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Tax Incentive Evaluation: Qualified Education Expense Tax Credit

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Executive Summary

In 2008, HB 1133 created the Qualified Education Expense Credit (QEEC), which allowed individual and corporate taxpayers to receive a dollar-for-dollar tax credit on their donations towards scholarship programs for Georgia students to attend private schools. It is intended to support private school enrollment by providing scholarships to students through ‘scholarship support organizations’—legal entities specified in law. The program has been expanded multiple times since its inception, most recently in 2023. The purpose of this report is to evaluate the QEEC, in accordance with the provisions of O.C.G.A. § 28-5-41.1 (2024 Senate Bill 366), in terms of its fiscal and economic impacts as well as its public benefits.

This report was prepared under a contract with the Georgia Department of Audits and Accounts (DOAA). It begins with the history and background of the QEEC, followed by a discussion of similar policies in other states, as well as an academic literature review of school choice and related topics. Subsequent sections present an IMPLAN analysis of the economic and fiscal impacts of the credit, estimates of the tax expenditure and administrative costs, and an analysis of the public benefits of the program in terms of its presumed goal of supporting childcare through families’ employers. Information used in this report was obtained from the Georgia Department of Revenue (DOR).

For the purposes of this report, we adopt the same assumptions as DOAA in their analysis of the program. The goal of our assumptions and the use of a similar analytical process is to produce an end result that balances the cost to the state (in terms of the credits) and savings to the state (in terms of expenditures from the quality basic education [QBE] funding formula). This balanced approach has been selected due to the inability to observe relevant parameters in the data or to use the data to estimate the parameters empirically. Importantly, these parameters are critical to determining the fiscal impact of the program, and any error in their estimation could potentially influence whether the impact to state appears positive or negative. Thus, by construction, our ‘but-for’ estimate is zero, meaning that if the credit did not exist, the same amount would be spent on education in Georgia. Additionally, due to the relationship between the credits and QBE expenditures, the value of the alternative use of the funds to the state is also zero.

The annual cost to the state for this tax credit is estimated at \$96.5 million in fiscal year (FY) 2026. We use the IMPLAN input-output model to estimate the economic activity associated with the value of the credit in Georgia in the representative year, as shown in the first row of Table ES1.

As a result of providing the QEEC, the state’s general fund expenditures are implicitly reduced by the amount of the net tax expenditure. In the absence of this credit, an alternative use of the net tax expenditure is modeled assuming an increase in state spending by that amount, allocated across the various spending categories based on recent state budgets. Due to the zero but-for estimate as well as the zero alternative use result, there are no local revenue effects. Table ES1 shows the net fiscal cost to the state is estimated at \$96.5 million for FY 2026.

Table ES1. State Fiscal Effects: Quality Education Expense Tax Credit, FY 2026–30

<i>(\$ millions)</i>	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Revenue gains from economic impact	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Less:					
Tax expenditure cost	-\$96.5	-\$108.7	-\$108.9	-\$109.0	-\$108.5
Alternative use revenue gains	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Net Fiscal Effects	-\$96.5	-\$108.7	-\$108.9	-\$109.0	-\$108.5

The QEEC provides a public benefit by supporting scholarships for student to enroll in private school, many of whom would not otherwise have that opportunity. The educational outcome impacts from school-choice policies, including voucher programs, are mixed and inconclusive in the academic literature. Improved long-term educational outcomes could have long-term economic impacts on the state. Such impacts are beyond the scope of this analysis.

Note, beginning in tax year 2026, Student Scholarship Organizations (SSOs) will have greater ability to address the problem of pre-approved donations exceeding actual donations. SSOs will have until September 15 to report to DOR any amount of pre-approved donations that were not made. DOR will then reopen the cap based on the newly calculated amount now remaining as reported by the SSOs. This process is assumed to functionally close the historical 10.6-percent gap between contributions and the allowable aggregate cap, starting in tax year 2026. However, there may still be lags in credit utilization, as illustrated in the ES1.

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Introduction

In 2008, the Georgia General Assembly passed HB 1133, which created the Qualified Education Expense Credit (QEEC) to allow individual and corporate taxpayers to receive a dollar-for-dollar tax credit on donations to scholarship programs for Georgia students to attend private schools. It is intended to support private school enrollment by providing scholarships through ‘scholarship support organizations’—legal entities specified in law. The purpose of this report is to evaluate the QEEC, in accordance with the provisions of O.C.G.A. § 28-5-41.1 (2024 Senate Bill 366), in terms of its fiscal and economic impacts as well as its public benefits.

This report was prepared under a contract with the Georgia Department of Audits and Accounts (DOAA). It begins with the history and background of the QEEC, followed by a discussion of similar policies in other states, as well as an academic literature review of school choice and related topics. Subsequent sections present an IMPLAN analysis of the economic and fiscal impacts of the credit, estimates of the tax expenditure and administrative costs, and an analysis of the public benefits of the program in terms of its presumed goal of providing the opportunity to attend private schools for families that would not have enrolled otherwise. Information used in this report was obtained from the Georgia Department of Revenue (DOR).

History and Overview of the Qualified Education Expense Credit

Purpose

State law does not explicitly identify the purpose of the scholarship program, but the originating bill states that the QEEC provides funding “for a program of education improvement.” The implicit improvement is that the QEEC is a path to provide school choice for students who would not otherwise have access to a private school education because of tuition cost constraints. The QEEC is a 100-percent tax credit against the state income tax. This implies that individuals and corporations are allowed to receive full credit on the total amount of their donations. O.C.G.A. § 48-7-29.16 (and § 20-2A) defines the QEEC, authorizes tax credits on donations by individuals and corporations, sets out statewide tax credit caps and individual and corporate limits, and details carryforward rules. It also sets broad eligibility criteria for prospective students and schools. In addition, it established student scholarship organizations (SSOs) to manage contributions to such programs. All taxpayers are required to donate through SSOs. The statute also established the oversight responsibilities for DOR and the Georgia Department of Education (GaDOE).

O.C.G.A. § 20-2A governs the operation of SSOs. It defines an SSO, eligibility rules for students, certification requirements, and reporting, auditing, and transparency requirements.

How the Credit Works

Aggregate and Individual Limits, Timeline for Use

The credit activity allowed under the QEEC is subject to an annual cap—meaning that after a certain credit amount is reached, the state no longer issues further QEECs in that year. The

aggregate credit cap has increased several times in the years since the tax credit was introduced. The original limit was \$50 million from 2008–12, which increased to \$58 million from 2013–18, to \$100 million in 2019, and to \$120 million per year since 2023.

Credits are also limited for individual taxpayers or businesses. Single individuals can claim a maximum credit of \$2,500, while married filers can claim \$5,000. For C-corporations, the maximum credit is equal to either the full amount of their donation or 75 percent of their state income liability, whichever is lower. For S-corporations and pass-through entities, the maximum credit permitted is either the total amount of their donation or \$25,000, whichever is lower.

Individual taxpayers must notify DOR of their intent to donate to the tax credit through the Georgia Tax Center. SSOs pre-approve the request and verify the amount is eligible for the donation. The individual is then notified of preapproval by DOR and have up to 60 days to make the contribution. They have up to five years to claim the credit against their state income liability.

[Student Scholarship Organization \(SSO\) Criteria and Requirements](#)

State law defines the operational requirements, prohibitions, and reporting requirements to which SSOs are expected to comply. To maintain their eligibility, SSOs must notify GaDOE of their intent to operate and must be governed by an independent board with at least three directors. Scholarship funds must be managed separately from other operating funds and must be allocated to eligible scholarship recipients by the end of the calendar year following the year of donation. These committed funds must be in the organization's own bank or investment account until the time of the award. SSOs must also consider student financial circumstances when awarding scholarships. An independent certified public accountant must audit each fiscal year within 120 days of year-end, and both the audit and annual activity must be submitted to DOR.

SSOs are prohibited from affiliating with or operate under the control of any elementary or secondary school affiliating body. They cannot allocate scholarships amounts to individual students that exceed the per-pupil average spending by Georgia's public elementary and secondary schools, and they cannot provide assurances to donors that their scholarship would fund the expenses of a specific student's private school costs. They cannot withhold or approve scholarships based on contributors' requests to assist taxpayers in activities that violate the law.

State law requires SSOs to allocate a minimum share of the donations they receive to scholarships, with the share increasing as their revenues grow. SSOs receiving less than \$1.5 million a year must allocate 92 percent of the revenues to scholarships (8 percent for administrative costs); those earning \$1.5–\$10 million must allocate 94 percent to scholarships (6 percent administrative costs); those earning \$10–\$20 million must allocate 95 percent to scholarships (5 percent administrative costs); and those earning above \$20 million must allocate 96 percent to scholarships (4 percent administrative costs).

Donations and Claims Process

Individual taxpayers must notify DOR of their intent to donate to the tax credit through the Georgia Tax Center. An SSO must pre-approve their request and verify that the contribution amount is eligible for the donation. Next, DOR sends the individual a notice of preapproval. Taxpayers have up to 60 days to make their contribution to the SSO, but they have up to five years after donating to claim the credit against their state income liability.

Scholarships

Qualified schools or programs include most of Georgia's nonpublic pre-kindergarten, primary, and secondary schools in the state and must be accredited entities. SSOs are not required to publish the list of schools they partner with but may do so voluntarily. To be eligible for scholarships, students must either be homeschooled, entering pre-K through first grade, transferring from a public school (after having attended for at least six weeks), attending an identified 'low-performing school,' or be victims of bullying at a public school.

SSOs may impose additional criteria, such as financial need, assessed by third party evaluators. Parents apply for scholarships directly with SSOs.

Required Reporting

SSOs are required to submit a list of all taxpayers who donated to them in the past year to the DOR. This list is retained by DOR and cannot be made public. SSOs are also required to submit their annual compliance audit reports and a report summarizing their contributions, scholarships, awards, and other activities to DOR. They are also required to report the average scholarship amount awarded to each recipient family's federal poverty level (FPL) category.

State Agency Oversight

SSOs submit a notice of intent to GaDOE to accept donations and award scholarships, and GaDOE maintains the list of active SSOs. Additionally, GaDOE determines the maximum scholarship amount that an SSO can allocate annually, based on the average state and local expenditure per student fully enrolled in elementary, primary, or secondary education. DOR facilitates preapproval processes and tax credit claims by individual taxpayers.

Tax Provision-related Activity

As Table 1 indicates, generated credits are equal to the aggregate cap for each year—meaning taxpayers pre-approve the full amount of allowable credits before the end of the year. In some years, this has happened within the first week of January. Note that credit utilization in this table is tied to the year the credit was generated. Utilized credits (that is, credits that are effectively taken and reduce taxpayers tax liability) are usually 24 percent below the aggregate cap, even after multiple years have passed for the taxpayer to process the carryforward amount.

Some taxpayers (for any tax incentive) will not have sufficient tax liability to claim the full amounts of the credit. We observe that after four years, the utilization of the credit is 24 percent

lower than the generated, preapproved amount. This average percentage difference between utilization and the aggregate allowable cap is due to two aspects of this policy. The first is based on pre-approved donations that do not result in actual donations or generated credits. The second, which is typical to all tax credits programs, is when utilization is lower than credits generated because taxpayers have insufficient tax liability to fully utilize their credit before the carryforward period lapses. Data indicate that 10 percent of the 24 percent difference is due to lower levels of certified donations, and the remaining 15 percent is due to tax liability limitations.

Table 1. Credit Generation and Utilization, TY 2015–24 (\$ in millions)

Tax Year	Individual		Corporate		Other*	
	Generated	Utilized**	Generated	Utilized**	Generated	Utilized**
2024	\$71.71	\$22.52	\$25.81	\$4.39	\$22.48	\$5.40
2023	\$84.35	\$46.87	\$19.93	\$8.90	\$15.71	\$8.65
2022	\$64.80	\$45.09	\$17.12	\$11.84	\$17.08	\$12.32
2021	\$83.51	\$62.86	\$11.68	\$7.35	\$3.80	\$4.04
2020	\$82.69	\$62.54	\$11.28	\$6.63	\$1.37	\$1.65
2019	\$83.46	\$62.19	\$13.34	\$8.26	\$2.59	\$1.11
2018	\$44.77	\$35.30	\$11.30	\$8.31	\$1.92	\$1.51
2017	\$37.75	\$30.66	\$18.61	\$8.79	\$1.64	\$7.72
2016	\$37.39	\$30.21	\$19.16	\$13.98	\$1.46	\$1.01
2015	\$39.79	\$32.20	\$17.32	\$11.46	\$0.94	\$0.22

* Other includes fiduciary, LLCs, partnerships, and S-corps; ** As of 2025

The difference in pre-approvals and certified donations is driven largely by the popularity of the QEEC program. SSOs have limited time to solicit and collect donations early in the year, and new pre-approvals are closed before their initial pre-approvals are required to be certified—60 days after pre-approval. Table 2 summarizes this phenomenon. In each year of the program, the aggregate annual cap is hit through pre-approvals, and certified donations average 10.6 percent below pre-approvals.

