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Israel  
of America  
Midwest Region**  
אגודת ישראל באמריקה  
מִיִּדְוֵסט

## TESTIMONY

**TO:** The Honorable Members of the Extended Subcommittee on Primary and Secondary Education  
**RE:** Education Funding – Tax Policy  
**DATE:** Wednesday, July 18, 2012

Chairman Amstutz, Vice Chair McClain, Ranking Member Sykes, and honored members of the committee.

A tax code is a reflection of society's values. To discourage harmful activity we increase taxes on products like cigarettes and alcohol. To encourage desirable actions we give deductions for things like home mortgages and charitable donations. If something is very important we offer tax credits to those willing to perform the desired activity – like creating jobs.

As Ohio entertains a “money follows the child” system where enrollment plays a much larger role in state funding for K-12 education, I encourage the committee to look at trends occurring in other states. Not simply how to collect and allocate taxes, but also on the use of the tax code for influencing education policy and personal decision making.

Since 1997, 11 states have enacted programs to use their tax code to promote school scholarships. State tax credits are awarded to individuals and/or companies who donate to approved scholarship granting organizations. These nonprofit organizations then offer private school scholarships to low-income students. Such a program encourages businesses and other taxpayers to play a larger role and invest in the education of local communities. Most importantly, it opens up new educational opportunities for low-income students.

Some say that Ohio can't afford any more tax credits. A brief analysis will show that we can't afford **not** to do it and there's no better time like the present.

In a tax credit program, all funds are voluntarily contributed by individuals and businesses while the tax credit serves as an incentive for increased donations. If school funding is based on enrollment, states save money when education spending for students receiving scholarships is reduced by more than the amount of revenue lost. School districts, which still retain their locally-raised funds, also benefit as they will have the same local resources to educate fewer students.

Let's look at some statistics from Florida, where a scholarship tax program has been in effect for more than 10 years. The Florida program now enjoys support from about 85% of the legislature including a majority of the Black Caucus and nearly the entire Hispanic Caucus.

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A number of years ago, Florida's official government accounting office estimated that for every dollar of "lost" tax revenue, Florida taxpayers saved \$1.49<sup>1</sup>. This amounted to \$38.9 million in savings. The most recent estimate<sup>2</sup> put that number at nearly \$58 million in savings.

But it's not just about money. This is not just a finance committee. It also includes members of the education committee.

Studies from Florida have shown that the program has helped improve the academic results of the students in the program<sup>3</sup> and that competition even improved the test scores of students attending public schools most threatened by the program<sup>4</sup>. Scholarships are helping children succeed.

In the film, *Waiting for Superman*, 6 year-old Bianca goes to a parochial kindergarten across the street from her house in Harlem. Then her mom has her hours cut back and can't make the \$500 a month tuition payments any longer. Mom applies to a quality public charter school and is prepared to travel across town every day to take Bianca to school. Wouldn't it have been cheaper for the state and better for the child to provide Bianca with a \$2000 scholarship to supplement what mom scraped together so that Bianca could have stayed in her current school? Had Bianca lived in Pennsylvania, for example, she could have applied for a tax credit scholarship.

Ohio parents are facing a similar dilemma and inaction is costing taxpayers millions of dollars.

According to LSC<sup>5</sup>, of the total enrollment decrease in Ohio students over the last decade, 72% of the drop occurred in nonpublic schools. This represents a 22% decline in nonpublic school enrollment compared to a 1.1% decline in public schools. Some parents who can no longer afford nonpublic schools due to the tough economy are transferring to public charter schools and traditional public schools. Who's paying for that? Every one who pays local and state taxes! Keeping those children in their preferred school is easy and cost-efficient with a scholarship tax credit. A scholarship organization, administered by a non-profit board and governed by regulations to ensure fiscal accountability, can evaluate each application and tailor the scholarship to the financial needs of that particular family.

Currently, only 1% of Ohio students are actually benefiting from the state's private school choice programs. Eligibility to those programs is currently limited by zip code or disability category. But we have heard from families in districts that aren't technically failing under the current report card system. There are schools which are rated "continuous improvement" even though the only state standard they are meeting is attendance. Or maybe the school is doing "ok", but in Ohio that is defined as 75% of students passing. What about students from the other 25%? What about families who examined their educational options and decide that such a school isn't for their child? What about the students who testified from this very lectern that they were bullied? That's not measured on a test.

For some students, for a variety of reasons, the local public school is not a good fit, however, they simply don't have the resources to move to a different neighborhood, or to attend a nonpublic school of their choice A

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<sup>1</sup> <http://www.oppaga.state.fl.us/reports/pdf/0868rpt.pdf>

<sup>2</sup> <http://www.redefinedonline.org/2012/03/report-tax-credit-scholarships-vouchers-will-save-florida-taxpayers-57-9-million-next-year/>

<sup>3</sup> [http://www.floridaschoolchoice.org/pdf/FTC\\_Research\\_2009-10\\_report.pdf](http://www.floridaschoolchoice.org/pdf/FTC_Research_2009-10_report.pdf)

<sup>4</sup> <http://educationnext.org/does-competition-improve-public-schools/>

<sup>5</sup> <http://www.lsc.state.oh.us/fiscal/redbooks129/edu.pdf>

scholarship tax credit program would allow low-income parents across the state to choose the best school for their child.

Thank you for your consideration and I am prepared to answer any questions.