



## DYNAMIC FISCAL ANALYSIS SCHOLARSHIPS FOR SPECIAL NEEDS STUDENTS



Scholarship granting organizations may collectively issue up to \$12.0 million in tax credit certificates to donors.  
The cap for the next year increases by 10% if collective donations in the current year equal or exceed 90% of the current cap.

| STATIC IMPACT: ELIGIBLE STUDENTS | FY 2020 | FY 2021 | FY 2022 | FY 2023 | FY 2024 | FY 2029 |
|----------------------------------|---------|---------|---------|---------|---------|---------|
| Public System                    | 86,924  | 87,283  | 87,768  | 88,119  | 88,368  | 89,827  |
| Private System                   | 419     | 421     | 423     | 425     | 426     | 433     |
| Weighted Pupil Unit Value        | \$3,480 | \$3,567 | \$3,656 | \$3,747 | \$3,841 | \$4,346 |

### SCENARIO 1: PROPOSED SCHOLARSHIP PROGRAM WITH DONATIONS UNSPENT & WITH FORGONE STATE REVENUE

Implement the scholarship program created by the bill and assume donations equal the maximum permissible tax credits. Decrease state revenue by the amount of scholarship donations. Assume scholarship organizations earn and the State forgoes interest at a rate of 2.48% per annum (source: 12-month average rate for Utah Public Treasurers' Investment Fund). Shown here is the flow (forgone revenue), not the accumulating balance.

|  | FY 2020        | FY 2021        | FY 2022        | FY 2023        | FY 2024        | FY 2029        |
|--|----------------|----------------|----------------|----------------|----------------|----------------|
| Scholarship Donations                  | \$12,000,000   | \$13,200,000   | \$14,520,000   | \$15,972,000   | \$17,569,000   | \$28,295,000   |
| Donations w Interest                   | \$12,298,000   | \$13,528,000   | \$14,881,000   | \$16,369,000   | \$18,006,000   | \$28,998,000   |
| Forgone Revenue to Education Fund (EF) | (\$12,000,000) | (\$13,200,000) | (\$14,520,000) | (\$15,972,000) | (\$17,569,000) | (\$28,295,000) |
| Forgone Revenue w Interest             | (\$12,298,000) | (\$13,528,000) | (\$14,881,000) | (\$16,369,000) | (\$18,006,000) | (\$28,998,000) |

### SCENARIO 2: DONATIONS DISTRIBUTED TO ELIGIBLE STUDENTS IN PRIVATE SYSTEM, STATE REVENUE IMPACT, AND HOUSEHOLD IMPACT

Scholarship donations are distributed to students in the private system with the scholarship amount equal to the weighted pupil unit (WPU) value for students without an IEP or two times the WPU value for students with an IEP. This analysis uses a weighted average scholarship amount where 88% of scholarships are awarded at twice the WPU value and 12% are awarded at the WPU value. Jobs, wages, and GDP changes stem from the multiplier effect on forgone State revenue and increased household spending. This analysis uses a government revenue multiplier of around 2.5 -- the default assigned by the Regional Economic Models Inc. (REMI) PI+ model. This value is potentially high by research standards. Multiplier values depend upon economic conditions, interest rates, expected tax policy, geographic region, past and expected government spending policy, and various other assumptions. Current and anticipated economic conditions might suggest a multiplier between 0.8 and 1.0. Commonly estimated government spending multipliers may range from 0.7 to 1.3 (Christiano, Eichenbaum, and Rebelo, 2011).