Beginning in tax year (TY) 2026, new steps will be available to SSOs to access the portion of allowable credits that remain after some initial pre-approvals fail to become certified donations. SSOs will have until September 15 to report to DOR any amount of pre-approved donations that did not materialize. These amounts will be totaled, and on the first business day of October, the aggregate allowable cap will be reopened for new pre-approved donations. This process is assumed to functionally close the historical 10.6-percent gap between contributions and the allowable aggregate cap, starting in TY 2026.

Table 2. Pre-Approvals and Certified Contributions, 2015–24 (\$ in millions)

Tax Year	Annual Aggregate Cap	Contributions	Pre-Approvals	Contributions % of Pre-Approvals	Scholarships Awarded
2015	\$58	\$52.8	\$58.04	91.0%	\$47.6
2016	\$58	\$52.2	\$57.32	91.1%	\$51.5
2017	\$58	\$53.4	\$58.00	92.1%	\$45.7
2018	\$58	\$51.6	\$58.00	89.0%	\$55.7
2019	\$100	\$82.3	\$99.99	82.3%	\$75.2
2020	\$100	\$82.6	\$96.14	86.0%	\$72.6
2021	\$100	\$96.1	\$99.91	96.2%	\$74.9
2022	\$100	\$89.8	\$99.98	89.8%	\$85.0
2023	\$100	\$103.0	\$116.03	88.8%	\$101.0
2024**	\$120	\$105.0	\$120.00	87.5%	\$102.3

** Data based on reporting by SSO's and authors calculations-based DOR data in 2024

Table 1 and Figure 1 also illustrate that individual taxpayers represent the vast majority of donations, on average, though these amounts fluctuate year to year. Corporate taxpayers are the second largest group.

Figure 1. QEEC Donor Breakdown by Type, 2020–24

QEEC Donor Breakdown

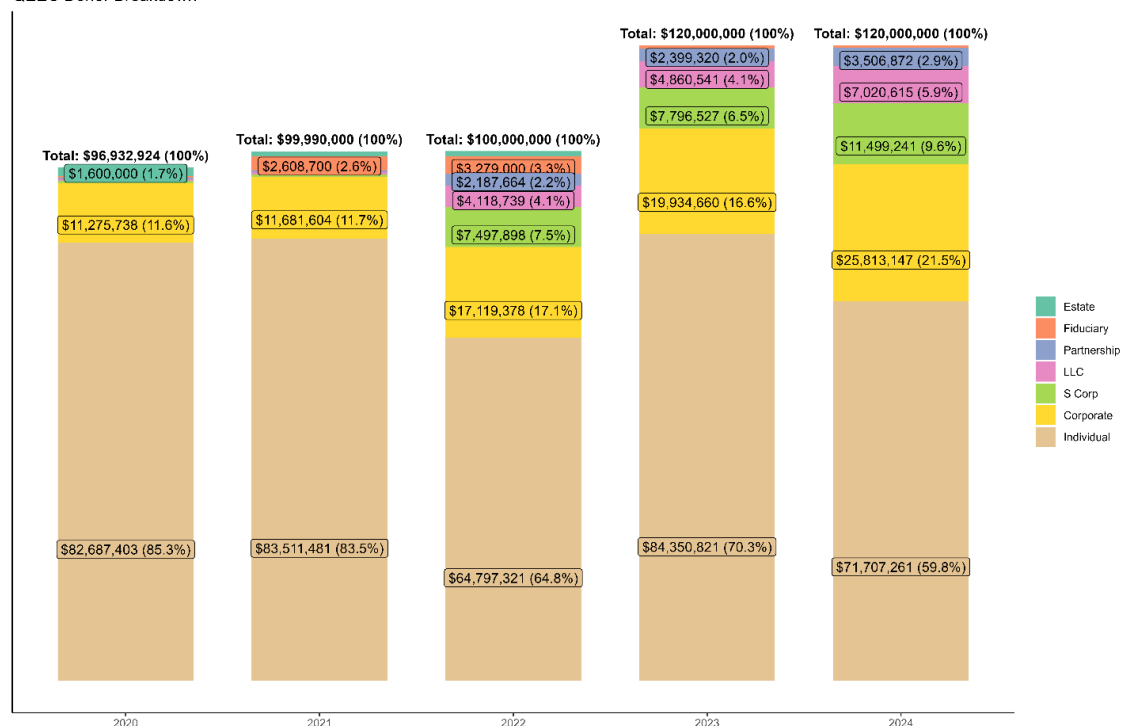
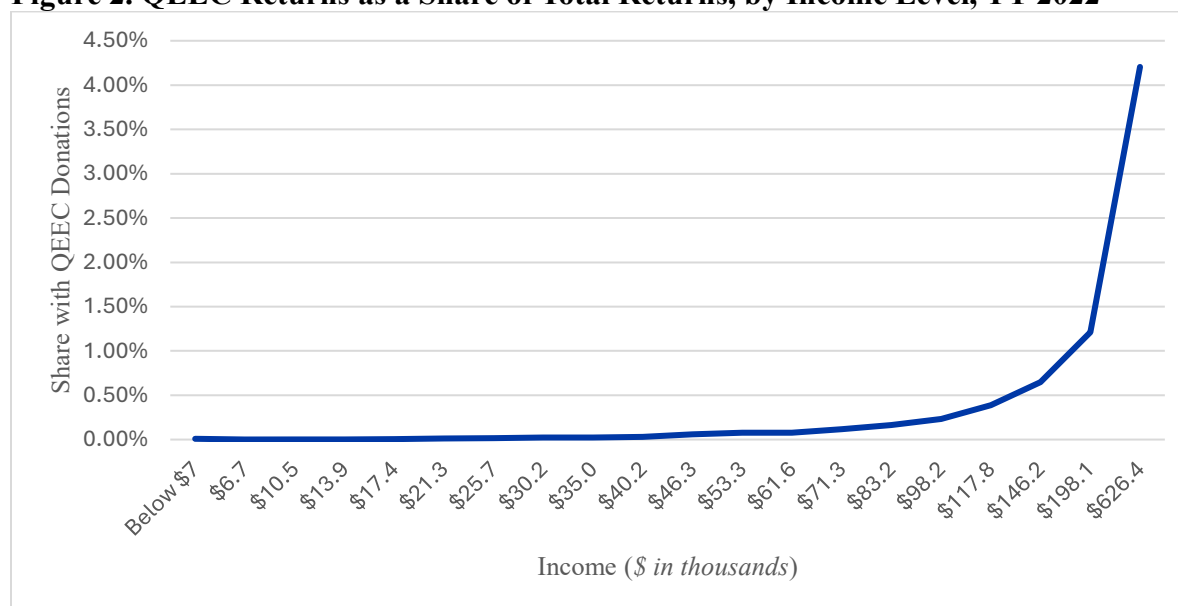


Figure 2 shows that individual donors contributing to SSOs are higher-income individuals. The figure can be interpreted as the percentage of returns in each income category that claimed a QEEC credit. This share is virtually zero until annual incomes reach \$117,000. More than one

half of the returns that claimed the QEEC were in the highest income group—more than \$625,000.

Figure 2. QEEC Returns as a Share of Total Returns, by Income Level, TY 2022

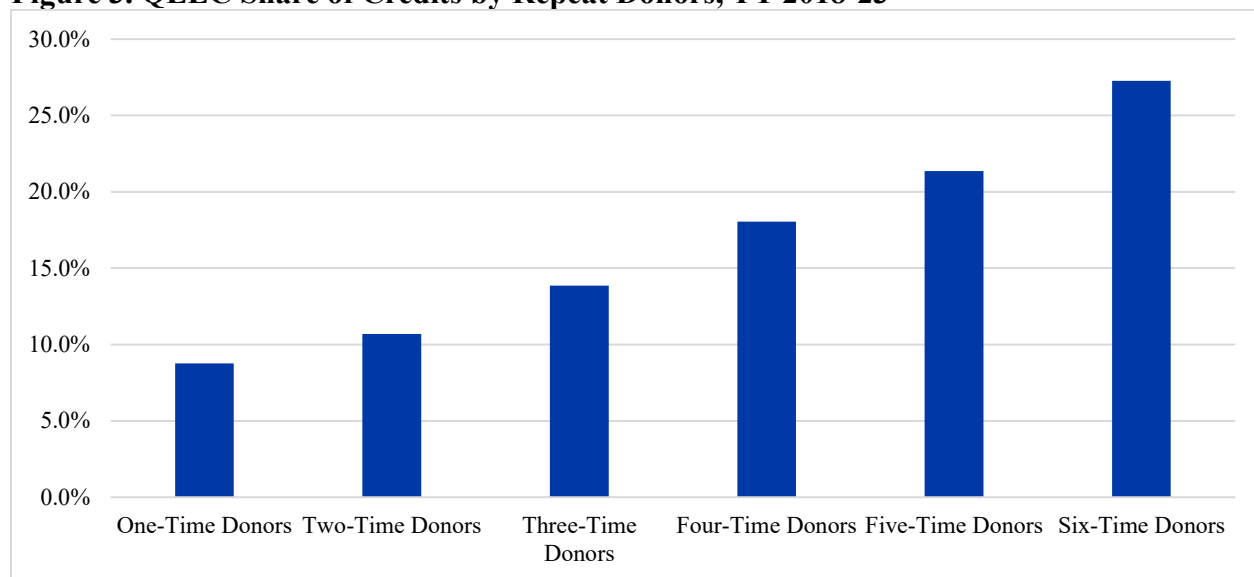


As mentioned, Table 1 indicates that after all carryforward periods have expired, 24 percent of the aggregate cap were fully utilized, and 14 percent is due to taxpayer-donors having insufficient tax liability to fully utilize the credit. Less-than-full utilization of tax credits after three carryforward years is observed in most tax credits programs, but due to the high incomes observed in the taxpayer-donors, one would expect them to have sufficient tax liability (Figure 2). Many taxpayer-donors have household incomes below \$150,000 and would, in many instances, have insufficient tax liability for a large tax credit.

The pattern of repeat donors could be relevant to underutilization. Focusing on donor filing for a credit on a personal income tax (PIT) return, taxpayers between TY 2018–23 were counted based on how often they participated in the program and claimed a credit. Figure 3 summarizes these data and indicates that over this period, more than 90 percent of credits were claimed by taxpayers who donated more than once. More than one quarter of credits were claimed by taxpayers who donated to this program in all six years.

This program’s participation is therefore largely supported by donors who continually participate—and repeat donation behavior has a significant impact on utilization. A taxpayer with insufficient tax liability to fully utilize their credit in the initial year would only add to their under-utilization when they donate in the following year. This high level of repeat donors is an interesting aspect of the program and a potential reason for less-than-full utilization of the credits.

Figure 3. QEEC Share of Credits by Repeat Donors, TY 2018-23



In summary, the wealthiest individuals in Georgia are the primary donors and QEEC earners. Corporations and other business entities are also notable donors, but to a lesser extent. Historically, credits generated, which are based on preapproved credit amounts, have been 24 percent or more above the amount eventually utilized after carryforward periods expire, and 10.6 percent of this difference is believed to be a result of the pre-approval and donation process—which will be eliminated starting in TY 2026. The remainder is due to insufficient donor-taxpayer tax liability, a typical aspect of Georgia tax credit programs.

Similar Programs in Other States

Three broad categories of school choice options that help families access private school enrollment have emerged since the early 1990s: conventional vouchers, tax credit-based scholarships, and education savings account programs. As of 2025, the QEEC in Georgia is one of 22 tax credit-based scholarship programs. Conventional voucher and education savings account-based programs will be discussed briefly. Other states with expansive scholarship programs and tax credit-based programs similar to the QEEC will then be discussed in greater detail.

