

## Summary of the Government Accountability Office Report Private School Choice: Accountability in State Tax Credit Scholarship Programs (2019)

*At the request of Senators Patty Murray (D-WA), Ron Wyden (D-OR), and Sheldon Whitehouse (D-RI), the Government Accountability Office examined state tax credit private school voucher programs across the country. This report examined the 22 programs in 17 states that were operational as of January 2019, with a specific focus on the three states with the largest programs: Arizona, Florida, and Pennsylvania. The report focuses on accountability, specifically examining the key requirements states have chosen to establish for Scholarship Granting Organizations (SGOs), the key requirements for private schools participating in state programs, and the implementation of state programs and how states assess whether SGOs and participating private schools are following key state requirements.*

**General Conclusions:** Implementation of state tax credit voucher programs vary widely from state to state, with many states providing weak oversight to taxpayer-funded programs. In many instances, states delegate authority to SGOs to conduct oversight and ensure compliance from participating private schools. In two of the three states with the largest tax credit voucher programs, the state does not conduct any ongoing monitoring of private voucher schools. Many state laws also fail to prevent self-dealing by program staff or donors and fail to ensure transparency and uniformity among voucher recipients.

### **State Requirements for SGOs, Including Measures to Prevent Conflicts of Interest, Are Lacking in Many States**

State laws place various financial, administrative, and scholarship award requirements on Scholarship Granting Organizations (SGOs) in order to take part in the state tax credit voucher program. These laws vary from state to state. Although most state programs have some basic financial accountability measures in place, many programs fail to implement limitations that would prevent financial gain among program donors, employees, or schools. For example:

- 18 out of 22 programs fail to require SGOs to have policies on conflicts of interest to prevent SGO personnel from benefitting financially. Only 4 programs explicitly prohibit an SGO employee from granting a voucher to his or her own child.
- 14 out of 22 programs fail to require SGOs to have policies in place preventing sharing resources or personnel with schools. For example, in Pennsylvania, private schools can operate as SGOs and then award vouchers directly to students attending their school.
- 14 out of 22 programs fail to prohibit donors from recommending that vouchers benefit specific schools.
- 6 out of 22 programs fail to prohibit donors from recommending that vouchers benefit specific students.

## **States Lack Sufficient Oversight over Private Schools Accepting Tax Credit Vouchers**

Some states place certain academic, administrative, and financial requirements on private schools that participate in the state's tax credit voucher program. The requirements, however, are insufficient to guarantee quality education at these schools. For example:

- 18 out of 22 programs fail to require private schools to complete annual financial reviews or audits.
- 17 out of 22 programs fail to require private schools to demonstrate fiscal soundness through surety bonds or other mechanisms.
- 13 out of 22 programs fail to require private schools to register or be approved by the state before they begin accepting voucher students. For example, in Georgia, it is left to the SGOs, rather than the state, to determine if private schools meet program requirements.
- 13 out of 22 programs fail to require private schools to submit to regular site visits by state or other officials.
- 11 out of 22 programs fail to require private schools to administer any state or other standardized test.
- 10 out of 22 programs fail to require any minimum teacher qualifications.
- While 14 out of 22 programs require participating private schools to be accredited, many of these states laws also allow for additional types of authorizations. For example, participating private schools in Pennsylvania may be “operated by a religious institution” in lieu of being accredited by a state-approved association.

## **Examination of Three States with the Largest Tax Credit Voucher Programs Reveals that States Often Abdicate Oversight Responsibilities**

Arizona, Florida, and Pennsylvania have the largest tax credit voucher programs, with each state operating two or more programs. The SGOs in these states are largely responsible for the programs' oversight. In all three states, SGOs manage the entirety of the voucher award process, from which students are eligible to how much to allocate to each voucher recipient. Yet, the manner in which SGOs operate varies drastically from state to state. In Florida, there are only two SGOs, one of which awards 99% of all vouchers. Yet, in Pennsylvania where schools can become SGOs, there are between 190 and 260 SGOs for each of the state's two tax credit voucher programs. Because each SGO sets its own procedures, there is high level of variance from SGO to SGO on which students get awarded vouchers and how much.

The lack of sufficient oversight also leads to a lack of transparency. For example:

- In Arizona, family members of prospective voucher students can encourage other donors to donate to an SGO and then recommend their child for the voucher.
- In Pennsylvania, a SGO can recommend that donations are given directly to a private school, which then determines how to distribute the money among eligible students.
- In both Arizona and Pennsylvania, some SGOs require that vouchers may only go toward certain “partner schools” that share a religious affiliation with that SGO.
- In both Arizona and Pennsylvania, students can receive multiple vouchers at once from different SGOs, making it difficult for schools to track the amount of incoming funds and frequency of payments for each student.



The **National Coalition for Public Education** comprises more than 50 education, civic, civil rights, and religious organizations devoted to the support of public schools. Founded in 1978, NCPE opposes the funnelling of public money to private and religious schools through such mechanisms as tuition tax credits and vouchers.