

Program on Education Policy and Governance Working Paper

**An Analysis of Arizona Individual Income Tax-credit Scholarship Recipients' Family
Income, 2009-10 School Year**

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An Analysis of Arizona Individual Income Tax-credit Scholarship Recipients' Family Income, 2009-10 School Year

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Abstract

In 2009, the *East Valley Tribune* and the *Arizona Republic* alleged that Arizona's individual income tax-credit scholarship program disproportionately serves privileged students from higher-income families over those from lower-income backgrounds. Yet neither paper collected the student-level, scholarship recipient family income data needed to verify their allegation. This analysis does by using family income and related data provided by school tuition organizations (STOs) for 19,990 individual income tax-credit scholarship recipients, representing almost 80 percent (79.4 percent) of all scholarship recipients in 2009. These student-level data show there is no factual basis for claims that the individual income tax-credit scholarship program fails to help poor and lower-income students. This analysis finds that scholarship recipients' median family income was almost \$5,000 lower than the U.S. Census Bureau statewide median annual income. It was also almost \$5,000 lower than the median incomes in recipients' neighborhoods, as estimated using student addresses and zip codes. More than two-thirds (66.8 percent) of scholarship recipients' family incomes would qualify them for Arizona's means-tested corporate income tax-credit scholarship program, which is limited to \$75,467 for a family of four. Finally, a higher proportion of scholarship recipients come from families whose incomes qualify them as poor (at or below \$20,050 for a family of four) than the U.S. Census Bureau statewide average, 12.8 percent compared to 10.2 percent.

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Introduction

In 1997, Arizona became the first state to adopt an educational tax-credit scholarship program. This program allowed for the creation of private, nonprofit school tuition organizations (STOs) that give scholarships to students for use at any private K-12 school of the family's choice. Arizona taxpayers may claim dollar-for-dollar credits worth up to \$500 (\$1,000 for married couples filing jointly) against their state income taxes for donations to the STOs, which must distribute at least 90 percent of donated funds for private school scholarships (ADOR 2009).¹ In 2009, Arizona taxpayers donated \$50.9 million to STOs, which funded 27,582 scholarships (OERA 2009).²

In 2009, investigations of the program by the *East Valley Tribune* and the *Arizona Republic* claimed the tax-credit scholarships mainly benefit wealthy families, while failing to expand educational choices for low-income children. Both papers repeatedly acknowledged that data currently available from the state make it virtually impossible to determine the extent to which low-income students are participating in the individual income tax-credit scholarship program. The newspapers interviewed officials or cited related statistics from approximately 15 of the 55 STOs operating at the time.³ Yet rather than attempt to collect the data themselves from STOs, the *East Valley Tribune* and the *Arizona Republic* made sweeping allegations unsupported by empirical evidence that the program largely does not serve low-income students.

¹ In 2010, the Arizona legislature made changes to the state's individual income tax-credit scholarship program intended to promote greater transparency and accountability. The changes, which will go into effect January 2011, include: express prohibitions against STOs restricting scholarships solely on the basis of donor recommendations and taxpayers claiming tax credits if they swap donations with other taxpayers to benefit their own dependents; requiring STOs to certify that they allocate at least 90 percent of their annual revenues to scholarships; and requiring STOs to consider financial need as defined in statute when awarding scholarships and to report the amount of scholarships they pay to low-income students. Complete changes are summarized in H.B. 2664, "STOs; tax requirements, 3/5/10 House Engrossed Bill Summary/Fact Sheet, which can be downloaded from http://www.azleg.gov/FormatDocument.asp?inDoc=/legtext/49leg/2r/summary/h.hb2664_03-05-10_houseengrossed.doc.htm.

² Annual reports on the program are available through the Arizona Department of Revenue's School Tax Credit Info Web site, <http://www.azdor.gov/ReportsResearch/SchoolTaxCredit.aspx>.

³ Author's tally based on citations in published reports by the *East Valley Tribune* and the *Arizona Republic*.