Ohio, Louisiana, Indiana, and Wisconsin have launched what are considered ‘conventional’ voucher programs, in which the state provides public funds to private schools to partially or fully cover a student’s tuition. A prominent example is the program in Milwaukee, Wisconsin (MPCP). The initial legislation required family income not to exceed 175 percent of the FPL, and participation was capped at 1 percent of district enrollment. Since then, the program has broadened, and the caps have evolved.

Education savings account (ESA) programs function like debit cards, with many states providing physical cards to their residents. Parents receive an allocation of public funds into their accounts,

and they can choose to use them on a range of private educational costs. Some ESA funds may also be used for homeschooling expenses.

Tax credit-based scholarship programs were first launched in Arizona and Florida in 1997 and 1999, respectively. These programs allow corporations or individuals to divert part of their income taxes towards institutions that provide educational scholarships to students enrolling in private schools. These private organizations then issue vouchers (also called grants or scholarships) to parents to move their children from public to private schools, and taxpayers receive a tax credit based on their contribution amount. The voucher-granting organizations are allowed to retain some of the funds they receive to cover administration costs.

Arizona, Florida, Indiana, Louisiana, Ohio, and Wisconsin have all enacted extensive programs around vouchers, tax credit-based scholarships, and ESA school-choice programs. We highlight these state programs to illustrate many of the strategies other states have used to provide expanded access to private school enrollment. Lastly, Table 3 offers details about current private scholarship tax credit programs.

Arizona

Arizona has enacted a range of tax credit programs, including the Individual Income Tax Credit Scholarship Program (1997), Low-Income Corporate Tax Credit Scholarship Program (2006), Lexie's Law for Disabled and Displaced Students Tax Credit Scholarship Program (2009), and Switcher Individual Income Tax Credit Scholarship Program (2012). The state also introduced an ESA program in 2011.

In 2019, total spending on the state's four voucher programs amounted to \$250 million, with an annual average growth rate of 12.6 percent over 2008–19. These voucher programs served 103,000 students, as of 2019, representing 9.4 percent of the state's student population.

Estimates from Public Funds Public Schools (PFPS) show that the state also decreased per-pupil public education funding over this decade by 5.7 percent to about \$7,500 in 2019. In comparison, most other states increased their per-pupil spending over this period. Arizona ranked at the bottom among 50 states, allocating 2.3 percent of its GDP to PK–12 funding. However, public school enrollment increased by 2.2 percent in the decade between 2008–19.

Florida

Florida is one of the highest-ranking states subsidizing private school education through public funding. The state has five voucher programs, including the McKay Scholarships for Students with Disabilities established (1999), Gardiner Scholarships, an ESA voucher initiated in 2014, the Florida Tax Credit Scholarship Program (2001), the Family Empowerment Scholarship Program, an ESA voucher initiated in 2019 (and expanded in 2021), and the Hope Scholarship Program (2018), funded through individual tax credits.

The McKay, the Gardiner, and the Tax Credit Scholarship Program collectively serve approximately 5.4 percent of the state's K–12 students. Total spending on these programs in

2019 was nearly \$996 million, with an annual growth rate of 13.8 percent over the decade. The state also decreased per-pupil funding for public education over this period to \$8,628. However, public school enrollment in Florida increased over this period by 6.8 percent.

Indiana

Indiana initiated the Choice Scholarship Program, a traditional voucher program, in 2011, and the School Scholarship Tax Credit in 2009. These programs together serve 4.4 percent of the PK–12 students in the state. In fiscal year (FY) 2019, total spending on these programs reached \$181 million, with an annual growth rate of 36.7 percent over 2012–19. Indiana decreased its per-pupil funding for public education by 1.5 percent over the period. Enrollment in public schools has, however, increased in the state by 0.7 percent. The state also launched an ESA program in 2022.

Louisiana

Louisiana has two large voucher programs: Scholarships for Educational Excellence (2008) and School Choice for Students With Exceptionalities (2011). In 2012, the state enacted a tax credit voucher program called the Tuition Donation Credit Program.

The voucher programs serve about 1.3 percent of the PK–12 students in the state, and Louisiana spent about \$68 million on these programs in 2019. These programs have an annual growth rate of 16.8 percent since 2013. Over 2008–19, the state also increased per-pupil funding in public schools by 6.3 percent. In 2019, the per-pupil public school funding stood at \$10,323, and the state saw an increase in public school enrollment of 4.3 percent.

Ohio

With the Cleveland Scholarship Program in 1996, Ohio was the second state to launch voucher programs in the United States. The state later enacted the Autism Scholarship Program (2004), the Educational Choice Scholarship Program (2006), the Jon Peterson Special Needs Scholarship Program (2012), and the Income-Based Scholarship Program (2013).

These five voucher programs serve 3.1 percent of the total PK–12 students in the state, and in 2019, Ohio spent nearly \$360 million on these programs—an annual increase of 16.1 percent over 2008–19. Per-pupil public school funding increased by 14.2 percent over the same period, an outlier in terms of spending trends among voucher states. However, enrollment in Ohio public schools dropped by 7.5 percent.

Wisconsin

Wisconsin was the first state to enact a voucher program in the form of the Milwaukee Parental Choice Program, launched in 1990. The state has since enacted the Racine Parental Choice Program (2011), a statewide Parental Choice Program (2013), and the statewide Special Needs Scholarship Program (2016).

These four programs serve about 4.9 percent of the PK–12 students in the state. In 2019, statewide spending on the programs reached \$311 million—representing a 7.4 percent annual growth over 2008–19. The state’s per-pupil public school funding remained flat over the decade, while Wisconsin witnessed a decline in public school enrollment by about 2.2 percent.

Table 3. Other State Tax Credit Scholarship Programs

State	Year Enacted	Credit Tax*	Credit %	Taxpayer Limits	Cap (\$M)	Scholarship Eligibility Requirements
AL	2013	CIT/PIT	100%	50% of tax liability; Up to \$50k for PIT	\$30	FRL eligible
AZ	1997	PIT	100%	\$593 single, \$1,186 married	None	None
	2006	CIT	100%	None	\$123	Up to 185% of FRL level
	2009	CIT	100%	None	\$6	Students w/ disabilities or in foster care
	2012	PIT	100%	\$543 Single, \$1,085 Married	None	90-days public school attendance or entering kindergarten
AR	2021	PIT/CIT	100%	None	\$2	Up to 200% of poverty level
FL	2001	CIT/IPT	100%	100% of tax liability Up to \$105 of sales tax owed on purchase of a vehicle	\$873.6	Up to 375% of poverty level or in foster care
	2018	ST	100%		None	Victims of bullying or violence in public schools
IL	2017	CIT/PIT	75%	\$1 million per year	\$75	Up to 300% of poverty level
IN	2009	CIT/PIT	50%	None	\$17.5	Up to 300% of FRL level
IA	2006	CIT/PIT	65%	None	\$15	Up to 400% of poverty level
KS	2013	PIT/CIT	70%	\$500k per year	\$10	FRL eligible
LA	2012	CIT/PIT	100%	None	None	Up to 250% of poverty level, attended public school or entering kindergarten
MT	2015	CIT/PIT	100%	\$200k per year	\$1	None
NV	2015	MBT	100%	None	\$14.2	Up to 300% of poverty level
NH	2012	BPT/BET	85%	\$600k per year	\$5.1	Up to 300% of poverty level
OH	2021	PIT	100%	\$750 per year	None	None
OK	2011	CIT/PIT	50-75%	\$1,000 single, \$2,000 married, \$100k businesses	\$25	Up to 300% of FRL level

PA	2001	CIT/PIT	75-90%	\$750k per year	\$185	\$92.2k + \$16.2k for each child in family
	2012	CIT/PIT	75-90%	\$750k per year	\$55	\$92.2k + \$16.2k for each child in family in “low-achieving” school zone; limits 50% higher for special needs students
RI	2005	CIT/PIT	75-90%	\$100k per year	\$1.5	Up to 250% of poverty level
SC	2013	PIT	100%	60% of tax liability	\$12	Students w/ disabilities
SD	2016	IPT	100%	None	\$2	Up to 150% of FRL level, and attended public school prior semester or entering K-1 st or 9 th grade
UT	2020	PIT	100%	None	\$5.9	Students w/ special needs
VA	2014	CIT/PIT	65%	\$125k max for individuals, none for businesses	\$25	Up to 300% of poverty level, 400% if special needs student

Sources: EdChoice, state education and revenue department websites, NCSL

*Abbreviations: CIT (corporate income tax), PIT (personal income tax), IPT (insurance premium tax), MBT (modified business tax), BPT/BET (business profits tax/business enterprise tax)

Literature Review

To understand the context of Georgia’s QEEC tax credit program, this literature review looks at the impact of scholarship tax credit programs, school choice and student performance, charitable giving and qualified donation tax credits, the rationale and empirical evidence for charitable giving tax credits, and potential crowding out concerns.

Impact of Scholarship Tax Credit Programs

Ewert (2013) found that overall enrollment in private schools declined in the first decade of the 21st century in the United States—especially observable among students from non-Hispanic white families, while enrollment among Hispanics increased. Declines in enrollment were concentrated among schools that were larger, religiously affiliated, and in non-rural areas and were likely driven by the increase in charter schools and homeschooling.

Sude and Wolf (2021) noted that school choice programs were adopted more frequently in U.S. states with Republican control of institutions. They also found that higher proportions of public school enrollment and minority students led to a greater likelihood of adoption of school choice programs. In addition, they found that states with higher per capita GDP and higher expenditures per-pupil were less likely to adopt these programs.

Dronkers and Avram (2010) undertook a cross-country analysis of school choice and effectiveness differences between private-dependent and public schools. They found that upwardly mobile parents preferred private schools, while (lower) middle-class parents preferred segregation (i.e., schools in which their children have peers of similar background). The authors

also note that publicly funded private schools had better reading achievements in 10 out of 26 countries.

Figlio, Hart, and Metzger (2009) found that lower-performing students from poorly performing schools tended to participate in school voucher programs in Florida. They also found that students participating in voucher programs, regardless of their race, tended to select schools with a higher proportion of white students and fewer minority students. In another Florida case, Figlio and Hart (2010) describe how the Florida tax credit program increased pressure among public schools and led to general improvements in public school performance. They say that the tax credit program expanded the choice of schools available to students, specifically in terms of religious or secular affiliation of private schools.

School Choice and Student Performance Literature

Proponents of school choice programs have argued that such programs increase competition among schools, which has an overall positive impact on student and school performance. Increased competition creates pressure among traditional public schools to retain students and their enrollment-related state funding. This leads to improved outcomes even for families that do not actively participate in such programs because public schools raise educational standards.

The empirical evidence on school choice programs and student performance is mixed. Some studies have found that increased competition via school choice programs improves student outcomes (Bohte, 2004; Holmes et al., 2003; Sass, 2006). Goldhaber and Eide (2003) found that increased private sector competition in education improved student and school outcomes. Egalite's (2013) systematic review of the literature found positive effects of private school choice programs on test scores in traditional public schools. Chakrabarti (2013) also found positive competitive effects on student test scores in district schools.

Some studies found evidence for improved quality mechanisms leading to better test scores. Wolf and Hoople (2009) examined outcome gains in Washington, D.C. and found that more advantaged peers, responsible teachers, and more time-consuming homework increased student academic performance of voucher recipients. Gleason (2016) found that high-performing charter schools had longer days, comprehensive behavioral policies, intense tutoring, teacher feedback and coaching, and data-driven instructional practices.

However, the improvements are not as uniform and are often highly context-specific, depending on factors such as the type of choice program available, the choice of research design used, and the unit of analysis in the study. For instance, Jabbar et al. (2019) conducted a meta-analysis of the school choice program literature and found that the overall impact on student achievement was positive but small. For studies that examined outcomes at the school level, the evidence is largely positive, but the improvements were not highly significant. For studies that examined improvement at the student level, the effects were only slightly positive. Research conducted at the district level did not find statistically significant positive impacts.

