

Rhode Island Jewish Day Schools and Scholarship Tax Credits

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by Jason Bedrick





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Rhode Island Jewish Day Schools and Scholarship Tax Credits

Jason Bedrick

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■ **Rhode Island Jewish Day Schools and Scholarship Tax Credits**

Executive Summary

Since 2007, Rhode Island's corporate scholarship tax credit (CSTC) program has helped hundreds of students from low-income families attend schools that they could not otherwise attend; schools that fit their individual educational needs. The CSTC program grants tax credits to corporations that donate to non-profit scholarship-granting organizations (SGOs). The SGOs then grant scholarships to eligible Rhode Island students from low-income families.

The first SGO created under the CSTC program was the Foundation for Rhode Island Day Schools, which awards scholarships to students from low-income families attending Providence Hebrew Day School (PHDS) and the Jewish Community Day School (JCDS). This paper explores the experience of the Foundation and these two schools under the CSTC program.

With the aid of the Foundation and its corporate donors, low-income students at PHDS and JCDS receive both the religious education that their parents desire and a strong secular education. Students at both schools score considerably above the state averages on the New England Common Assessment Program (NECAP) exams, often achieving 100 percent proficiency in math and reading school-wide.

The CSTC program also has several limitations, including its inflexible means-testing, restrictive credit cap, and lottery system. Accordingly, this paper recommends that any state considering a CSTC program should: 1) adopt flexible means-testing requirements to ensure that aid is targeted to those who need it without excluding families facing exigent circumstances; 2) allow any

cap on the amount of tax credits issued to rise to meet demand; and 3) ensure a stable source of funding for scholarship organizations by avoiding credit lotteries and giving priority to previous donors. Adopting these policies would result in a more consistent and fiscally stable program that aids a greater number of financially struggling families.

Introduction

This is the third in a series of Pioneer Institute policy briefs on scholarship tax credit programs. The first, in 2007, was a groundbreaking study of scholarship tax credit programs in Florida, Minnesota, and Arizona.¹ The second report, published in 2010, built on that research in assessing Rhode Island's Corporate Scholarship Tax Credit (CSTC) program, which became law in 2007.² That study provided a review of the CSTC program's legislative history, program design and impact and offered recommendations to policymakers based on Rhode Island's experience.

This policy brief reviews the Rhode Island CSTC program's first adopters, the Foundation for Rhode Island Day Schools and the two Jewish day schools whose low-income students it supports.

Historical Outline

The Providence Hebrew Day School

In February 1947, the Providence Hebrew Day School (PHDS) opened on Waterman Street in Providence, Rhode Island to serve the area's Orthodox Jewish community. Rabbi Akiva Egosi, the school's second director, described the founders as "a group of idealistically inclined parents who sought to blend the values of the Jewish heritage with the nobility of American democracy and

tradition.”³ In his words, the purpose of the school was “to devise a curriculum calculated to develop Jewish children into individuals of high moral character, with well-informed and disciplined minds and a social mindedness that would fit them for loyalty and service to their community and to their country.”⁴ They modeled their school after the Maimonides School in Boston, which was founded two years earlier.

Initially, PHDS contained a kindergarten and the first four elementary school grades for children aged four through ten with 93 students.⁵ After only one semester, PHDS added a nursery school and expanded its elementary school to eighth grade.

Funding, however, was scarce. Parents who could not afford tuition were not turned away, so the Ladies Association, an organization comprised of women in the Providence Jewish community, would organize “bridge parties” to raise money.⁶ Many teachers worked part-time and took a second job elsewhere. At its lowest point, the school could not afford to pay the teachers for a few weeks. School leaders sought aid from the General Jewish Committee, which agreed to cover the expenses and then formed the Bureau of Jewish Education in 1953 to raise money for Jewish educational purposes.⁷

In 1962, the school moved to a new, two-story brick building on Elmgrove Avenue and expanded to ninth grade.⁸ In 1968, the board of directors unanimously approved the addition of a full-time high school called the New England Academy of Torah.⁹ Twenty years later, in 1982, there were 189 students enrolled in PHDS’s preschool through eighth grade, 36 students at the high school, and eleven in their bilingual program.¹⁰

Today, PHDS operates a pre-school and kindergarten, an elementary school with grades one through eight, and a girls’ high school, serving a total of 170 students with a faculty of about thirty teachers.

The Jewish Community Day School

In 1978, the local Conservative movement founded its own school, the Conservative Jewish Day School, at Temple Emmanuel in Providence, Rhode Island. It opened with just one grade and added an additional grade each year until it spanned grades one through eight.¹¹ In 2005, it became the Jewish Community Day School (JCDS), as it is known today.

In 2009, JCDS closed its middle school due to declining enrollment in those grades. It now has 76 students in preschool through fifth grade, with 17 full- and part-time teachers. Class sizes range from 8-14 students.¹²

Tuition and Financial Aid

The sticker price of tuition at PHDS ranges from \$5,800 per year for preschool to just over \$16,000 per year for the girls’ high school, while the annual tuition at JCDS is \$17,000. However, each school offers financial aid to a significant portion of families. About 50 percent of families at JCDS and 75 percent at PHDS receive financial aid from their respective schools.¹³

Both schools offered financial aid even before Rhode Island enacted the scholarship tax credit program. “We would be pricing ourselves out of the market if we couldn’t give aid to certain families,” explained Rabbi Peretz Scheinerman, Dean of PHDS.¹⁴ PHDS contracts with an outside agency, FACTS Grant & Aid, to determine eligibility. Families seeking financial aid fill out an online form, providing tax and other pertinent

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financial information, then FACTS offers a recommendation to the school's Scholarship Committee. FACTS also collects tuition payments for PHDS.

Financial aid to low-income families is a strain on the schools' budgets. JCDS allocates approximately 23 percent of its budget to providing tuition assistance.¹⁵ With the advent of Rhode Island's scholarship tax credit program in 2007, the schools have a new source of aid for financially struggling families. In the 2010-11 school year, 10 percent of JCDS students and 34 percent of PHDS students received scholarships through the scholarship tax credit program.

Rhode Island's Corporate Scholarship Tax Credit Program

On June 30, 2006, the Rhode Island General Assembly enacted the Corporate Scholarship Tax Credit program with bipartisan support and Governor Donald Carcieri signed it into law.¹⁶ As described under chapter 44-62 of Rhode Island's General Laws, the CSTC program's purpose is to "enhance the educational opportunities available to all students in this state"¹⁷ by granting tax credits to any Rhode Island business that contributes to registered non-profit scholarship-granting organizations (SGO).

The SGOs are charitable organizations¹⁸ that grant scholarships to low-income students who wish to attend qualified non-public schools, including parochial schools. They must disburse at least 90 percent of the donations they collect each year in the form of scholarships to low-income students, defined as families earning up to 250 percent of the federal poverty line.¹⁹ SGOs have the prerogative to determine the number and size of the scholarships they award.

