent is exposed to the treatment. For instance, on average, being exposed to the financial-frame treatment causes a -0.21-point decrease in a respondent’s assessment of how much a tax-credit program would increase the overall cost of education. Statistically significant impact coefficients are marked ** (p<0.01), for the highest level of significance; * (p<0.05) for the next highest level of significance; and ^ (p<0.10) for the final cut-off for determining statistically significant effects. Tests are two-tailed.

CONCLUSION

The frames tested here had a viable impact across policies and considerations, but the financial frame was revealed as the most consistent and robust of the three. The equity frame may be ineffective in increasing support for credits because the association of credits with higher-income individuals and with tax-policy considerations dampens the resonance of the equity frame with that policy. The effectiveness of these frames cannot, of course, be determined with certainty by one experiment or without consideration of how the counterframes used by choice opponents will modify their impact. Future research should reexamine the effectiveness of prochoice frames and examine the impact of counterframes in isolation and how the interaction of frames and counterframes moderates those effects. For now, however, we have good evidence regarding which frames look most promising. We can examine the considerations that inform school choice opinion and use this knowledge to speculate about how the most commonly used counterframes might impact these considerations and the effectiveness of the frames we tested here.

We found that respondents on average believe tax credits will have a positive impact on education across all of the dimensions about which we asked: respondents believed choice would increase
academic achievement, educational equity, parental power, moral values, etc. In fact, even those who were on average neutral or opposed to school choice believed choice would increase achievement and equity. The one major negative outcome they thought choice programs would bring was a significant increase in the cost of funding education. And even those who were on average neutral about or in favor of school choice thought that it would increase costs significantly.

We also found that this cost consideration had by far the largest impact on the level of risk respondents believed there would be with a choice program. In other words, citizens seem to think choice would have generally positive effects, but like most good things, these improvements would come at a cost. The connection with risk perception suggests that respondents were particularly concerned that the cost increases would outweigh any benefits. Our experimental findings suggest that the financial frame is most successful because it undermines the one negative assumption about school choice policy and the biggest component of how people assess the risk involved in implementing school choice policy.

In any issue campaign or election, there are two broad approaches of attack or promotion. First, and most obvious, one can accentuate a characteristic that is a negative/positive for the issue or candidate. Less obvious, one can work to undermine a characteristic that is on balance a positive/negative for the issue or candidate. This second approach has received a good deal of attention in recent years because of high-profile attacks on John Kerry during the 2004 presidential election by the Swift Boat Veterans for Truth, which undermined Kerry on what was widely perceived as one of his greatest strengths: his combat service and wounding in Vietnam. One can also work to undermine a salient negative attribute. John McCain in the 2008 Republican primary aired many ads promoting his “strong conservative record” on such various issues as judicial appointments and abortion in order to counter his biggest primary election liability, the perception among many conservative Republicans that he was too liberal.

The evidence here suggests that undermining this negative consideration is the most successful tactic in increasing support for choice. One of the most commonly deployed attack against school choice policy is the claim that it hurts public schools by taking money from them, and there seems to be good reason for that perception: cost is a major negative consideration against school choice. In a real-world scenario, therefore, the financial frame is likely to be even more effective relative to the other frames.

The public seems to accept that choice will generally increase academic achievement and equity, and school choice opponents spend relatively little time undermining those assumptions. Instead, opponents focus on highlighting the public’s negative assumptions and emphasizing the cost risk. The financial frame seems likely to blunt and perhaps turn back the opposition’s favored and most effective line of attack. In the case of tax credits, the more popular and the

Moreover, it is likely that the financial argument can be presented in a particularly powerful way to those taxpayers without school-aged children, the two-thirds of the electorate who generally see the least to gain and the most to lose in a major change to the educational system.
more promising policy in terms of structure and elite support, the financial frame, appears even more powerful and resonant.

This is not to say that other frames will be ineffective, but the financial frame seems the best with which to lead while using the others in a supporting role when addressing the mass public in broad terms. Moreover, it is likely that the financial argument can be presented in a particularly powerful way to those taxpayers without school-aged children, the two-thirds of the electorate who generally see the least to gain and the most to lose in a major change to the educational system. The financial argument can help connect the choice issue to their self- and societal interests while allaying fears of costly reforms.

More specifically, the equity and moral values frames may be best deployed through allied elites within the school choice coalition to address the concerns of specific audiences. Public opinion responds to the information flow from trusted elites, mediated by individual beliefs, values, and knowledge, and social conservative organizations might address their constituents with a financial argument bolstering a moral values frame. The equity frame might be particularly effective for other constituencies, particularly liberal Democrats and minorities. The best approach seems likely to be a flexible one that revolves around the financial frame and brings others in as needed to address a particular audience.

**Better School Choice Policy—Frames and Political Models**

There are many variations on our policy frame that might fruitfully be pursued to increase the success of the school choice movement: strategies, or political models, that can guide political action. Before we get to some of these possible variations, however, we will review and emphasize a few core changes that appear necessary.

First, the school choice movement should focus on broad-based tax credit programs that combine personal-use and donation credits. Second, the financial frame should in general be emphasized over other frames.

Third, more should be done to expand and mobilize the choice coalition by crafting arguments to connect the school choice issue more directly and persuasively to the core concerns of center-right organizations that already support school choice in principle.

Fourth, more arguments need to be crafted and advertised that directly address the “lost” school choice constituency: the two-thirds of voters who do not have school-aged children.

