

Record Tax Credit Scholarship Waiting List Shows Growing Demand for Education Options

SUMMARY

- Pennsylvania scholarship organizations awarded a record 85,570 K–12 scholarships through the Educational Improvement Tax Credit (EITC) and Opportunity Scholarship Tax Credit (OSTC) in the 2022–23 school year.
- The average 2022–23 scholarship amount was \$2,613 for EITC and \$2,705 for OSTC.
- In 2022–23, K–12 students in Pennsylvania submitted 164,549 scholarship applications, the highest on record. Unfortunately, nearly one in two applications, almost 80,000 student scholarship applications, went unfunded due to arbitrary program caps.
- State lawmakers must create new funding paths to access school choice options, such as Lifeline Scholarships, to help the 48,588 denied OSTC applicants assigned to failing schools.

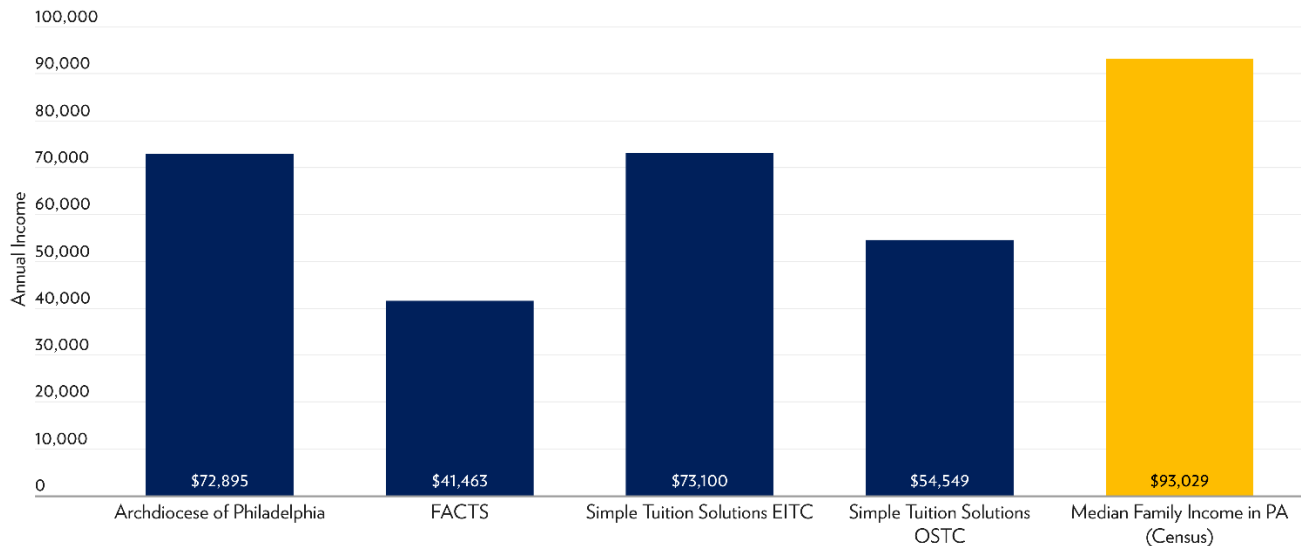
PENNSYLVANIA'S SCHOLARSHIP PROGRAMS

- Pennsylvania's [EITC](#) and [OSTC](#) are state tax credit programs that give tens of thousands of low- to middle-income students access to high-quality schools of their choice.
- Scholarships receive their funding from businesses and individuals who donate to one of over [250 scholarship organizations](#) across the state. Donors, in return, obtain a 75 percent (one-year commitment) or 90 percent (two-year commitment) credit and/or refund against their state income tax.¹
- Scholarship organizations disperse the scholarships to schools, which then award scholarships to students based on financial need. Scholarship applicants must be below the [household income limit](#) of \$112,348, plus \$19,775 for each dependent.² Furthermore, OSTC applicants must also live within the attendance boundary of [a low-achieving school](#).³
- Commonwealth Foundation compiled data, representing 43 percent of EITC and OSTC scholarship recipients across the state compiled from the Archdiocese of Philadelphia and the financial service providers [FACTS](#) and [Simple Tuition Solutions](#) (STS) together, to provide insight into the students served by the programs.
 - Data from the Archdiocese of Philadelphia, which serves the five-county Philadelphia region, demonstrates that most families receiving tax credit scholarships earn an average of \$72,895 per year, below the median income level of [\\$93,029](#) for Pennsylvania residents.
 - FACTS shows an average household income of \$41,463 for EITC and OSTC scholarship recipients, with an average household size of four.