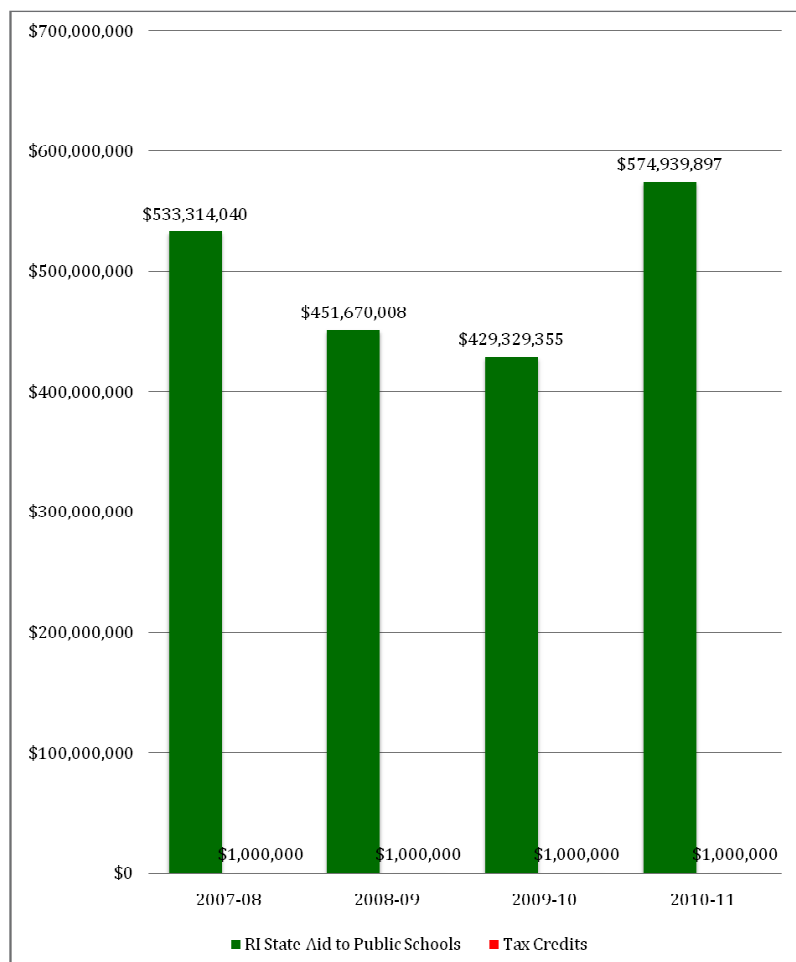
Tax credits are worth 75 percent of a single-year donation or 90 percent of a two-year donation commitment (so long as the second year's donation is at least 80 percent of the amount of the first year's donation). The maximum credit granted to any business entity is \$100,000 per year and there is a statewide cap on the tax credits of \$1 million.²⁰

The size of the CSTC program is dwarfed by state spending on public education. Annual tax credits awarded are equivalent to less than a fifth of one percent of state spending on public schools, which amounted to \$574,939,897 in the 2010-11 school year.²¹ (See Figure 1) Even substantial increases to the CSTC program would therefore have a minimal impact on state spending on public schools. Moreover, the reduction in state revenue from the tax credits for each scholarship awarded is significantly less than the state's per-pupil expenditures for public schools. In fiscal year 2011, the average CSTC scholarship was under \$2,750, which is approximately 18 percent of Rhode Island's average state per pupil expenditure of over \$15,000.²²

Scholarship-Granting Organizations

The first registered SGO in Rhode Island was the Foundation for Rhode Island Day Schools ("the Foundation"), which serves low-income families attending PHDS and JCDS. The Foundation was created by Larry Katz, Director of Educational Services at the Bureau of Jewish Education of Rhode Island. The Foundation began granting scholarships in the spring of 2007 and was joined by three other SGOs in the fall of 2007, including the Catholic-affiliated Financial Aid for Children's Education (F.A.C.E.), the Rhode Island Christian School Scholarship Alliance (RICSSA), and Scholarships to Economically

Figure 1: Rhode Island State General Aid to Public Schools vs. Corporate Scholarship Tax Credits



Source: Rhode Island’s Department of Education website, Office of Finance, “State Education Aid,” <http://www.ride.ri.gov/Finance/Funding/aid/default.aspx>, retrieved on February 10, 2012.

Poor Students (STEPS). RICSSA closed after two years of operation, but was replaced by the Association of Christian Schools International (ACSI) in 2010. Another SGO, Achievement for Children with Challenges Empowered by School Scholarships (ACCESS) formed in 2010 to support special needs students. (See Table 1 for more information on each SGO’s criteria for scholarship determination and the schools their recipients attend.)

Though the Catholic diocese had been the most active proponent of the law, it did not have a scholarship-granting organization

in place to distribute scholarships when the law took effect on January 1st, 2007. By contrast, the Jewish day schools joined the lobbying effort much later than the diocese, yet they were the first to establish a SGO. Understanding how the Jewish day schools organized so quickly may be instructive for future efforts to establish SGOs.

A primary factor in the Foundation’s alacrity was an enterprising board member who was an accountant. He was able to persuade his corporate clients that they could greatly benefit the community at very little cost, since two-year donations receive 90 percent credits and corporations can deduct the remainder from federal taxes. Having a corporate accountant directly soliciting businesses for donations not only facilitated the Foundation’s ability to mobilize faster than any other SGO, but it also created a relatively steady source of funding for the SGO.²³ “Almost all our CSTC donations come through accountants,” explained Katz.²⁴

In the last four fiscal years, Foundation has consistently disbursed more than 96.5 percent of its received donations in the form of scholarships, more than the 90 percent required by law. In the most recent two fiscal years, the Foundation has disbursed more scholarships than it received in donations in those years because it disbursed previously unused funds. (See Figure 2).

The Foundation currently supports 63 students, 56 at PHDS and 7 at JCDS. (See Figure 3). The Foundation regularly supports between 45-65 low-income students at PHDS and had been supporting over 20 students per year at JCDS, until they closed their middle school in 2009. In the last three years, only 7-8 JCDS students have received scholarships.