Charter school lottery studies have found some charters increase achievement significantly (Abdulkadiroglu et al., 2011; Angrist, Pathak, and Walters, 2013; Dobbie and Fryer, 2013; Chabrier, Cohodes, and Oreopoulos, 2016). Analyses of district-wide school choice plans show that attending a preferred public school yields limited test score impacts (Cullen, Jacob, and Levitt, 2006; Hastings, Kane, and Staiger, 2009; Deming et al., 2014). Randomized evaluations of voucher plans in New York, Washington, D.C., and Dayton, Ohio provide evidence for small average test score effects, with larger gains for some subcategories of students (Howell and Peterson, 2002; Mayer et al., 2002; Howell et al., 2002; Krueger and Zhu, 2004; Wolf et al., 2007, 2010).

However, some studies note negative effects. Ni (2009) found that competition could further disadvantage already struggling schools because school choice programs led to a higher proportion of marginalized students attending traditional public schools. Research also found that competition may lead schools to focus on superficial activities, such as marketing, rather than improving school curriculum or instructional methods. Ni and Arsen (2010) found that student achievement could diminish if parents choose schools based on criteria other than school quality or achievement. They also propose that if private schools attracted the high-performing students from public schools, it could lead to decreased student achievement. Frankenberg et al. (2003) discovered that minority students were more likely to attend charter schools in 16 states, but that white charter school students were less likely than other racial groups to attend schools where minority students were attending in higher proportions. Sawnsen (2019) found that racial integration due to school choice was highly context-specific and varied across regions and types of school choice programs.

Charitable Giving and Qualified Donation Tax Credits

Philanthropy can play an important role in supporting public goods and meeting social needs that governments or markets may undersupply. Many goods and services supported by philanthropy generate positive externalities, meaning their benefits spill over to society at large, rather than accruing only to the donor or recipient (Andrews, 1972).

Broadly, philanthropy distinguishes between pure altruism (where people contribute because they care about the total provision of the public good) and impure altruism or ‘warm glow’ giving (where donors also derive private satisfaction from the act of giving itself) (Andreoni, 1989, 1990). This distinction matters because warm glow implies that incentives like tax subsidies can stimulate giving, even if they do not change the total supply of the public good.

Rationale for Tax Preferences in Charitable Giving

Regarding the question of whether charitable contributions should be taxed, scholars offer three main rationales for tax preference:

Tax base rationale: From this perspective, charitable donations are not ordinary consumption but a voluntary surrender of income for the public good. Therefore, they should not be taxed (Reich, 2013).

Efficiency rationale: Charitable giving can help correct the under-provision of public goods—a classic market failure. Many goods and services supported by philanthropy, such as medical research, education, or environmental protection, generate positive externalities (Andrews, 1972). Tax preferences lower the effective cost of giving and incentivize individuals to increase contributions.

Pluralism rationale: From a political economy perspective, channeling resources through charitable organizations rather than through government bureaucracy allows people to express their preferences directly—‘voting with their dollars’ and supporting causes beyond the preferences of the median voter (Benshalom, 2008; Reich, 2013). In this sense, philanthropy supplements democracy by diversifying social provision and fostering pluralism.

At the same time, there are also concerns of regressivity, fiscal cost, and democratic imbalance, as high-income taxpayers both benefit disproportionately from deductions and exert more influence over resource allocation (OECD, 2020).

Table 4 summarizes the main arguments for and against tax preferences.

Table 4. Arguments For and Against Domestic Philanthropy

Arguments For	Arguments Against
<i>Promotion of Social Welfare and Public Goods:</i> Tax incentives help address market failures related to under-provision of public goods and positive externalities, encouraging societal benefits.	<i>Cost to Government Revenue:</i> Tax concessions reduce public revenues, potentially leading to higher taxes elsewhere or cuts in public services, raising concerns about fiscal sustainability,
<i>Promotes Democratic Values:</i> Encourages the development of civil society, decentralizes decision-making, and supports democratic participation.	<i>Inequity and Regressivity:</i> Tax incentives often benefit higher-income taxpayers more, reinforcing income inequality and conflicting with principles of progressive taxation,
<i>Economic Rationales:</i> Corrects market failure by supporting public goods not supplied privately. Capitalizes on positive externalities for societal benefit.	<i>Democratic and Equity Concerns:</i> Large donors can wield disproportionate influence over societal priorities, undermining democratic processes.
<i>Addressing Funding Gaps:</i> Augments government capacity by mobilizing private resources, expanding financial support for charitable activities.	<i>Market Distortions and Fair Competition:</i> Tax exemptions could give philanthropic entities an unfair advantage over for-profit businesses offering similar goods and services, distorting markets.

Source: OECD (2020)

Types of Tax Relief: Deductions vs. Credits

The most common form of tax relief globally is the *charitable deduction*, which reduces taxable income. Its generosity rises with the donor’s marginal tax rate, disproportionately benefiting

higher-income taxpayers. By contrast, *charitable tax credits* reduce liability dollar-for-dollar and provide equal proportional benefits to all donors, improving vertical equity (OECD, 2020).

Other mechanisms include *matching schemes*, where the government tops up donations so that the recipient can claim the tax relief. Finally, an *allocation scheme* is a device through which taxpayers are able to allocate a share of their income tax to a beneficiary directly through their tax return.

Empirical Evidence: Price Elasticity and Donor Response

Tax incentives for charitable giving work by lowering the effective cost of donating, i.e. the after-tax cost of a \$1 donation. At the federal level, a deduction for charitable contributions has been in place since 1917. Earlier research formed a rough consensus that established a price-of-giving elasticity of approximately -1 (Peloza and Steel, 2005; Auten et al., 2002; Barret et al., 1997; Randolph, 1995). This implies that additional giving induced by the policy is approximately equal to foregone tax revenue at the margin. Newer research, which considers the impact of the 2017 Tax Cuts and Jobs Act, estimates giving to be less responsive for the average donor in recent years (Han et al., 2024; Gravelle and Sherlock, 2020).

At the state level, however, most charitable tax incentives are credits rather than deductions and are a common incentive meant to increase giving in certain areas that allow taxpayers some discretion in the use of their state tax liability (De Vita and Twombly, 2004). The drawback is that credits may be less visible, or less salient to taxpayers, which can reduce their effectiveness at promoting certain behavior (Duflo et al. 2006; Chetty et al., 2009; Chetty and Saez, 2013).

State-level evidence on qualified donation credits is more mixed. The structure of these policies varies along multiple dimensions, including the size of the credit as a percentage of the donation, individual and aggregate caps, and the eligible donor pool. Empirical studies evaluating the impact of credits with differing structures find these structural elements—particularly the size of the individual cap—play a major role in shaping donor responses to the credits (Gupta and Spreen, 2024; Hungerman and Ottoni-Wilhelm, 2016; Teles, 2016). For instance, Gupta and Spreen (2024) find no measurable effect following the elimination of three small individual limit credits (\$100 for single filers, \$200 for joint filers) in Michigan, whereas North Dakota’s introduction of a \$10,000 credit cap produced persistent 25- to 30-percent increases in contributions.

Teles (2016) uses the synthetic control method to estimate causal effects of two differing state-level charitable giving tax credits. The Endow Iowa Tax Credit provides a targeted 25-percent credit with a cap of \$300,000 per person, and the Arizona Working Poor Tax Credit provided a broadly targeted 100-percent credit with a cap of \$200 per person. The results indicate there was no evidence of a measurable effect for the smaller-cap Arizona credit, while the larger cap of the Endow Iowa credit increased contributions by as much as 125 percent.

Duquette et al. (2018) explore state-level charitable tax credits across a panel data of 23 states from 2000 to 2016. They find that these credits have much weaker effects than the federal

charitable deduction. Furthermore, the estimated impacts are not statistically significant. In other words, there is little evidence that state credits lead households to give more or donate more often, even though many of these credits are technically more generous than the well-known federal deduction. Why might this be the case? The findings from the literature can be summarized with some key points.

Saliency and Complexity Issues

- Many taxpayers may not realize such credits exist because they operate at the state rather than federal level.
- Credits are often targeted to specific causes and capped at relatively low amounts, which makes it hard for donors to know whether their gift qualifies.
- Even when aware, donors may not fully understand the credit mechanism. By contrast, people tend to be more familiar with the ‘pre-tax’ mechanism behind deductions, making those policies easier to grasp and respond to.

Effect of Individual Cap Limits

- Low individual caps may fail to provide sufficient economic incentive to shift or increase total giving.
- Evidence from Arizona’s charitable credits show contributions rise as caps increase (Brunner, 2023).
- High-income individuals tend to claim a large portion of these tax credits (Duquette et al., 2018). It follows then that small cap credits elicit weaker responses.

Eligible Donor Pool

- Allowing businesses to claim the credit expands the donor pool to entities with potentially large capacity and incentive to donate, thus making the policy more likely to have an impact on total giving.

Crowding-Out Concerns

One concern with targeted tax credits is whether they actually raise *net* charitable giving or simply *redirect* donations toward qualifying charities. Chatterjee et al. (2020) provides empirical evidence of crowding out in the context of Arizona’s state income tax credit for charitable contributions. Their findings show that while donations to qualifying charities increased significantly, there was a corresponding decrease in donations to non-qualifying organizations.

Additionally, Andreoni and Payne (2003) explored how government grants to private charities can lead to reductions in private donations. They show that charities receiving government support might reduce their own fundraising efforts. This strategic response can diminish the effectiveness in increasing total charitable contributions. Andreoni and Payne (2011) extends these findings to Canada. Their study shows that for every dollar of government funding, approximately 75 cents of private donations were displaced. These results provide support to the

crowding-out hypothesis, where government incentives shift private giving rather than increase net contributions (Payne, 2009).

In summary, states provide tax credits for certain charitable activities to increase donations in these areas, provide taxpayers with discretion in how their tax liability is used, and increase the efficiency of dollars going to these causes. Research on state level charitable giving tax credits is less common than research on the federal deduction, but the existing literature suggests donor responses to these credits depend on the structure of the policy. Credits with smaller caps and donor pools may not induce additional giving, while larger credits can have a significant impact on donations. It is less clear if observed effects are additional new donations or a crowding out effect with some research indicating redirection of funds toward qualifying organizations, while others argue credits increase overall net giving.

But-for Net Fiscal Impacts

The implicit intent of the QEEC is to incentivize families to enroll their children in private school rather than public school, typically referred to as a ‘switcher.’ This aspect of the policy makes estimating the fiscal and potential economic impacts of this program unique among Georgia’s tax policies. To the degree that students switch, the policy simultaneously creates a state tax expenditure (a reduction in state revenues) and a reduction in state expenditures through fewer students generating state education funding to school districts.

To proceed, we will describe the fiscal impact as comprised of three primary components: tax credit-based revenue reductions, expenditure reductions from fewer public-school students, and administrative costs incurred by SSOs and DOR from implementing the QEEC program.

Importantly, two aspects for establishing the state revenue and expenditure resulting from the QEEC rely on factors that are impossible to observe directly and difficult to estimate empirically—the student switch rate and the per-student reduction in quality basic education (QBE) funding formula expenditures. For the switch rate (the share of scholarship recipients who would have otherwise attended public school), there are legislative requirements that attempt to funnel scholarships to switching students—most notably, the requirement that before being awarded a scholarship, most non-kindergarten students are required to attend public school to qualify. While these policies are useful to that end, no policy can ensure that a student would certainly have attended public school absent the scholarship.

Similar to previous evaluations of the QEEC, this evaluation does not attempt to definitively establish the switch rate. The 2023 DOAA economic evaluation of the QEEC estimated that to break even, the policy would require 67 percent of scholarship recipients to be switchers. This result came after receiving input from multiple research centers in Georgia with expertise in this credit program and the economics of school choice.

For the purposes of this report, we adopt the same assumptions as DOAA did to reach a switch rate. The goal of our assumptions and the use of a similar analytical process is to generate an end

result that balances the cost to the state (in terms of credits) and savings to the state (in terms of QBE). This balanced approach has been selected for several reasons.

First, the nature of the credit, as discussed above, affects the potential fiscal impact. Depending on the values of the switch rate or the QBE amount, the program can generate a positive or a negative fiscal return. As neither quantity is observable—or, at present, can be estimated with any certainty—it is prudent to choose the middle ground of zero fiscal return.