This last core change deserves a special emphasis. If there is one fundamental failing of the school choice movement’s framing, it is “marketing”—namely, that voters without school-aged
children have been almost entirely ignored. The evidence we have presented here provides little with which to speculate on how choice supporters might reach out to nonparents. They are more supportive of tax credits and universal programs than of targeted programs, so to a certain extent, the recommended policy focus should help significantly.

We do, however, have some clues that provide ground for speculation on what would speak to this lost constituency. Because nonparents are generally older and wealthier, with more to lose and pay for if a bad program is adopted, the financial frame might remain the best one to emphasize. Cost concerns have a huge effect on risk assessments, and cost is the one major negative effect people overwhelmingly believe school choice programs will have. Much more needs to be done to discover what argument frames work best in expanding and deepening the support of nonparents.

As we noted above, there are many possible variations on the tax-credit/financial-policy frame that might hold promise; many political models, paradigms, or strategies that can embrace our general findings. We will conclude the paper with three promising possibilities to illustrate what our policy frame might look like in the real world.

**The Public Model.** The public model would emphasize the financial frame as first among equals under a broader, higher-level argument that school choice through universal tax credits will mitigate problems affecting the public as a whole. The equity, financial, and moral values frames all potentially offer benefits to nonparents and parents who wish to stay in the public system in addition to the more obvious benefits to parents who wish to go private would receive.

School choice can be presented as something that is good for the public as a whole. It benefits parents and those without school-aged children. It benefits kids in public schools and those who need another alternative to thrive. It can help the poor and the middle class. It allows parents to choose an educational environment that promotes moral values and character. It helps relieve pressure on taxpayers because we get more out of our education funds and encourage private investment. It allows the primary school choice frames—equity, financial, and moral values—to coexist peacefully and logically under a unifying theme of universality, with a policy dimension that promises the greatest potential for expanding and mobilizing elites and the mass public.

This model would provide the most flexibility in outreach and tactics allowing a broad coalition that could mobilize most of the conservative movement and still have cross-over appeal to some Democrats and liberal interest groups. This model is more vulnerable to opponents, who will attempt to portray school choice as being a radical, dangerous, and disruptive reform.

**The Financial Model.** The pure financial model would emphasize the fiscal and tax-cut side of the tax-credit issue to the exclusion of most other concerns. Instead of promoting education tax credits as an education reform, the credits would be presented as a fiscal reform to save money,
reduce income and property taxes, and encourage more investment in education. The Financial Model would argue that, given the huge sums we spend on education, it is no surprise that even small increases in efficiency or reductions in the number of children served by the inefficient government school system can save substantial sums.

This model would put what can be made to sound like a disruptive and risky policy reform within the larger and more incremental context of tax reform that might appeal to and reassure the least-supportive segments of the population: nonparents and the suburban upper-middle class. The coalitional potential here is limited, although it is oriented toward minimizing the threat profile of the policy and appealing to a constituency that has been a barrier in the past to choice reforms.

The Early-Education Model. The early-education model would harness the political momentum behind policies expanding access to preschool to promote education tax credits and school choice. Most preschool proposals are expensive and difficult to bring to scale while retaining quality. An early-education tax credit could address both problems simultaneously: improve the quality and efficiency of targeted pre-K options by harnessing market forces while paying for the targeted pre-K using savings generated from the migration of students from public to private schools in the early grades, K–4.

The financial frame would take the lead in distinguishing early-education tax-credit proposals from other preschool initiatives, but there would be ample room within the context of preschool access to argue for choice in equity terms and moral values terms, which might have particular resonance in relation to younger children.

This model, while promoting a broad-based credit, would limit the scope through an age/grade cut-off and therefore present a proposal that would be a potentially less threatening and seemingly less risky choice to skeptical voters. If passed, it would establish a powerful political base for future expansion in scope. The model would retain a focus on the financial frame while linking those concerns to other issues that have recently become politically salient regarding the importance of early education. The targeted preschool component in conjunction with a broad-based K–4 credit also allows the equity frame to be used in service of a broad-based program.

This model potentially combines the advantages of the public and financial models while eliminating their weaknesses. It can mobilize a potentially very large and diverse coalition compared with the financial model and avoids the risk and threat perceptions of a nonincremental public model.
ENDNOTES


6 This analysis was conducted by the author using data on existing school choice programs found on the Milton and Rose D. Friedman Foundation and the Alliance for School Choice Web sites. These numbers are derived from a comparison of state programs passed since 1980. The voucher program in the District of Columbia is a creation of the federal rather than a state government, and the political and legal issues involved are therefore very different and not considered here. The politics of school choice has changed radically since the voucher programs in Vermont and Maine began in 1869 and 1873, respectively.

7 For a more detailed analysis of targeted vs. broad-based choice programs see Adam B. Schaeffer, “The Public Education Tax Credit,” Cato Institute Policy Analysis no. 605, December 5, 2007.


10 The market problems inherent to targeted school choice programs have been explored in detail elsewhere. See Andrew J. Coulson, “The Cato Education Market Index,” Cato Institute Policy Analysis no. 585, December 13, 2006, for a thorough discussion of the necessary components of a competitive education market and the way in which programs and states can be measured according to market standards. See also John Merrifield and David Salisbury, “The Competitive Education Industry Concept and Why It Deserves More Scrutiny,” Cato Journal 25, no. 2 (March 2005), for a more general treatment of the concept.

11 Small, targeted programs do have a positive impact on public schools and their student achievement, but the effect, like the programs, is limited. See Jay P. Greene and Greg Forester, Education Myths (New York: Rowman & Littlefield, 2005); and Frederick M. Hess, Revolution at the Margins (Washington, D.C.: Brookings Institution Press, 2002).