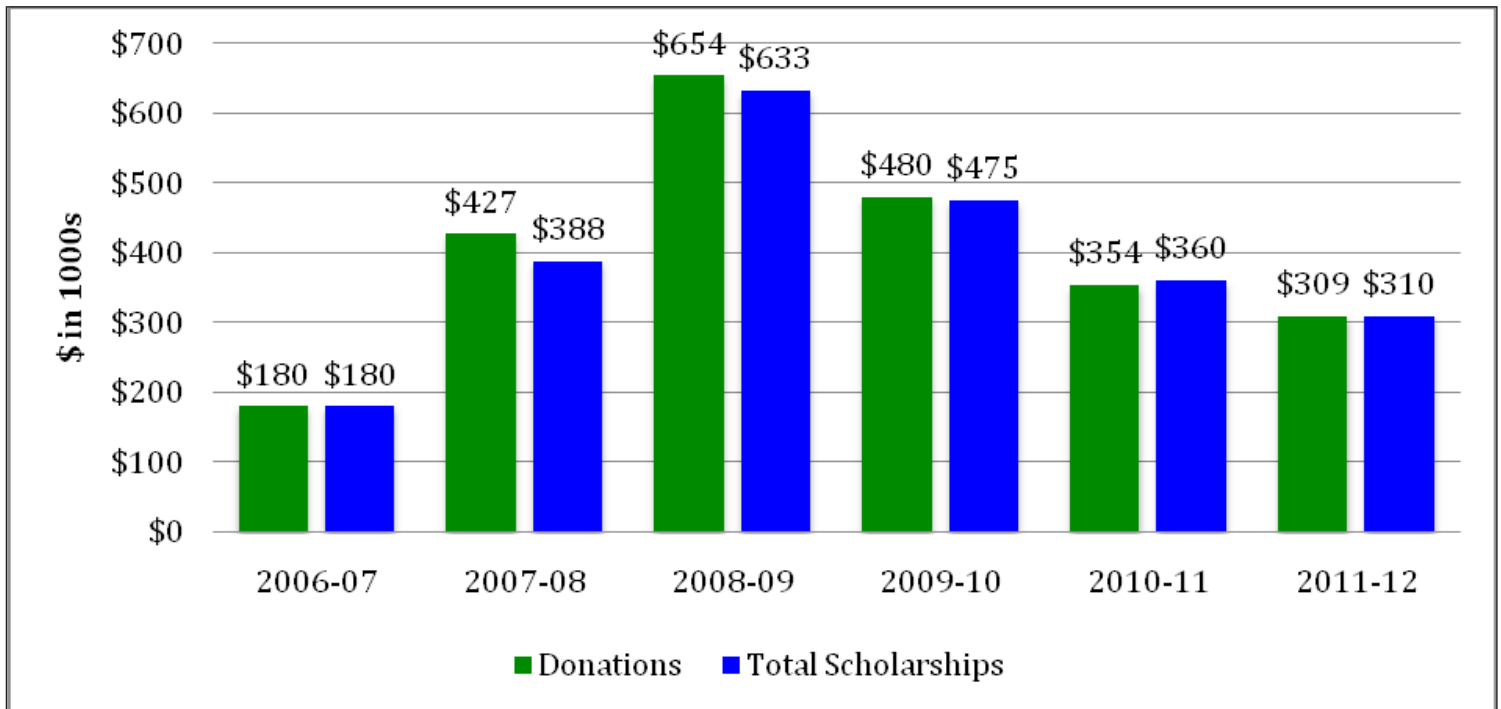
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Table 1: CSTC Scholarship Organization Schools Represented and Eligibility Criteria

SGO	Schools Represented	Scholarship Determination
The Foundation	Jewish day schools	Funds collected during the year are evenly divided among eligible students.
F.A.C.E Financial Aid for Children's Education	Catholic elementary and secondary schools	Scholarships based on students' ranked order of financial need. Prior award recipients could receive renewed scholarship awards based on demonstrated financial need.
STEPS Scholarships to Economically Poor Students	Nondenominational private girls school (grades 5-8); independent LaSallian boys school (grades 5-8); independent co-ed school (grades 3-8); special needs school (grades K-8)	Scholarships are given to eligible students with the best academic potential.
RICSSA Rhode Island Christian School Scholarship Alliance	Private Christian (non-Catholic) academies	Scholarships are evenly divided among eligible students.
ACCESS Achievement for Children with Challenges Empowered by School Scholarships	Private schools for students with special needs.	Scholarships are given to eligible students with disabilities based on their ranked order of financial need.
ASCI Association of Christian Schools International	Private Christian (non-Catholic) academies	Scholarships are given to eligible students attending ASCI-affiliated schools.

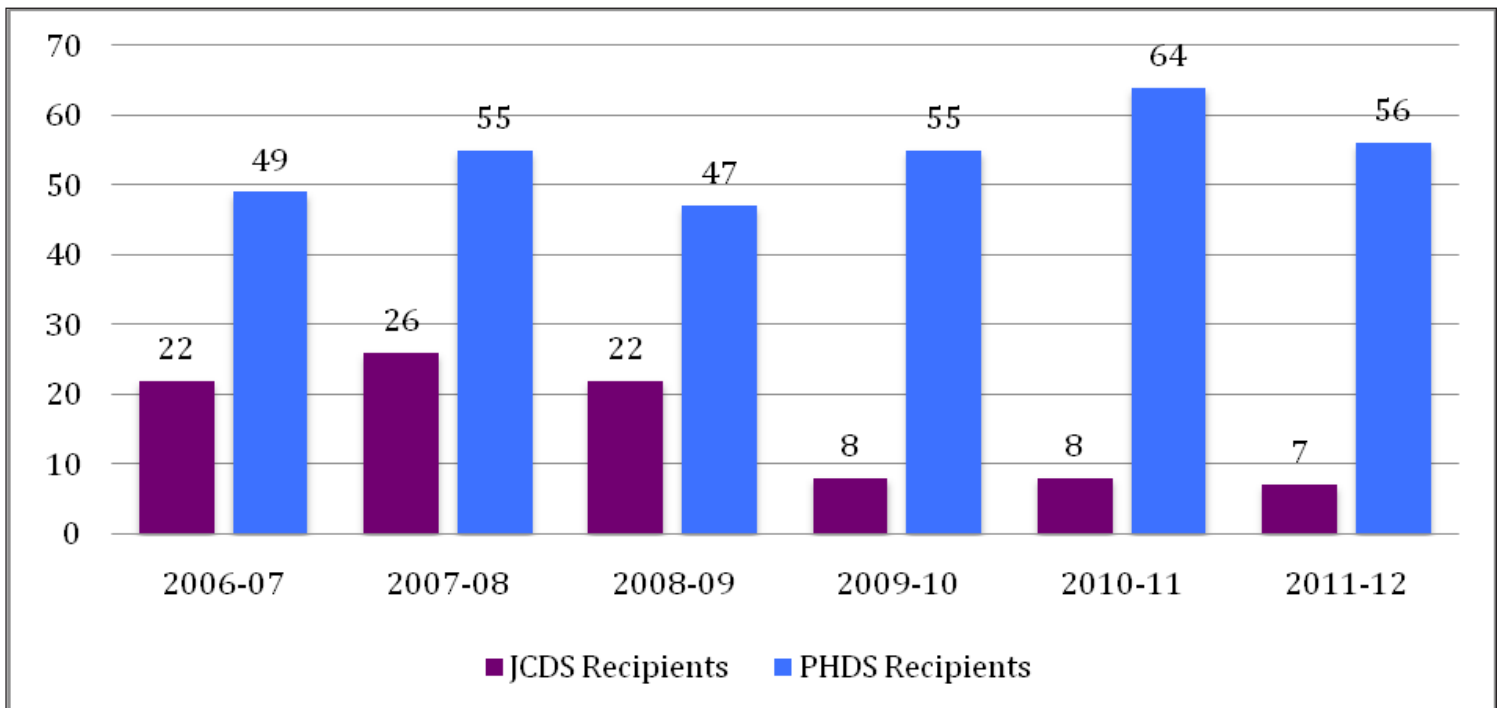
Notes. Author's summary from "SGO Summary Information on Scholarships Distributed" (Source: <http://www.tax.state.ri.us/Credits/>, retrieved on February 10, 2012). An update of the Table 4 found on page 6 of the preceding Pioneer Institute white paper: Steinberg, Matthew P. "Education Tax Credits: A Review of the Rhode Island Program and Assessment of Possibilities in Massachusetts." Pioneer Institute White Paper, No. 69, October 2010.

