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# Research Report

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106 N. Bronough St. ♦ P. O. Box 10209 ♦ Tallahassee, FL 32302 ♦ (850) 222-5052 ♦ FAX (850) 222-7476

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## **Increase the Current Limits on the Corporate Income Tax Credit for Scholarships Program To Help Alleviate the Fiscal Burden of Amendment 9 Class-Size Reduction Requirements**

### **Abstract**

This study assesses the impact that current and possible increased levels of an innovative scholarship program for low-income students—the Corporate Income Tax for Scholarships Program—can have on meeting Florida’s obligation under Amendment 9 to reduce class sizes. The analysis shows that appreciable savings have resulted at current Program funding levels, and significant additional savings would result if funding maximums, currently set at \$50 million statewide and at \$3,500 per individual award, are increased. Extending educational choice to a much larger segment of Florida’s limited- and low-income student population would help Florida meet its constitutional obligation to reduce class size by reducing the numbers of classrooms and teachers that will be needed.

The current and projected savings resulting from the Corporate Income Tax for Scholarships Program are impressive:

At current funding levels:

- The Program will generate \$25,557,654 unencumbered revenues in FY 2003-04 and \$238,861,920 over eight years.
- Reducing the need for student space for every scholarship awarded equates to an additional \$53,550,000 that could be used to acquire purchase 714 portables or \$227,914,130 for 14,286 student stations.

If funding levels were increased to \$75 million statewide and individual scholarship awards to \$4,000:

- The Program would generate \$24,168,750 unencumbered revenues in FY 2003-04 and \$238,500,000 over eight years.
- Reducing the need for student space for every scholarship awarded equates to an additional \$70,350,000 that could be used to acquire 938 portables or \$299,131,313 for 18,750 student stations.

If funding levels were increased to \$100 million statewide and individual scholarship awards to \$4,000:

- The Program would generate \$32,225,000 unencumbered revenues in FY 2003-04 and \$318,000,00 over eight years.
- Reducing the need for student space for every scholarship awarded equates to an additional \$93,750,000 that could be used to acquire 1,250 portables or \$398,841,750 for 25,000 student stations.

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*“Improving taxpayer value, citizen understanding and government accountability.”*

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## Introduction

The Corporate Income Tax (CIT) Credit for Scholarships Program provides \$3,500 tuition or transportation scholarships to students exclusively from limited to low-income families. The Program was passed by the Florida Legislature in 2001 and launched in January 2002.

The principal purposes of the legislation enabling the program was to: a) "Provide a tax credit for certain contributions to a nonprofit scholarship funding organization;" b) "Expand educational opportunities for children of families that have limited financial resources;" and c) "Enable children in this state to achieve a greater level of excellence in their education."

This innovative program provides dollar-for-dollar CIT credits to corporations that contribute to a scholarship fund exclusively for limited- and low-income families. Individual corporations may direct up to 75 percent of their corporate income tax liability, up to \$5 million, to a scholarship-funding organization (SFO). To qualify for scholarships, students must be eligible for free or reduced-priced lunches under the National School Lunch Act and either be enrolled in a Florida public school the previous year; have received a scholarship from an eligible nonprofit SFO during the previous school year or be currently eligible to enter kindergarten or first grade. The \$50 million that was made available statewide was dispensed almost exclusively for \$3,500 tuition scholarships at nonpublic schools. Some 14,286 students are receiving CIT Credit Scholarships during Academic Year 2002-03.<sup>1</sup>

### **Amendment 9: Facing Up To The Class-Size Reduction Dilemma**

This study evaluates the current and probable future impact of the CIT Credit for Scholarships Program on state Florida Education Finance Program (FEFP)<sup>2</sup> revenues and the impact the Program could have on the implementation of Amendment 9 by reducing the numbers of students served and consequently reducing the numbers of additional classrooms and teachers needed. Explicitly examined are the FEFP funding impact if Florida lawmakers were to increase the statewide Program maximum from \$50 million to \$75 million or \$100 million and/or increase the maximum student scholarship amount from \$3,500 to \$4,000. The potential cost savings to be realized by not having to provide student stations vacated by students receiving CIT Credit Scholarships also is examined.

Parents also may use the scholarships to help pay for their children's transportation costs to another public school within the same district, but fewer than one percent of the students currently participating in the program have applied for this assistance. The scholarships provide parents greater financial freedom to select an elementary or secondary school that they feel will better meet the educational needs of their children.

