8-1-2000

Education Policy Analysis Archives 08/38

Arizona State University

University of South Florida

Follow this and additional works at: http://scholarcommons.usf.edu/coedu_pub

Part of the Education Commons

Scholar Commons Citation
http://scholarcommons.usf.edu/coedu_pub/296

This Article is brought to you for free and open access by the College of Education at Scholar Commons. It has been accepted for inclusion in College of Education Publications by an authorized administrator of Scholar Commons. For more information, please contact scholarcommons@usf.edu.
Effects on Funding Equity of the Arizona Tax Credit Law

Glen Y. Wilson
Arizona State University

Abstract
This article examines the results from the first year (1998) of the Arizona Education Tax Credit program. The tax credit law allows individuals a dollar-for-dollar tax credit of $500 for donations to private schools and a dollar-for-dollar tax credit of $200 for donations to public schools. Although one justification for this statute was that it would help lower income students, the primary beneficiaries of this program tend to be the relatively well off. The author concludes that Arizona's tax credit law increases educational funding inequity in Arizona. Data for 1999, only recently made available, show a 159.1 percent increase in total contributions and an exacerbation of the trends noted here.

This article is one of four on the Arizona Tax Credit Law:

- Welner: Taxing the Establishment Clause
- Moses: Hidden Considerations of Justice
- Rud: Moral Considerations
Introduction

Education tax credits are a relatively new mechanism intended to promote and fund school choice by means of the tax system. In Arizona's first regular legislative session in 1997, House Bill 2074 was passed and on April 7, 1997 was signed into law by Arizona Governor Fife Symington as A.R.S. § 43-1089. Beginning with the 1998 tax year, A.R.S. § 43-1089 created a private school tuition organization individual income tax credit and a public school extracurricular activity fee individual income tax credit.

With the private school tax credit, Arizona taxpayers were granted a full and direct credit against state income taxes for contributions up to $500 to school tuition organizations (STOs). STOs then provide grants to students to attend private schools. A.R.S. § 43-1089 contains very few restrictions as to how the proceeds from this tax credit are to be used. The major restrictions are: that taxpayers claiming this credit may not earmark their donation to their own dependents, that STOs allocate at least 90 percent of their annual revenue for "educational scholarships" or "tuition grants," and that STOs provide scholarships or grants without limiting availability to only students of one school (A.R.S. § 43-1089).

A similar $200 tax credit is also available for contributions to public schools; however, these contributions may only be used for extracurricular activities that require a student fee. Examples provided in the statute include: band uniforms, equipment or uniforms for varsity athletic activities and scientific laboratory materials (A.R.S. § 43-1089.01). Originally, contributions to public schools did not qualify for this credit because the legislative bill restricted the tax credit to "a nongovernmental primary or secondary school" of the "parents' choice" [A.R.S. § 43-1089 (E) (1), (2)]. As a compromise with opponents of the legislative bill, the law as finally enacted included a $200 tax credit for contributions to K-12 public schools.

To tax professionals, provisions such as tax credits and tax deductions are known as tax expenditures. Tax expenditures are special preferences embedded in the tax code that are intended to benefit particular activities or groups. Tax expenditures cause a loss of tax revenue and thus, are functionally equivalent to government spending programs. Surrey and McDaniel (1985) stated the following about tax expenditures:

Whatever their form, these departures from the normative tax structure represent government spending for favored activities or groups, effected through the tax system rather than through direct grants, loans, or other forms of governmental assistance….These tax expenditures in effect represent monetary assistance provided by the government (p. 3).

It should be noted that unlike tax deductions allowed for general charitable giving, Arizona's education tax credit provides a full reimbursement to those who contribute. Thus, the tax credit plan does not function as a stimulus to charitable giving, but instead functions to allow self-selected taxpayers to redirect funds, that would otherwise flow into state accounts, to private entities of their own choosing.