A major problem with the *East Valley Tribune*'s and the *Arizona Republic*'s analyses is that they assumed students who attend private schools must be from well-to-do families. For example, the *Arizona Republic* based its assertion that "many students who benefit from the tax-credit scholarships are not from poor families" on a 2003 survey of 18 Arizona STOs conducted by the Goldwater Institute in Phoenix (Hansen and Kossan, August 1, 2009). Since Goldwater found most scholarship recipients were already enrolled in private schools, "That meant most of the students didn't need tax-credit scholarships to gain entry," according to the *Arizona Republic* (Hansen and Kossan, August 1, 2009).⁴

The results of this Goldwater Institute survey, subsequent Goldwater Institute surveys cited by the *East Valley Tribune* and the *Arizona Republic* in their investigations, as well as data from the U.S. Department of Education and other government sources, show just the opposite.⁵ In fact, the very Goldwater Institute survey cited by the *Arizona Republic* discredited the assertion that students already attending private schools do not need financial assistance, a claim first publicized in a 2002 report by Arizona State University's Education Policy Studies Laboratory (Wilson 2002). "Most scholarships are used by students who were already enrolled in private school," according to the Goldwater Institute in 2003; however its report cautioned:

Yet it would be a mischaracterization of the program to suggest that those in private schools are necessarily wealthy. In fact, according to the National Center for Education Statistics, nearly half of all private schools teach students who are eligible for the free or reduced-price school lunch program, and more than 10 percent of all

⁴ Referring to Lukas 2003.

⁵ The author was the director of the Goldwater Institute Center for Educational Opportunity at the time this and the other Goldwater surveys cited were published. The *Arizona Republic*'s characterization of Lukas' findings in particular was misleading and factually inaccurate. Its characterization of the findings is all the more inexplicable since the *Arizona Republic* reported on the Goldwater surveys at the time of their release and also published a number of related editorials, so the surveys' contents should have been familiar to the newspaper's education reporters.

private school students were eligible for the free or reduced price lunch program (Lukas 2003, p. 18).⁶

A separate Goldwater Institute report, also published in 2003, surveyed families receiving scholarships from the Arizona School Choice Trust. It concluded “that a significant number of Arizona families with incomes below \$30,000 is benefiting from school choice policies.” The survey also revealed,

The median household income of scholarship recipient families was between \$20,000 and \$30,000. Seventy-nine percent of households earned less than \$40,000...These findings suggest that the median income of ASCT families is approximately 30 percent below the median for the state of Arizona (Lips 2003, pp. 2 and 11).

Contrary to allegations such as those by the *Arizona Republic* that the tuition-tax-scholarships “mostly benefit the wealthy,” the majority of scholarships were distributed based on financial need to students, according to the Goldwater Institute (Lukas 2003, pp. 1, 6-12, 14, 18). In 2009, the Arizona House of Representatives Ad Hoc Committee on Private School Tuition Tax Credit Review also found that “90 percent of STOs consider financial need when awarding scholarships,” based on survey responses of 51 of Arizona’s 53 STOs in 2009 (“Final Report” 2009, p. 2).

Moreover, according to the Goldwater Institute, absent the individual income tax-credit scholarship program many students would likely have to leave their chosen schools. Arizona private school tuition averaged \$4,797, and 89 percent of private schools provided financial aid to their students (Gabrielson and Reese, August 5, 2009).⁷ While the tuition amount may seem lower than commonly assumed, the Goldwater Institute concluded in 2003, “[I]t is likely that

⁶ Referring to NCES 2002.

⁷ Referring to Murray and Groen 2005, pp. 4-5.

between 2,000 and 4,000 students would return to public school without the scholarship tax credit” (Lukas 2003, pp. 1 and 17).⁸ Six years later, Charles M. North, a Baylor University economics professor, put that number at 11,697. North presented his findings on the individual income tax-credit scholarship program to the Arizona House of Representatives Ad Hoc Committee on Private School Tuition Tax Credit Review in November 2009 (“Final Report” 2009, pp. 2-3).⁹

Unlike the aforementioned reports, neither the *East Valley Tribune* nor the *Arizona Republic* attempted to quantify how many low-income students use individual income tax-credit scholarships. Absent empirical data, the newspaper reports relied largely on conjecture. The *East Valley Tribune* claimed its “reporting provides the most complete account to date of whether tax credits have torn down the economic barriers that block underprivileged children from private classrooms, as lawmakers promised.” Yet the newspaper demurred in terms of providing hard numbers, stating only that the program “has failed to increase to any significant degree the access that disadvantaged children have to private schools” (Reese, September 27, 2009). The *Arizona Republic* acknowledged, “Because the law doesn’t require tuition organizations or private schools to report who gets the scholarship aid, it is unclear how many low-income students are helped.” (Hansen and Kossan, August 1, 2009). Yet, rather than attempting to gather the data necessary to help fill that void, the newspaper simply concluded that “there are signs the number is smaller than what was intended” (Hansen and Kossan, August 1, 2009).