Because the current 2002-03 school year is the first full year of this scholarship program implementation, current data are insufficient to fully demonstrate the Program's educational efficacy. State lawmakers need to assure that

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<sup>1</sup> The average scholarship award FY 2002-03, the first full year of the program, was less than the \$3,500 maximum resulting in more than 15,000 students receiving scholarships. However, to facilitate multiyear projections, it is assumed in this study that all scholarships are awarded at the maximum per student funding allowed relative to the maximum allowable statewide funding, now and in future years. For example, under the current statewide cap of \$50 million available per student scholarship of \$3,500, 14,286 students would be funded (\$50 million divided by \$3,500 = 14,286). The actual number of students that could be funded would vary somewhat, depending on how many, and the extent to which scholarships are funded at less than the maximum allowable level.

<sup>2</sup> The FEFP is "the primary mechanism for funding the operating costs of public schools." See the National Center for Education Statistics, *Revenue and Expenditures for Public elementary and Secondary Public Education, 1992-1999 Editions*, and Florida Department of Education, "Profiles of 2002-03 Funding For Florida School Districts, 2000-01," *Financial data Statistical Report*, p. 1.

adequate steps are taken to ensure that the CIT Credit for Scholarships Program meets the same standards of student achievement rigor as required of public schools.<sup>3</sup> Given the recent passage of Amendment 9 to reduce class size and the difficulties the state clearly will have in budgeting for it, the CIT Credit for Scholarships Program could appreciably reduce the need for state school funding, and any surpluses resulting from the Program could be used to hire additional teachers and/or reduce the need to construct new classrooms or buy more portable classrooms.

Under current law the maximum statewide tax credit allowed is capped at \$50 million. The purpose of the CIT Credit for Scholarships Program is to provide lower income parents a choice that financially had evaded them earlier. Participating parents only need to be responsible for any charges beyond the \$3,500 tuition/textbook scholarship maximum. Notably, since many private schools have sliding scale tuition and often are willing to make payment arrangements with parents, this program avails parents with an enhanced choice among schools and provides additional cost-reducing opportunities in the aftermath of passage of Amendment 9.

### **Choosing School Choice: Good for Florida Parents and the State of Florida**

Florida parents who support school choice maintain that families should be able to determine where their children are to be educated. Many believe this right to choose in behalf of their children to be fundamental to democracy. School choice provides healthy competition between public and nonpublic schools and can result in improved education programs, teachers, facilities, and opportunities for children. As this study will show, the CIP Credit for Scholarships Program also offers a choice to Florida lawmakers that can be instrumental in lessening the fiscal burden of Amendment 9.

### **School Placement Alternatives**

All Florida public schools are organized into countywide districts that are further divided into geographically based catchments or attendance areas. Thus, when one moves into a Florida neighborhood, the street address typically assures placement at a particular school. Often parents will move to a specific area as much for school placement as their choice of housing. Wealthier families often have the options of moving to other neighborhoods or sending their children to private schools. Middle and lower income families, especially those with children who require specialized services, have only recently been provided scholarship mechanisms that provide them with some choice in selecting schools for their children.

Over the recent past, there has been a considerable proliferation of public school types and configurations aimed at more specifically meeting the specialized interests and needs of children. The range of such schools is rapidly widening and includes magnet schools, schools within schools, deregulated schools, alternative education schools, and charter schools. In addition, many schools also have modified their scheduling to better accommodate student needs and provide greater concentration on instruction. Some of these scheduling schema include block or modified block scheduling, year-round schools, and both dual and controlled open enrollment. Although the past decade has witnessed the implementation of many forward changes in instructional focus and schedules, some parents desire even greater choice in selecting their child's school, be it public or nonpublic. Florida created three innovative school choice scholarship programs to accommodate this need: Opportunity

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<sup>3</sup> Although the FCAT is available only to public schools, it should be noted that a large percentage of the nonpublic schools provide for accountability by administering other nationally normed tests.

Scholarships, McKay Scholarships, and CIT Credit Scholarships. These scholarship programs collectively provide parents with greater latitude in choosing the most appropriate schools for their children.

### **Opportunity Scholarships**

Opportunity Scholarships were brought on line with the passage of the Bush-Brogan A+ Plan for Education in 1999. The plan is focused on heightening academic achievement, and includes the Florida Comprehensive Assessment Test (FCAT) results and like school data in deriving a school grade from “A” to “F.” Students of schools that receive “Fs” in any two of four consecutive years are eligible to receive Opportunity Scholarships. These \$4,000 tuition scholarships enable students to leave “failing schools” and enroll in private schools of their choice. Students also can enroll in other public schools within the same district if the receiving schools earned a grade of “C” or more. To date, only a very few Florida schools have received grades of “F” and, therefore, are eligible to provide Opportunity Scholarships. During Academic Year 2002-03, 542 students participated in the program.