Second, a positive fiscal return to the state depends on fewer students attending public schools due to the program. It is possible that for many oversubscribed private schools, some new scholarship students act as a substitute for a non-scholarship student who would then be educated in public school. Again, this displacement is not observed and has not been effectively estimated with available data. (We discuss the implications of these assumptions and their limitations more thoroughly in the Appendix.) Based on the reasoning above, the but-for causation is zero, meaning that if the credit did not exist, the same amount would be spent on education in Georgia. We next show the methods and assumptions used that allow us to reach the zero fiscal impact to the state.

Reduction in State Revenues from Credits

The state tax expenditure is interpreted as the reduction in state tax revenue through the issuance of the QEEC. The estimation is based on the observation of donors and their eagerness to reach the annual aggregate credit cap, as well as historical credit utilization patterns. The tax expenditure is based on the follow assumptions:

- The aggregate pre-approved donation cap will be \$120 million and will be reached annually through 2026.
- Starting in TY 2026, certified donations will reach the donation cap of \$120 million.
- The historic percentage of donors taking the credit against the PIT, 76 percent, will continue through 2030.
- HB 517 in 2023 provided for insurance companies to donate and claim credit against the insurance premium tax (IPT). In the initial year, \$3 million in credits were claimed. This projection is based on that amount growing 1 percent per year through 2030, and these companies are capped at \$6 million annually under current law.
- HB 1181S in 2024, effective 2025, reduced the carryforward period for this credit from five to three years. This change is modeled to impact utilization beginning in FY 2026.
- Generated credits are eventually utilized at an 88-percent rate prior to TY 2025, matching their historical pattern, with slightly reduced utilization afterwards.

Table 5. QEEC Tax Expenditure Estimates, FY 2026–32

(\$ in millions)	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032
Certified Donations	\$107.5	\$120.0	\$120.0	\$120.0	\$120.0	\$120.0	\$120.0
Personal Income Tax	\$71.0	\$80.3	\$80.5	\$80.5	\$80.1	\$79.0	\$79.0
Corporate Income Tax	\$22.5	\$25.4	\$25.4	\$25.4	\$25.3	\$25.0	\$25.0
Insurance Premium Tax	\$3.0	\$3.0	\$3.1	\$3.1	\$3.1	\$3.2	\$3.2
Total	\$96.5	\$108.7	\$108.9	\$109.0	\$108.5	\$107.2	\$107.2

Note: Starting in TY 2025 the carryforward period reduced from five to three years. This change is modeled to slightly reduce utilization after FY 2029.

State Expenditure Reductions from Reduced QBE

State expenditure reductions are driven by switching students because they no longer require the state to fund their enrollment in public school through the QBE funding formula. QBE creates an allotment for each school district for direct instruction, indirect costs, and categorical grants. The amount a district receives in each of these categories depends on the count and type of students enrolled. A typical high school student generates the least amount of funding and a student that requires special education generates the most. Finally, a districts allotment is reduced by their 5 mill share—an amount intended to represent the district’s ability to raise their own property tax revenues.

In FY 2024, the average state allotment per full-time equivalent (FTE) was \$6,665 and represents the average amount of formula-generated revenues per student in the state. This amount is used to estimate the reduction in QBE expenditures per switching student. In 2024, SSOs provided 21,800 individual scholarships. Notably, increased contributions were reported from the cap increase in HB 517 to \$120 million. It appears that a year’s contributions are the basis for the following year’s scholarship disbursements. The estimated reductions in state expenditures through reductions in the QBE are based on the following assumptions:

- A one-time, 20-percent increase in scholarship recipients is expected to occur between school years 2024 and 2025, as elevated contributions in 2024 are dispersed as scholarships.
- Expected inflation is projected to increase both expected QBE expenditures and average scholarship amounts for students by 3 percent annually, yielding QBE per FTE student of \$7,701 in FY 2026.
- The year-specific, break-even switch rate is based on the expected number of scholarship recipients and the expected QBE funding per student.

Table 6. But-for Estimates of Switcher Rates and QBE, 2026–32

	2026	2027	2028	2029	2030	2031	2032
Scholarship Recipients	24,464	23,752	23,060	22,388	21,736	21,103	20,488
Average Scholarship	\$4,905	\$5,052	\$5,204	\$5,360	\$5,521	\$5,686	\$5,857
Break-Even Switch Rate	0.558	0.628	0.630	0.630	0.628	0.620	0.620
Switchers	13,648	14,924	14,524	14,105	13,640	13,076	12,699
QBE per FTE Funding	\$7,071	\$7,283	\$7,501	\$7,726	\$7,958	\$8,197	\$8,443
State QBE Savings (\$M)	\$96.5	\$108.7	\$108.9	\$109.0	\$108.5	\$107.2	\$107.2

Since the QEEC simultaneously reduces state revenues and expenditures, the fiscal impact can be described as a net tax expenditure—which for FY 2026–30 is detailed in Table 6—and is zero by design, as discussed above.

Table 7. Net State Fiscal Impact, FY 2026–32

<i>(\$ in millions)</i>	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032
Foregone State Revenue for QEEC	-\$96.5	-\$108.7	-\$108.9	-\$109.0	-\$108.5	-\$107.2	-\$107.2
State QBE Savings	\$96.5	\$108.7	\$108.9	\$109.0	\$108.5	\$107.2	\$107.2

Economic Activity

Overview of How Economic Activity Is Measured

We measure economic activity using data on estimated education spending, with FY 2026 as the representative year with an estimated cost to the state of \$96.5 million due to the QEEC. We calculate the net effect of the state-level exemption by assuming that all of the relevant economic activity would occur without the exemption, as discussed in the but-for section. We then subtract the estimated economic activity associated with an alternative use of the funds to arrive at net economic impact. Table 8 summarizes the estimated economic activity. The remainder of this section provides details.

Table 8. Net Economic Activity – Education Services Provided

<i>(\$ millions)</i>	Employment	Labor Income	Value Added	Output
Gross Activity for Period	2,539	\$119.6	\$138.3	\$191.9
Less: But-for Reduction	2,539	\$119.6	\$138.3	\$191.9
Activity Net of But-for	0	\$0.0	\$0.0	\$0.0
Less: Alternative Use Impacts	0	\$0.0	\$0.0	\$0.0
Net Economic Impact	0	\$0.0	\$0.0	\$0.0

Source: IMPLAN and authors' calculations

IMPLAN Model

To estimate the economic impact of the QEEC in Georgia, the IMPLAN model is used. IMPLAN is a regional input-output model that estimates how an initial change in spending or revenue for any industry category works its way through a regional economy. It also has data on the size of each industry in the economy in terms of revenue and employment at the state and

county level. The model includes detailed data on industry size by revenue and employment at the state and county level and applies sector-specific multipliers to estimate the effects of initial spending by firms on suppliers and labor. For this analysis, we use 2023 IMPLAN data, adjusted to reflect average annual revenues and wages in 2024 dollars. Below is an overview of key IMPLAN terms used in the report.

- *Output* is the value of production. This includes the value of all final goods and services, as well as all intermediate goods and services used to produce them. IMPLAN measures output as annual firm-level revenues or sales, assuming firms hold no inventory.
 - Estimates of output changes resulting from all education-related economic activity, including education and related services provided, are then used to estimate state and local sales tax revenue.
- *Labor income* includes total compensation—wages, benefits, and payroll taxes—for both employees and self-employed individuals. Wage-gain estimates are used to estimate incremental state income tax revenue.
- *Employment* includes full-time, part-time, and temporary jobs, including the self-employed. Job numbers do not represent full-time equivalents, so one individual may hold multiple jobs.
- Three changes (effects) comprise the *total impact* and can be calculated for relevant activity reviewed (output, employment, and labor income):
 - *Direct effects* are the changes that initiate the ripple effects through the economy. For this analysis, direct effects are increased firm output (revenue) directly attributable to the credit.
 - *Indirect effects* are the economic activity supported by business-to-business purchases in the supply chain for education. For example, education departments may purchase education equipment such as computers, training equipment, and other education supplies to support teachers. Each of the supplying businesses subsequently spends a portion of the money they receive on their own production inputs, such as office space, computers, and supplies, which in turn prompts spending by the suppliers of these inputs. This spending continues but progressively diminishes in its in-state impacts due to ‘leakages,’ which occur when firms spend money on imports (including imports from other states), taxes, and profits.
 - *Induced effects* are economic activity that occurs from households spending labor income earned from direct and indirect activities. This activity results from household purchases of items such as food, healthcare, and entertainment. The labor income spent to generate these effects does not include taxes, savings, or

compensation of nonresidents (commuters), as these leave the local economy (leakage).

Table 9 shows the economic impact associated with the representative fiscal year of education spending. The benefit of the tax credit is modeled as additional income to the education sector. Direct spending by this sector, due to the additional income, supported 2,018 direct jobs with a total labor income of \$90.3 million. Education sector spending supported an additional 521 indirect and induced jobs, but it should be noted that these do not necessarily reflect full-time employment. In total, education spending associated with the QEEC credit also supported \$119.6 million in total labor income, \$138.3 million in value added, and \$191.9 million in total output.

Table 9. Economic Impact of Education Spending, FY 2026 Base

<i>(\$ in millions)</i>	Employment	Labor Income	Value Added	Output
Direct Effect	2,018	\$90.3	\$80.9	\$96.5
Indirect Effect	85	\$4.5	\$8.4	\$16.2
Induced Effect	436	\$24.8	\$49.0	\$79.2
Total Effect	2,539	\$119.6	\$138.3	\$191.9

Source: IMPLAN and authors' calculations

Alternate Use of Forgone Revenue/Tax Expenditure

The induced economic impacts estimated above do not account for forgone state revenues, i.e., the economic impacts of alternative uses of the funds currently expended through this tax credit. SB 366 requires evaluations of tax incentives to include estimates of *net* economic and fiscal impacts, thus requiring consideration of the economic and revenue effects of alternative uses of the revenues that would be available for other purposes in the absence of the exemption.

Alternatives could include other economic incentives, spending in other policy areas across state government, or a reduction in taxes—all of which could also result in direct, indirect, and induced economic effects. However, absent information as to how the General Assembly would otherwise choose to spend foregone revenue if not on the credit, we estimate the impact of using the revenue to fund an equivalent increase in state government spending in proportion to existing expenditures. That is, we allocate the foregone revenue to industry sectors as direct effects based on the sector shares of spending in the state budget. The two largest categories of spending—education (47 percent) and healthcare (21 percent)—account for about 68 percent of the state budget for FY 2025.

As detailed above, the design of this analysis ensures that the cost to the state of the credit and the savings to the state in QBE funds balances out. Thus, there is no alternative use scenario. If the QEEC did not exist, in our analysis the state would have to pay the same amount in QBE.

Fiscal Impact

A summary of the fiscal impacts of the QEEC is presented in Table 10. We then detail the estimates of the revenue effects from the credit's economic impacts and the opportunity cost of

the tax expenditure—the revenues that could be expected from the alternate use of funds. The detailed estimates are projected forward to obtain the amounts below.

Table 10. Fiscal Impact Summary

(\$ millions)	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Tax Expenditure Cost						
State	-\$88.8	-\$96.5	-\$108.7	-\$108.9	-\$109.0	-\$108.5
Revenue Gains from Economic Impact						
State	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Local	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Alternative Use Reduction						
State	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Local	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Net Fiscal Effects						
State	-\$88.8	-\$96.5	-\$108.7	-\$108.9	-\$109.0	-\$108.5
Local	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Total Net Fiscal Effects	-\$88.8	-\$96.5	-\$108.7	-\$108.9	-\$109.0	-\$108.5
State ROI	0	0	0	0	0	0

Note: The ROI value indicates for every dollar invested, 0 additional cents are gained/lost.

[Revenue Impacts](#)

[Forgone Revenue](#)

We estimate foregone revenue associated with project expenditures of the representative year, outlined below in Table 11, estimating lost revenue from the QEEC based on expected growth in donations, as discussed earlier.

Table 11. Tax Expenditure Cost Estimates

(\$ millions)	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
State Tax Expenditure	-\$96.5	-\$108.7	-\$108.9	-\$109.0	-\$108.5

Source: DOR, BTS, EIA, and authors' calculations

[Additional Tax Revenue](#)

Below, Table 12 shows the estimates for state and local tax revenues attributable to economic activity associated with education, with the representative year of FY 2026. State income tax is estimated using employee compensation, generated by IMPLAN. Labor income estimated in this sector is comprised mostly of education personnel, with an average income of approximately \$47,000 per job. Based on Georgia DOR tax data—specifically, the net tax liability relative to adjusted gross income (AGI) for taxpayers with similar AGI in TY 2022—we estimate an average effective tax rate under current law of 5.16 percent on labor income for in-state residents.