Figure 2: Total Value of Donations and Scholarships for the Foundation, by Academic Year



Notes. Author’s calculations from data from “SGO Summary Information on Scholarships Distributed,” <http://www.tax.state.ri.us/Credits/>, retrieved on February 10, 2012.

Figure 3: Foundation Scholarship Recipients by School and Academic Year



Notes. Author’s calculations from data from “SGO Summary Information on Scholarships Distributed,” <http://www.tax.state.ri.us/Credits/>, retrieved on February 10, 2012.

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Challenges of the CSTC Program

Means-testing

The CSTC program's means-testing requirement limits scholarships to families earning no more than 250 percent of the federal poverty line, which was \$55,875 for a family of four in 2011.²⁵ This is a mechanism intended to target funds towards those in need. All but one of the other seven states with CSTC programs employ some level of means-testing.

However, an inflexible means-testing cap can sometimes prevent financial aid from reaching those who need it most. For example, when a family member suffers a serious, long-term illness, the family may face drastically increased expenses while technically earning enough to be ineligible to receive a scholarship. Likewise, a family whose primary earner may have suffered a job loss may nevertheless be ineligible to receive a scholarship because they earned more than the cap allows in the previous year. Additionally, there is no flexibility for recipient families whose income then increases to slightly above the income threshold.

As mentioned above, both PHDS and JCDS offer financial aid to families who do not qualify for the CSTC scholarships. "We quite often will grant financial aid beyond the SGO credit that the family received if absolutely necessary and if it is justified as per FACTS," explained Scheinerman, referring to the agency that verifies applicants' incomes and recommends aid amounts. "Families out of work may still qualify for financial aid. The benefit of using a private company [to determine aid eligibility] is that financial aid rewards are not subjective."²⁶

Harshita Lakhiana, Business Manager of JCDS concurs, "We have families that miss the cut off by only a \$100 or less. We give out aid to a lot of families. I wish the 250 percent cap could be raised to 350 percent. That would help us a lot."²⁷

Statewide credit cap and credit lottery

In every year since the 2007-08 school year, the CSTC program has hit the \$1 million credit cap. This has severely limited the ability of SGOs to raise funds. "We certainly would be able to raise more money, but for the cap," explained Katz. "We had a number of applications [for credits] turned down by the state because they hit the cap almost from the start."²⁸ Rhode Island's cap is lower than any of the seven other states with CSTC programs. Currently, Indiana has the second-lowest credit cap at \$5 million²⁹ while Florida has the highest cap at \$175 million for the 2011-12 school year.³⁰ It is true that Rhode Island is considerably smaller than the other states with CSTC programs, but even when comparing the number of scholarship recipients against the total number of public school students in each state, Rhode Island has the second smallest program. With the exception of Indiana, which also has a statewide voucher program, the CSTC programs in all the other states serve recipients equal to between 0.33 percent and 2.24 percent of the public school student population. By contrast, Rhode Island's CSTC program serves only the equivalent of 0.23 percent of the public school population.³¹

When the credit cap is reached, the Rhode Island Division of Taxation holds a lottery to allocate the credits. All applications that arrived up to and including the day that the credit limit was reached are entered into the

lottery. In recent years, the applications for credits have exceeded the \$1 million credit cap on the first day of the fiscal year (July 1), meaning that all applications that arrived on July 2 or later were rejected. Most recently, the Division of Taxation held a lottery on July 27, 2011 to determine the credits for the 2011-12 school year.³² In the lottery, applications are randomly drawn until the cap is reached. Only 8 of the 24 applications for credits were approved via the lottery for the 2011-12 school year.³³ In the previous year's drawing, 46 of the 57 applications were approved and 11 were rejected.³⁴

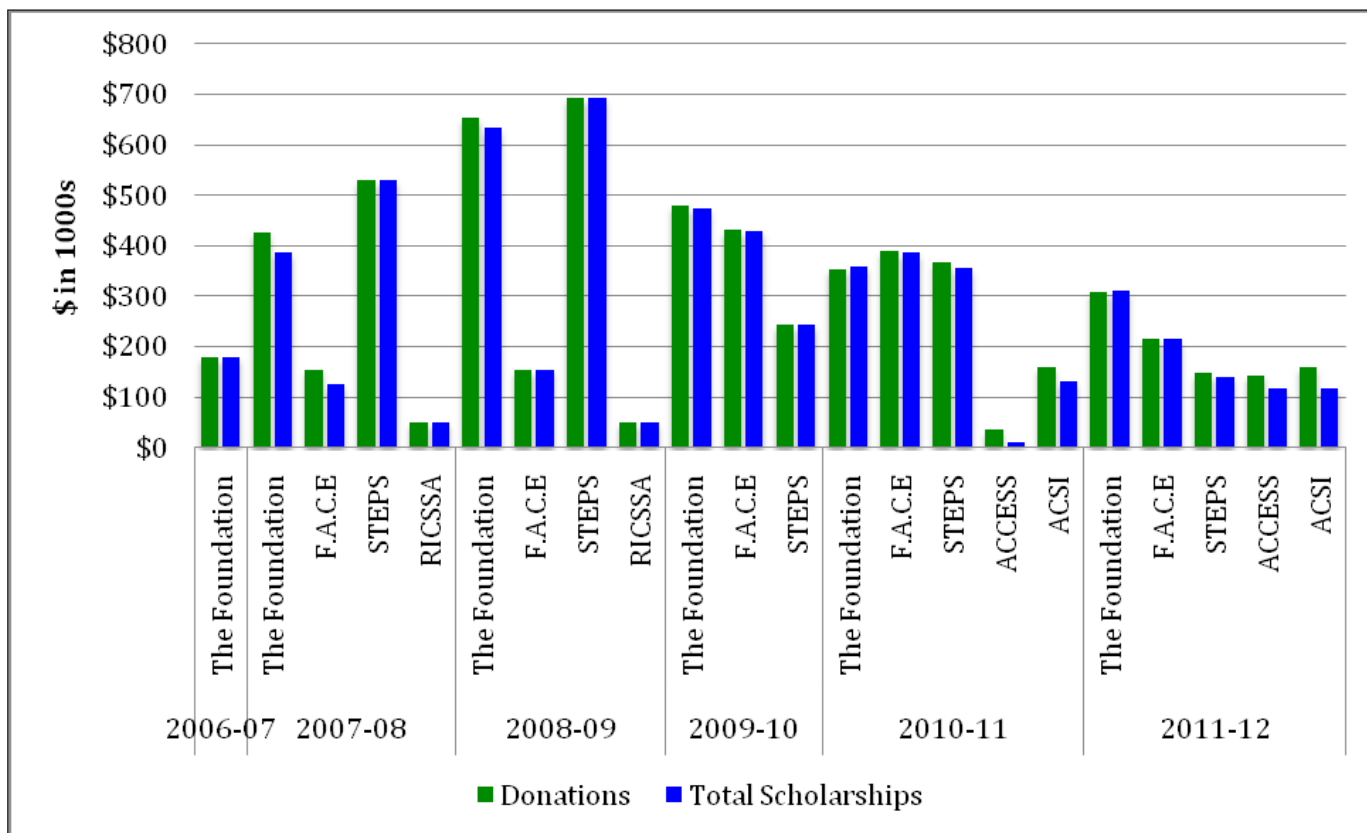
scholarship sizes program-wide have fallen from \$4,558.72 in 2008-09 to \$2,716.91 in 2011-12. (See Table 2).