### **McKay Scholarships**

The John M. McKay Scholarships for Students with Disabilities are provided to students with learning disabilities who do not make adequate academic progress and whose parents believe their children would be better served at another school. The school into which the student will transfer can be either public or nonpublic. In order to qualify for the scholarship, students must have attended a Florida public school for at least one year, their parents must pay any charges beyond what the state provides, and, if a public school is chosen, it must have received a school grade of “C” or better and not be “overcrowded.” McKay scholarships are based on the cost of services provided to students and range from \$5,000 to \$17,000. There are 8,643 students participating in the program during Academic Year 2002-03.

### **Impact of the CIT Credit for Scholarships Program on Implementing Amendment 9**

Over the preceding seven years, 1996-2002, the total dollars per unweighted FTE for the FEFP increased an average of 3.162% annually.<sup>4</sup> Given current economic uncertainties, it is prudent to assume, for purpose of analysis, that public education revenues will increase half as much as they did on average in the recent past—by 1.578%—and that individual CIT Credit for Scholarships Program awards per student will remain constant at the current maximum of \$3,500, which is well below overall funding per pupil.

To derive the net per pupil impact of the CIT Credit for Scholarships Program, the scholarship maximum is subtracted from the total dollars unweighted FEFP (FTE). Multiplying this result by the number of students who could be provided a scholarship by the current maximum state cap will provide the net impact on state revenues. For example, assuming that there will be a 1.578% increase in state public school revenues from FY 2001-02 onward, and the 2002-03 unweighted FEFP is \$5,207,<sup>5</sup> state per student funds in FY 2003-04 (the first year of Amendment 9 implementation), would be \$5,289. The net fiscal impact per student for awarding each

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<sup>4</sup> Florida Department of Education, *1997-1998 – 2001-2002 FEFP – Final Calculation*.

<sup>5</sup> Florida Senate Education Appropriations Committee, FEFP appropriated.

scholarship awarded would be \$1,789—the state per pupil FEFP minus the maximum per student scholarship amount (\$5,289- \$3,500 = \$1,789 / see Table 1-a).

The potential cumulative impact to state funding opportunities is quite impressive. The current maximum statewide cap of the scholarship program—\$50 million—equates to 14,286 scholarships being awarded to low-income students. The net statewide funding impact of awarding 14,286 scholarships in FY 2003-04, the first year of Amendment 9 implementation, is \$25,557,654—per student net FEFP saved multiplied by the total number of students who would be awarded the scholarships (\$1,789 x 14,286 = \$25,557,654 / see Table 1-a). The \$238,861,920 cumulative operating funds that would be unencumbered by the CIT Scholarship Program could be used to offset a range of state cost obligations promulgated by Amendment 9.

**Table: 1-a**  
**Projected Revenue Surplus to Fund Amendment 9 Implementation**  
**\$50 Million Statewide Cap: 14,286, \$3,500 Scholarship Awards**

Year	Total FEFP Unweighted	CIT Credit Scholarship Award	Per Student Revenue No Longer Required	Number of Student Scholarships	Unencumbered Revenue	Cumulative Unencumbered Revenue
FY 03-04	5,289	\$3,500	\$1,789	14,286	\$25,557,654	\$25,557,654
FY 04-05	5,372	\$3,500	\$1,872	14,286	\$26,743,392	\$52,301,046
FY 05-06	5,457	\$3,500	\$1,957	14,286	\$27,957,702	\$80,258,748
FY 06-07	5,543	\$3,500	\$2,043	14,286	\$29,186,298	\$109,445,046
FY 07-08	5,630	\$3,500	\$2,130	14,286	\$30,429,180	\$139,874,226
FY 08-09	5,719	\$3,500	\$2,219	14,286	\$31,700,634	\$171,574,860
FY 09-10	5,809	\$3,500	\$2,309	14,286	\$32,986,374	\$204,561,234
FY 10-11	5,901	\$3,500	\$2,401	14,286	\$34,300,686	\$238,861,920

The number of scholarships increases incrementally in conjunction with projected increases in the statewide maximum (see Tables 1-b and 1-c). The cumulative surplus that results by increasing the statewide maximum from the current \$50 million cap to \$75 million would provide 21,429 children from limited and low-income families a \$3,500 scholarship (see Table 1-b). In addition to reducing the number of public education students by 21,429, the resulting \$358,292,880 of cumulative surplus FEFP could be used to reduce the burden of Amendment 9.

