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**THE LEAGUE
OF WOMEN VOTERS**
of New York State

MEMORANDUM IN OPPOSITION TO:
S.1976 – The “Education Investment Incentives Act”
A.2551 (not same as)
S. 2003-A.3003 Executive Budget Article VII 12572-01-5

To: New York State Assembly and New York State Senate

Date: February 10, 2015

***Subject:** An act to amend the tax law and the education law, in relation to enacting the "education investment tax credit act"*

This initiative favors taxpayers who desire to support private and public schools of their choice, through a first-come, first-serve process with no restriction on geographic distribution or the target institution's need. Depending upon which version above-named, it initially allocates either \$100 or \$150 million at a minimum (plus additional expenditures for instructional supplies in the Senate and Assembly versions). Given the Governor's pressure to restrain additional pre-K-12 educational expenditures to either \$377 million (without required teacher evaluation reforms) or \$1.1 billion with these and other reforms, these additional expenditures are the appropriate "denominator" to compare with this bill, not the overall state budget. If corporations and individuals who donate funds are viewed by advocates for this tax credit as increasing education fund overall, that must be weighed against 1) decreased corporate franchise tax and personal income tax revenue of \$100 million and 2) decreased contributions to other organizations as donations are instead directed to educational institutions chosen by the donor.

The League of Women Voters of New York State (the "League") believes that education aid should to be allocated through a democratic and transparent legislative process. This measure thwarts the Legislature's collective decision-making to target to the neediest schools, school districts and legislative districts. Given the structure of all three versions of the bill, there is no guaranty that any given elected representative's district would benefit from the blind-pool donation process.

In light of the Legislature's ongoing failure to fulfill the Campaign for Fiscal Equity lawsuit's aims, the League supports the direction of taxpayer dollars primarily toward students attending public schools in high-needs school districts. These bills mandate that half of the amount appropriated be earmarked (with a carryover provision for unused allocations) for scholarships to private schools. In the League's testimony the past two years, we warned that the proliferation of education foundations would mask and distort resource allocation to educational institutions, and further skew resources toward the wealthier districts. We believe that these bills create even more accountability issues, because the impact of these credits would be disregarded for purposes of calculating state aid. While the League agrees with the bill sponsors that "charitable giving for educational purposes should be stimulated," this bill unfairly

advantages those who are poised to file early for the valuable tax credits. Transparency is very poor; a report after eighteen months is insufficient disclosure.

The League believes that these bills are inconsistent with our position in favor of progressive taxation as a means of financing public education because the taxpayer dollars allocated for tax credits in the bills could be more efficiently used. Tax policy as a means of encouraging giving for educational purposes should be limited to the availability of charitable **deductions, not tax credits**. Tax credits represent a much greater loss of revenue to the state than do deductions. In the Senate version, they would reduce tax liability by 90% of the donation; while in the Assembly and Governor's version, the reduction would be 75%. Unless an entire class of charitable donors to public education is identified as eligible for such a generous credit, it is inequitable to create a class of privileged early-bird applicants for certificates. Legislators should insist on much more transparency, and distinctly allocate such important funding.

The League of Women Voters of New York State strongly urges your opposition to these measures.