15 Unpublished data collected in research conducted by Adam B. Schaeffer for a dissertation in the politics department of the University of Virginia, 2006.
See Adam B. Schaeffer, "School Choice Snapshot: A 2006 Survey of U.S. Policy Organizations," Mackinac Center for Public Policy, Oct. 2006. This survey of organizations involved in school choice showed that a bare majority, 50 percent, have no preference between vouchers and tax credits, while 32 percent prefer tax credits to vouchers, and 17 percent prefer vouchers to tax credits.

Moe, Schools, Vouchers, and the American Public, p. 323.

Ibid.

Ibid, pp. 342–43.

The cost of educating each student in the private system is much less than in the government-run system, approximately half to two-thirds the cost. There is a large and growing number of school choice fiscal-impact studies that demonstrate very small costs of and in many cases very substantial savings from school choice programs. For a comprehensive assessment of most of these programs, see Dr. Susan L. Aud, "Education by the Numbers: The Fiscal Effect of School Choice Programs, 1990–2006," Milton and Rose D. Friedman Foundation, May 9, 2007.


Moody and Ellig, "The Universal Tuition Tax Credit."

See Schaeffer, "The Public Education Tax Credit."


See Moe, Schools, Vouchers, and the American Public, ch. 7.

Ibid., chs. 1–5.

See Moe, Schools, Vouchers, and the American Public.

See Lowell C. Rose and Alec M. Gallup, "The 30th Annual Phi Delta Kappa/Gallup Poll of the Public’s Attitudes toward the Public Schools," September 1998; and "The 31st Annual Phi Delta Kappa/Gallup Poll of the Public’s Attitudes toward the Public Schools," September 1999.


APPENDIX: THE PUBLIC EDUCATION TAX CREDIT ACT\(^1\)
(DONATION AND FAMILY-USE EDUCATION TAX CREDITS)

**Summary:** This legislation creates an education tax credit for direct payment of educational expenses and for contributions to organizations that provide educational scholarships to eligible students in order to allow all parents to choose the best education for their children.

**Section 1: Title**
The Public Education Tax Credit Act\(^2\)

**Section 2: Definitions**
(A) “Program” means the program established by the Public Education Tax Credit Act.

(B) “Department” means the state Department of Revenue.

(C) “Educational expenses” means tuition at a qualifying school, transportation related to educational activities, tutoring services, educational association membership or testing fees, and educational materials such as books, school supplies, and academic lessons and curricula. Educational expenses for students taught in a nonpublic home-based program do not include expenses for tutoring or academic lessons if the parent conducts them. Educational expenses for a student who is enrolled in a public elementary and/or secondary school in our state but who is not a resident of that school district include only transportation and out-of-district tuition expenses. Educational expenses do not include athletic fees or expenses.\(^3\)

(D) “Eligible student” means a student who

1. is a resident of the state no less than age 5, is no more than age 18, and has not graduated from high school; and

2. was eligible to attend a government school in a preceding semester or is starting school for the first time and is not enrolled in a public elementary or secondary school;\(^4\) or

3. is not a resident of the school district of the public school in which the student is enrolled.

The eligible student must otherwise be in compliance with state education law.\(^5\) Notwithstanding the above, the student for whom someone is claiming a credit against property taxes must be a resident of the school district in which that person is claiming the credit.\(^6\)

(E) “Scholarship organization” means an organization that receives donations from taxpayers and gives educational scholarships to eligible students.
(F) “Parent” includes a guardian, custodian, or other person with authority to act on behalf of the student.

(G) “Educational scholarships” means grants to students to cover part or all of the educational expenses of an eligible student.

(H) “Funding benchmark” means the dollar amount equal to the average per-pupil expenditures for public schools from both state and local government sources during the year of enactment, with this amount adjusted each year in the same manner that brackets are adjusted in Section 1(f) of the Internal Revenue Code.

(I) “Child credit cap” means the percentage of the funding benchmark a family is eligible to use for each eligible student as determined in Section 5.

(J) “Government school” means a public government school as defined in Virginia state law.

Section 3: Basic Elements of the Public Education Tax Credit Act

(A) Individuals and corporations may claim a public education tax credit (donation) against relevant taxes detailed in Section 4 by contributing to scholarship organizations or by contributing directly to the payment of an eligible student’s educational expenses.

(B) Parents may claim a separate public education tax credit (personal use) for the educational expenses of each child who is an eligible student.

(C) Public education tax credits are nonrefundable.

(D) Scholarship organizations may solicit contributions from individuals and corporations and provide educational scholarships to eligible students.

(E) A corporate taxpayer, an individual taxpayer, or a married couple filing jointly may carry forward unused public education tax credits (for donation and personal use) for three years.

(F) For corporations, the amount of the public education tax credit (donation) shall equal any contributions to scholarship organizations during the taxable year for which the credit is claimed, up to 100 percent of the taxpayer’s tax liability.

(G) For parents, the total amount of the public education tax credit (personal use) claimed for their eligible children shall equal no more than their total direct payments for educational expenses for all of their dependent eligible children, up to the child credit cap for each child or their total applicable tax liability, whichever is less, during the taxable year for which the credit is claimed.

(H) For parents, the total amount of the funds used for their eligible children that are derived from
scholarship organizations cannot exceed the total amount of their child credit caps minus their
total tax liability against which a public education tax credit can apply (total amount available for
personal use).