**Table: 1-b**  
**Projected Revenue Surplus to Fund Amendment 9 Implementation**  
**\$75 Million Statewide Cap: 21,429, \$3,500 Scholarship Awards**

Year	Total FEFP Unweighted	CIT Credit Scholarship Award	Per Student Revenue No Longer Required	Number of Student Scholarships	Unencumbered Revenue	Cumulative Unencumbered Revenue
FY 03-04	5,289	\$3,500	\$1,789	21,429	\$38,336,481	\$38,336,481
FY 04-05	5,372	\$3,500	\$1,872	21,429	\$40,115,088	\$78,451,569
FY 05-06	5,457	\$3,500	\$1,957	21,429	\$41,936,553	\$120,388,122
FY 06-07	5,543	\$3,500	\$2,043	21,429	\$43,779,447	\$164,167,569
FY 07-08	5,630	\$3,500	\$2,130	21,429	\$45,643,770	\$209,811,339
FY 08-09	5,719	\$3,500	\$2,219	21,429	\$47,550,951	\$257,362,290
FY 09-10	5,809	\$3,500	\$2,309	21,429	\$49,479,561	\$306,841,851
FY 10-11	5,901	\$3,500	\$2,401	21,429	\$51,451,029	\$358,292,880

If the statewide maximum were increased to \$100 million, 28,571 scholarships could be awarded. This would reduce the number of students attending public schools by 28,571, and the resulting \$477,707,120 cumulative unencumbered revenue could be used to offset the cost associated with the implementation of Amendment 9.

**Table: 1-c**  
**Projected Revenue Surplus to Fund Amendment 9 Implementation**  
**\$100 Million Statewide Cap: 28,571, \$3,500 Scholarship Awards**

Year	Total FEFP Unweighted	CIT Credit Scholarship Award	Per Student Revenue No Longer Required	Number of Student Scholarships	Unencumbered Revenue	Cumulative Unencumbered Revenue
FY 03-04	5,289	\$3,500	\$1,789	28,571	\$51,113,519	\$51,113,519
FY 04-05	5,372	\$3,500	\$1,872	28,571	\$53,484,912	\$104,598,431
FY 05-06	5,457	\$3,500	\$1,957	28,571	\$55,913,447	\$160,511,878
FY 06-07	5,543	\$3,500	\$2,043	28,571	\$58,370,553	\$218,882,431
FY 07-08	5,630	\$3,500	\$2,130	28,571	\$60,856,230	\$279,738,661
FY 08-09	5,719	\$3,500	\$2,219	28,571	\$63,399,049	\$343,137,710
FY 09-10	5,809	\$3,500	\$2,309	28,571	\$65,970,439	\$409,108,149
FY 10-11	5,901	\$3,500	\$2,401	28,571	\$68,598,971	\$477,707,120

Noting that under the provisions of the CIT Credit for Scholarships Program parents are responsible for any differences between the scholarship award and the costs of tuition and fees at their school of choice, increasing the amount of the scholarship could reduce such a potential burden (see Tables 1-d through 1-f).

If the current maximum of \$50 million were to remain unchanged and the individual scholarships increased from \$3,500 to \$4,000, only 12,500 scholarships could be provided (see Table 1-d). In addition, FY 2003-04 would show \$16,112,500 in saved revenues that heretofore would have been required to fund public education. In addition, these scholarships would accrue \$159,000,000 that could be put to good use to offset costs that otherwise would be incurred in implementing Amendment 9.

**Table: 1-d**  
**Projected Revenue Surplus to Fund Amendment 9 Implementation**  
**\$50 Million Statewide Cap: 12,500, \$4,000 Scholarship Awards**

Year	Total FEFP Unweighted	CIT Credit Scholarship Award	Per Student Revenue No Longer Required	Number of Student Scholarships	Unencumbered Revenue	Cumulative Unencumbered Revenue
FY 03-04	5,289	4,000	\$1,289	12,500	\$16,112,500	\$16,112,500
FY 04-05	5,372	4,000	\$1,372	12,500	\$17,150,000	\$33,262,500
FY 05-06	5,457	4,000	\$1,457	12,500	\$18,212,500	\$51,475,000
FY 06-07	5,543	4,000	\$1,543	12,500	\$19,287,500	\$70,762,500
FY 07-08	5,630	4,000	\$1,630	12,500	\$20,375,000	\$91,137,500
FY 08-09	5,719	4,000	\$1,719	12,500	\$21,487,500	\$112,625,000
FY 09-10	5,809	4,000	\$1,809	12,500	\$22,612,500	\$135,237,500
FY 10-11	5,901	4,000	\$1,901	12,500	\$23,762,500	\$159,000,000

