Scafidi's Hasty Conclusions about FRC Report on the Education Scholarship Tax Credit

By Robert Buschman and David L. Sjoquist

In his December 12 GPPF blog post with Georgia GOAL's Jim Kelly and his more detailed comments linked there, Ben Scafidi accuses us of "outright errors, implausible assumptions and a lack of balance" in our recent report on the fiscal effects of Georgia's Qualified Education Tax Credit (QETC) program. However, in his critique, Scafidi blatantly misrepresents our analysis, misconstruing it as being critical of the QETC program and making several other egregious errors.

The blog post, under the attention-grabbing headline "Keep Crony Capitalism Out of Georgia's School Choice Movement," does get a few things right. Yes, under certain assumptions it is possible that the QETC program could actually save Georgia taxpayers money in educating scholarship recipients. Kelly and Scafidi select a set of assumptions that produces a rather large cost saving for state and local taxpayers, but this particular set of assumptions is not realistic. More reasonable assumptions still result in savings, or at least a smaller cost than what past fiscal assessments of QETC have assumed. Our report shows the assumptions that must hold for there to be a positive net fiscal effect.

Official estimates of the fiscal cost of QETC focus on the revenue effects alone, as is the mandate for revenue fiscal notes prepared for the legislature. The cost in terms of lost tax revenue is simply the amount of tax credits taken in a given year, so if the $58 million of tax credits allowed in a given year are all taken, the revenue loss is $58 million. But as our report makes clear, that is not the true cost. At the state budget level, for every student who leaves a public school for a private one, the state saves the amount of QBE funding it would have granted the local school system had the student stayed in the public school. At the local level, the school system loses that QBE funding, but it saves all of the variable costs associated with educating that student.

There are many variables that determine the actual net cost or net savings to taxpayers from QETC, and unfortunately, the values of some of these variables are unknown and can't be reliably estimated from the publicly available program information. Nevertheless, the true cost is something less than the $58 million of tax credits currently allowed, perhaps a lot less. As we explain in the report, the program is more likely to save Georgia taxpayers money when you consider the effects on both the state and local budgets. That is the point of the report, to show how those savings can arise and to lay out a range of plausible assumptions about the factors that determine the net cost or savings. Let's consider Scafidi's main objections one at a time:

"By making $1,503 in taxpayer spending on schools disappear, the report dramatically understates the fiscal benefits …"

place the 30 percent top end figure from the Cato study enters our analysis is *as the worst case*, the bottom of the range that we use in our analysis presented in Table 5.

Instead of pretending to estimate the actual net cost or net savings based on little more than a

Georgia’s taxpayers stand to save the most because these families are the least likely to send their kids to private schools in the absence of a scholarship.