

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 specifically designated and operated §501(c)(3) non-profit organizations, known as Scholarship Granting Organizations (SGOs), which would 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 tax credit would be 65 percent of qualifying contributions, which accommodates the fact that the same contributions might qualify for a federal itemized deduction. This percentage limit also would mean that scholarship funding would actually be greater than the amount of tax support. LB 50 proposes a cap of \$10 million on the aggregate total of tax credits statewide during the first year of implementation. These tax credits, which would begin with a pre-application process, would be allowed on a first-come, first-served basis until the cap is reached. To qualify for the credit, a contribution could not be designated for the benefit of any dependent of the contributor.

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.

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

The parents of children attending privately operated elementary and secondary schools in Nebraska have been providing tax relief for state and local taxpayers for many, 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 enrolled in public schools, additional state and local revenue in excess of \$375 million would be needed each year to maintain the same per-pupil spending levels. Just imagine the fiscal savings if 12 percent more students – nearing 30 percent in some counties – were enrolled in tax-funded schools!

Tax-incented support of private-school scholarships 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 contributions supporting them would not only enable more families to make school choices, it would sustain competition for educational improvement and excellence, while also helping to perpetuate the tremendous tax relief that affordable education in other-than-public schools provides.