This analysis puts such claims to the test. Using student-level data provided by STOs directly, it assesses the claim that the individual income tax-credit scholarship program does not

⁸ The findings were based on responses from 18 of the 47 STOs operating at the time, including five of the six largest organizations.

⁹ See also North 2009, pp. 1 and 3.

serve low-income children. It examines family income and related data provided by STOs for 19,990 students awarded individual income tax-credit scholarships during the 2009-10 school year, which represents almost 80 percent (79.4 percent) of all scholarships awarded in 2009. Of this universe, STOs supplied actual family income figures for 19,635 scholarship recipients (98.2 percent of the survey universe). For the remaining 355 scholarship recipients (1.8 percent of the survey universe), STOs provided addresses or zip codes so family income could be imputed using U.S. Census Bureau data.

The results indicate that scholarship recipients' median family income was almost \$5,000 lower than the U.S. Census Bureau statewide median annual income. It was also almost \$5,000 lower than the median incomes in recipients' neighborhoods, as estimated using student addresses and zip codes. More than two-thirds (66.8 percent) of scholarship recipients' family incomes would qualify them for the means-tested corporate income tax-credit scholarship program, which is limited to \$75,467 for a family of four (OERA 2010b, p. 3).¹⁰ Finally, a higher proportion of scholarship recipients come from families whose incomes qualify them as poor (at or below \$20,050 for a family of four) than the U.S. Census Bureau statewide average, 12.8 percent compared to 10.2 percent.

Methods

Data

On July 9, 2010, email surveys and instructions were sent to the 51 operational STOs that awarded scholarships through the individual income tax credit scholarship program during the

¹⁰ See also OERA 2010a, p. 14.

2009-10 school year.¹¹ The survey asked STOs to provide family incomes and family sizes for all scholarship recipients for that school year. STOs were given the option of completing pre-formatted survey forms sent with the emails or providing the requested data in another format if that was more compatible with their existing data collection systems.

Because the individual income tax-credit scholarship program is not income or means-tested, and new family income reporting requirements will not go into effect until January 2011, STOs may not have had the requested information. To account for that possibility, STOs officials were asked to provide 2009-10 scholarship recipients' street/ mailing addresses and zip codes so family income estimates could be made using U.S. Census Bureau data. STOs that already collect family income data were asked to provide this information as well so scholarship recipients' family income could be compared to U.S. Census Bureau median family incomes in their geographical areas.

STO officials were directed not to provide family or student names, and the author assured them that all responses would be kept strictly confidential and not shared. The author also assured STO officials that the analysis would only present aggregate, program-wide findings, not personally identifiable information. Formal confidentiality agreements reiterating these assurances were provided to STO officials as requested.

Final Sample

Of the 51 operational STOs offering scholarships through the individual income tax-credit scholarship program during the 2009-10 school year, 16 (31.4 percent) submitted the

¹¹ The author's list of STOs awarding scholarships for the 2009-10 school year was compiled based on the Arizona Department of Revenue's 2009 annual report, and reviewed by Georganna Meyer, Chief Economist, Office of Economic Research and Analysis, Arizona Department of Revenue; cf. OERA 2010c.

necessary data by the analysis deadline of September 7, 2010.¹² Because this analysis is based on student-level family income data rather than STO-level data, the more precise participation measure is not the number of participating STOs, but the number of scholarships they awarded. While survey respondents represent almost one-third of operational Arizona STOs participating in the individual income tax-credit scholarship program, they accounted for almost 80 percent (79.4 percent) of all scholarships awarded in 2009, specifically 19,990 out of 27,657 (OERA 2010c, pp. 2-3 and Appendix II).