While the cap constrains funding, the lottery makes funding unpredictable and inconsistent over the years. (See Figure 4). Funding is not at all tied to the number of donors or applicants attached to a given SGO. For example, in fiscal year 2008-09, F.A.C.E. granted scholarships to 62 recipients and disbursed about \$150,000, while STEPS granted 148 scholarships worth about \$700,000 (See Figures 4 and 5). In the following year, F.A.C.E. dramatically increased their number of scholarships granted to 404, since the lottery yielded around \$425,000, nearly three times their previous income. Meanwhile, the lottery yielded only \$250,000 for STEPS, which then decreased the number of scholarships granted to merely 44, less than a third of their previous year's total. This is all despite a relatively constant number of schools represented by each SGO. (See Figure 6).

SGOs receiving less funding than the previous year have to decide whether to reduce scholarship sizes, the number of recipients, or both. The Foundation's average scholarships have fallen from \$7,450 in 2009-10 to \$4,921 in 2011-12.³⁵ Average

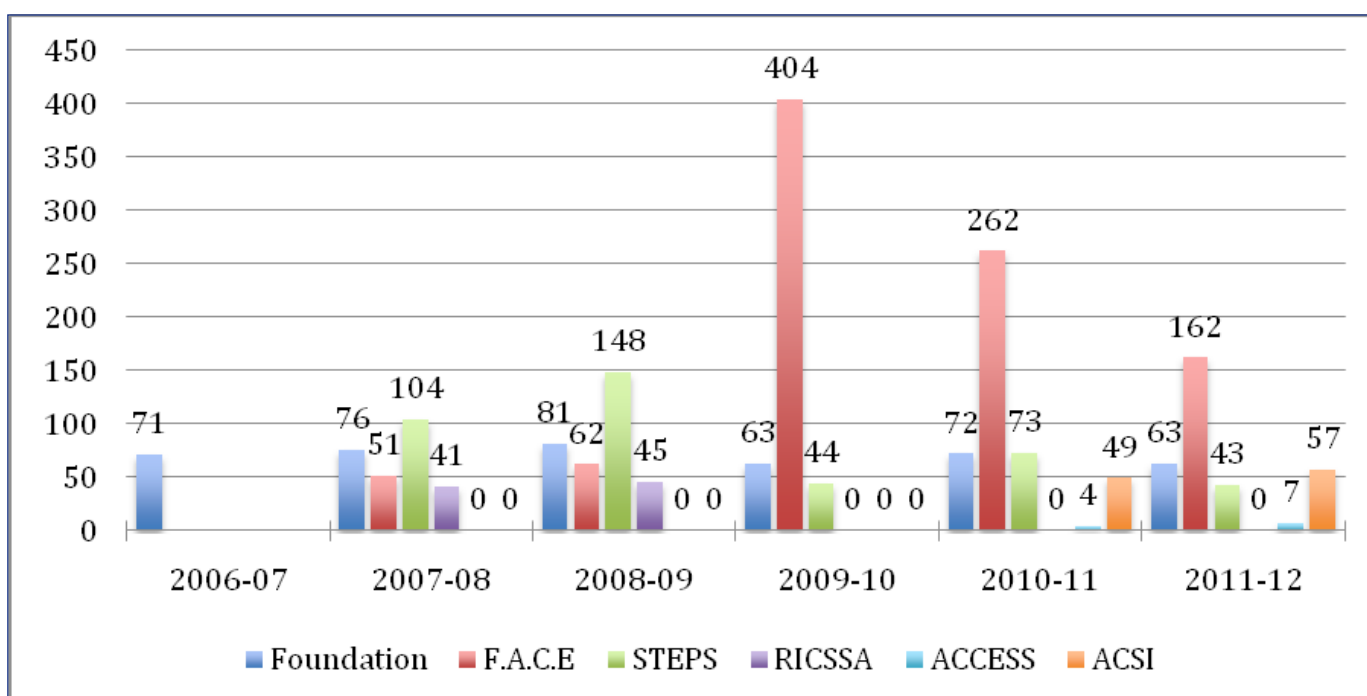
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Figure 4: Total Value of Donations and Scholarships by SGO and Academic Year