Raising both the statewide maximum to \$75 million and the individual student award to \$4,000 would provide 18,750 scholarships and result in a savings of \$238,500,000 that could then be used to provide for the implementation of Amendment 9 (see Table 1-e). For example, the cumulative funds that be saved could be used to purchase 14,950 student stations.<sup>6</sup>

**Table: 1-e**  
**Projected Revenue Surplus to Fund Amendment 9 Implementation**  
**\$75 Million Statewide Cap: 18,750, \$4,000 Scholarship Awards**

Year	Total FEFP Unweighted	CIT Credit Scholarship Award	Per Student Revenue No Longer Required	Number of Student Scholarships	Unencumbered Revenue	Cumulative Unencumbered Revenue
FY 03-04	5,289	4,000	\$1,289	18,750	\$24,168,750	\$24,168,750
FY 04-05	5,372	4,000	\$1,372	18,750	\$25,725,000	\$49,893,750
FY 05-06	5,457	4,000	\$1,457	18,750	\$27,318,750	\$77,212,500
FY 06-07	5,543	4,000	\$1,543	18,750	\$28,931,250	\$106,143,750
FY 07-08	5,630	4,000	\$1,630	18,750	\$30,562,500	\$136,706,250
FY 08-09	5,719	4,000	\$1,719	18,750	\$32,231,250	\$168,937,500
FY 09-10	5,809	4,000	\$1,809	18,750	\$33,918,750	\$202,856,250
FY 10-11	5,901	4,000	\$1,901	18,750	\$35,643,750	\$238,500,000

Increasing the statewide maximum to \$100 million and the individual award to \$4,000 results in the best overall mix of figures among these projections. This would provide 25,000 low-income students a choice in their education, and the \$318,000,000 cumulative surplus revenue could be used to provide 19,933 student stations for children who remain in public education (see Table 1-f). In addition to reducing the numbers of children in crowded public education classrooms, these increases in maximums also would reduce the burden of individual families who desired private schooling for their children.

**Table: 1-f**  
**Projected Revenue Surplus to Fund Amendment 9 Implementation**  
**\$100 Million Statewide Cap: 25,000, \$4,000 Scholarship Awards**

Year	Total FEFP Unweighted	CIT Credit Scholarship Award	Per Student Revenue No Longer Required	Number of Student Scholarships	Unencumbered Revenue	Cumulative Unencumbered Revenue
FY 03-04	5,289	4,000	\$1,289	25,000	\$32,225,000	\$32,225,000
FY 04-05	5,372	4,000	\$1,372	25,000	\$34,300,000	\$66,525,000
FY 05-06	5,457	4,000	\$1,457	25,000	\$36,425,000	\$102,950,000
FY 06-07	5,543	4,000	\$1,543	25,000	\$38,575,000	\$141,525,000
FY 07-08	5,630	4,000	\$1,630	25,000	\$40,750,000	\$182,275,000
FY 08-09	5,719	4,000	\$1,719	25,000	\$42,975,000	\$225,250,000
FY 09-10	5,809	4,000	\$1,809	25,000	\$45,225,000	\$270,475,000
FY 10-11	5,901	4,000	\$1,901	25,000	\$47,525,000	\$318,000,000

<sup>6</sup> A student station is the square feet of area recommended for students in public education. The student station cost is an average of construction costs statewide for that amount of area.

Overall, these projections substantiate that the CIT Credit for Scholarships Program can materially assist the state by reducing the roles and concomitant costs of public education. Moreover, the cumulative surplus funds which would no longer be required for students diverted from public education by the program could be used to offset the substantial implementation costs of Amendment 9.

### **Potential Impact of the Corporate Tax Credit for Scholarships Program on Teachers Needed**

The specific impact that the CIT Credit for Scholarships Program might have on teachers relative to Amendment 9 is yet unknown because the Legislature has not yet devised an implementation plan. Suffice it to say, every student who is provided a scholarship award and is diverted from, or doesn't attend, public education, brings the school district of residence one step closer to meeting the class size mandates of Amendment 9. Moreover, if the scholarship recipients were to remain in public education, there would be all the greater need for additional teachers to meet Amendment nine class-size requirements. The overall statewide fiscal impact of the Program is difficult to calculate with exacting precision at this point absent district-specific data (viz, teacher funding is district specific) and, moreover, because Florida lawmakers have yet to operationally define the implementation requirements of Amendment 9. Nonetheless, as the conservative, straight-line algorithms incorporated in this study show, the CIT Credit for Scholarships Program overall can considerably assist the state in reducing the number of additional teachers that will need to be hired as a result of the passage of Amendment 9.