A major justification for school choice programs has been to offer additional educational alternatives to low-income families. The Arizona tax credit law was promoted with a similar justification. The Arizona Republic, in a recent story on the tax credit program reported that "Supporters of the credit for private school scholarships, including Rep. Mark Anderson, R-Mesa, who sponsored the legislation, touted it as a way to send kids to private school who otherwise couldn't afford to go" (Bland, 2000).
Arizona Supreme Court Chief Justice Thomas B. Zlaket offered similar reasoning in the opinion upholding the school tax credit law. Zlaket wrote: "Until now, low-income parents may have been coerced into accepting public education...Arizona's tax credit achieves a higher degree of parity by making private schools more accessible and providing alternatives to public education" [Kotterman v. Killian, No. CV-97-0412-SA (1999)]. If such published accounts were accurate, it would appear that the primary intended beneficiaries of the law could be construed as low-income students and their families with a primary intended effect of increased educational choice (increased access to private schooling). For public schools, the justification appears to be to assist parents in paying for public school extracurricular activities. To extend the justification for the private school tax credit to the extracurricular public school tax credit would logically mean that the primary beneficiaries of the public school tax credit should be students and families that face hardship in paying extracurricular fees.

However, to opponents, education tax credits are poor public policy and a dangerous road on which to travel. In addition to fundamental constitutional questions of separation of church and state, many critics believe that tax expenditures, such as tax credits, tend to be highly inequitable. Wealthy individuals may be much more likely to take advantage of them than lower-income individuals, who may not even earn enough income to participate in the program. For example, Weinberg (1987) calculated that for FY 1985, at least 50 percent of the total benefits provided by tax expenditures through the U.S. individual income taxation system went to the top 20 percent of families (in terms of income). The poorest 40 percent of families (by income) received less than 20 percent of the total benefits offered through tax expenditures. Under Arizona's plan, those participating receive a full reimbursement of their contribution and thus, do not actually incur any costs at all. Therefore, Arizona's plan appears to allow higher-income individuals to direct a portion of state tax revenue to public or private schools while possibly denying lower-income individuals an equal real opportunity to do the same.

Another objection to the use of tax credits relates to the distributional pattern that critics believe will occur. Critics have charged that under this plan, resources will not flow to where needs are the greatest—that in the end, this plan will be just another subsidy for the middle-class.

**Research Design**

The purpose of the quantitative analysis reported here is to describe the distribution of tax credit contributions in terms of student poverty/wealth, contributor poverty/wealth, enrollment and student achievement. Since the data in hand constitute a full census of the education tax credit records for the 1998 tax year, no questions of statistical inference arise. Rather, the purpose of the data analysis will be to show the different levels of contributions in terms of different factors.

**Data Collection and Preparation**

Complete records of all Calendar Year 1998 contributions (as of March 26, 1999) under the education tax credit law were obtained from the Arizona Department of Revenue (ADOR). Approximately 60,000 contributions were documented, accounting for about $7.7 million dollars. The number of contributions and the total amount contributed to the recipient school were provided; no taxpayer identification (neither
personal identity, location nor income level) was included. The data contained listings for 1,144 K-12 public schools. Data on public schools participating in the federal free/reduced meal program (F/R meal) were obtained from the Arizona Department of Education (ADE). The number of students eligible for the F/R meal program as well as the total school enrollment were contained in the data from ADE. After combining the two data records, there were 929 public schools (81.2% of the total) for which there was data on both measures (tax credit contributions and F/R meal program). Schools for which there was no tax credit contribution listing and/or no free/reduced meal program data were not included in the analysis. For the public schools with data on the two elements of interest, information as to the school's 1997-98 student performance on the state-mandated Stanford-9 Achievement Test was added for each school. For elementary schools, the 4th grade reading and math individual percentile ranks were used; for middle/junior high schools, 7th grade reading and math individual percentile ranks were employed; and for high schools, 9th grade reading and math individual percentile ranks were used. If the particular score for a school was missing, the closest available score was used. For example, if the 4th grade reading or math score was missing for an elementary school, then the closest available score such as the 3rd grade score for that particular school was used. The reading and math individual percentile ranks were summed and divided by 2 to provide a combined score for each school. The 929 public schools in the dataset were placed into quarters based on the percentage of a school's students eligible for F/R meal program. In this dataset, these percentages ranged from 1 to 100 percent of schools' enrollment.