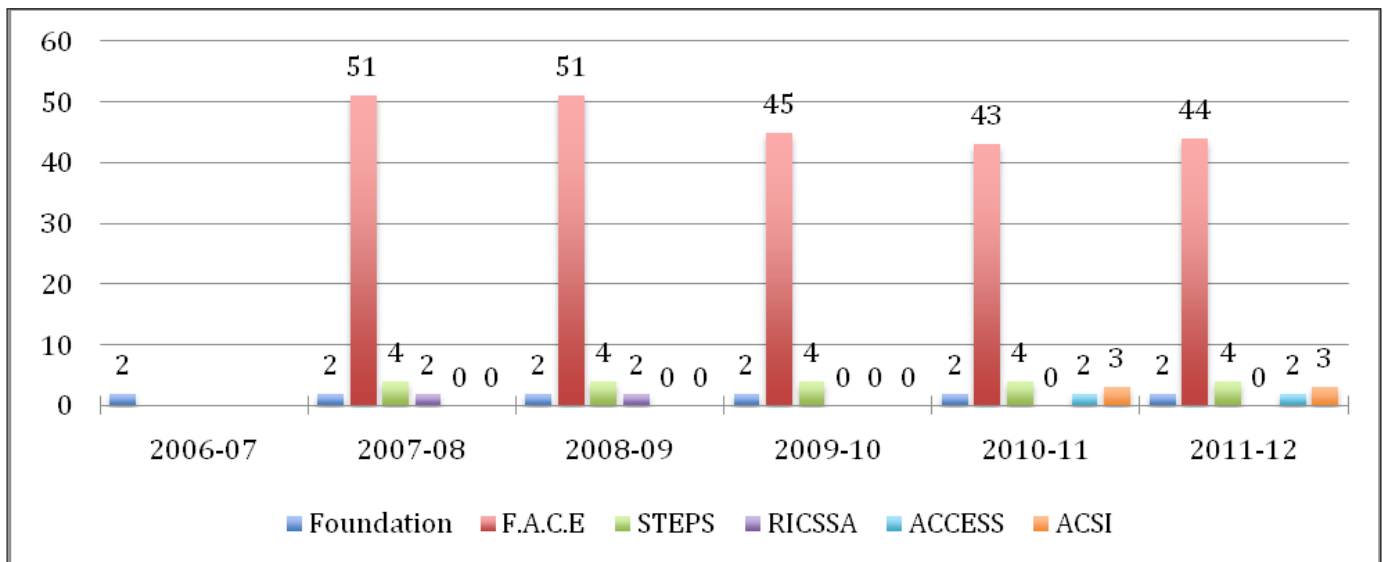
Notes. Author's calculations from data from "SGO Summary Information on Scholarships Distributed," <http://www.tax.state.ri.us/Credits/>, retrieved on February 10, 2012.

Figure 5: Number of Scholarships by SGO and Academic Year



Notes. Author's calculations from data from "SGO Summary Information on Scholarships Distributed," <http://www.tax.state.ri.us/Credits/>, retrieved on February 10, 2012. The # of Scholarships Granted by The Foundation during the 2007-08 is an average of the first and second semesters of the academic year (The Foundation granted 81 scholarships to students during the first semester and 69 during the second semester.)

Figure 6: Number of Schools by SGO and Academic Year



Notes. Author’s calculations from data from “SGO Summary Information on Scholarships Distributed,” <http://www.tax.state.ri.us/Credits/>, retrieved on February 10, 2012).

Table 2: CSTC Program Donations and Scholarships

	Academic Year					
	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Donations Received by SGOS	\$179,985	\$1,161,586	\$1,553,206	\$1,156,792	\$1,307,065	\$974,500
Scholarships Granted	\$179,985	\$1,093,065	\$1,531,731	\$1,148,493	\$1,254,376	\$902,015
Unused Donations	\$0	\$68,521	\$21,475	\$8,299	\$52,689	\$72,485
Participating SGOS	1	4	4	3	5	5
# of Schools with Scholarship Recipients	2	59	59	51	54	55
# of Scholarship Recipients	71	272	336	511	460	332
Average Scholarship	\$2,535.00	\$4,018.62	\$4,558.72	\$2,247.54	\$2,726.90	\$2,716.91

Notes. Author’s calculations from data from “SGO Summary Information on Scholarships Distributed,” <http://www.tax.state.ri.us/Credits/>, retrieved on February 10, 2012. For the 2006-07 academic year, data are for the second half of the school year.

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Performance Data

The following graphs compare Rhode Island's average public school New England Common Assessment Program (NECAP) reading and mathematics scores to the available NECAP scores at PHDS and JCDS for the fall of 2009, 2010, and 2011. The NECAP is administered to all public school students in grades 3 through 8 and grade 11 in Maine, New Hampshire, Rhode Island and Vermont.³⁶ The NECAP scores rank students against four achievement levels: Proficient with Distinction, Proficient, Partially Proficient, and Substantially Below Proficient. The figures in the graphs below show the combined percentage of students scoring in the Proficient and Proficient with Distinction categories.

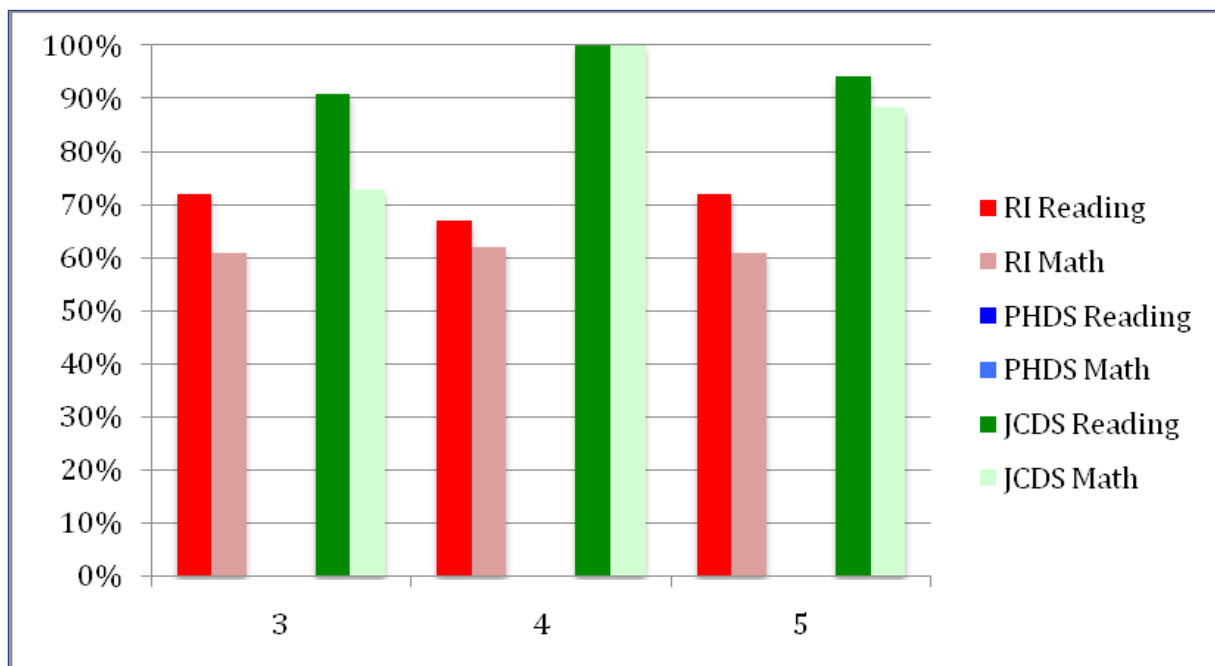
Non-public schools in Rhode Island may opt to have the NECAP administered to their students, but it is not required. The NECAP

tests were administered to PHDS students in grades 3 through 8 and JCDS students in grades 3 through 5. PHDS students began taking the NECAP assessment in the fall of 2010. Data for some grade levels at JCDS is unavailable because scores are reported only for grades with ten or more students.