### **Potential Impact of the CIT Credit for Scholarships Program on Nos. of Classrooms Needed**

The CIT Credit for Scholarships Program will decrease the numbers of classrooms needed to reduce class sizes to comply with the maximums of Amendment 9. For analysis purposes, two types of structures are necessarily included here—portables that typically house single classrooms, and permanent construction that could include either an expansion of current facilities or entirely new structures. Because portables are single classroom structures, often prefabricated, they can be brought online far more rapidly and inexpensively than can permanent structures.

Notably, the useful life of portables is considerably less than that of permanent structures. The mix of permanent and portable classroom space and the length of service of portables are regulated by Florida law 1013.21, F.S. Essentially, portables are limited in lifespan and statutorily can comprise only 12% of the total classroom space. However, given the considerable financial constraints that the state will face in implementing Amendment 9, this statutory requirement may be rescinded. The immediate impact, of rescinding 1013.21, F.S., would be that districts which otherwise would anticipate having to retire portables could, if the units are sound and code compliant, elect to keep them in service. Also, other districts needing additional classroom space could purchase portables in lieu of constructing additional permanent classrooms. Notably, portables, which provide for an entire class, cost an average of \$75,000 per unit whereas permanent construction cost is \$15,953.677 for a single student station in FY 2002-03. This is equivalent to \$319,073 for a 20-station classroom.

This study will project the impact of the CIT Credit for Scholarships Program on reducing the number of public education classrooms required by considering both portable and permanent classroom construction costs. In addition, the analysis will extrapolate the impact on additional classroom costs at both the current statewide and

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<sup>7</sup> Florida Office of Economic and Demographic Research, *SIT Awards. Student Station Cost, 2002-2003*.



student scholarship award maximums and by increasing the statewide maximum from \$50 to \$75 or \$100 million and the student award from \$3,500 to \$4,000 (all projections will be made in FY 2002-03 dollars). In addition, it is assumed that each portable will provide a classroom for twenty students. Moreover, since all school districts are constitutionally required to be compliant with Amendment 9 by FY 2010-11, and the implementation is to begin in 2003-04, extrapolations will be made within that time frame.

**Potential Impact of the CIT Credit Scholarship Program on Portable Classrooms Needed**

It will be recalled that the current Corporate Tax Credit for Scholarships Program, with its statewide maximum of \$50 million, could provide 14,286 scholarship awards of \$3,500 to students of limited and low-income families. Considering portables to be a non-recurring expense, costing \$75,000 each for every twenty-student classroom space required, 714 fewer portables would be needed, resulting in public education savings of \$53,550,000 (14,286 scholarships divided by 20 students = 714 portables multiplied by \$75,000 = \$53,550,000 cost / see Table 3-a). As with staff costs, the reduction of public education student population reduces the need of additional facilities, thereby lessening the class-size reduction funding requirements of Amendment 9 that otherwise would apply.

**Table 3-a  
Projected Portable Classroom Savings of the  
CIT Credit Scholarship Program  
\$3,500 Awards**

Year	\$50 M Max	Portables	\$75 M Max	Portables	\$100 M Max	Portables
FY 2003-04	\$53,550,000	714	\$80,325,000	1,071	\$107,175,000	1,429

If the maximums of the Corporate Tax Credit for Scholarships Program were increased statewide to \$75 million and the per student scholarship award remained at \$3,500, the number of awards would reduce the need for additional classrooms by 1,071. If public education were to provide portables for that number of students it would cost \$80,325,000 at current rates (see Table 3-a above). Even larger numbers of portables would not be additionally needed if the statewide maximum were increased to \$100 million. Table 3-a shows that increase to equate to scholarships and equate to 1,429 portables that would not have to be purchased at a cost of \$107,175,000.

**Table 3-b  
Projected Portable Classroom Savings of the  
CIT Credit Scholarship Program  
\$4,000 Awards**

Year	\$50 M Max	Portables	\$75 M Max	Portables	\$100 M Max	Portables
FY 2003-04	\$46,875,000	625	\$70,350,000	938	\$93,750,000	1,250

Should the scholarship award be increased to \$4,000, and the statewide cap were to remain in place, 625 fewer additional portables would be required as a consequence of 12,500 students leaving public education (see Table 3-b). Increasing the statewide maximum to \$75 or \$100 million would reduce the numbers of additional portables even further, 938 and 1,250 respectively. Conversely, if these students were to remain in public education, it would cost \$70,350,000 or \$93,750,000 to provide them classrooms, depending on which of the two statewide funding maximums were in place.