(I) For an individual taxpayer or a married couple filing jointly, the amount of the public education
tax credit claimed shall equal the total direct payments for educational expenses of eligible students
(personal-use credit) plus any contributions to scholarship organizations (donation credit) during
the taxable year for which the credit is claimed, up to 100 percent of the taxpayer’s tax liability.¹²

Section 4: Application of Tax Credits to Income, Sales, and Property
Taxes¹³

(A) Tax credits may be claimed against a taxpayer’s full income-tax liability in accordance with
Sections 3 and 5.

(B) Tax credits may be claimed against a person’s full sales-tax liability in accordance with Sections
3 and 5. The state sales-tax liabilities against which individuals may claim credits will be determined
according to tables produced by the Internal Revenue Service in accordance with the Tax Relief
and Health Care Act of 2006, Publication 600, State and Local General Sales Taxes, for the most
recent year available.¹⁴

(C) Tax credits may be claimed against a taxpayer’s full property tax liability,¹⁵ in accordance with
Sections 3 and 5, to the extent that it derives from property taxes imposed for school-operating
purposes but not from property taxes levied for bonded indebtedness or payments pursuant to
lease-purchase agreements for capital construction.¹⁶ The eligible student for whom the person
is claiming the credit must be a resident of the school district in which the person is claiming the
credit.

(1) The department shall develop forms for administering and claiming the credit for property-
tax purposes. The person or person’s agent must use these forms to claim the credit. Tax-
collecting entities shall make the forms available at offices and locations where tax information is
distributed.

(2) The person shall claim the credit for property-tax purposes at the time payment is made and
shall furnish the collecting entity a completed form, a copy of the receipt, and payment for the
amount due, if any, after application of the credit.
Section 5: Determining the Child Credit Cap

(A) An eligible student’s family can use a combination of public education tax credits up to the total amount of the child credit cap for each dependent eligible student.

(B) Notwithstanding the above, an eligible student’s family can use educational scholarships derived from public education tax credit donations that amount to no more than the total of all child credit caps for all dependent eligible students minus the family’s total tax liability for which a tax credit is available during the taxable year in which the scholarship is claimed.

(C) The child credit cap is

1. 80 percent of the funding benchmark for each dependent eligible student in a family with a current-year taxable income not exceeding the family size and income standards used to qualify for a reduced-price lunch under the national Free or Reduced-Price Lunch Program (42 USC, Section 1751 et seq.).

2. 70 percent of the funding benchmark for each dependent eligible student in a family with a current-year taxable income not exceeding 1.5 times the family size and income standard used to qualify for a reduced-price lunch under the national Free or Reduced-Price Lunch Program (42 USC, Section 1751 et seq.).

3. 50 percent of the funding benchmark for each dependent eligible student in a family with a current-year taxable income not exceeding 3.0 times the family size and income standard used to qualify for a reduced-price lunch under the national Free or Reduced-Price Lunch Program (42 USC, Section 1751 et seq.).

4. 25 percent of the funding benchmark for each dependent eligible student in a family with a current-year taxable income not exceeding 6.0 times the family size and income standard used to qualify for a reduced-price lunch under the national Free or Reduced-Price Lunch Program (42 USC, Section 1751 et seq.).

5. 0 percent of the funding benchmark for each dependent eligible student in a family with a current-year taxable income that is more than 6.0 times the family size and income standard used to qualify for a reduced-price lunch under the national Free or Reduced-Price Lunch Program (42 USC, Section 1751 et seq.). These families are still able to claim credit for donations to scholarship organizations or direct payment of educational expenses for nondependent eligible children.

(D) Notwithstanding the above, each family that makes use of a combination of both donation and personal-use credits must ensure that the total used does not exceed the total in child credit caps for which they are eligible according to the guidelines in section 5 (C), above. If a family overestimates the scholarship funds for which it is eligible, the taxpayer must adjust downward the
personal tax credit claimed on the family’s income-tax return for the current year.

Section 6: Responsibilities of Parents Claiming or Using Public Education Tax Credits

(A) Parents may claim the public education tax credit only for expenses they actually paid.

(B) On a form prescribed by the department, parents will provide a detailed listing of the educational expenses for each child for whom they claim or have used a tax credit. They will attach to the form all receipts necessary to document these expenses.

(C) On a form prescribed by the department, parents will provide a detailed listing of all taxpayers claiming tax credits for the educational expenses of the parents’ dependent children and/or all scholarship organizations providing funds for the educational expenses for each dependent child. For each taxpayer and/or scholarship organization, parents will list the full name, address, total funds provided, and date of funding.

Section 7: Responsibilities of Taxpayers Claiming Tax Credits

(A) On a form prescribed by the department, taxpayers will provide a detailed listing of the scholarship organization(s), child or children, and family or families to which they provided funds. In each case, taxpayers will list the full name, address, total funds provided, and date of funding.