As shown in the graphs below (Figures 7 through 9), students at both PHDS and JCDS significantly outperformed their public school peers on the NECAP's math and reading sections in every recorded grade in the last three years (with the sole exception of the JCDS grade 3 class on the math section of the 2010 NECAP examination – see Figure 9).

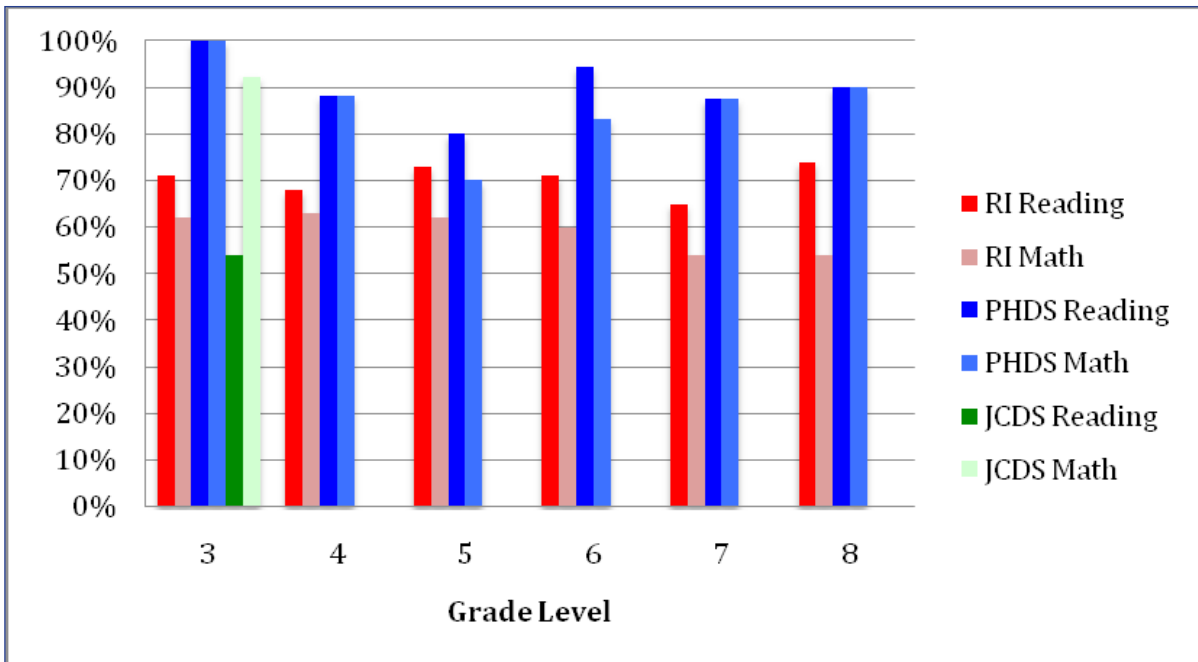
In general, higher scores on standardized tests do not necessarily reflect superior schools, since other factors may account for differences in student performance. It is important to note, however, that neither JCDS nor PHDS consider any applicant's

Figure 7: NECAP Fall 2009 % Proficient or Above



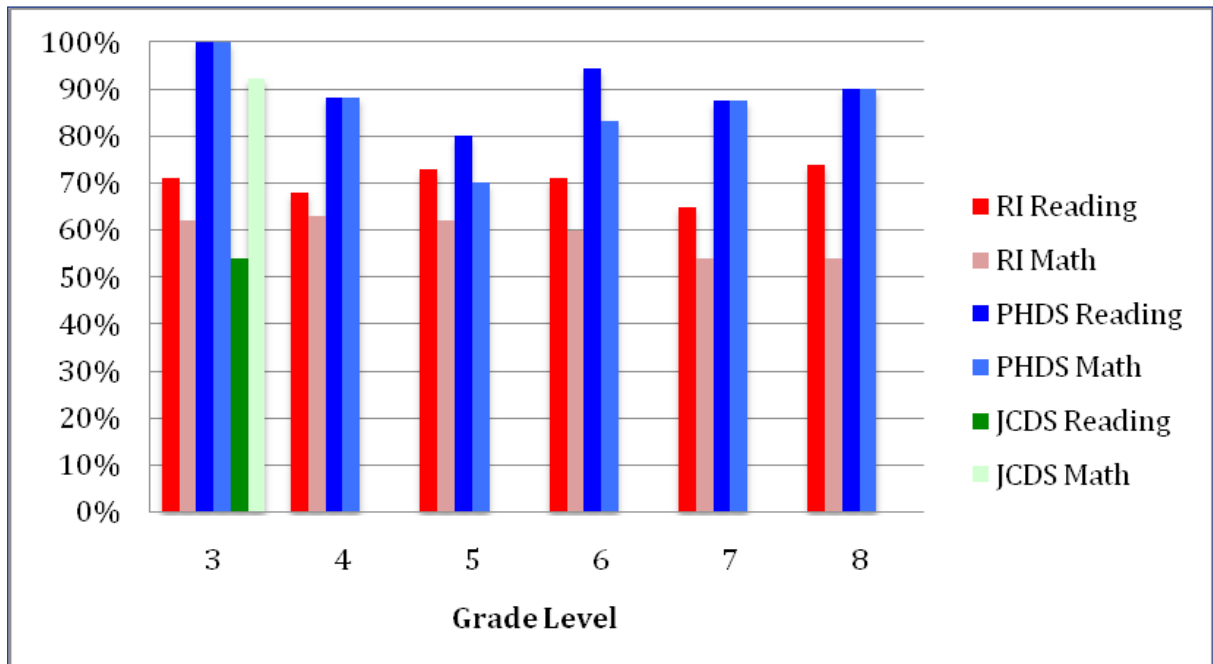
Source: Rhode Island's scores from the Rhode Island Department of Education website, Office of Instruction, Assessment and Curriculum, "NECAP Data, Reports, and Interpretation Guides," <http://www.ride.ri.gov/assessment/results.aspx>, retrieved on February 10, 2012. JCDS school scores from <http://reporting.measuredprogress.org/NECAPpublicRI>, retrieved on February 14, 2012. JCDS scores for grades with fewer than 10 students were unavailable. PHDS provided their scores for grades with fewer than ten students to the author.

Figure 8: NECAP Fall 2010 % Proficient or Above



Source: Rhode Island’s scores from the Rhode Island Department of Education website, Office of Instruction, Assessment and Curriculum, “NECAP Data, Reports, and Interpretation Guides,” <http://www.ride.ri.gov/assessment/results.aspx>, retrieved on February 10, 2012. JCDS school scores from <http://reporting.measuredprogress.org/NECAPpublicRI>, retrieved on February 14, 2012. JCDS scores for grades with fewer than ten students were unavailable. PHDS provided their scores for grades with fewer than ten students to the author.

