

The Elementary and Secondary Educational Opportunity Act

LB 50

The purpose of this legislation is to establish and make available to individuals and businesses a controlled state income-tax credit for contributions they make to qualifying non-profit organizations. These non-profit, §501(c)(3) organizations would be designated as Scholarship-Granting Organizations (SGOs) and would be required to use at least 95 percent of their annual revenue to award scholarships to help defray the costs of private-school tuition for Nebraska children from limited-income households.

The amount of the credit would be 65 percent of qualifying contributions, which accommodates the fact that the same contributions might qualify for a federal itemized deduction. This also means that scholarship contributions are actually greater than the amount of tax support. To qualify for the credit, a contribution could not be designated for the benefit of any dependent of the contributor. The bill proposes a cap of \$10 million on the aggregate total of tax credits statewide during the first year of implementation. Tax credits, qualification for which would start with a pre-application process, would be allowed on a first-come, first-served basis until the cap is reached.

In addition to being required to distribute almost all of their revenue as scholarships, certified scholarship-granting organizations would be required to award scholarships in conjunction with at least two different, qualifying schools. A qualifying school is defined as one that satisfies all of the state's requirements for legal operation and that does not discriminate on the basis of race, color or national origin. In order to qualify to be tax-credit supported, a scholarship-granting organization would have to be certified by the Department of Revenue as satisfying all requirements, including §501(c)(3) tax-exempt status.

Statewide, approximately 11.3 percent of Nebraska's school age children—grades Kindergarten through 12—are being educated in other-than-public schools (38,098 out of a total statewide school enrollment of 336,259). Increasing this percentage, encouraged by a tax credit, would result in a substantial savings for Nebraska's taxpayers.

Private-School Choice Saves Taxpayers Significant Amounts

The parents of children attending privately operated elementary and secondary schools in Nebraska have been providing tax relief for the rest of the state and local taxpayers for many years. These Nebraskans are supporting school districts, learning communities and educational service units through their own tax payments, all the while saving the state and political subdivisions millions of dollars each year by enrolling their children in other-than-public schools. At the current time, the state and its political subdivisions spend in excess of \$950 million per year educating children in the public schools, at an average cost of more than \$10,665 per child. If the 38,098 children being educated in other-than-public schools were instead enrolled in public schools, additional state and local revenue in excess of \$406 million would be needed each year to maintain the same per-pupil spending levels. Just imagine the fiscal impact if 12 percent more students—nearing 30 percent in some counties—were enrolled in tax-funded schools!

Currently, the only state support for educational costs for parents of private-school students is the quite-modest textbook-loan program. The current appropriation of \$465,500 averages out to about \$12.21 per child enrolled in private schools. A typical elementary-school textbook costs nearly \$50; a typical secondary textbook costs \$75 or more.

Tax-incented support of private-school scholarship assistance would mean a great deal for many families who are struggling to afford, or cannot afford, what they deem to be the best educational opportunity for their children. Encouraging scholarship programs by means of a tax credit for these contributions in support of them would not only enable families to make school choices and sustain competition for educational improvement and excellence but it also would help sustain and perpetuate the tremendous tax relief that affordable education in other-than-public schools provides.

Please Support LB 50