IMPLAN incorporates estimates of sales and property taxes. However, the model relies on levels of economic activity rather than sales or property tax rates and tax bases; thus, they are not our preferred estimates. Instead, to estimate sales tax revenues, we use the model's estimated

incremental output for various retail sectors and adjust for the taxable portion of sector sales to arrive at estimates of taxable sales. For retail sectors, IMPLAN reports as output only the retail gross margin, not the total sales at retail, so these estimates are grossed up using average gross margin rates from IMPLAN for each retail sector to arrive at estimated sales to which the tax would be applied. The state sales tax is calculated using the state sales tax rate of 4 percent, and the local sales tax is calculated using an average local sales tax rate of 3.38 percent—the population-weighted average as of January 2024, according to the Tax Foundation. The state and local sales tax estimates for the base year are also shown in Table 12.

To estimate the additional property tax due to the economic activity associated with the tax credit, we calculate the ratio of the IMPLAN estimate of sales tax to our preferred estimate of sales tax above and apply this to the IMPLAN estimate of property tax revenue. This estimate assumes that economic activity generating IMPLAN’s sales tax estimates is like that which generates the property tax—thus, this estimate should be treated cautiously.

Finally, about 76 percent of Georgia state tax collections come from personal income and state sales taxes. Georgia collects a host of other taxes that make up the remaining 24 percent, on average. Two taxes make up about one-half of the 24 percent: corporate income tax and title ad valorem tax (TAVT) on motor vehicles.

Table 12 shows the base-year estimated revenue from these other taxes, assuming a proportional effect, such that 24 percent of total tax revenues holds for the economic activity resulting from the QEEC. Recall that the but-for analysis concludes that, in the short term, all of education spending would be made by QBE if the tax credit were removed. Thus, the estimates shown in Table 12 of the fiscal impact of the related education spending to the state of have no economic impact, for the purposes of this report.

Table 12. State and Local Tax Revenue from Education (FY 2026 base, \$ millions)

Tax Type	State Revenue	Local Revenue
Personal Income Tax	\$6.17	
Sales Tax	\$0.95	\$0.92
Property Tax	\$0.00	\$1.69
All Other State Taxes	\$2.24	
Total	\$9.36	\$2.61

Source: IMPLAN and authors’ calculations

State and Local Taxes Generated from Alternative Use of Funds

As previously discussed, the value of the alternative use in this scenario is zero. Therefore, there are no state or local tax revenues associated with it.

Administrative Costs

The QEEC is in a group with several other credits that require pre-approval and have a cap on the total donations. These credits include:

- Qualified Foster Care Credit

- PEACH Education Credit
- Qualified Law Enforcement Credit
- Rural Hospital Credit

These credits are generally administered by a team of seven individuals in the Taxpayer Services Division of DOR as well as a team of business testers, who make sure the credits work in a testing environment. It is estimated that the total personnel cost is \$505,000 annually, when including fringe benefits. DOR also estimates that it costs approximately \$325,000 per year from an IT perspective to program and update all of its tax credits. Finally, the Department estimates it costs about \$5,000 per year from a tax policy perspective. Thus, on an annual basis, it costs approximately \$835,000 for the administration of this type of tax credit.

Methods to Optimize Tax Credit Performance

As noted earlier, the QEEC has steadily increased its donation cap, reaching \$120 million in TY 2023. While pre-approved credits have consistently hit the cap since its inception, actual donations have consistently lagged these pre-approvals. This results in SSOs receiving only a portion of the \$120 million allocated to the program. This gap is expected to be eliminated due to changes in DOR administrative procedures beginning in 2026 as discussed previously.

In addition to the changes starting in 2026, DOR has suggested several strategies that may help when the credit cap is reached but actual donations lag. First, a smaller number of intermediaries play an important role in credit programs that reach or nearly reach their caps, such as the rural hospitals tax credit. While QEEC has many intermediaries that reach out to potential donors and guide them from pre-approval through donation, these SSOs might be too successful in soliciting donations that, in the end, exceed the tax liability of donors in aggregate.

Another important feature of successful credit management by intermediaries is an ‘addback’ program. Such a program monitors taxpayers’ federal filings and deducts any amount taken or intended to be taken against federal income. Informally this can also help when a taxpayer decided to donate less than the pre-approved amount that was used towards the cap. There could be many reasons for this, but a prominent one, is lack of expected tax liability.

As was discussed earlier, beginning in tax year (TY) 2026, SSOs will have greater ability to address this problem. SSOs will have until September 15 to report to DOR any amount of pre-approved donations that were not made. DOR will then reopen the cap based on the newly calculated amount now remaining as reported by the SSOs. This process is assumed to functionally close the historical 10.6-percent gap between contributions and the allowable aggregate cap, starting in TY 2026.

These changes are critically important to the QEEC and the goal of reaching the cap in actual donations. This credit unlike others, generates intense interest and the pre-approval cap is reached within days of the credit's availability each year. This high intensity, short duration window leaves little ability for SSOs to monitor donors or offer counseling on donations before the cap is reached unlike the donation pattern for the rural hospital tax credit.

Public and Ancillary Benefits

One of the potential public benefits of this scholarship program is access to private schools for children of families that would like to attend but would not have the income to afford it otherwise. SSOs report each year the number of scholarships provided to individuals within four income categories: families below 125 percent of the FPL, between 125 and 250 percent of the FPL, between 250 and 400 percent of the FPL, and above 400 percent of FPL. The 2024 SSO report of these counts are detailed in Table 13.

Table 13. Scholarship Recipient Population by Percentage of FPL and SSO

	Number of Scholarships				Average Scholarship			
	<125% of FPL	125– 250% of FPL	250– 400% of FPL	>400 % of FPL	<125% of FPL	125– 250% of FPL	250– 400% of FPL	>400% of FPL
A Pay It Forward Scholarship	184	202	145	292	\$1,544	\$1,512	\$1,364	\$1,600
AAA Scholarship Foundation, Inc.	77	119	21	0	\$12,857	\$12,857	\$12,857	\$0
Alyn Scholarship Fund	128	135	115	182	\$2,775	\$1,835	\$1,370	\$1,007
Apogee Georgia School Choice Scholarship Fund	565	400	472	1047	\$7,056	\$6,250	\$5,514	\$5,758
Arete Scholars Fund, Inc.	702	523	87	7	\$3,911	\$3,800	\$3,108	\$4,000
Christian Int. Counseling & Ministries Inc	47	32	16	32	\$6,969	\$7,975	\$8,501	\$6,277
G.R.A.C.E. Scholars, Inc.	379	409	200	70	\$3,747	\$3,888	\$3,684	\$3,505
Ga Goal Scholarship Program, Inc.	5218	3737	1121	215	\$5,566	\$5,273	\$5,297	\$5,750
Georgia Student Scholarship Organization, Inc.	493	926	955	853	\$3,700	\$3,641	\$3,610	\$3,758
Georgia Tax Credit Scholarship Program, Inc.	0	40	38	25	\$0	\$3	\$3	\$4
Golden Dome Scholarship Fund, Inc.	59	223	186	85	\$2,359	\$2,364	\$1,817	\$1,684
Great SSO, Inc.	6	4	43	125	\$6,741	\$6,351	\$4,835	\$3,645
Learning To Serve	205	159	93	50	\$3,250	\$2,500	\$1,775	\$1,300
Pace Scholarship Organization Corp.	9	2	2	0	\$767	\$250	\$50	\$0
Student Scholarship Organization For Greek Americans	0	0	2	9	\$0	\$0	\$6,525	\$9,607
Vision SSO Inc	22	14	20	163	\$2,360	\$2,923	\$3,461	\$4,508

Based on these data, 37 percent of scholarships and 41 percent of scholarship amounts in 2023 went to children with family income below 125 percent of FPL, the lowest income category. Families with these levels of income are likely to struggle to afford private school tuition without the support of such a scholarship. The trend in the proportion of private school enrollment within these income groups could highlight the program’s impact of making private school attendance possible or affordable for certain groups.

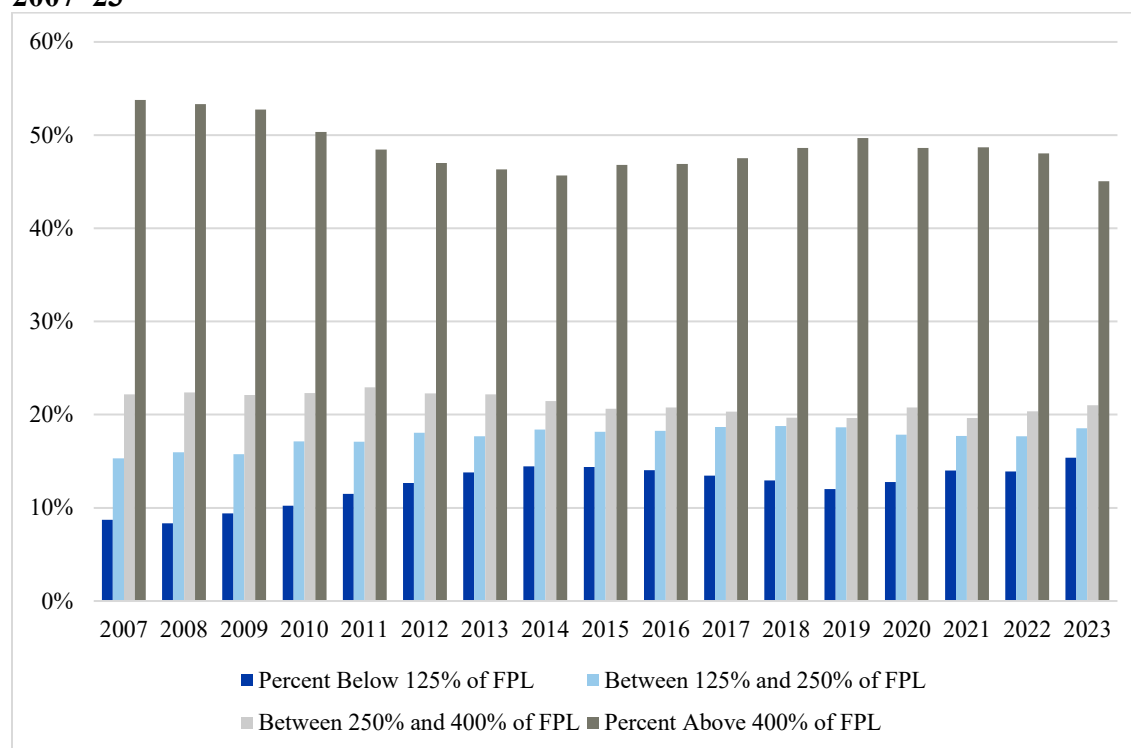
To consider this question, a specific American Community Survey (ACS) micro-data extract was created for the years 2007–23.¹ These data were restricted to children ages 5–17 who are enrolled in private school. The respondent families’ percentage of FPL was included.

The following figure details the percentage of the private school enrollment for these four groups based on percentage of FPL for 2007–23. Note that these years include two years before the QEEC was established. In 2007, these data estimate that 8.7 percent of the private school population was below 125 percent of the FPL, which almost doubled to 15.4 percent by 2023. On the other end of the income spectrum, the percentage of private school enrollment above 400 percent of FPL was 53.8 percent in 2007 and decreased to 45.1 percent in 2023.

These data provide non-causal evidence that these scholarships going to lower-income families are changing the income distribution of families utilizing private schools. More specifically, the portion of private school enrollment consisting of children of families with income below 125 percent of FPL has increased since the passage of the QEEC. Simultaneously, the proportion within the highest income category has decreased.

¹ Steven Ruggles, Sarah Flood, Matthew Sobek, Daniel Backman, Grace Cooper, Julia A. Rivera Drew, Stephanie Richards, Renae Rodgers, Jonathan Schroeder, and Kari C.W. Williams. IPUMS USA: Version 16.0 [dataset]. Minneapolis, MN: IPUMS, 2025. doi.org/10.18128/D010.V16.0.