Since reports published by the Arizona Department of Revenue currently cover calendar years, not school years, it is possible that the number of scholarships participating STOs awarded in the spring of 2009 (a period not covered in this analysis) differed substantially from those awarded in the spring of 2010 (a period that is covered in this analysis), which could affect the participation rate as measured in this analysis. As shown in Table 1, the number of 2009-10 school year scholarships amounted to 91.25 percent of 2009 calendar year scholarships, a difference of almost 2,000 scholarships.

Table 1. Scholarship Recipient Comparison of Participating Survey STOs, 2009 Calendar Year and 2009-10 School Year

School Tuition Organization (STO) Name	STO City	Number of Scholarships Awarded 2009 CY (AZ DOR)	Number of Scholarships Awarded 2009-10 SY (Survey)	SY/CY Compared
Arizona Christian School Tuition Organization	Chandler	5,523	4,917	89.03%
Arizona Private Education Scholarship Fund	Scottsdale	677	673	99.41%
Arizona Scholarship Fund	Mesa	3,116	4,484	143.90%
Brophy Community Foundation	Phoenix	349	349	100.00%
Catholic Tuition Organization of the Diocese of Phoenix	Phoenix	5,040	5,011	99.42%
Catholic Tuition Organization for the Diocese of Tucson	Tucson	2,588	2,448	94.59%
Higher Education for Lutheran Program	Phoenix	798	412	51.63%
Institute for Better Education	Tucson	2,626	521	19.84%
Life Development Institute Education Foundation	Glendale	2	2	100.00%
Lutheran Education Foundation	Phoenix	82	83	101.22%

¹² Data from the Christian Scholarship Foundation had to be excluded because it covered the 2008-09 school year.

Pinetop Tuition Support Organization	Pinetop	13	5	38.46%
Shepherd of the Desert Foundation	Scottsdale	84	61	72.62%
Southern Arizona Foundation for Education	Tucson	172	193	112.21%
Tuition Organization for Private Schools	Mesa	829	828	99.88%
WBC Christian Education Fund	Paradise Valley	8	3	37.50%
Total scholarship recipients		21,907	19,990	91.25%

Source: Author's table based on 2009 calendar year data from the Arizona Department of Revenue and responses from survey participants.

Notes:

1. The Christian Scholarship Foundation submitted scholarship recipient information; however, that information could not be used in this analysis because it was for the 2008-09 school year.
2. "CY" stands for calendar year; "SY" stands for school year.
3. Throughout this analysis and in the table, it is assumed that the number of scholarships corresponds to the number of scholarship recipients.

The number of scholarships awarded by STOs for the entire 2010 calendar year will not be reported until April 2011, and it is possible that STOs participating in this survey awarded more scholarships in the fall of the current 2010-11 school year. It is also possible that non-participating STOs will award a significantly higher number of scholarships than the 27,582 figure used in this analysis (19,990 scholarships out of 27,582 scholarships awarded in 2009, or 79.4 percent). Given the prevailing economic conditions, which resulted in eight percent fewer donations in 2009 compared to 2008 and 2.6 percent fewer scholarships, such a possibility is unlikely (OERA 2010c, pp. 2-3). The fact that the number of scholarships awarded by participating STOs during the school year closely approaches the calendar year suggests that the large sample size as measured by the number of scholarships awarded is not an anomaly.

Along with the sample size, the distribution of scholarships by STO survey respondents to students across counties helps gauge whether recipients' family income data is representative of scholarship recipients overall. The Arizona Department of Revenue presents the distribution of all STO scholarships to schools across 15 Arizona counties. This school/student scholarship distribution comparison helps illustrate that the family income of scholarship recipients in the survey sample are representative of scholarship recipients overall. Significantly, both the

scholarship recipients of survey STOs and scholarship recipients overall are distributed across all 15 Arizona counties, where the U.S. Census Bureau median family income levels range from a low of \$31,981 in La Paz County to a high of \$66,752 in Maricopa County, as shown in Table 2.¹³

Analysis

To test the claims made by the *East Valley Tribune* and the *Arizona Republic*, this analysis makes several comparisons of the median income data gathered from the surveys to median incomes reported by the U.S. Census Bureau and other agencies. First, this analysis compares actual reported income data to the state median income. Second, for those who provided both income and address data, the analysis compare recipients' median incomes to incomes of their surrounding communities, as measured by zip codes. Third, the analysis extends the second comparison by disaggregating the data into counties and comparing recipients in Maricopa and Pima Counties to their respective county medians. This was done because almost 90 percent of the sample came from those two counties. Finally, this analysis compares the scholarship recipients' incomes to two thresholds—one established by the federal government to define poverty and another established by the state of Arizona to determine eligibility for a means-tested corporate income-tax scholarship program designed for low-income families.