The data on tax credit claimants (Tables 4 – 7) are based on ADOR's review of individual tax returns. As of September 23, 1999, approximately 25,000 individual tax returns have been reviewed. ADOR estimates that nearly 17,000 tax returns filed prior to September 1, 1999 have yet to be reviewed. Any tax returns filed after September 1, 1999 and before the end of calendar year 1999 will also require review in order to have complete first year results. The data concerning private schools and School Tuition Organizations (table 8) were obtained from ADOR, the Center for Market-based Education, and telephone calls to individual STOs.

Findings: Public Schools

After the ADOR tax credit and ADE F/R Meal Program data records were combined, there were 929 public schools enrolling 672,211 students, for which there was data on both measures of interest (contributions under the tax credit program and F/R meal program). Stanford Achievement Test data were then added to the dataset and schools were arranged into quarters on the basis of relative poverty/wealth. Summary tables were developed for several items of interest (school characteristics, school basis contribution data and student basis contribution data). Characteristics of the schools in the dataset are shown in Table 1.

Table 1

Public School Characteristics

<table>
<thead>
<tr>
<th></th>
<th>All</th>
<th>Poorest</th>
<th>Second</th>
<th>Second</th>
<th>Wealthiest</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Schools</td>
<td>Quarter</td>
<td>Poorest Quarter</td>
<td>Wealthiest Quarter</td>
<td>Quarter</td>
</tr>
<tr>
<td>--------------------------------</td>
<td>---------</td>
<td>---------</td>
<td>-----------------</td>
<td>--------------------</td>
<td>---------</td>
</tr>
<tr>
<td>Number of Schools</td>
<td>929</td>
<td>232</td>
<td>232</td>
<td>233</td>
<td>232</td>
</tr>
<tr>
<td>School Enrollment</td>
<td>672,211</td>
<td>142,760</td>
<td>164,087</td>
<td>168,025</td>
<td>197,339</td>
</tr>
<tr>
<td>Percent of Total School Enrollment</td>
<td>100.0%</td>
<td>21.2%</td>
<td>24.4%</td>
<td>25.0%</td>
<td>29.4%</td>
</tr>
<tr>
<td>Mean School Enrollment</td>
<td>723.6</td>
<td>615.3</td>
<td>707.3</td>
<td>721.1</td>
<td>850.6</td>
</tr>
<tr>
<td>Mean Percentage of Students Eligible for F/R Meal Program</td>
<td>51.2%</td>
<td>87.1%</td>
<td>63.3%</td>
<td>40.5%</td>
<td>14.0%</td>
</tr>
<tr>
<td>Mean Combined Reading/Math SAT-9 Percentile Rank Score</td>
<td>48.7</td>
<td>30.4</td>
<td>43.3</td>
<td>53.5</td>
<td>66.6</td>
</tr>
</tbody>
</table>

Sources: Arizona Department of Education and Arizona Department of Revenue

Table 1 shows the extent of the differences in the poverty/wealth measure and achievement measure between the quarters formed around relative poverty/wealth of the schools. The mean percentage of students eligible for the F/R meal program represents relative differences in poverty for a school's student body. The overall mean percentage of students eligible for the F/R meal program was 51.2 percent with a standard deviation of 28.01. When viewed by quarters based on poverty/wealth, the mean percentage of students eligible for the F/R meal program ranged from 87.1 percent (SD = 6.94) in the poorest quarter to 14.0 percent (SD = 7.36) in the wealthiest quarter. As for achievement differences represented by Stanford-9 results, the mean combined reading/math individual percentile rank score for all schools was slightly below midpoint at 48.7 (SD = 18.75); for schools in the poorest quarter the score was 30.4 (SD = 11.85) and for the wealthiest 25 percent of schools it was 66.5 (SD = 9.61).