Section 8: Responsibilities of Scholarship Organizations

(A) Each scholarship organization shall

(1) notify the department of its intent to provide educational scholarships to eligible students;

(2) demonstrate to the department that it has been granted exemption from federal income tax as an organization described in Section 501(c)(3) of the Internal Revenue Code;

(3) distribute periodic scholarship payments to parents or education providers serving specified parents for the specified educational expenses;

(4) provide a department-approved receipt to taxpayers for contributions made to the organization;

(5) ensure that at least 85 percent of revenue from donations is spent on educational scholarships and that all revenue from interest or investments is spent on educational scholarships;

(6) verify annually by written and signed statement from each family or guardian the total scholarship amount for which each child is eligible according to Section 5;
(7) demonstrate its financial accountability by

(a) submitting a financial-information report for the organization, conducted by the certified public accountant, that complies with uniform financial accounting standards established by the department; and

(b) having the auditor certify that the report is free of material misstatements; and

(8) file with the department prior to the start of the school year financial information that demonstrates the financial viability of the scholarship organization if it is to receive donations of $50,000 or more during the school year.27

(B) Notwithstanding the above, each scholarship organization may keep no more than 25 percent of total revenue from the previous fiscal year unused in a reserve fund. Any unused revenue in excess of this amount must be remitted to the taxpayer on or before a date one month prior to the tax-filing deadline.28

Section 9: Responsibilities of the Department of Revenue29

(A) The department shall develop a standardized form for education service providers to document the amount paid by a parent for qualified educational expenses.

(B) The department shall ensure that parents are aware of the public education tax credit and that all procedures for claiming the credit are easy to follow.

(C) The department shall establish guidelines for parents to easily assign their tax credit to their student’s qualifying school and to easily adjust their state income-tax withholding to reflect tax-credit claims.30

(D) The department shall require all scholarship organizations to register and annually report the information the department needs to carry out its responsibilities.

(E) The department shall adopt rules and procedures consistent with this act as necessary to implement the Public Education Tax Credit Act.

(F) The department shall annually report to the legislature on the number of parents claiming the tax credit, the dollar amount of the credits claimed by parents, the number of schools accepting eligible students who received a tax credit or educational scholarship, the number of scholarship organizations, the number and dollar amount of contributions to a scholarship organization, and the number and dollar amount of educational scholarships given to eligible students.

(G) The department shall have the authority to conduct either a financial review or audit of a scholarship organization if possessing evidence of fraud.
(H) The department may bar a scholarship organization from participating in the program if the department establishes that the organization has intentionally and substantially failed to comply with the requirements in Section 8.

(I) If the department decides to bar a scholarship organization from the program, it shall notify affected scholarship students and their parents of this decision as quickly as possible.

(J) The department shall allow a taxpayer to divert a prorated amount of state income-tax withholdings to a scholarship organization of the taxpayer’s choice up to the maximum credit allowed by law, including carry-over credits. The department shall have the authority to develop a procedure to facilitate this process. 31

(K) A qualifying school is autonomous and not an agent of the state or federal government. Neither the department nor any other state agency may regulate the educational program of a provider of educational services that accepts payments from eligible students under this program. The creation of the public education tax credit program does not expand the regulatory authority of the state, its officers, or any local school district to impose any additional regulation on education service providers.

Section 10: Effective Date

The public education tax credit may first be claimed in the next calendar year. 32

NOTES ON THE PUBLIC EDUCATION TAX CREDIT ACT

These notes are intended to provide guidance to legislators on some of the key policy questions they will encounter in drafting and debating school choice tax-credit legislation.

1 This model legislation was originally published in Adam B. Schaeffer, “The Public Education Tax Credit,” Cato Institute Policy Analysis no. 605, December 5, 2007.

2 The model legislation has been drafted to make the tax credits for tuition and scholarship assistance immediately available in the next tax year. This may represent too great a transition for the state to make at one time. To increase competitive density and maintain fiscal neutrality, both the personal-use and donation credits can be phased in by age group, starting with the youngest children. It is important to use students’ age rather than school grade as a phase-in metric, because some schools do not use a rigid age-based grading system.

3 The definition of “educational expenses” has been left intentionally broad. Parents should be allowed to choose the combination of educational products and services that best serve their children. Limiting education tax credits to tuition at a traditional brick-and-mortar school significantly compromises consumer freedom, inhibiting the use of alternative educational services and the development of a truly innovative education market. It is particularly important to allow room for, rather than to discourage, the further development of educational services such as distance learning, tutoring, and education-support networks such as those for homeschooling. Legislators should clearly define categories of expenses that they wish to allow because experience has shown that some hostile revenue agencies have disallowed legitimate homeschooling expenses such as music and language lessons. When enumerating such legitimate expenditure categories, the legislation should note that such lists are not meant to be exclusive, using such language as ‘eligible expenses include, but are not limited to, the following. . . . ’
This model legislation allows students to use a scholarship to attend a government school outside their district as well as a nongovernment school. Parents should have the widest possible array of choices so that they can choose the school that best meets their child’s needs. Making sure parents can choose either a public or nongovernment school is not only the right policy but also the best legal strategy. The U.S. Supreme Court and various state courts have all cited this broad array of choices as an important part of the reason they have found school choice programs constitutional. In addition to ruling that tax credits are not “public money,” the courts have reasoned that these tax-credit and scholarship programs are not an inappropriate subsidy of religious institutions because the purpose was secular (the education of children) and the parents were given many options, including government schools, charter schools, nongovernment secular schools, and nongovernment religious schools. If a state already has open enrollment or some other form of government-school choice, then this legislation should be made consistent with the existing program. In fact, if a state already has a broad array of school choice options available to parents, then a state may be able to add an option for nongovernment schools without encountering constitutional questions.

Provisions that allow tax-credit donations to government schools are typically viewed as a political compromise necessary for passing school choice legislation, but it is a counterproductive policy feature. Adding additional private-funding streams to the government system through tax credits reduces the beneficial competition between the sectors, exacerbates the existing financial discrimination against independent schooling, and thereby reduces the benefits of the program to the educational system.

