



## Equity and Opportunity in Education Tax Credit

### FREQUENTLY ASKED QUESTIONS

#### **Who benefits from the proposed tax credit supports?**

All Minnesota students living in poverty and attending a pre-K–12 school will benefit from this bill. This tax credit legislation will support Minnesota’s public and private school students living in poverty and schools that serve students living under the poverty level. There are currently over 140,000 Minnesota children living in poverty, or 11% of Minnesota’s entire student population.<sup>i</sup>

#### **Why is this legislation important?**

While Minnesota graduates 78.1% of all high school students compared to a national average of 70.1%, our state has one of the largest achievement gaps for students of color in the nation.<sup>ii</sup> Every citizen should want the best education for our students to ensure they graduate from high school and eventually become productive, tax-paying members of Minnesota’s workforce.

#### **Is it necessary to target low-income students? Yes.**

The dropout epidemic disproportionately affects young people who are low-income, children of single parents, or some students of color. Nearly one-half of all African Americans, Hispanics, and Native Americans in public school will not graduate with their class.<sup>iii</sup> This legislation will fund the individualized supports and programming that are shown to help this student population improve test scores and graduate from high school.

#### **With Minnesota’s looming budget deficit concerns, can we afford to support this educational investment? Yes.**

Every year, more than 10,000 students in Minnesota drop out of high school. High school drop outs are 3.5 times more likely to be arrested over their lifetimes, with states spending an average of three times more on prison than on a public education.<sup>iv</sup> In addition, high school drop outs cost the state significantly more in health and human services.

#### **Will this plan take away money from the public schools? No.**

The Equity and Opportunity in Education Tax Credit plan will not be funded with public school education funds. An individual or business that contributes will be given a state tax credit and the state will receive less tax dollars.

**Are these tax credits a good investment in Minnesota's future? Yes.**

The average annual income for a high school dropout in 2005 was \$17,299, compared to \$26,933 for a high school graduate.<sup>v</sup> College graduates earn on average \$1 million more over a lifetime than do high school dropouts. If every student from the class of 2009 graduated from high school (13,999 estimated non-graduates), Minnesota's economy would benefit from an additional \$3.6 trillion in taxable earnings over their lifetime.<sup>vi</sup>

**Has any other state had success with this type of program? Yes.**

Minnesota's Equity and Opportunity in Education Tax Credit legislation is modeled after tax credit laws in Arizona and Pennsylvania. In Arizona, this legislation has changed education funding significantly. Over \$98.1 million was contributed in 2007 by 287,000 businesses and individuals to schools and programs. Pennsylvania realized \$75 million in contributions in 2007.

**Is this a voucher plan? No.**

With corporate tax credits, no payments are made from the government, at any level, either to nonpublic schools or directly to parents. Corporations and individuals decide how to support schools and organizations, and may fund supports like tutors or special programs for public school students or scholarships for students to attend nonpublic schools.

**Will this law save the state of Minnesota money? Yes.**

State sponsored research on the Milwaukee Parental Choice Program has shown that Wisconsin taxpayers saved for than \$30 million in the 2007-2008 school year and more than \$37 million in 2008-2009.<sup>vii</sup> Also, a state sponsored analysis of Florida's Corporate Tax Credit Scholarship Program found that it saved the state a total of \$38.9 million in 2007-2008.<sup>viii</sup>

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<sup>i</sup> Children's Defense Fund MN, Minnesota Kids Count Data Book, 2009

<sup>ii</sup> Education Week, Diplomas Count Report, 2008

<sup>iii</sup> America's Promise Alliance, Grad Nation-A Guidebook to Help Communities Tackle the Dropout Crisis, 2008

<sup>iv</sup> Children's Defense Fund, Cradles to Prisons Report, 2007

<sup>v</sup> Alliance for Excellent Education, Issue Brief, June 2008

<sup>vi</sup> Alliance for Excellent Education, The High Cost of High School Drop Outs, 2008

<sup>vii</sup> Costrell, Robert, Fiscal Impact of the Milwaukee Parental Choice Program in Milwaukee and Wisconsin, 1993-2008

<sup>viii</sup> Florida Office of Program Analysis and Government Accountability, The Corporate Income Scholarship Tax Program Save State Dollars, 2008

**For more information on the Equity and Opportunity in Education Scholarship Tax Credit, contact Jim Field, Coalition for Kids Coordinator, (651) 297-6716 or [jfield@misf.org](mailto:jfield@misf.org).**