Background
Established in 2001, the Florida Tax Credit Scholarship Program (FTC Program) was initially designed to provide scholarships to low-income students for private school tuition and fees or for transportation expenses to a Florida public school outside the student’s school district. Originally, the FTC Program was funded by allowing corporations to redirect their corporate income tax liability to the Program in order to provide private-school vouchers of $3,500 per student. The program had an expenditure cap of $50 million annually. Since its original enactment, the Scholarship Program has been expanded several times to provide increases in the amount of the voucher amount, increases in the annual expenditure cap, expansion of the student eligibility criteria, and the inclusion of additional funding sources.

Current Situation
Current law, including revisions made in the 2014 Legislative Session, provides:

• Student Eligibility – Through the 2015-2016 school year, eligibility remains limited to children from families with annual incomes below 185% of the federal poverty level – about $44,000 for a family of four. After the 2015-2016 school year, eligibility is extended to children in middle income families with annual incomes up to 260% of the federal poverty level – about $62,000 for a family of four – but the total amount of the voucher is proportionally reduced. Children in foster care are also eligible, regardless of income. In addition, current law no longer requires a student in grades 6-12 to have been enrolled in a public school in the prior year. In effect, this change allows any K-12 student with a family income within the set limits to be eligible for a voucher.

• Voucher Amount – The maximum scholarship awarded to each individual student is currently set at 72% of the FEFP student funding. However, current law provides for an automatic increase in the voucher amount to a cap of 82% of the FEFP student funding. For the 2013-14 school year, the voucher amount was $4,880 per student. For the 2014-2015 school year, the voucher amount is $5,272.

• Eligible Tax Credits – The FTC program is funded with contributions to private nonprofit scholarship-funding organizations (SFOs) from taxpayers who receive a dollar-for-dollar tax credit against some or all of their liability for corporate income tax, insurance premium tax, severance taxes on oil and gas production, self-accrued sales tax liabilities of direct pay permit holders, and/or certain alcoholic beverage taxes. There is a cap on the maximum amount of tax credits that may be allowed in any given year, but current law provides for an automatic 25% increase in the cap in the subsequent year whenever tax credits in the prior fiscal year exceeds 90% of the cap for that year. The 2013-14 cap on total tax credit was approximately $286 million. The 2014-2015 cap is approximately $358 million.

During the 2013-14 school year, scholarships were awarded to 59,764 students enrolled in 1,414 participating Florida private schools – 71% of which were religious schools.
Concerns

- Students participating in the FTC program are not required to take statewide required assessments so there is no mechanism to determine how these students are performing in mastering state standards nor is there any mechanism to determine how these students compare with their cohort of students in the public school system. Further, this lack of accountability may place these students at a disadvantage if they should choose to return to the public school system.

- Voucher proponents contend that the expansion of this voucher program is justified, in part, by the claim that this program will improve both student achievement and school performance. However, research has shown no conclusive evidence that this is the result. The program’s annual independent analysis – conducted by David N. Figlio – of voucher student academic performance consistently shows little or no difference in voucher students’ performance when compared to their national cohort.

- As currently established, the FTC Program allows any K-12 student with a family income within the set limits to be eligible for a voucher regardless of whether the public school to which the student is assigned, and would otherwise attend, is a high performing school.

- Participating private schools do not have to be accredited, teachers do not have to be certified, curriculum does not need to be aligned with Florida’s state standards, and dismissal and discipline policies do not need to be consistent with local, state, or federal policies and guidelines.

- Since 2001, when the program first launched, Florida has redirected more than $1.43 billion in tax revenue to this program. Furthermore, as the program continues to grow, by 2018, Florida will have redirected a total of at least $3.5 billion in tax revenue and the loss of state tax revenue will reach nearly $1 billion each year. The loss of billions of dollars in state revenue for this voucher program not only diminishes the state’s ability to adequately fund public education programs, but it also diminishes the state’s ability to fund every other state program and service – including programs such as health care, child protective services, transportation, and environmental protection – and perpetuates the state’s chronic underfunding of these programs and services.

- A Scholarship Funding Organization (SFO) – Step Up for Students is currently the only SFO in Florida – is authorized to retain 3% of each year’s voucher revenues as an administrative fee and this fee grows with each increase in the funding caps. For 2013-14, this fee amounted to nearly $8.6 million to be used for staff salaries, advertising, recruitment, and related costs. From these funds, the current SFO’s president is paid an annual salary in excess of $229,000 a year.

- Proponents claim that the expansion of this voucher program is justified, in part, by the savings of state funds because the amount of the voucher is less than the amount the state provides to school districts in per-student FEFP funding. However, the state’s savings diminishes each year. Further, this ignores the costs that school districts incur, such as costs for parental notification, record-keeping, testing accommodations, data collection, and data reporting. No state funding is provided to offset these district costs.
• Proponents claim that the expansion of this voucher program is justified, in part, by a waiting list of applicants desiring vouchers. However, neither the Legislature, the Florida Department of Education, nor Step Up for Students can produce any concrete evidence to show that such a waiting list exists. Further, in nearly every year since its inception, the program has failed to provide the maximum number of scholarships that could have been awarded to applicants which indicates that such a waiting list either does not exist or is not extensive.

• As currently established, the FTC Program allows any K-12 student with a family income within the set limits to be eligible for a voucher regardless of whether the student is already attending a private school.

• According to video taped comments by proponents, the SFO has directed millions of dollars in campaign contributions to legislators and in fees to lobbyists to help ensure support for the program.

**Relevant Florida Statutes and Rules**

Section 1002.395, F.S. – Florida Tax Credit Scholarship Program  
Section 1002.421, F.S. – Accountability of private schools  
Rule 6A.6.0960, F.A.C. – FTC Scholarship Program (Notice of Rule revision 7/9/2014)  
Rule 6A-6.03315, F.A.C. – Private School Scholarship Compliance

Authorization for tax credits:

Section 211.0251, F.S. – Credit Against Oil and Gas Production Tax Liability  
Section 212.1831, F.S. – Credit Against Sales Tax Liability of Direct Pay Permit Holders  
Section 220.1875, F.S. – Credit Against Corporate Income Tax Liability  
Section 561.1211, F.S. – Credit Against Tax Liability on Wine, Beer, and Spirits  
Section 624.51055, F.S. – Credit Against Insurance Premium Tax Liability