Table 2 accounts for a total of $5,925,436 contributed to 929 public K-12 schools from 53,294 separate donations. 163 schools (17.5%) did not receive any money under this program. A comparison of the distribution of tax credit contributions between the poorest and wealthiest quarters reveals that wealthy schools received a disproportionately large number of donations as well as a disproportionately large amount of the total resources that were distributed under this program. In terms of the number of contributions, the wealthiest quarter of schools received 29,756 separate donations, a mean of 128.3 (SD = 204.94) donations per school. The poorest quarter received 4,097 separate donations, a mean of 17.7 (SD = 39.62) donations per school. Thus, the wealthiest quarter received 55.8 percent of all contributions while the poorest quarter accounted for 7.7 percent. This resulted in schools in the wealthiest quarter receiving a mean amount of $13,448 (SD = $14,858) and the schools in the poorest quarter receiving a mean amount of $2,859 (SD = $6,763). In the wealthiest group, 5 schools (2.2%) did not receive any money, while in the poorest quarter, 79 schools (34.1%) did not receive any funds. Fully 52.7 percent of the amount contributed to public schools went to the wealthiest 25 percent of schools while the poorest 25 percent of schools received 11.2 percent.
Table 2
School Basis Contribution Data

<table>
<thead>
<tr>
<th></th>
<th>All Schools</th>
<th>Poorest Quarter</th>
<th>Second Poorest Quarter</th>
<th>Second Wealthiest Quarter</th>
<th>Wealthiest Quarter</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount Donated</td>
<td>$5,925,436</td>
<td>$663,272</td>
<td>$782,417</td>
<td>$1,359,790</td>
<td>$3,119,958</td>
</tr>
<tr>
<td>Percent of Total</td>
<td>100.0%</td>
<td>11.2%</td>
<td>13.2%</td>
<td>22.9%</td>
<td>52.7%</td>
</tr>
<tr>
<td>Total Amount Donated</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of Donations</td>
<td>53,294</td>
<td>4,097</td>
<td>6,218</td>
<td>13,223</td>
<td>29,756</td>
</tr>
<tr>
<td>Percent of Total</td>
<td>100.0%</td>
<td>7.7%</td>
<td>11.7%</td>
<td>24.8%</td>
<td>55.8%</td>
</tr>
<tr>
<td>Total Donations</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Per School Donation</td>
<td>$6,378.29</td>
<td>$2,858.93</td>
<td>$3,372.49</td>
<td>$5,836.01</td>
<td>$13,448.09</td>
</tr>
</tbody>
</table>

Sources: Arizona Department of Education and Arizona Department of Revenue

A regression analysis was conducted to evaluate the relationship between the dependent variable of donation amount to public schools and the independent variable of percentage of a public school's students eligible for F/R meal program. A first-order quadratic regression model provided the best fit between the independent and dependent variables, \( R = .409, R^2 = .167, \) Adjusted \( R^2 = .165, F (2, 926) = 92.75, p < .001. \) The beta weight for the independent variable was negative, indicating that schools with higher percentages of students eligible for the F/R meal program (higher poverty) tended to receive lower donation amounts through the tax credit program.

Table 3 presents tax credit donation data on a per student basis. A comparison of the wealthiest quarter and the poorest quarter shows that the wealthiest quarter received an average of $15.81 per enrolled student while the poorest quarter received an average of $4.65, a difference of 70.6 percent. In the wealthiest quarter, there was 1 donation received for every 6.6 enrolled students, compared with 1 donation received for every 34.8 enrolled students in the poorest quarter.