If a government-school compromise must be made, it could include a provision allowing parents of children in government schools to opt for tutoring services provided outside the government system in place of class time for the particular subject and claim tax credits for those expenses. In other words, parents would be authorized by the legislation to have their children opt out of a subject, such as mathematics, and provide for their education in math through an independent school or tutoring service such as the increasingly popular Kumon chain. This approach expands options for children in government schools without sending additional funds directly to those schools. The schools will, of course, benefit from reduced class sizes in those subjects with which parents are dissatisfied. Parents in turn will be introduced to the services offered by independent education providers and to the concept of being education consumers with expanded options.

This provision is meant to allow the greatest flexibility possible in a child’s education while requiring that parents adhere to state laws regarding compulsory education and homeschooling. The definition for an eligible student in this model legislation includes students already enrolled in government schools outside their districts and in nongovernment schools. As a result, some families currently sending their children to schools of their choice will qualify for public education tax credits. This may reduce initial savings from the program. As more former or prospective public school students opt for private-education services, however, the program will become a large source of net savings to taxpayers. A fiscal analysis demonstrating these savings is forthcoming.

Note that this requires that the property-tax credit claimed must go to a child who resides in the school district where the property-tax credit is claimed. This will ensure that the district that forgoes the tax revenue will be the same district that benefits from a student transfer out of the government system. The child using the credit funds can attend school at any location.

Government-school spending should be tied to enrollment and calculated on a per-pupil basis so that government schools are funded only for the children they actually enroll. In states where this is not the case, legislators should consider passing legislation for this purpose first or incorporating such changes into the Public Education Tax Credit Act. This will prevent what could become a rapid buildup of per-pupil funding to astronomical levels in the government system as kids leave for the private sector, which would put independent schools at an even greater disadvantage. In the event of such a process, however, the rapidly building independent-education sector and the scandal of massively increased funding for decreasing student populations should provide political leverage for changes to the education-funding formula.

To create the most robust education market possible, all taxpayers must be allowed to pay for a student’s education directly. Extended family members, friends, and employers may thereby assist parents by directly paying for some or all of the student’s educational expenses rather than routing such funds through scholarship organizations. This flexibility in funding streams will ensure a strong, personal network of support for education and foster widespread community involvement in education. Organizations such as community groups and churches will be able to act as scholarship organizations, and individual members will be able to support fellow members directly as well.
9 Tax-credit refundability is a tempting method of providing more education funds to low-income families who lack a tax liability sufficient to cover their educational costs, but this mechanism makes a tax-credit bill vulnerable to the same kinds of legal challenges that have successfully been used to overturn many voucher programs. A key legal strength of education tax credits is their legal status as private, rather than public, funds. Numerous state and federal court decisions have ruled that tax credits do not constitute “public funds” and therefore cannot violate any of the numerous state constitutional provisions prohibiting the use of government funds at religious schools. This bill provides for the support of low-income children through tax credits donated to scholarship organizations as well as for direct support of children by family members, friends, and employers.

10 Individual incomes and corporate profits are often quite volatile. As a result, taxpayers may not have a liability against which to claim a credit in certain years. Yet a student’s need for tuition payments or scholarship assistance is likely to be relatively constant. Therefore, taxpayers should be allowed to carry forward unused tax credits into other tax years to ensure that parents eventually receive the financial assistance for their child’s tuition and that contributors have an incentive to continue contributing to scholarship organizations even in years when they have no tax liability.

11 Some tax-credit proposals cap the total spending for the program at a dollar amount, and others limit the percentage of tax liability that can be claimed. However, because some taxpayers will be eager to participate in the education tax-credit program and some will not wish to participate at all, it is essential to allow those who are interested in participating to claim all of their tax liability in order to provide a ready and reliable flow of funds. The total cost of the program will instead be controlled through the child credit cap defined in Section 5 (C), as well as by the stipulation that scholarship organizations may not carry a reserve account larger than 25 percent of the scholarships awarded in the past year.

12 If a family has an income-tax liability greater than the amount they claim for any dependent children, they can claim the balance in donation tax credits to scholarship organizations or in direct payment of education expenses for eligible students who are not claimed as dependents. This allows higher-income families to support their own child’s education and still support lower-income children through donation tax credits. See note 10, above, for fiscal and other concerns.

13 There is often a wide range of additional state taxes specific to businesses. These taxes should be added to the bill language in each state to allow businesses to claim credits against those taxes.


15 Property taxes can be complicated and vary greatly across the country and within states. An alternative approach to instituting a state property-tax credit is to pass state legislation allowing municipalities to enact property-tax credits of their own. This would allow local and county governments to control revenue that is raised locally and thus would reduce the complexity that can compound at the state level.

16 In some states, most notably Pennsylvania, where the courts have prohibited tax breaks for any subset of taxpayers, “uniformity” clauses in the state constitution can make constructing a viable tax-credit program more difficult. Such interpretations require that all individual taxpayers be taxed at the same rate, not simply that they all be able to take advantage of a tax benefit. This means that tax credits and deductions for individuals are prohibited. In Pennsylvania, the state Supreme Court has ruled that tax credits and deductions for any subset of taxpayers are unconstitutional but allows these tax credits and deductions for corporations (Pennsylvania has a thriving corporate donation tax-credit program). Other states have similar restrictions on the taxation of property, thus making property-tax credits more difficult to implement.

