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**Tax Credits for Donations for Private School Tuition - K-12 scholarships income tax credit and extension to tuition**  
[SF 256](#) Authors: Chamberlain, Nelson, Pratt, Senjem, Gazelka [HF 386](#) Author: Kresha et al.

**What does this bill do?**

This bill allows individuals, married couples or corporations to claim tax credits for donations they make to a qualified foundation. These donations must be used by the qualified foundation to fund tuition scholarships to private or religious schools for students. Students receiving the scholarships must meet a household income qualification level. This is a way to fund private schools with public dollars.

**How does a tax credit work? When you owe taxes to the State of Minnesota:**

You can pay your taxes and they are used for PUBLIC services such as PUBLIC education, PUBLIC health and PUBLIC safety.	<b>OR</b>	You can receive a tax credit for the amount of your donation to a “qualified foundation” that will give your donation to a PRIVATE school for tuition.
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**Financial Impacts**

- Tax credits DECREASE state tax revenue and DIVERT public dollars to private schools by rewarding donations for private school tuition through the tax credit.
- How much money could be DIVERTED to tax credits through this legislation?
  - \$35 million each tax year, beginning in 2018.
- The state is required to pay for some costs of educating private school students. If students move from public to private schools, these costs will go up. Costs include:
  - \$18 million/year for the transportation of students to private and religious schools
  - \$18 million/year for textbooks, instruction materials, guidance/counseling services and health services for students attending private and religious schools
  - The state pays for special education services for private school students when services they need are not available at their private school
  - The state

**Status of the bills:**

SF 256:

- Passed by the Senate E-12 Policy and the Senate E-12 Finance Committee
- Next step – Senate Taxes Committee

HF 386:

- Currently in the House Taxes Committee - There was a hearing on February 16 and it has been laid over for possible inclusion in the omnibus tax bill.
- The hearing date for the omnibus tax bill has not yet been set.

**What Can You Do?**

1. Contact the members of the [Senate Taxes Committee](#) and tell them to vote NO to include SF 256 in the omnibus tax bill.
2. Contact the members of the [House Taxes Committee](#) and tell them to not include HF 386 in the omnibus tax bill.

**Key Messages:**

**Diverting tax revenue that could be used to fund public schools is not good public policy.**

<p><b>Taxes you pay the state should support public schools that:</b></p> <ul style="list-style-type: none"> <li>• Serve each and every student</li> <li>• Are accountable to their communities for how well they educate and prepare each student</li> <li>• Are accountable for how they spend tax money</li> </ul>	<p><b>Tax money you divert supports private schools that:</b></p> <ul style="list-style-type: none"> <li>• Choose which students to accept or exclude</li> <li>• Have no education standards they must meet or report</li> <li>• Are not accountable for how they spend tax money</li> <li>• Are not required to have certified or licensed teachers</li> </ul>
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## What to Ask Legislators:

**Ask: Minnesota’s public schools and programs that make a difference for students have never been fully funded. How can you support decreasing tax revenues to the state by \$35 million a year when these dollars could be used to fully fund Minnesota’s public schools and programs that make a difference for students?**

Include one or more of the following examples to demonstrate how public schools/programs are not fully funded.

- The general education formula for FY 2017 is \$562 per pupil less than it was in FY 2003 in inflation adjusted (FY 2017) dollars.
- Special education costs to local districts is expected to exceed state and federal special education aid by \$683 million for FY 2017, and is projected to increase to \$794 million by FY 2021. Local districts bear the burden of paying this special-education cross-subsidy using unreserved general fund resources to cover unfunded special education costs, diminishing educational opportunities for general education students and putting stress on special education programming. Reducing the cross subsidy would mitigate these issues.
- Full-service community schools that address school culture and non-academic factors are having a significant impact on academic factors. At Minnesota community schools, graduation rates and students enrolling in college are up. Students absences and district-wide behavioral references are down. But only 13 of the over 2000 schools in Minnesota have received state grants to develop community schools.

**Ask: “Why do you support diverting \$35 million a year in revenue to tax credits instead of using these dollars to providing funding to help make our public schools better?”**

Include one or more of the following examples to demonstrate how public schools/programs are not fully funded.

- **Help the general education formula funding catch up with inflation.** \$35 million per year would increase in the general education basic formula funding by an additional \$36 per pupil, helping make up for the years that funding did not keep up with inflation.
- **Lower the special education cross-subsidy.** The State has budgeted \$40 million in the FY2018-19 to reduce the cross-subsidy. An additional \$35 million would almost double the decrease in the cross-subsidy, and lower the burden on local school districts to use general funds to pay for special education services.
- **Grants for Full-Service Community Schools** - 200 schools could receive grants of \$175,000 each to implement Full-Service Community Schools. The Governor’s biennium budget proposal only includes \$2 million for Full-Service Community School Grants.

**Ask: “Public schools are evaluated and held accountable for their efforts to improve educational opportunities for students. Public tax dollars are being diverted to support tuition dollars for private schools that result from these donations to qualified foundations. Why are private and sectarian schools not being evaluated and held accountable in this legislation in the same way as public schools are?”**

Include one or more of the following examples to demonstrate how public schools/programs are not fully funded.

- Every year, public schools must provide extensive data on student demographics, student proficiency and growth, teacher qualifications, and all this data is available to the public. Private schools have no such requirements and comparable data is not provided and not validated.
- The tax credit bill requires effectiveness to be measured by “the total number of eligible students who receive... better educational opportunities because of donations that qualify for the tax credit.” How will the legislature know if “better educational opportunities” have resulted from this legislation without comparable data on private school students, teachers and student achievement?

**Ask: The state is currently required to reimburse public school districts for providing textbooks, testing, health and guidance services and transportation to private school students. The cost is almost \$34 million a year. If tax credits for donations for private school tuition results in more students attending private schools, these costs to the state or public school districts would also increase. Will you commit to NOT cutting other funding from public schools to provide these additional funds for private schools? Where will the money come from?**