Opportunity Scholarships Act (LB 295):
Educational Freedom and State Savings

Introduction: It's ironic. It was in *Meyer v. Nebraska* (1923) where the United States Supreme Court first recognized that "it is the natural duty of the parent to give [their] children education suitable to their station in life[.]" The Court recognized that the U.S. Constitution protects "the power of parents to control the education of their own."[1]

Yet today, Nebraska remains <u>one of only six states</u> without publicly supported options for a non-public education. Thus, it is impossible for many families in Nebraska to select the best educational options for their children.

Opportunity Scholarships provide a much-needed answer. Similar laws exist in 18 other states – including Kansas, Iowa, and South Dakota. Their time has come in Nebraska.

Overview: Opportunity Scholarships have a two-fold purpose: (1) providing low- and middle-income students with scholarships for non-public schools, and (2) realizing net fiscal savings.

(1) <u>Educational Freedom</u>: LB 295 enacts a tax credit for private donations to non-profit "Scholarship Granting Organizations" (SGOs), which in turn provide scholarships to eligible students for use at non-public schools. <u>It's simple</u>:

- An individual or businesses donates to an SGO and receives a dollar-for-dollar tax credit – i.e., one dollar less in taxes for every dollar donated.
- The SGO then awards scholarships to students from low- and middle-income families – i.e., those with incomes no greater than twice the Free-and-Reduced Lunch eligibility level (about $89,000 for a family of four).
- The Act prohibits the state from using Opportunity Scholarships as a reason to further regulate non-public schools. Further, no private school would be required to participate.
- Under a Committee Amendment, the aggregate allowable tax credit would be "capped" at $2 million a year, with the ability to grow by 20% annually to a maximum of $10 million a year.
- "SGOs" are no mystery: Children's Scholarship Fund in Omaha serves more than 1,800 non-public school students annually and turns down another 600 students a year for lack of funding.

(2) <u>State Savings</u>: LB 295 leads to direct state and local savings.

- Opportunity Scholarships are funded exclusively by *private donations* to SGOs. Thus, they do not divert any public money from public to non-public schools.
- Further, LB 295 limits first-time eligibility mostly to students transferring from public to non-public schools, or who would otherwise be in public school but for an Opportunity Scholarship.[2]
- This creates a direct savings for the state, because such students will not be drawing down state aid in a non-public school. It also helps prevent excessive enrollment growth in urban areas.
- In Iowa, Opportunity Scholarships have saved at least $280 million since their enactment in 2006.[3]
- In 18 states overall, Opportunity Scholarships have saved $1.7 to $3.4 *billion* to date.[4]

Conclusion: Opportunity Scholarships breathe life into a child's right to receive the education best-suited for their needs. And they produce a large state savings to boot. The time for Opportunity Scholarships in Nebraska is now. Too many children are depending on it.

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[1] *Meyer v. Nebraska*, 262 U.S. 390 (1923).
[2] With exceptions for students who are entering kindergarten or 9th grade or who are a sibling of an awardee.
[3] Martin Lueken, Ph.D., *The Tax Credit Scholarship Audit*, EdChoice, at pp. 51-53 (October 2016)
[4] Id. at 18-19.