Figure 4. Percentage of Private Student Population by Percentage of Federal Poverty, 2007–23



These trends in the income distribution could be a result of a wider trend not isolated to Georgia and unrelated to the scholarship program. It is clear, however, that a large number of scholarships are received by lower-income families and that the population accessing private school increasingly includes more students below 125 percent of FPL.

If this scholarship program introduces more low-income students into the private school population in Georgia, it may also impact the demographic mix. The National Center for Education Statistics (NCES) issues a biennial private school survey in which they ask schools about enrollment characteristics, including broad racial categories. These data were collected for the school years of 2001–02 through 2021–22 for all national respondents. For consistency over such a long time series, students are counted as White, Black, Hispanic, American Indian/Alaska Native, Asian, Native Hawaiian or Pacific Islander, or individuals with two or more races. The final two categories were added to the sample starting in 2010. (Current census standards consider Hispanic an ethnic category that spans other racial groups; however, in these data, a student is assigned only one of these five categories for historical comparability.)

Figure 5. Private School Enrollment by Racial Category, 2002–22

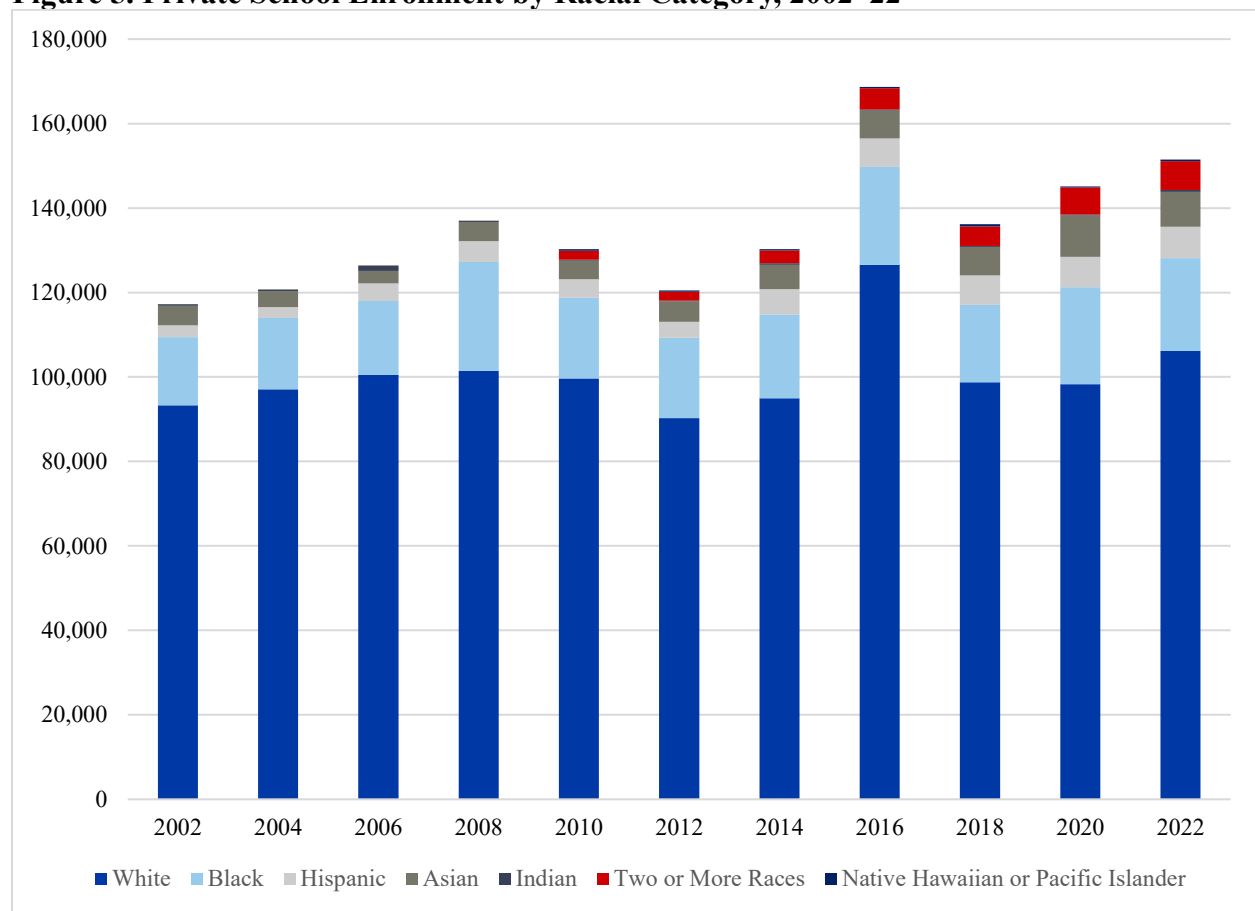
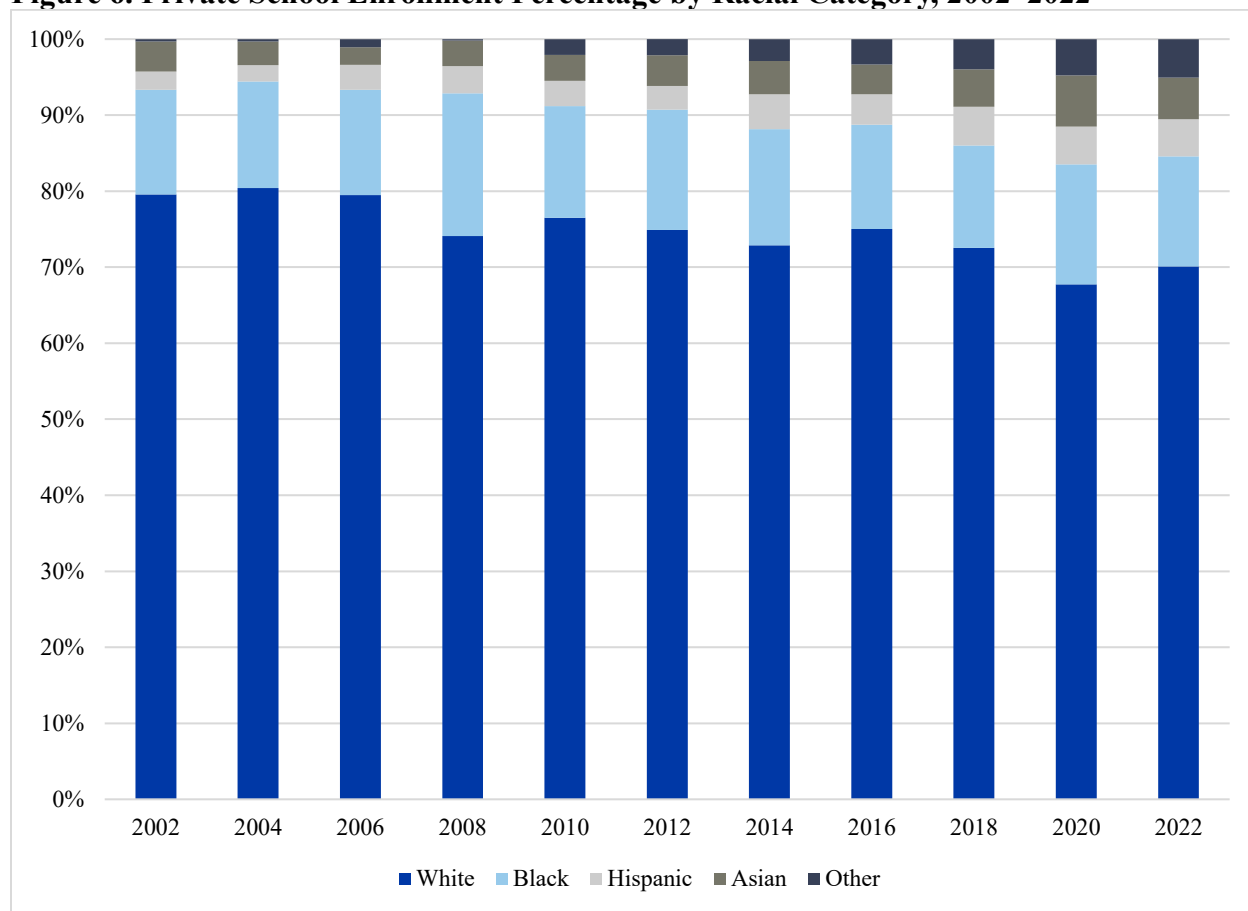


Figure 5 details the total estimated private school enrollment over the period, which has been increasing slightly with an early peak in 2008, dropping during the early 2010s, and finally recovering to 151,000 in 2022. The NCES sample indicated a large jump in 2016 which was either the largest year of private enrollment in Georgia or perhaps an outlier in the data which can occur in any survey project of this type.

For scale, the 2022 QEEC report indicated that total scholarship recipients were 19,516. If the NCES data represents an accurate estimate of private enrollment in Georgia, this program was supporting 12.9 percent of private enrollment in the state during the 2022 school year.

Figure 6. Private School Enrollment Percentage by Racial Category, 2002–2022

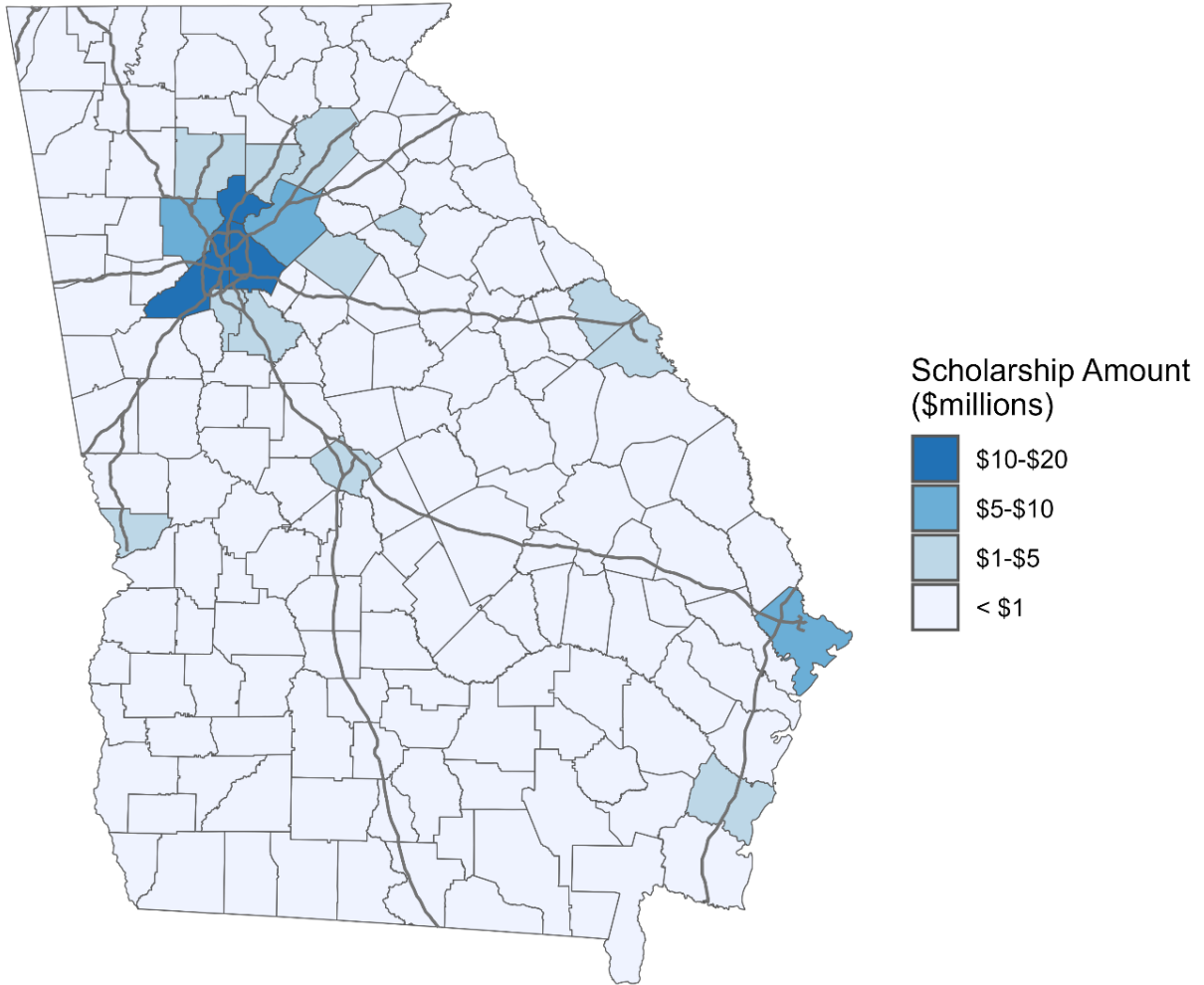


Note: “Other” comprises American Indian/Alaska Native, Native Hawaiian or Pacific Islander, and two or more races.