Figure 9: NECAP Fall 2011 % Proficient or Above



Source: Rhode Island’s scores from the Rhode Island Department of Education website, Office of Instruction, Assessment and Curriculum, “NECAP Data, Reports, and Interpretation Guides,” <http://www.ride.ri.gov/assessment/results.aspx>, retrieved on February 10, 2012. PHDS and JCDS school scores from <http://reporting.measuredprogress.org/NECAPpublicRI>, retrieved on February 14, 2012. JCDS scores for grades with fewer than ten students were unavailable. PHDS provided their scores for grades with fewer than ten students to the author.

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academic ability for purposes of admission, hence “creaming” (admitting only students with a demonstrated high academic ability) is not a factor.

Conclusion

Rhode Island’s two Jewish day schools play a vital role in the Ocean State’s Jewish community. Both Providence Hebrew Day School and the Jewish Community Day School have consistently invested substantial portions of their limited resources to ensure that students are not turned away due to lack of ability to pay. It is therefore unsurprising that they quickly mobilized to establish the Foundation for Rhode Island Day Schools when Rhode Island adopted a corporate scholarship tax credit program in 2007. Through the Foundation, the CSTC program allows corporations to provide crucial aid to low-income families who wish to send their children to PHDS and JCDS.

Since its inception, Rhode Island’s CSTC program has helped hundreds of students from low-income families attend the schools that their parents believe best fit their individual educational needs. With the aid of the Foundation and their corporate donors, low-income students at PHDS and JCDS receive both the religious education that their parents desire and a strong secular education. Students at both schools score considerably above the state averages on the NECAP exams, often achieving 100 percent proficiency in math and reading school-wide.

However, the CSTC program also has several limitations, including its inflexible means-testing, restrictive credit cap, and lottery system. While it is important to target funding to low-income families, sometimes the means-testing requirement excludes

families facing exigent circumstances who need the aid the most. The \$1 million credit cap limits the program to a small number of families, considerably below the demand for the program. The lottery system to distribute credits creates fiscal uncertainty from year-to-year, resulting in sometimes-dramatic reductions in available scholarships or scholarship sizes. Addressing these limitations would result in a more consistent and fiscally stable program that aids a greater number of financially struggling families.

Lessons and Policy Recommendations

The Pioneer Institute’s previous white paper on Rhode Island’s CSTC program focused on the numerous positive aspects of the program. In particular, the paper recommended that Massachusetts adopt a similar program with the following key features: 1) Tax benefits available to all business entities in the state; 2) Targeted eligibility requirements for families; 3) A centrally organized clearinghouse for SGOs and families; and 4) Transparent SGO certification and business donation application process.³⁷ While recognizing the CSTC program’s numerous strengths, it is also important to identify areas where the program should improve. Massachusetts policymakers contemplating a CSTC program should also consider the Rhode Island program’s limitations when crafting legislation for the Bay State.

1) Adopt flexible means-testing requirements.

Means-testing is a mechanism intended to target aid to those who need it. However, some families facing exigent circumstances such as job loss or serious illness may not qualify for CSTC scholarships despite their pressing needs. Some methods of mitigating

such situations might include raising or eliminating the income cap for 5 percent to 10 percent of scholarship recipients to allow SGOs the flexibility to consider exigent circumstances.

Likewise, the CSTC program currently lacks flexibility for recipient families whose income then increases to slightly above the income threshold. Policymakers may want to consider Florida's means-testing cap, which allows participating families to increase their income to 230 percent of the federal poverty line, though families must initially be no more than 185 percent of the federal poverty line to qualify.³⁸

2) Allow the credit cap size to meet demand.

Rhode Island's \$1 million tax credit cap has prevented the program from meeting demand. As mentioned above, the average CSTC scholarship is only about 18 percent of Rhode Island's average state per-pupil expenditure for public school students. Rhode Island would save money from an expansion of the CSTC program so long as fewer than 78 percent of scholarship recipients would have attended non-public schools anyway. Moreover, since the CSTC program is equal to less than a fifth of one percent of state spending on public schools, Rhode Island could substantially increase the size of the program without significantly impacting the state budget.

Several other states with CSTC programs adopted legislative mechanisms to increase the credit caps under certain conditions. Florida's cap increases automatically by 25 percent whenever the amount of credits granted comes within 90 percent of the credit cap.³⁹ In Georgia, the credit cap is tied to the Consumer Price Index, with a sunset

provision of 2018.⁴⁰ Arizona's credit cap automatically increases by 20 percent each year.⁴¹ Rhode Island should consider these and other options to allow the CSTC program to grow to meet demand. At a minimum, indexing the program to inflation will allow the program to maintain its current level of impact.

3) Ensure a stable source of funding.

Using a lottery to distribute credits may satisfy a certain notion of fairness, but it also creates fiscal uncertainty and can result in the reduction or elimination of aid to existing scholarship recipients. One method of avoiding these scenarios would be to give priority to current scholarship recipients, so long as there are corporations willing to provide funding to the SGOs that provide their scholarships. This might also entail giving priority to previous donors.

■ **Rhode Island Jewish Day Schools and Scholarship Tax Credits**

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Endnotes

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14. From author's conversation with Rabbi Peretz Scheinerman, Dean of PHDS, via telephone on January 30, 2012.
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17. Source: Rhode Island General Laws, Chapter 44-62, Section 44-62-1, "Tax Credits for Contributions to Scholarship Organizations," <http://www.rilin.state.ri.us/Statutes/TITLE44/44-62/INDEX.HTM>

■ **Rhode Island Jewish Day Schools and Scholarship Tax Credits**

18. A charitable organization is exempt from federal taxation under § 501(c)(3) of the internal revenue code. A “qualified school” is a nonpublic elementary or secondary school, located in Rhode Island, which satisfies the requirements prescribed by Rhode Island law for nonpublic schools (see 16-40 of Rhode Island’s General Laws, titled “Private Schools”); Source: <http://www.rilin.state.ri.us/Statutes/TITLE16/16-40/INDEX.HTM>

19. Source: Rhode Island General Laws, Chapter 44-62, Section 44-62-2 and 44-62-3, “Tax Credits for Contributions to Scholarship Organizations,” <http://www.rilin.state.ri.us/Statutes/TITLE44/44-62/INDEX.HTM>

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24. From author’s conversation with Larry Katz, Director of Educational Services at the Bureau of Jewish Education, via telephone on January 17, 2012.

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36. For more information on the NECAP, its history, and interpretation of its results, see the New England Common Assessment Program, “Guide to Using the 2011 NECAP Reports,” at http://www.ride.ri.gov/assessment/DOCS/NECAP/Reports_Results/10.2011/Guide_to_Using_the_2011_NECAP_Reports.pdf (retrieved February 14, 2012).
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