Limitations

Student-level data provides the most accurate basis for assessing the family income levels of individual tax-credit scholarship recipients. Certain data limitations, however, should be borne

¹³ This analysis uses 2008 inflation-adjusted median household income figures from the U.S. Census Bureau's American FactFinder database. These are the most current available figures as of this writing.

in mind. First, throughout this analysis it is assumed that the 19,990 scholarships awarded by STO survey respondents during the 2009-10 school year mostly went to individual students. While STOs can track whether they award multiple scholarships to single students in a given reporting period, there is no formal mechanism for tracking multiple scholarship awards to individual students across STOs (OERA 2010a, pp. 5 and 7). Thus, assuming the number of scholarships awarded equals the number of scholarship recipients could inflate the number of students counted in this analysis; however, absent changes to the state’s reporting requirements, calculating scholarships in this way is common practice.

Second, the median family income figures presented in this analysis may overstate the actual income of scholarship recipients overall due to the oversampling of scholarship recipients from Maricopa County. As shown in Table 2, almost 90 percent of scholarships awarded by both STO survey respondents and all STOs are concentrated in Maricopa County, followed by Pima County. Survey STOs, however, have a higher concentration of scholarships awarded in Maricopa County than Pima County (72.2 percent and 62.7 percent, respectively), where the median family income is nearly \$9,000 lower than Maricopa County.

Table 2. Scholarship Distribution of by County, Students and Schools Compared

County	Census Bureau	AZ Department of Revenue		Survey	
	Median Family Income (2008 \$)	Number of Scholarships to Schools	%	Number of Scholarships to Students	%
Maricopa	\$66,752	17,329	62.66%	14,435	72.21%
Pima	\$57,972	6,412	23.18%	3,189	15.95%
Yuma	\$43,377	812	2.94%	201	1.01%
Yavapai	\$53,116	729	2.64%	265	1.33%
Navajo	\$44,535	399	1.44%	119	0.60%
Pinal	\$53,308	359	1.30%	361	1.81%
Apache	\$36,773	340	1.23%	281	1.41%
Cochise	\$52,509	336	1.21%	222	1.11%
Gila	\$42,632	315	1.14%	257	1.29%
Mohave	\$46,600	223	0.81%	213	1.07%
Santa Cruz	\$43,076	204	0.74%	211	1.06%
Coconino	\$59,557	162	0.59%	99	0.50%

Graham	\$48,138	23	0.08%	28	0.14%
La Paz	\$31,981	14	0.05%	17	0.09%
Greenlee	\$50,897	0	0.00%	3	0.02%
Unknown/Other		0	0.00%	89	0.45%
Total		27,657	100.00%	19,990	100.00%

Source: Author’s table based on 2009 calendar year data from the Arizona Department of Revenue, 2009-10 school year responses from survey participants, and 2008 data from the U.S. Census Bureau.

Notes:

1. The Arizona Department of Revenue presents the distribution of scholarships by county based on the number and percentage of awards to schools. The table above presents the distribution of scholarships by county based on the number and percentage of awards to students.
2. Throughout this analysis and in the table, it is assumed that the number of scholarships corresponds to the number of scholarship recipients.
3. “Unknown/Other” stands for 2009-10 scholarship recipients that could not be assigned by county because the zip codes provided corresponded to multiple counties, were missing, or incomplete. In 29 cases, out-of-state zip codes were provided, suggesting students likely recently relocated to Arizona.
4. U.S. Census Bureau median family income figures are in 2008 dollars.

While this difference could be mitigated by the distribution of scholarships in more localized areas with lower median family incomes, the possibility does exist that scholarship recipient family incomes used in this analysis may be higher than the family incomes of STO scholarship recipients overall given the overrepresentation of scholarship recipients in Maricopa County.