Table 3
Student Basis Contribution Data

<table>
<thead>
<tr>
<th></th>
<th>All Schools</th>
<th>Poorest Quarter</th>
<th>Second Poorest Quarter</th>
<th>Second Wealthiest Quarter</th>
<th>Wealthiest Quarter</th>
</tr>
</thead>
<tbody>
<tr>
<td>Per Student Donation</td>
<td>$8.81</td>
<td>$4.65</td>
<td>$4.77</td>
<td>$8.09</td>
<td>$15.81</td>
</tr>
</tbody>
</table>
Table 4 presents available data on the distribution of public school tax credits by the claimant’s federal adjusted gross income (FAGI). Placing the tax credit claimants into groups based on their FAGI shows that the largest group of claimants (49.2%), fall into the $50,000 to $100,000 group. This group accounted for 49.1 percent of the total credits for public schools.

<table>
<thead>
<tr>
<th>Number of Students Per Each Donation</th>
<th>12.6</th>
<th>34.8</th>
<th>26.4</th>
<th>12.7</th>
<th>6.6</th>
</tr>
</thead>
</table>

Sources: Arizona Department of Education and Arizona Department of Revenue.

Table 4
Public School Tax Credit by Claimants’ Federal Adjusted Gross Income

<table>
<thead>
<tr>
<th>Number of donations</th>
<th>Total</th>
<th>$20,000 or less FAGI</th>
<th>$20,000 to $50,000 FAGI</th>
<th>$50,000 to $100,000 FAGI</th>
<th>$100,000 to $500,000 FAGI</th>
<th>Over $500,000 FAGI</th>
</tr>
</thead>
<tbody>
<tr>
<td>16,930</td>
<td>389</td>
<td>3,999</td>
<td>8,322</td>
<td>4,100</td>
<td>120</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Percentage of Total Donations</th>
<th>100.0%</th>
<th>2.3%</th>
<th>23.6%</th>
<th>49.2%</th>
<th>24.2%</th>
<th>0.7%</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Total Credits</th>
<th>$3,043,456</th>
<th>$65,887</th>
<th>$693,208</th>
<th>$1,493,354</th>
<th>$768,253</th>
<th>$22,754</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage of Total Credits</td>
<td>100.0%</td>
<td>2.2%</td>
<td>22.8%</td>
<td>49.1%</td>
<td>25.2%</td>
<td>0.7%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Average Size of Donation</th>
<th>$179.77</th>
<th>$169.38</th>
<th>$173.35</th>
<th>$179.45</th>
<th>$187.38</th>
<th>$189.62</th>
</tr>
</thead>
</table>

Source: Arizona Department of Revenue (Data as of August 1999)

Findings: Private Schools

According to ADOR tax credit records, there were 15 STOs actively soliciting donations in calendar year 1998. Of these 15 STOs, 10 were religiously affiliated, three were nonreligious, one is of unknown status, and one is no longer active. The 15 STOs reported receiving $1,815,799 from 4,246 separate donations. Table 5 shows the distribution of donations by type of STO. Fully 95.3 percent of the funds donated went to religiously oriented STOs.

Table 5
Donation Data Reported by School Tuition Organizations (STOs)
The U.S. Department of Education in the *Digest of Education Statistics, 1999*, estimates that in the fall of 1997 there were 44,991 students enrolled in private elementary and secondary schools in Arizona. From the Fall of 1993 to the Fall of 1997, there was an increase of 1,226 private school students for an average annual increase of 307 students. Applying this rate of increase to the Fall 1997 figures produces a Fall 1998 private school enrollment estimate of 45,298. Therefore, the average per student donation for private schools is estimated to be approximately $40.09 (Table 6).

**Table 6**  
Estimated Per Student Basis Donation Data for Public and Private Schools

<table>
<thead>
<tr>
<th></th>
<th>Public Schools</th>
<th>Private Schools</th>
</tr>
</thead>
<tbody>
<tr>
<td>Per Student Donation</td>
<td>$8.81</td>
<td>$40.09</td>
</tr>
<tr>
<td>Number of Students Per Each Donation</td>
<td>12.6</td>
<td>10.7</td>
</tr>
</tbody>
</table>

Sources: Digest of Education Statistics, 1999 and Arizona Department of Revenue

For the first year of the tax credit, many STOs were reportedly reluctant to distribute revenues for scholarships until the court challenges were decided (Meyer and Smith, 1999). Seven STOs reported information about the amount and numbers of scholarships given (one STO did not provide the number of scholarships given). These data are summarized in Table 7.