One way to address these “uniformity” restrictions is to provide automatic tax credits to all individual taxpayers, at the same rate, for education expenses. The tax credit can be claimed by tax filers who submit receipts of their education expenses. The credit allocated to taxpayers who do not claim the credit for expenditures listed in their tax return will be automatically deposited by the state into an education trust fund, created by the same statute, dedicated to funding the government education system. A check box might be used on state tax forms requiring the taxpayer to check either “education trust fund” or “other educational expenses,” with the latter requiring the submission of receipts for donations or tuition against which to claim the credit. A similar system could be established to avoid uniformity problems with property-tax credits.

Choice provisions with solid court precedent in support of their constitutionality are often challenged as a matter of course by choice opponents. Any program like the one described here will likely be challenged
on the grounds of uniformity and other provisions. This approach has not been tried in any state, and its constitutionality under a strict “uniformity” precedent therefore remains an open question. Its constitutionality does, however, appear probable under such restrictive rulings.

17 This legislation addresses variations in family need only in terms of income. Many school choice bills in recent years have addressed the more complicated, personal, and specific requirements of special-needs students. The programs, such as Florida’s John M. McKay Scholarship for Students with Disabilities (Title XVI, Chapter 229.05371), require that the special-needs student have an individualized education plan and have been enrolled in government school in the prior year. Because of these additional complications and the special character of the targeted student population, we recommend drafting separate legislation to address the needs of students with disabilities.

18 This provision ensures that a family can claim no more than the child credit cap allowed under the program, regardless of any combination of scholarships or personal-use tax credits.

19 This provision ensures that families will be able to use scholarships only to fill the gap between what they can pay through their own funds and the total allowed child credit cap. This will prevent unwarranted “double dipping” by families claiming tax credits on their own liabilities and also using scholarships. Because families are the consumers of educational services and the unit that qualifies for the benefits of various tax credits, it is most efficient and effective for each family to determine and document its own eligibility. A family’s eligibility is determined by family income and the number of eligible dependent students. Family income determines the level of the child credit cap and, therefore, the dollar amount they are able to use for each dependent eligible student. Any amount left between their own tax liability and the total child credit cap is the scholarship amount for which they are eligible.

The goal of this legislation is to give all parents the opportunity to send their children to the schools that best meet their needs, regardless of family income. The need for scholarship assistance is obviously greatest among low-income families. This requirement ensures that scholarship assistance is targeted to the families who need it. Direct payment of educational costs by parents is the ideal funding mechanism, associated with greater school efficiency and responsiveness, and thus third-party payment should be limited to an as-needed basis.

20 Most tax-credit legislation uses a total dollar cap on the donations that can be made. In contrast, this model legislation caps the total benefit on a per-child basis, using a means-tested percentage of per-pupil spending in government schools. This is more equitable because it adjusts the cap according to both family need and state budget considerations, allows all taxpayers the opportunity to donate as much of their per-pupil spending as they desire, and eliminates the need for an arbitrary cap on the dollar amount of the tax-credit program. Because the credit cap is always less than per-pupil spending in government schools, it also ensures that taxpayers are saving money on education whenever parents use tax credits to switch their child from public to independent education. Using a percentage of per-pupil spending in government schools as the basis of the credit cap also helps reveal the falsehood of claims that choice programs drain money from government schools.

The exact amount of the tax benefit and the income cutoffs given here is a best estimate of how to balance the concern with eliminating the tax penalty incurred when a family sends its child to an independent school and the concern with ensuring that parents directly support their child’s education with the minimum tax benefit possible. Many choice supporters will come to different conclusions depending on their concerns and political necessities.

21 In the interest of keeping costs down and encouraging direct, non-tax-credit parental financial contributions to their child’s education, and also in recognition of the lower average cost of private education, middle-class families are limited by a child credit cap of only 50 percent of the funding benchmark. Individuals take the most care with decisions that involve personal direct payments. The relatively modest child credit cap will therefore strengthen consumer responsibility. The child credit cap for family use is phased out at higher-income levels, first reduced and then eliminated. In recognition of the greater needs of children in lower-income families, the larger child credit cap of 70 to 80 percent is warranted.

The Free and Reduced-Price Lunch standard is used here for several reasons: (1) the program is familiar to both schools and many parents; (2) the verification procedures are simple and familiar to school administrators; (3) the income guidelines are used for a number of existing state and federal programs; (4) the federal government annually adjusts the income guidelines; and (5) the income guidelines are adjusted for family size.
The 50 percent credit cap for the middle class makes sense because states on average cover about one-half of per-pupil education spending. This means that, even if state taxes alone are tapped for the credit program, switches from government to independent schools will be approximately revenue neutral on average for the state. Because local dollars are retained when a student leaves the government school system, school districts will have more money per pupil for each family that opts for private providers. These savings at the local level will substantially ease pressure for increased spending at the state level and will help offset any temporary losses due to private-school families claiming tax credits and variations in the state-funded portion of per-pupil spending across districts. Determining the credit cap through a single function of income that would produce a continuous and decreasing curve would provide a more concise but potentially more difficult approach to means testing.

Concern over the fiscal impact of tax credits used for children already in independent schools should be addressed first by reducing the credit cap amount across the board rather than excluding families already in the private sector. This is first a matter of fairness, as these families deserve education tax benefits as much as anyone. It is also a matter of coalitional politics, as families already in the independent-education sector are the strongest base of support for school choice and will help ensure the program’s success and defense in early years. Cost could also be minimized and adjustment time maximized by phasing in the program according to the age of the child, as discussed in note 1, above.