Another factor may also overstate the family income figures of scholarship recipients in this survey. A uniform definition for determining scholarship recipients’ family income will not go into effect until 2011.¹⁴ Thus, STO survey respondents provided income data as they currently define it, and no adjustments were made to those figures. The analysis assumes throughout that they came largely from 2008 annual tax returns. This assumption is reasonable since family income information used in applications for scholarships to be awarded during the 2009-10 school year would most likely come from their 2008 tax returns filed in 2009. However, if family

¹⁴ Beginning in 2011, STOs will be required to use the United States Department of Agriculture (USDA) definition of household income, which is used to determine students’ eligibility for free or reduced price lunches. STOs will also be required to collect family size information. Beginning in 2011, STOs will further be required to report the amount of scholarships awarded to students with household incomes at or below the reduced price lunch income thresholds or less, and the amount of scholarships awarded to students with household incomes from the reduced price lunch income thresholds up to 342.25 percent of the poverty level, the threshold currently used to determine income eligibility under Arizona’s corporate tax-credit scholarship program. See OERA 2010a, pp. 8-10.

income figures provided by STOs represent 2009 or 2010 dollars, they will appear artificially high compared to U.S. Census Bureau median family incomes, which are presented in 2008 dollars. Although this inflation is a limitation, it also serves to make this analysis more conservative.

Finally, STOs have different privacy policies in place. While many STOs indicated collecting information such as family income is routine, making it publicly available—even in the aggregate—requires special parental and/or board authorization. This is completely understandable since with addresses and zip codes, it would be possible discover who scholarship recipients' families are, where they live, and other confidential information. Many STO officials indicated they would have liked to participate in the survey but would be unable to secure the required authorization in time. Other STO officials were able to secure expedited clearance to provide what data they could.¹⁵

To protect the privacy of its scholarship recipients and families, one STO that awarded scholarships to nearly one quarter of the survey sample (24.6 percent of scholarship recipients) provided student counts by zip code, with average taxable income amounts and average family sizes for the students in those zip codes. Because there are great variances in income figures across zip codes statewide, averaged figures are less reliable than median figures because they are so sensitive to extremes. The difference between the average and median family incomes of this survey's scholarship recipients amounted to thousands of dollars, indicating that a relative handful of high family incomes significantly inflate income figures overall. It is therefore likely

¹⁵ One smaller STO provided the number of scholarship recipients along with groupings of their home zip codes in lieu of compiling scholarship recipient family income and size data. Because there was no way to determine how many scholarship recipients resided in each zip code within a given grouping, U.S. Census Bureau median family income figures for each zip code were averaged and assigned to each student for that grouping. Combined those averages equaled the statewide median family income amount of \$60,426. Moreover, this data adjustment applied to less than 200 scholarship recipients (0.97 percent of the 19,990 STO scholarship recipient universe) and therefore do not materially alter the overall scholarship recipient family income results.

that this STO's averages make the family incomes of scholarship recipients in this survey appear higher than they actually are, again, making this analysis more conservative.

Results

Family income data provided by STOs show the program is not, as the *East Valley Tribune* put it, “[A] rigged system that keeps private education a privilege for the already privileged.” (*East Valley Tribune*, July 31, 2009).¹⁶ Based on data for 98.2 percent of the survey universe (N=19,635 students) with actual family income data provided by STOs, scholarship recipients’ median family income during the 2009-10 school year was \$55,458, almost \$5,000 lower than Arizona’s current statewide median annual income of \$60,426.¹⁷

Although comparing the recipients’ incomes to the state median is revealing, this analysis also compared the recipients’ family incomes to those in their surrounding neighborhoods. Of the 97.9 percent scholarship recipients (N=19,578 students) with actual family income data and complete Arizona zip code and/or address information, this analysis finds that scholarship recipients’ actual median family income during the 2009-10 school year was \$55,590—almost \$5,000 lower than the median family income of \$60,351 for their zip codes.¹⁸

Given that almost 90 percent of the sample comes from two counties—Maricopa and Pima—this analysis further disaggregated the data by county and compared scholarship recipients’ incomes to their respective neighborhoods. Results in Maricopa County found that

¹⁶ See also Hansen and Kossan, August 1, 2009.