**Table 7**  
Scholarship Data Reported by School Tuition Organizations (STOs)

<table>
<thead>
<tr>
<th>STO</th>
<th>Number of Donations</th>
<th>Total Amount</th>
<th>Average Scholarship Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arizona Scholarships and Tuition</td>
<td>42</td>
<td>$26,360</td>
<td>$627.62</td>
</tr>
<tr>
<td>Christian Scholarship Fund of Arizona</td>
<td>163</td>
<td>$68,235</td>
<td>$418.62</td>
</tr>
</tbody>
</table>
Higher Education for Lutherans Program  
<table>
<thead>
<tr>
<th>Number of Donations</th>
<th>Number of Credits</th>
<th>Average Size of Donation</th>
</tr>
</thead>
<tbody>
<tr>
<td>116</td>
<td>$31,380</td>
<td>$270.52</td>
</tr>
</tbody>
</table>

Northern Arizona Christian School Scholarship  
<table>
<thead>
<tr>
<th>Number of Donations</th>
<th>Number of Credits</th>
<th>Average Size of Donation</th>
</tr>
</thead>
<tbody>
<tr>
<td>30</td>
<td>$35,000</td>
<td>$1,167.67</td>
</tr>
</tbody>
</table>

St. Gregory/Green Fields Scholarship  
<table>
<thead>
<tr>
<th>Number of Donations</th>
<th>Number of Credits</th>
<th>Average Size of Donation</th>
</tr>
</thead>
<tbody>
<tr>
<td>82</td>
<td>$32,480</td>
<td>$396.10</td>
</tr>
</tbody>
</table>

Southern Arizona Foundation for Education  
<table>
<thead>
<tr>
<th>Number of Donations</th>
<th>Number of Credits</th>
<th>Average Size of Donation</th>
</tr>
</thead>
<tbody>
<tr>
<td>56</td>
<td>$22,250</td>
<td>$397.32</td>
</tr>
</tbody>
</table>

Total  
<table>
<thead>
<tr>
<th>Number of Donations</th>
<th>Number of Credits</th>
<th>Average Size of Donation</th>
</tr>
</thead>
<tbody>
<tr>
<td>489</td>
<td>$215,705</td>
<td>$411.11</td>
</tr>
</tbody>
</table>

Source: Arizona Department of Revenue (Data as of August 1999)

STO reports to ADOR indicated that 417 scholarships (85.3%) averaged below 500 dollars, with 42 (8.6%) between $500 and $1,000 and 30 (6.1%) above $1,000. The low scholarship award amounts suggests that the tax credit is functioning more as a middle class subsidy rather than offering increased access for low income students. Low-income families would likely continue to find it financially difficult to enroll their children in private schools with such low scholarship assistance.

Similar to Table 4 for public schools, Table 8 presents available data on the distribution of tax credits by the claimant's federal adjusted gross income (FAGI), but this time for private schools. Placing the tax credit claimants into groups based on their FAGI shows that the largest group of claimants (40.9%), fall into the $50,000 to $100,000 group. The median FAGI for the $50,000 to $100,000 group was slightly over $70,000. This group claimed 41.7 percent of the total credits for public schools claimed.