**Potential Impact of the CIT Credit for Scholarships Program on Student Stations Needed**

As noted in the section dealing with the impact of the CIT Credit for Scholarships Program on numbers of classrooms needed, based on average statewide construction cost in 2002-03, student stations cost \$15,953.67 each. That means a twenty-student classroom would cost \$319,073 (\$15,953.67 x 20). The savings to public education resulting from the CIT Credit for Scholarships Program’s impact on the need for permanent student stations is extraordinary. In particular, every student who receives a scholarship reduces the additional funds needed to provide him/her classroom space by \$15,953.67.

The additional funding no longer necessary to provide scholarship recipients with classroom space is determined by multiplying the cost of a student station by the number of scholarship awards made. If the current statewide maximums of a \$50 million cap and \$3,500 individual awards were calculated, the 14,286 student stations would cost \$227,914,130 (\$15,953.67 x 14,286), as seen in Table 4-a. That number would increase incrementally if the statewide cap were raised. Thus, the additional funds required to comply with the facilities needs of Amendment 9 that would be offset with a \$75 million cap on the CIT Credit for Scholarships Program would increase to \$341,871,194 and to \$455,812,306 if the statewide maximum were increased to \$100 million.

**Table 4-a  
Projected Student Station Savings of the  
CIT Credit Scholarship Program  
\$3,500 Awards**

<b>Year</b>	<b>\$50 M Max</b>	<b>Stations</b>	<b>\$75 M Max</b>	<b>Stations</b>	<b>\$100 M Max</b>	<b>Stations</b>
FY 2003-04	\$227,914,130	14,286	\$341,871,194	21,429	\$455,812,306	28,571

If the scholarship award were increased, the numbers of scholarships possible would be incrementally reduced. However, considering that for each scholarship the need of an additional student station is obviated, and the cost of a student station is \$15,953.67, the funds that would be additionally required if the scholarship recipients remained in public education is considerable. For example, if the statewide maximum were to remain capped at \$50 million but the student award were increased to \$4,000, 12,500 scholarships could be awarded and thereby reduce the need for additional funds by \$199,420,875 (see Table 4-b). If the statewide maximum were increased to \$75 million, \$299,131,313 in additional funding would not be needed to provide space toward reducing class sizes. Raising the maximum to \$100 million would further reduce the need of an additional \$398,841,750 to funding student stations.

**Table 4-b**  
**Projected Student Station Savings of the**  
**CIT Credit Scholarship Program**  
**\$4,000 Awards**

Year	\$50 M Max	Stations	\$75 M Max	Stations	\$100 M Max	Stations
FY 2003-04	\$199,420,875	12,500	\$299,131,313	18,750	\$398,841,750	25,000

Classroom space, especially that of permanent construction, is exceedingly expensive. Noting the urgent need of additional classroom space, the CIT Credit for Scholarships Program currently does much to appreciably reduce the need of even greater funding levels. Moreover, by elevating statewide maximums, this program could afford even greater savings.

**Potential Costs/Benefits of Increasing the \$3,500 Student Scholarship Award Level**

There virtually are no costs that will be incurred to either the state or public education should the per-student scholarship award maximum be increased, that is, as long as the cumulative cost does not exceed the funding provided by state revenue. Also noteworthy, it is anticipated, other things being equal, that nonpublic schools that currently have excess student station capacity should experience cost efficiencies resulting in enhanced profitability by accommodating increased numbers of CIT Credit for Scholarships Program students.

As was shown in the above analyses, the current CIT Credit for Scholarships Program, even at current levels, provides for public education a substantial reduction of funds and additionally reduces the staffing and facilities that would be required to comply with Amendment 9. These beneficial reductions are evidenced with every scholarship awarded.

However, if the current statewide maximum of \$50 million remains in place, and individual scholarship awards are raised, the numbers of scholarships available will be decreased accordingly. Present maximums afford 14,286 scholarship awards to be made to students of limited and low-income families. If the individual award maximum were raised to \$4,000, to align it with the award of the Opportunity Scholarships, the total possible number of children that could be served would be reduced annually to 12,500. While this may help individual families who are responsible for any shortfall between the scholarship award and the tuition and book fees charged, the total number of families who could participate would be reduced.