- STS data shows an average household income of \$73,100 for EITC scholarship recipients and \$54,549 for OSTC recipients.

Average Family Income of Scholarship Recipients

The average annual family income of scholarship students is significantly less than the average family income in Pa.



INCREASING DEMAND FOR SCHOOL CHOICE

The most recent data (i.e., the 2022–23 school year)—obtained by the Commonwealth Foundation from the Department of Community and Economic Development (DCED) through Right to Know Requests—reveal the current impact of Pennsylvania’s tax credit scholarship programs.

- In 2022–23, K–12 students submitted 164,549 scholarship applications, 23,067 more than the previous year and the highest on record.
 - OSTC applications reached 66,320, but only 18,732 students received scholarship awards; caps denied 48,588, close to three-fourths, of these applicants assigned to low-achieving schools.
- In 2022–23, the average K–12 tax credit scholarship was \$2,659 or \$441 more per scholarship compared to the previous year.
- Scholarship organizations awarded 85,570 K–12 scholarships in 2022–23, up 6,900 from the previous year. Yet, demand for these scholarships still exceeds supply.
- Students attend K–12 private schools on EITC or OSTC scholarships in 66 of 67 counties

Demand for EITC/OSTC far outpaces supply

While 85,570 students received a tax credit scholarship in 2022-23, nearly 80,000 applications were unfilled.



Source: Combined yearly total of EITC and OSTC applications. Pennsylvania Department of Community & Economic Development, Right to Know Law Request, 2012-13 through 2022-23 (most recent data available).

Tax credit scholarship caps (K-12)

	Scholarships Awarded	Applications Denied	Average Scholarship	EITC	OSTC	EDS	Total
2016-17	48,977	52,857	\$1,885	\$75 million	\$50 million		\$125 million
2017-18	52,144	49,356	\$2,002	\$85 million	\$50 million		\$135 million
2018-19	60,387	42,918	\$2,113	\$110 million	\$50 million		\$160 million
2019-20	61,767	75,651	\$2,201	\$135 million	\$50 million	\$5 million	\$190 million
2020-21	62,507	76,031	\$2,534	\$135 million	\$50 million	\$5 million	\$190 million
2021-22	77,671	63,781	\$2,363	\$175 million	\$50 million	\$5 million	\$230 million
2022-23	85,570	78,979	\$2,633	\$263 million	\$65 million	\$12 million	\$340 million
2023-24	N/A	N/A	N/A	\$325 million	\$85 million	\$60 million	\$470 million
2024-25	N/A	N/A	N/A	\$375 million	\$90 million	\$60 million	\$525 million

Source: Combined yearly total of EITC and OSTC applications. Pennsylvania Department of Community & Economic Development, Right to Know Law Request, 2012-13 through 2020-21 (most recent data available).

Provide predictability in tax credits and refund.

Because of the six-month impasse of the 2023–24 budget, which delayed the passage of the education code until December 2023, donors had little time to take advantage of the tax credits. The resulting struggle for scholarship organizations to raise needed funds ended in fewer scholarship awards.

- Lawmakers should work diligently to pass the state budget by June 30, 2025, in accordance with state law, to provide families with reliable scholarship funds by the start of the 2025–26 school year.
- Similarly, an automatic index rather than ad hoc increases in tax credits would provide greater predictability for scholarship organizations.
- At the same time, donors to the scholarship programs frequently have their tax refunds delayed by many months (and often more than one year after making a donation), resulting in donors not being able to contribute in subsequent years—reducing the number of available scholarships. Lawmakers should investigate the reasons for Department of Revenue delays and address any legislative changes to expedite refunds.

Allow funding to follow the student.

The unmet demand for EITC and OSTC programs demonstrates that Pennsylvania families want school options beyond the traditional public school.

- Tax dollars should follow students to the school of their choice, whether that is public, private, charter, career and technical, or home education programs.
- Funding students through the state school choice initiatives below would be a step towards addressing Pennsylvania’s unconstitutional funding as identified by the [Commonwealth Court](#) ruling, which states that lawmakers should work to ensure “every student receives a meaningful opportunity to succeed.”⁶
 - Tax credit scholarships of \$2,613 (EITC) and \$2,705 (OSTC) educate students at a cost savings to taxpayers of **\$6 billion to \$11.8 billion** since these programs’ inception in 2001.⁷
 - The [Lifeline Scholarship Program](#),⁸ at \$300 million annually, would provide scholarships for approximately 26,000 students to attend the private school of their choice at a fraction of the cost of \$21,985 that Pennsylvania public schools spend per student.⁹
- Congress should pass the [Educational Choice for Children Act \(ECCA\)](#)—which passed the House Ways and Means Committee in 2024 and then reintroduced for 2025—because it will provide a minimum of \$20 million more in tax credit scholarships for low- and middle-income Pennsylvania families.¹⁰

¹ Pennsylvania Department of Community & Economic Development (DCED), “Scholarship Organizations: List of Scholarship Organizations Effective 01/01/2024 – 12/31/2024 (EITC),” accessed January 31, 2025, <https://dced.pa.gov/scholarship-organizations/>.

