

Senate Education Committee
Informational Meeting to discuss SB 1
April 19, 2021

Good morning Chairman Martin, Chairwoman Williams, and members of the Senate Education Committee. My name is Brian McElwee and I'm the Board Chairman of the Independence Missions Schools (IMS). IMS is a Philadelphia network of 15 parish based Catholic schools, which serve the neighborhoods in which they are located. We welcome all and our enrollment is approximately 80% non-Catholic. We provide a transformative education that develops students intellectually, emotionally, and spiritually.

Like everyone our enrollment and costs have been materially impacted by the pandemic. But we believe things will return to normal as the pandemic fades away. So, I am going to quote our pre-pandemic figures as they will give you a better view of normalized operations. IMS serves nearly 4800 students. Our costs run approximately \$5,800 per student. But on average our families struggle to pay even \$2000. The EITC/OSTC program contributes about \$1500 per student in scholarships. So, we have a funding shortfall of approximately \$2300 per student, which we try to fill through philanthropic donations.

Our financial situation is not sustainable and there are likely many other private schools across Pennsylvania that are in a similar situation. We simply cannot operate on a \$1500 subsidy. We have already announced the closing of one of our schools at the end of this school year. So, driving resources to Economically Disadvantaged Schools like ours is why program was created, and also why these important improvements must be made to it.

The EITC and OSTC are great programs that have helped many families across Pennsylvania, including nearly all students in the IMS network. With that said, these programs alone are not adequate to make our schools financially sustainable. Those that attend IMS schools are generally low or lower middle-income families. They can only afford to pay a small portion of the modest tuition. And, the tax credit programs are not providing enough to fill the financial gap that exists. One reason for this is because the EITC and OSTC program is donor directed, and people tend to give to schools they know. But taxpayers who can avail themselves of the program generally are not familiar with schools located outside of their area. As you might expect, schools that are serving demographics like IMS are outside of their area.

The Economically Disadvantaged Schools program was created to help solve this issue, and to drive more tax credit scholarships to tuition-based schools that are serving mostly low and lower middle-income students. The program's goal is to provide a supplemental scholarship of \$1,000 per tax credit recipient for schools designated as economically disadvantaged. For a school to be deemed as such, at least 75% of their students must be EITC or OSTC recipients. The program is not donor directed. One scholarship organization is picked by DCED to administer the program, and they are required to distribute the scholarships to all students attending any

eligible school statewide. The program has only \$5 million in available credits, and if these credits are inadequate, then the scholarship organization scales them back on a pro rata basis.

The new Economically Disadvantaged Schools program has helped many students in a short period of time, and it's a good start, but changes must be made for the program to achieve the desired impact. Below are suggested changes to improve the program.

- Allow all tax credit recipients who are enrolled in an Economically Disadvantaged school, to be eligible for the supplemental scholarship. Currently, the test for designating a school as economically disadvantaged is based on the percentage of EITC and OSTC recipients in the school. However, only OSTC recipients can then receive the supplemental scholarship. The proposed change will fix this disconnect by allowing both EITC and OSTC recipients who are attending an Economically Disadvantaged School to be eligible for the program. It's important to note that many students benefit from an EITC scholarship even though they live in an OSTC school area because the bulk of the tax credit program resources are in the EITC category. For example, at IMS, while all of our schools are located in OSTC areas, on average more than 40% of our tax credit scholarship dollars come from EITC.
- Currently, in order for a school to be considered an Economically Disadvantaged School, 75% or more of its students must be EITC or OSTC recipients. We suggest lowering this threshold to 51%. This change will help achieve the program objective of driving scholarship dollars to the students who need them the most. If 51% of a tuition-based schools population consists of students benefiting from the EITC and OSTC programs, then the school is almost certainly mostly educating students from low and lower middle-income families. They may just not be able to attract enough tax credits resources because of the donor directed nature of the program that I mentioned earlier. For example, at IMS in the year the program was adopted only 74% of our students received tax credit scholarships even though virtually every student was eligible.
- Make the supplement for eligible elementary and middle school students \$2,000, and eligible high school students \$4,000. Currently, all eligible students can only receive \$1,000. This change is more representative of the actual need that exists to stabilize schools like IMS and recognizes the reality that high schools are more expensive to operate.
- Create a funding formula to ensure that all students eligible to receive funding in the Economically Disadvantaged Schools program will be able to receive the full scholarship amount. Economically Disadvantaged Schools are very fragile financially as recent closing announcements demonstrate. Currently, there is only \$5 million in tax credits available in this program, but this is not nearly adequate for the number of students entitled for supplemental scholarship. Even though the program is only two years old, the demand is already more than two times greater than what is available.

These proposed changes will help ensure that adequate tax credit scholarships are sent to tuition-based schools that are educating mostly students from low or lower-middle income families. These schools are struggling, as evidenced by the steady decline in private school enrollment. Many private schools serving the neediest populations have had to close in recent years, and many more are at risk. Reforming and fully funding the Economically Disadvantaged Schools program is extremely important and will help keep these schools open and ensure that tax credit scholarships are delivered to those who need them most.

Thank you for inviting me to participate in this hearing, and for hosting this forum to discuss this important issue.

IMS Demographic Enrollment Data:

95% minority

80% non-Catholic

100% qualify for free and reduced lunch

75% earn less than \$45,000/ year

61% defined as low income by Federal Government standards