22 This legislation should be considered a universal school choice program because all families will be ensured freedom of choice in education and allowed to participate in the program. Although it is recommended that this tax incentive for family consumption of education services be phased out entirely at higher-income levels in order to reduce the financial impact of the program and encourage responsible consumption of education services, all families regardless of income are allowed to claim education tax credits for donations and direct payments for eligible nondependent children up to 100 percent of their tax liability. This will ensure that wealthy individuals with an interest in advancing the ideals of public education will be able to do so.

23 Unlawful behavior is an unfortunate but inevitable problem, and all laws are subject to some level of abuse. To discredit the program, choice opponents often portray abuse as peculiar to the school choice program, rather than as an unavoidable problem in a free society (and in conventional government schooling). The simple record keeping required here will reduce the temptation among criminals to abuse the program and will provide schools, taxpayers, and government officials with an easy method for resolving many questions and conflicts without the need for a full audit. Although ideally it would be preferable to have no government-imposed record-keeping requirements, the real-world potential for abuse makes necessary some mechanism for dissuading and discovering such abuse. Record keeping that allows quick and comprehensive follow-up to any complaints will help preempt calls for tighter restrictions on consumer and producer freedom and help prevent the accumulation of burdensome regulations that are portrayed as attempts to eliminate program abuses.

24 Because families are the consumers of educational services and the unit that qualifies for the various tax credits, it is most efficient for each family to determine and document its own eligibility. Requiring families to list identifying information for any scholarships and donations for which tax credits were claimed will ensure that a simple and easily cross-referenced record is available in the event that fraud is alleged.

25 The model legislation requires the establishment of scholarship organizations to protect and inform scholarship recipients, frustrate attempts at fraud, and measure the effect of the program without heavy government regulation of private contributions and independent schools. Incentives for rigorous self-regulation are preferable to intrusive and often counterproductive government regulation.

26 Legislators and the public generally seek more regulation of programs directly funded by the government than of tax-credit programs because, according to legal precedent and common perception, tax credits are private funds kept by taxpayers rather than public funds expended by governments. Markets are most effective when they can operate freely; however, insufficient accountability can produce situations that undermine public and legislative support for a program. Thus, this proposal recommends minimal state regulations for scholarship organizations and individual participants in the tax-credit program. These regulations should, at most, reflect general state standards for nonprofits and the requirements for claiming other tax credits or deductions. These regulations should rely to the greatest extent possible on basic record keeping for reference in the event that fraud is suspected.

Some critics of school choice programs will demand that participating schools comply with all of the regulations placed on government schools in order to ensure academic accountability for taxpayers. The effect of such restrictions would be either to kill the program by diminishing school-participation rates or
to eliminate its ability to produce market benefits by stifling specialization and the division of labor. Parental and taxpayer accountability and transparency are the most effective accountability provisions, and these are ensured in the legislation—to a far greater extent than exists under current government-monopoly school systems.

27 Surety bonds can be expensive or intrusive for some institutions, so the legislation allows these organizations to demonstrate by some other means that they have the financial wherewithal to fulfill their scholarship obligations. This might include personal guarantees, reserve accounts, or escrow accounts.

28 Because tax credits can be carried forward for up to three years, a person filing taxes early who is refunded a donation by a scholarship organization that is over its limit may attempt to donate the credit again the next year or include the amount in the total tax liability owed in the next year.

29 One major component of other model bills has been left out of this legislation: mandated external program evaluation. Additional evidence that school choice results in greater student achievement and parental satisfaction at a lower cost per pupil is potentially helpful for encouraging program support. But such additional evidence will not likely prove decisive in expanding or reducing support after passage. The cost of the program will be easily determined through the state Department of Revenue. A mandate for studying program effectiveness imposes additional costs on the program while providing little or no data to support the effectiveness of the program during the crucial first years of implementation.

In addition, school choice programs need time for schools and market mechanisms to mature before the full benefits are seen. Premature evaluation may result in premature judgments of the program's effectiveness. The recent furor over the general absence of statistically significant academic gains in the Washington, D.C., voucher program after children had been enrolled in schools of choice for an average of only seven months is a case in point. (See Amit R. Paley and Theola Labbé, “Voucher Students Show Few Gains in First Year,” Washington Post, June 22, 2007, B1.)

Furthermore, by requiring such studies the government would be imposing a de facto standardized test on the independent schools by defining the parameters of success rather than relying on the judgment of parents, taxpayers, and scholarship organizations. That is a dangerous precedent with which to begin a school choice program.

More important to the long-term survival of the program is the diverse and widespread participation of individuals, families, community associations, scholarship organizations, and businesses. Any additional state money would be better spent on advertising the existence of the program and publishing brief guides to individual and organizational involvement in the tax-credit program. Academic institutions, state policy organizations, and other interested parties are likely to study the effects of the tax-credit program without a state-mandated project.

30 Parents may wish to assign their anticipated public education tax credit to their child's qualifying school, which allows them to effectively pay part or all of their tuition in the fall by promising the tax credit to the school. The cash-flow challenge is thus shifted from the family to the school (and, if necessary, schools would be able to borrow funds using the assigned tax credits as collateral). The department will therefore facilitate any such arrangements by providing the necessary guidelines and documentation.

31 The legislation allows the department to establish a mechanism that facilitates regular contributions from a taxpayer's income-tax withholdings to a scholarship organization in anticipation of the taxpayer's claiming a tax credit. This would likely encourage greater contributions to scholarship organizations.

32 It is fairly common for legislators to consider including severability clauses in new legislation. Legislators should make sure that, if such clauses are included and exercised, the remaining legislation produces a program that is workable and achieves the original intent of the bill.
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