² Pennsylvania Department of Community and Economic Development (DCED), “Educational Improvement Tax Credit Program: Organization Guidelines and Application for Scholarship and Educational Improvement Organizations,” (Harrisburg: September 26, 2024), 2, <https://dced.pa.gov/download/eitc-organization-guidelines/?wpdmdl=84187>.

³ Pennsylvania Department of Community and Economic Development (DCED), “Opportunity Scholarship Tax Credit Program (OSTCP),” accessed January 31, 2025, <https://dced.pa.gov/programs/opportunity-scholarship-tax-credit-program-ostc/>; Pennsylvania Department of

Education, “Opportunity Scholarship Tax Credit Program: Low Achieving Schools,” accessed January 31, 2025, <https://www.education.pa.gov/K-12/Opportunity%20Scholarship%20Tax%20Credit%20Program/Pages/default.aspx>.

⁴ Commonwealth Foundation, “2024–25 State Budget Analysis,” July 12, 2024, <https://commonwealthfoundation.org/research/2024-25-pa-state-budget-analysis/>.

⁵ Sen. Mike Regan, Senate Bill 527, Pennsylvania General Assembly, Regular Session 2021–22, <https://www.legis.state.pa.us/cfdocs/billInfo/billInfo.cfm?sYear=2021&slnd=0&body=S&type=B&bn=527>.

⁶ William Penn School District et al. v. Pa. Department of Education et al., No. 587 M.D. 2014, (Pennsylvania Commonwealth Court, Feb. 7, 2023), 773–78, <https://pubintl.org/wp-content/uploads/2023/02/02.07.23-Memorandum-Opinion-Filed-pubintl.org.pdf>; Commonwealth

Foundation, “PA Court Rules on Education Funding Lawsuit,” news release, February 7, 2023, <https://commonwealthfoundation.org/2023/02/07/pa-court-education-funding/>.

⁷ Martin Lueken and Cooper Conway, “Fiscal Effects of School Choice: The Costs and Savings of Private School Choice Programs in America through FY 2022,” EdChoice, October 2024, <https://www.edchoice.org/engage/the-fiscal-effects-of-school-choice/>.

⁸ Commonwealth Foundation, “Lifeline Scholarship Program/PASS,” January 30, 2024, <https://commonwealthfoundation.org/research/lifeline-scholarship-program-pass/>.

⁹ The state Senate passed Lifeline Scholarships, codified as the Pennsylvania Award for Student Success (PASS), multiple times during the 2023–24 legislative session. However, Gov. Josh Shapiro, despite repeated endorsements and referring to the program as “unfinished business,” vetoed its appropriation line from the 2023–24 budget, and the House excluded it from the 2024–25 budget deal. See Marc Levy, “Shapiro Says Unfinished Business Includes Vouchers, More School Funding and Higher Minimum Wage,” Associated Press, November 21, 2023, <https://www.abc27.com/news/top-stories/shapiro-says-unfinished-business-includes-vouchers-more-school-funding-and-higher-minimum-wage/>; Commonwealth Foundation, “Underserved Students Face Uncertain Future Following Gov. Shapiro’s Budget Decision,” news release, August 3, 2023, <https://commonwealthfoundation.org/2023/08/03/shapiro-budget-decision/>; Commonwealth Foundation, “2024–25 State Budget Analysis.”

¹⁰ Rep. Jason Smith (R-MO), Chair, “H.R. 9462, the Educational Choice for Children Act of 2024,” U.S. House Ways and Means Committee, September 2024, <https://waysandmeans.house.gov/wp-content/uploads/2024/09/H.R.-9462-Educational-Choice-for-Children-Act-of-2024-One-Pager.pdf>; Rep. Adrian Smith (R-NE), H.R. 9462 – Educational Choice for Children Act of 2024, 118th Congress, <https://www.congress.gov/bill/118th-congress/house-bill/9462>; Laurie Todd-Smith and Julia Butch, “Bill Analysis: The Educational Choice for Children Act,” American First Policy Institute, February 4, 2025, <https://americafirstpolicy.com/issues/the-educational-choice-for-children-act>.