These data also indicate that the population is becoming more racially diverse (Figure 6). In 2008, the percentage of White enrollment was 74.1 percent, 18.8 percent Black, 3.6 percent Hispanic, 3.4 percent Asian, and 0.2 percent Other. The Black percentage in that survey was much higher than previous and subsequent years. Excluding that year’s survey, the Black percentage of private school enrollment was roughly 14 percent between 2002–06 and averages 14.7 percent between 2010–22. By 2022, the White percentage had decreased to 70.1 percent, while increases were seen in Hispanic enrollment (4.9 percent), Asian (5.4 percent), and Other (5.1 percent). These trends could be emblematic of wider demographic changes in the state, a result of this scholarship changing the racial mix of the private school population, or a mixture of both factors. Regardless, the racial mix of the private school enrollment has been changing since the years preceding this scholarship program.

SSOs also report on the county of residence of their scholarship recipients. The vast majority of this activity is in the urban counties of the state and primarily in the Atlanta metro area. It is important to note that there are scholarship recipients from 153 of Georgia’s 159 counties.

Figure 5. QEEC Scholarship Amounts by County, 2023*



*The six counties reporting no resident-students receiving a QEEC scholarship are Clay, Clinch, Dade, Echols, Hart, and Quitman.

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Appendix

Issues in Parameter Estimation

The Quality Basic Education (QBE) funding formula is the state’s primary mechanism for distributing K–12 education dollars to local districts, using weighted FTE counts and a base cost to calculate program funding, offset by the local 5 mill share and supplemented with equalization aid for some systems.

As students switch from public to private school enrollment, they save state expenditure to school districts through the FTE-based QBE formula. Table A1 details the midterm state allotment sheet for FY 2024—these represent the basis for the ‘QBE per pupil funding saved’ assumption for switchers.

In practice, each district’s 5 mill share is different, based on local property values. During this analysis, the count of scholarship recipients per county was used to test the statewide QBE per student applicability to scholarship recipients. The average per student funding based on the county of residence of scholarship recipients in 2023 was almost identical to the statewide average. Because the actual switch rate is not observed, the state average was used. This was calculated as the total statewide allotment divided by full time equivalent students (FTE).

Table A1. Georgia State Department of Education Earnings Sheet, FY 2024

	FTE	QBE Earnings	Less Local 5 Mills	State Funds
Direct Instruction				
Kindergarten Pgm	95,918	\$665,595,791	\$135,889,999	\$529,705,792
Kindergarten Early Intr Pgm	16,553	\$148,892,816	\$26,523,627	\$122,369,189
Primary Grade(1-3) Pgm	273,651	\$1,534,158,764	\$313,883,837	\$1,220,274,927
Primary Grd Early Intrv(1-3) Pgm	55,799	\$465,772,669	\$86,761,635	\$379,011,034
Upper Elementary Grd(4-5) Pgm	170,465	\$730,861,598	\$149,818,787	\$581,042,811
UppElem Grd Early Intrv(4-5)	36,559	\$304,445,143	\$57,759,590	\$246,685,553
Middle Grade(6-8) Pgm	0	\$0	\$0	\$0
Middle School(6-8) Pgm	299,168	\$1,447,674,249	\$288,986,487	\$1,158,687,762
High School Gen Educ(9-12)	354,034	\$1,444,184,335	\$288,593,806	\$1,155,590,529
CTAE(9-12) PGM	87,088	\$422,836,679	\$79,603,323	\$343,233,356
Students with Disab Cat I	25,292	\$279,837,140	\$58,466,837	\$221,370,303
Students with Disab Cat II	10,353	\$140,426,625	\$27,417,470	\$113,009,155
Students with Disab Cat III	70,899	\$1,237,224,842	\$238,811,961	\$998,412,881
Students with Disab Cat IV	14,848	\$432,496,923	\$81,502,338	\$350,994,585
Students with Disab Cat V	16,433	\$186,511,737	\$33,826,550	\$152,685,187
Gifted Student Category VI	123,883	\$922,060,597	\$186,112,323	\$735,948,274
Remedial Education Pgm	39,394	\$236,117,023	\$46,457,208	\$189,659,815
Alternate Education Pgm	18,511	\$111,269,573	\$22,081,924	\$89,187,649
Eng.Spkr.s.of Other Lang.(ESOL)	34,443	\$426,411,954	\$86,240,598	\$340,171,356
Spec Ed. Itinerant		\$632,803	\$133,340	\$499,463
Spec Ed. Supplemental Speech		\$10,140,170	\$1,773,138	\$8,367,032
Total-Direct Instruction	1,743,291	\$11,147,551,431	\$2,210,644,778	\$8,936,906,653
Indirect Costs				
Cent. Admin		\$315,275,776	\$60,426,618	\$254,849,158

School Admin	\$544,818,811	\$109,078,742	\$435,740,069
Facility M & O	\$519,501,168	\$102,619,882	\$416,881,286
Media Center Pgm.	\$273,944,530	\$54,737,756	\$219,206,774
20 Days Additional Instruction	\$81,539,280	\$16,294,851	\$65,244,429
Staff & Professional Dev	\$49,863,265	\$9,796,710	\$40,066,555
Principal Staff & Prof. Dev	\$840,022	\$167,841	\$672,181
Midterm Hold Harmless	\$32,792,195	\$6,597,893	\$26,194,302
Charter System Adjustment	\$33,717,344		\$33,717,344
Total - Indirect Costs			\$1,492,572,098
Categorical Grants			
Pupil Transportation Pgm			\$148,750,190
Sparsity - Regular			\$8,822,025
Nursing Services			\$41,544,204
Total - Categorical Grants			\$199,116,419
Education Equalization Funding Grant			\$756,056,299
Total State Funding on This Allotment Sheet			\$11,384,651,469

Scholarship Recipient and QBE Projections

Table A2 details the scholarship recipients and the aggregate cap for the years 2015–24. The history of this program indicates that while the aggregate cap is held constant, the number of scholarship recipients is flat or declining. The pattern also indicates that the growth of recipients lags a year behind the increase, as SSOs adjust. These trends were assumed to continue through FY 2032 for the purpose of projection. The percentage inflation in the final price of private school tuition is assumed. SSOs are assumed to adjust for this inflation by increasing their average scholarship amount and providing scholarships to fewer students over time.

Table A2. Aggregate Credit Caps and Scholarship Recipients Counts, 2012–24

(\$ in millions)	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Credit/										
Donation Cap	\$50	\$50	\$50	\$75	\$75	\$75	\$75	\$100	\$100	\$120
Scholarship										
Recipients	13,555	13,625	13,243	13,895	16,451	16,549	17,440	19,519	21,849	21,545

Switch Rate

Because we cannot observe what a family’s enrollment decision would have been without this scholarship, this analysis has produced fiscal impacts based on the a ‘break even’ switch rate—meaning enough students switch to private school from public school so that the tax expenditure from credits is fully offset by QBE savings.

One consideration for what the switch rate may be—if it were possible to observe or estimate it statistically—is the provisions embedded in this law that attempt to encourage scholarships to go to switchers. Students must qualify via one of the following criteria:

- Be homeschooled

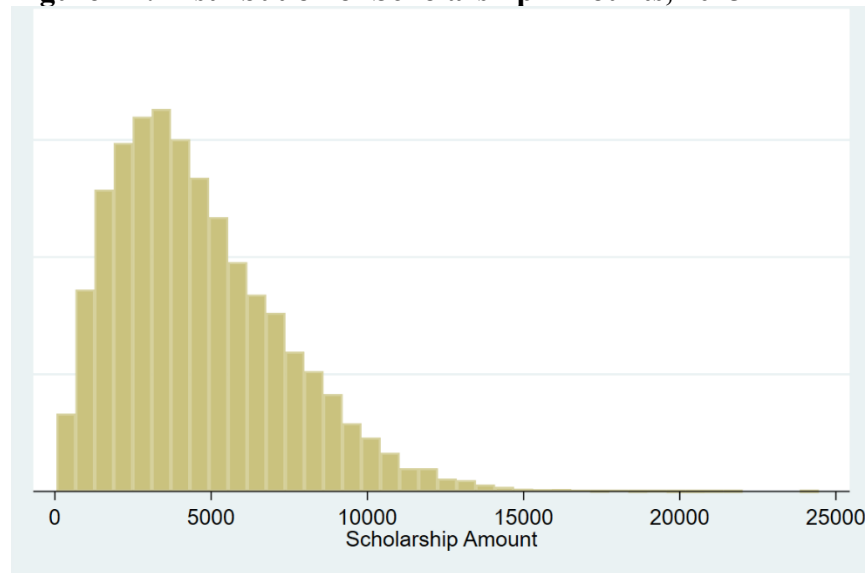
- Be entering a grade below second grade
- Have attended a public school for at least six weeks prior to enrolling
- Be attending or be zoned as a ‘low-performing school,’ as defined by the Governor’s Office of Student achievement (GOSA)
- Be an officially documented bullying or abuse victim while at public school

Also important to the switch rate are scholarship amounts relative to the price of tuition.

Economic theory indicates that switching would be more prevalent as scholarships approach the full tuition price of a private school, based on the marginal nature of price decision makers by consumers. Outside observers cannot know consumers’ reservation price, the maximum price they are willing to pay—only the transaction price. As the subsidy grows, the chance that it was in fact determinative in choice becomes larger. According to School Review (an online platform for families to find and learn about private school in their area), the average private school tuition is \$14,360 per year.² The data indicate that the range in tuition ranges from \$1,500 to above \$50,000 per year.

Using the SSO by county data for number and average scholarship amount, a continuous scholarship amount dataset was constructed using statistical techniques. It was designed to match the average SSO scholarship for each county as well as the state. The distribution of these is presented below and indicates that a large number of scholarship recipients receiving scholarships that cover a third or less of the typical annual tuition amount.

Figure A1. Distribution of Scholarship Amounts, 2023



² Georgia Private Schools by Tuition Cost (2025–26)

Oversubscription and the Potential for Crowd-out

A possible outcome of the QEEC program that may have implications on the actual switch rate is the theoretical potential for crowd-out. A QEEC-recipient student who moves into a high-demand private school *with a waiting list* would count as a switcher themselves, but it is possible that with their enrollment, crowd-out may impact private school access at that school for other applicants on the waitlist. With the acceptance of a QEEC student, another student (for any number of application selection reasons) may not be offered a spot that they otherwise may have been offered.

In economics, this is referred to as crowd-out. After not enrolling in their desired private school, the crowded-out student may select another private school, be home schooled, or attend their zoned public school. The latter of these possibilities would impact the actual switch rate—as that student would require QBE funding from the state.

Table A3 details private enrollment and scholarship recipients counts in Georgia compared to scholarship recipients. By 2022, scholarship recipients represent an estimated 12.9 percent of the private school enrollment in the state. Private enrollment has increased by 14,500 between 2008 and 2022, and during 2022, there were 19,519 scholarship recipients. These values do not provide evidence that crowd-out has occurred, but economic theory predicts its possibility and the existing literature on charitable giving discusses it in detail. Ultimately, crowd-out may have implications on the actual switch rate.

Table A3. Private School Enrollment and Scholarship Recipients, 2008–22

	2008	2010	2012	2014	2016	2018	2020	2022
NCES Private School Enrollment	136,987	130,263	120,488	130,260	168,718	136,174	145,135	151,511
Change from 2008	-	-6,724	-16,499	-6,727	31,731	-813	8,148	14,524
Scholarship Recipients	-	-	-	13,555	13,625	13,895	16,549	19,519
Percent of Private Enrollment	-	-	-	-	8.1%	10.2%	11.4%	12.9%