### Table 8

Private School Tax Credit by Claimants' Federal Adjusted Gross Income (FAGI)

<table>
<thead>
<tr>
<th>Total</th>
<th>$20,000 or less FAGI</th>
<th>$20,000 to $50,000 FAGI</th>
<th>$50,000 to $100,000 FAGI</th>
<th>$100,000 to $500,000 FAGI</th>
<th>Over $500,000 FAGI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Donations</td>
<td>2,579</td>
<td>52</td>
<td>492</td>
<td>1,055</td>
<td>906</td>
</tr>
<tr>
<td>Percentage of Total Donations</td>
<td>100.0%</td>
<td>2.0%</td>
<td>19.1%</td>
<td>40.9%</td>
<td>35.1%</td>
</tr>
<tr>
<td>Total Credits</td>
<td>$1,133,636</td>
<td>$14,311</td>
<td>$187,130</td>
<td>$472,345</td>
<td>$424,500</td>
</tr>
<tr>
<td>Percentage of Total Credits</td>
<td>100.0%</td>
<td>1.3%</td>
<td>16.5%</td>
<td>41.7%</td>
<td>37.4%</td>
</tr>
<tr>
<td>Average Size of Donation</td>
<td>$439.56</td>
<td>$275.21</td>
<td>$380.35</td>
<td>$447.72</td>
<td>$468.54</td>
</tr>
</tbody>
</table>
Compared with public schools, the results for private schools were somewhat more skewed toward the wealthy, with those in the $100,000 to $500,000 FAGI group accounting for 37.4 percent of the STO credits versus 25.2 percent of the public school credits.

**Conclusion**

Arizona's education tax credit law results in serious inequities in who has access to this credit, and who receives the proceeds. The strongest argument and major justification for this tax credit program was that it would benefit lower income students and offer them increased access to private schooling. Overall, the evidence strongly suggests that lower income students are not benefiting from this program. In public schools, the schools with wealthier families and higher standardized test scores are receiving most of the proceeds from this program while schools with students from poorer families and lower test scores are receiving much less. According to the analysis, 52.7 percent of the total amount contributed went to the wealthiest 25 percent of schools while the poorest 25 percent of schools received 11.2 percent. The average STO scholarship award amount was $411.11, which tends to cast doubt that such scholarships are enabling many low-income students to begin attending private schools.

The evidence also suggests inequity in who has access to this tax credit. The data showed that 75.1 percent of the public school portion of tax credits provided through the education tax credit program went to donators with federal adjusted gross income of $50,000 or more. For private school donations, the results were even more highly skewed toward the wealthy. For private school donators, 82.2 percent of the tax credits claimed went to those with federal adjusted gross income of $50,000 or more.

The tax credit for school tuition organizations that provide scholarships for students attending private or religious schools is almost solely benefiting religiously oriented schools. The data shows that 95.3 percent of all private tax credit donations went to religiously oriented school tuition organizations.

Data for the second year of the Arizona's Education Tax Credit program, only recently made available, show a 60.4 percent increase in public school donations and a 633.3 percent increase in private school donations over the prior year's results. Preliminary indications are that the second year data shows an exacerbation of the trends noted in the first year data (Bland, 2000).

Overall, the evidence from this analysis indicates that students from wealthier families and wealthier donators are the primary beneficiaries of this tax credit statute, rather than low-income students and families. This tax credit has functioned to increase the funding inequity which was already a problem and source of contention in Arizona's school system.

**References**


**About the Author**

**Glen Y. Wilson**

College of Education  
Arizona State University  
Tempe, AZ 85287-0211

Email: glen.wilson@asu.edu

B.S. Arizona State University 1985  
M.B.A. Arizona State University 1986  
Ed.M Harvard University 1998

Glen Wilson is a Ph.D. student in the Division of Educational Leadership and Policy Studies in the College of Education at Arizona State University. His interests include K-12 education policy with specific interests in the school choice movement as a reform strategy and in issues of fairness and equity related to high stakes testing and school finance.

---

Copyright 2000 by the *Education Policy Analysis Archives*

The World Wide Web address for the *Education Policy Analysis Archives* is [epaa.asu.edu](http://epaa.asu.edu)
General questions about appropriateness of topics or particular articles may be addressed to the Editor, Gene V Glass, glass@asu.edu or reach him at College of Education, Arizona State University, Tempe, AZ 85287-0211. (602-965-9644). The Commentary Editor is Casey D. Cobb: casey.cobb@unh.edu.