Nonetheless, increasing the current scholarship award of \$3,500 to \$4,000 would potentially afford the attending school sufficient financial leeway to extend its capacities. That is, it would then be possible to expand the facility to accommodate more students as well as enhance its instructional capabilities plus potentially increase the number of grade levels serviced by the school.

Possibly the most effective means of both assisting students further with tuition costs while also providing school choice to more limited and low-income families would be to increase the statewide maximum to \$100 million and the individual award to \$4,000. If this were done, the reduction to the overall FEFP funding would be minimal because of the built-in compensation mechanisms of the formula. Moreover, at the \$100 million level, the scholarship program could make some 25,000 individual scholarship awards at \$4,000 each.

The support of school choice affords parents the opportunity to choose the school they feel would best meet the needs of their children. Notably, it is the responsibility of the state of Florida to provide children with an opportunity to get an education within its borders, and it is the purpose of the scholarship program to provide to as many limited- and low-income parents as is possible with school choice for their children. Expanding the CIT Credit for Scholarships Program would reduce the need for public education funds, thereby resulting in cost saving by reducing the staffing and number of classrooms needed otherwise to fulfill the constitutional requirements of Amendment 9. Consequently, the CIT Credit for Scholarships Program benefits both public and nonpublic education while enabling parental choice of schools for their children.

## **Conclusions**

The CIT Credit for Scholarships Program, exclusively targeted to serve students from limited and low-income families, will provide considerable advantages to both the state of Florida and all Floridians. In particular, funding this Program results in net revenue returns for every scholarship awarded. At current maximums, the program is able to provide scholarships of \$3,500 to 14,286 children from its \$50 million statewide maximum. The cumulative state revenue that is not used as a consequence is \$106,844,994.

Proof of reducing public education funding requirements also is manifest in that, for every Program scholarship awarded, the need for additional classroom space—ergo the number of teachers per class—is substantially reduced, thereby, lessening the fiscal burden that otherwise would be imposed by Amendment 9's class-size reduction requirement.

The greatest savings generated by the CIT Credit for Scholarships Program will be in reducing additional classrooms or student space that will be required by implementation of Amendment 9. Funded at current statewide maximum caps, with awards of \$3,500, the savings in fewer classrooms required via portables would be \$53,550,000 with a \$50 million maximum, \$80,325,000 if the cap were raised to \$75 million, and \$107,175,000 with a \$100 million statewide maximum.

Analyzing the impact of the scholarship program on new construction, as calculated by student station requirements, also demonstrates exceptional additional savings as a consequence of the Corporate Tax Credit for Scholarships Program. Using \$15,953.67 as the cost of a student station, the program could generate savings of \$227,914,130 at current statewide and individual maximums. Moreover, raising both the statewide maximum to \$100 million and the individual scholarship award to \$4,000 could, during the initial implementation of Amendment 9, save \$398,841,750 in the number of student stations that would be additionally needed if the scholarship recipients were to remain in public education.

Raising the current individual scholarship cap from \$3,500 to \$4,000 without simultaneously increasing the statewide maximum, other things being equal, would result in reducing the number of children being served from 14,286 to 12,500. Given the relatively larger impact that increasing the statewide and individual scholarship maximums would have on state funding capabilities, it would be reasonable for Florida lawmakers to get maximum Program benefit by increasing them to \$100 million and \$4,000, respectively. This would further reduce the financial burden to the parents of limited and low-income families who need the scholarships for their children as well as provide additional tuition for the receiving schools.

Additionally, an estimated \$318,000,000 of state funds no longer would be needed to underwrite the requirements of Amendment 9. The increase in scholarship recipients would provide additional direct capital savings of \$398,841,750 because fewer classrooms would be required.

Overall, the opponents of nonpublic education programs such as the CIT Credit for Scholarships Program are misguided in thinking that such programs necessarily reduce public education funding or increase public education capital expenditures, at least on a statewide basis. As noted earlier, the reduction of student headcount for some public school districts may present difficulties as a consequence of their losing certain economies of scale. However, the CIT Credit for Scholarships Program extends school choice statewide to children from low-income families, reduces overall the funding required to operate public education, and decreases public education expenditures, both relative to classroom space and teacher staffing requirements.

This *Research Report* was written by Michael Fisher, Ph.D.,  
Senior Research Analyst with and under the direction of  
Keith G. Baker, Ph.D., Senior Vice President and Chief Operating Officer.  
Steven L. Evans, Chairman; Dominic M. Calabro, President and Publisher.

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