¹⁷ This figure is presented by the U.S. Census Bureau in 2008 inflation-adjusted dollars. Included in this analysis are actual incomes for 29 scholarship recipients with zip codes from out of state, suggesting these students relocated to Arizona. An additional 28 scholarship recipients that had actual incomes but whose corresponding zip codes were missing, incomplete, or likely bad (not corresponding to the given Arizona city) are also included. Because this analysis is comparing scholarships recipients’ actual income overall to the statewide median family income, it was not necessary to exclude those students; however, in subsequent comparisons of scholarships recipients’ actual income to U.S. Census Bureau median family incomes in their neighborhoods based on zip codes, these students are excluded.

¹⁸ This analysis excluded the actual incomes for 29 scholarship recipients with zip codes from out of state, suggesting they relocated to Arizona, and 28 additional scholarship recipients with actual incomes but whose corresponding zip codes were missing, incomplete, or likely bad (not corresponding to the given Arizona city).

scholarship families reported incomes \$4,200 lower than the county's overall median family income; and in Pima County, scholarship recipients' incomes were more than \$8,000 lower than the overall median family income.

A median family income of \$55,458 or \$55,590 for a family of four, the median size of scholarships recipients' families, is hardly "rich." On the contrary, a family of four at those income levels would qualify for a separate Arizona program created specifically for lower-income families, the corporate income tax-credit scholarship program. To qualify for that program, a family of four must have income less than \$75,467 (OERA 2010b, p. 3; OERA 2010a p. 14).

Indeed, an overwhelming majority of individual income tax-credit scholarship recipients in the survey would qualify for the means-tested corporate income tax-credit scholarship program. Of the scholarship recipients for whom actual income, address, and family size data (94.9 percent, N=18,966 students) were provided, 70.4 percent of students (N=13,354 students) would qualify for corporate income tax-credit scholarships. Of the entire sample of 19,990 students, this represents more than two-thirds (66.8 percent).

Moreover, contrary to speculation by the *East Valley Tribune* and the *Arizona Republic*, a higher proportion of individual income tax-credit scholarship recipients come from families whose incomes qualify them as poor. The United States Department of Agriculture's (USDA) poverty guidelines set that threshold at \$20,050 for a family of four. According to the U.S. Census Bureau, 10.2 percent of Arizona families live below the poverty level.¹⁹ Of the

¹⁹ The U.S. Census Bureau poverty threshold is \$22,025 for a family of four for 2008. See U.S. Census Bureau, American FactFinder, 2006-2008 American Community Survey 3-Year Estimates; and "Poverty thresholds by Size of Family and Number of Children," 2008 report on the U.S. Census Bureau's Poverty thresholds Web site, <http://www.census.gov/hhes/www/poverty/data/threshld/index.html>. Those 2008 income thresholds are directly accessible here: <http://www.census.gov/hhes/www/poverty/data/threshld/thresh08.html>. This analysis used the \$22,050 poverty threshold published by the United States Department of Agriculture (USDA) since STOs will be required to use its guidelines for their annual reports in 2011. See "2009/2010 HHS Poverty Guidelines,"

scholarship recipients with actual income, address, and family size data (94.9 percent, N=18,966 students), 13.5 percent of scholarship students (N= 2,558) would qualify as poor according to the USDA. This represents 12.8 percent of the entire survey universe of 19,990 scholarship recipients.

Conclusion

This analysis finds there is no factual basis for claims that the individual income tax-credit scholarship program limits access to privileged students from higher-income families. Based on family income and related data provided by STOs for 19,990 individual income tax-credit scholarship recipients, representing almost 80 percent (79.4 percent) of all scholarship recipients in 2009, their median family income was \$55,458, nearly \$5,000 lower than the U.S. Census Bureau statewide median annual income of \$60,426. It was also nearly \$5,000 lower than the median incomes in scholarship recipients' neighborhoods, as estimated using student addresses and zip codes. More than two-thirds (66.8 percent) of scholarship recipients' family incomes would qualify them for the means-tested corporate income tax-credit scholarship program, which is limited to \$75,467 for a family of four. A higher proportion of scholarship recipients also come from families whose incomes qualify them as poor (at or below \$20,050 for a family of four) than the U.S. Census Bureau statewide average, 12.8 percent compared to 10.2 percent.

<http://liheap.ncat.org/profiles/povertytables/FY2010/popstate.htm>. The "100 Percent of Poverty" incomes were used; cf. OERA 2010a, pp. 8-9.

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