**EPAA Editorial Board**

Michael W. Apple  
University of Wisconsin  
Greg Camilli  
Rutgers University  

John Covaleskie  
Northern Michigan University  
Alan Davis  
University of Colorado, Denver  

Sherman Dorn  
University of South Florida  
Mark E. Fetler  
California Commission on Teacher Credentialing  

Richard Garlikov  
hmwkhelp@scott.net  
Thomas F. Green  
Syracuse University  

Alison I. Griffith  
York University  
Arlen Gullickson  
Western Michigan University  

Ernest R. House  
University of Colorado  
Aimee Howley  
Ohio University  

Craig B. Howley  
Appalachia Educational Laboratory  
William Hunter  
University of Calgary  

Daniel Kallós  
Umeå University  
Benjamin Levin  
University of Manitoba  

Thomas Mauhs-Pugh  
Green Mountain College  
Dewayne Matthews  
Western Interstate Commission for Higher Education  

William McInerney  
Purdue University  
Mary McKeown-Moak  
MGT of America (Austin, TX)  

Les McLean  
University of Toronto  
Susan Bobbitt Nolen  
University of Washington  

Anne L. Pemberton  
apembert@pen.k12.va.us  
Hugh G. Petrie  
SUNY Buffalo  

Richard C. Richardson  
New York University  
Anthony G. Rud Jr.  
Purdue University  

Dennis Sayers  
Ann Leavenworth Center for Accelerated Learning  
Jay D. Scribner  
University of Texas at Austin  

Michael Scriven  
sriven@aol.com  
Robert E. Stake  
University of Illinois—UC  

Robert Stonehill  
U.S. Department of Education  
David D. Williams  
Brigham Young University  

**EPAA Spanish Language Editorial Board**
Associate Editor for Spanish Language  
Roberto Rodríguez Gómez  
Universidad Nacional Autónoma de México

roberto@ servidor.unam.mx

Adrián Acosta (México)  
Universidad de Guadalajara  
adrianacosta@compuserve.com

J. Félix Angulo Rasco (Spain)  
Universidad de Cádiz  
felix.angulo@uca.es

Teresa Bracho (México)  
Centro de Investigación y Docencia  
Económica-CIDE  
bracho dis1.cide.mx

Alejandro Canales (México)  
Universidad Nacional Autónoma de  
México  
canalesa@ servidor.unam.mx

Ursula Casanova (U.S.A.)  
Arizona State University  
casanova@asu.edu

José Contreras Domingo  
Universitat de Barcelona  
Jose.Contreras@doe.d5.ub.es

Erwin Epstein (U.S.A.)  
Loyola University of Chicago  
Eeinstein@ luc.edu

Josué González (U.S.A.)  
Arizona State University  
josue@asu.edu

Rollin Kent (México)  
Departamento de Investigación  
Educativa-DIE/CINVESTAV  
rkent@gemtel.com.mx  
kentr@data.net.mx

María Beatriz Luce (Brazil)  
Universidad Federal de Rio Grande do  
Sul-UFRGS  
lucemb@orion.ufrgs.br

Javier Mendoza Rojas (México)  
Universidad Nacional Autónoma de  
México  
javiermr@servidor.unam.mx

Marcela Mollis (Argentina)  
Universidad de Buenos Aires  
nmollis@ filo.uba.ar

Humberto Muñoz García (México)  
Universidad Nacional Autónoma de  
México  
humberto@ servidor.unam.mx

Angel Ignacio Pérez Gómez (Spain)  
Universidad de Málaga  
aiperez@uma.es

Daniel Schugurensky  
(Argentina-Canadá)  
OISE/UT, Canada  
dschugurensky@oise.utoronto.ca

Simon Schwartzman (Brazil)  
Fundação Instituto Brasileiro e Geografia  
e Estatística  
simon@openlink.com.br

Jurjo Torres Santomé (Spain)  
Universidad de A Coruña  
jurjo@udc.es  

Carlos Alberto Torres (U.S.A.)  
University of California, Los Angeles  
torres@gseisucla.edu