|                                   | FY 2020        | FY 2021        | FY 2022        | FY 2023        | FY 2024        | FY 2029        |
|-----------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Scholarship Amount                | \$6,588        | \$6,753        | \$6,922        | \$7,095        | \$7,272        | \$8,228        |
| Scholarships Distributed          | 419            | 421            | 423            | 425            | 426            | 433            |
| To Students in Private System     | 419            | 421            | 423            | 425            | 426            | 433            |
| To Students exiting Public System | 0              | 0              | 0              | 0              | 0              | 0              |
| Scholarship Amount Distributed    | \$2,763,000    | \$2,843,000    | \$2,931,000    | \$3,016,000    | \$3,100,000    | \$3,565,000    |
| To Students in Private System     | \$2,763,000    | \$2,843,000    | \$2,931,000    | \$3,016,000    | \$3,100,000    | \$3,565,000    |
| To Students exiting Public System | \$0            | \$0            | \$0            | \$0            | \$0            | \$0            |
| Remaining Scholarship Donations   | \$9,237,000    | \$10,357,000   | \$11,589,000   | \$12,956,000   | \$14,469,000   | \$24,730,000   |
| Remaining Donations w Interest    | \$9,467,000    | \$10,614,000   | \$11,877,000   | \$13,278,000   | \$14,829,000   | \$25,344,000   |
| Forgone Revenue to EF w Interest  | (\$12,298,000) | (\$13,528,000) | (\$14,881,000) | (\$16,369,000) | (\$18,006,000) | (\$28,998,000) |
| Change in Household Spending      | \$2,763,000    | \$2,843,000    | \$2,931,000    | \$3,016,000    | \$3,100,000    | \$3,565,000    |
| Jobs                              | (336)          | (372)          | (403)          | (429)          | (453)          | (589)          |
| Wages                             | (\$19,644,000) | (\$24,000,000) | (\$27,984,000) | (\$31,650,000) | (\$35,263,000) | (\$56,657,000) |
| Gross Domestic Product (GDP)      | (\$22,714,000) | (\$25,522,000) | (\$28,075,000) | (\$30,222,000) | (\$32,197,000) | (\$43,798,000) |

### SCENARIO 3: DONATIONS DISTRIBUTED TO ELIGIBLE STUDENTS, STATE REVENUE & EXPENDITURE IMPACT, HOUSEHOLD IMPACT, AND PRIVATE SCHOOL IMPACT

This scenario adds to Scenario 2 that students exit the public system until scholarship donations are exhausted. The exit of public system students to the private system reduces State expenditures, increases household spending, and increases private school revenues and expenditures. Each cohort exiting public schools is assumed to be uniformly distributed through grades K-12 with 1/13 of a cohort graduating each year. This analysis uses REMI's assigned multiplier values for public and private revenues and expenditures.

|   | FY 2020        | FY 2021        | FY 2022        | FY 2023        | FY 2024        | FY 2029        |
|---|----------------|----------------|----------------|----------------|----------------|----------------|
| Scholarships Distributed                | 1,821          | 1,955          | 2,098          | 2,251          | 2,416          | 3,439          |
| To Students in Private System           | 419            | 1,715          | 1,831          | 1,953          | 2,083          | 2,877          |
| To Students exiting Public System       | 1,402          | 239            | 267            | 299            | 333            | 562            |
| Scholarship Amount Distributed          | \$12,000,000   | \$13,200,000   | \$14,520,000   | \$15,972,000   | \$17,569,000   | \$28,295,000   |
| To Students in Private System           | \$2,763,000    | \$11,583,000   | \$12,672,000   | \$13,853,000   | \$15,145,000   | \$23,673,000   |
| To Students exiting Public System       | \$9,237,000    | \$1,617,000    | \$1,848,000    | \$2,119,000    | \$2,424,000    | \$4,622,000    |
| Remaining Scholarship Donations         | \$0            | \$0            | \$0            | \$0            | \$0            | \$0            |
| EF Expenditure per Eligible Student     | \$8,290        | \$8,498        | \$8,710        | \$8,928        | \$9,151        | \$10,354       |
| Net to Education Fund                   | (\$674,000)    | (\$496,000)    | (\$297,000)    | (\$66,000)     | \$201,000      | \$2,121,000    |
| Forgone Revenue w Interest              | (\$12,298,000) | (\$13,528,000) | (\$14,881,000) | (\$16,369,000) | (\$18,006,000) | (\$28,998,000) |
| Expenditures Avoided                    | \$11,624,000   | \$13,032,000   | \$14,583,000   | \$16,303,000   | \$18,207,000   | \$31,119,000   |
| Change in Household Spending            | \$2,763,000    | \$2,843,000    | \$2,931,000    | \$3,016,000    | \$3,100,000    | \$3,565,000    |
| Private School Tuition                  | \$7,467        | \$7,654        | \$7,845        | \$8,041        | \$8,242        | \$9,325        |
| Change in Private School Spending       | \$10,469,000   | \$11,738,000   | \$13,135,000   | \$14,684,000   | \$16,399,000   | \$28,028,000   |
| Jobs                                    | (157)          | (218)          | (241)          | (262)          | (282)          | (394)          |
| Wages (millions)                        | (\$11,180,000) | (\$15,244,000) | (\$18,080,000) | (\$20,838,000) | (\$23,634,000) | (\$40,606,000) |
| Gross Domestic Product (GDP) (millions) | (\$12,162,000) | (\$15,100,000) | (\$16,928,000) | (\$18,603,000) | (\$20,201,000) | (\$29,482,000) |