

Summary of HB 2632

Key points

- Cuts funding for scholarship organizations by \$102 million.
 - This would take scholarships away from **30,000 kids** currently on scholarships.
- Eliminates EITC and OSTC in 2027, replaced with a new program.
- Gets rid of supplemental scholarships for every student in economically disadvantaged schools.
- Ties student income eligibility to the legislature passing minimum wage increases.
- Imposes a 2% tax on scholarship orgs to fund state agencies.
- Creates new reporting requirements for private schools.
- Revenue would share individual donors' tax return information to the General Assembly.
- Requires the Auditor General to regularly audit every scholarship organization and every participating private school—something the auditor doesn't even do for public schools.

Bill Summary

- For 2026-27, shifts funding under the Educational Improvement Tax Credit (EITC) from K-12 scholarships to Education Improvement Organizations (EIOs).
 - Cuts funding for scholarship organizations (SOs), beginning July 1, from \$375 to \$303 million—a \$72 million cut.
 - Increases the cap for (EIOs) from \$74.5 million to \$146.5 million
 - As of June 2026, SOs have *already claimed* \$356 million in donations--meaning that around **20,000 students will lose their scholarship** next year.
- Beginning in 2027-28, there will be no more tax credits under the EITC or OSTC, but the legislature will create a new program called “Education Options Tax Credits”
- The new program would *further* cut the cap for scholarships programs by \$30 million.
 - In total, **30,000 current students would lose their scholarship.**
- The new program would increase funding for preschool programs, including day care, by \$30 million.
- The new program would essentially combine the current “economically disadvantaged schools” (EDS) budget with the OSTC program into “economically disadvantaged scholarship programs”.
 - This would function more like the OSTC—raising money for scholarships for students based on their geography—rather than the current EDS.
 - Eligible students would either be:
 - In the geographic boundaries of a low-performing public school, or
 - Attending a private school that is both located in zip code with a median household income of less than half the maximum program income *and* have a tuition rate less than the average of all participating schools.
 - The current EDS supplement scholarships—of up to \$2,000 per elementary student and \$4,000 per high school student—would be eliminated.
- Donors to scholarship organizations would get a 75%—a cut from the current program, which provides a 90% credit for a two year commitment—with a 90% credit for donors to

educational improvement and early childhood programs, and 99% for donors to economically disadvantaged programs.

EITC/OSTC	2025-26 Cap	2026-27 Cap	2027-28 Cap	Education Options Tax Credit
EITC - K-12 Scholarships	\$375 million	\$303 million	\$273 million	<i>Scholarship Programs</i>
EITC Economically Disadvantaged	\$110 million	\$110 million	\$0	<i>No Comparable Program</i>
EITC Education Improvement	\$74.5 million	\$146.5 million	\$146.5 million	<i>Educational Improvement Programs</i>
EITC Pre-K Scholarships	\$30.5 million	\$30.5 million	\$60.5 million	<i>Early Childhood Scholarship Programs</i>
OSTC Scholarships	\$90 million	\$90 million	\$200 million	<i>Economically Disadvantaged Scholarship Programs</i>

- The maximum family income for scholarship recipients would be \$120,000, plus a 10% adjustment for each eligible student (a smaller adjustment than current law).
 - For special needs students, maximum income eligibility would be multiplied by 1.5.
 - The additional income threshold for student with *severe* special needs would be eliminated.
 - Income eligibility would **not** increase with inflation—as is current law—but only when the legislature passes minimum wage increases.
- Scholarship granting organizations would have to pay 2% of their annual revenues—basically a tax—to the state for administration of the program.
 - Of this revenue 40% would go to DCED, and 20% each to Depts of Revenue and Education and Office of the Auditor General.
- To participate, private schools would have to provide to the Department of Education:
 - Tuition and school-related fees for each available seat.
 - A complete list of application and admissions requirements.
 - The school's financial aid policy.
 - Expulsion and suspension policies.
 - Total enrollment for the previous school year.
 - The number of students who applied but were not accepted in the previous school year.
 - The number of students unenrolled at the school's initiation in the previous school year, excluding graduates.
- The Department Revenue would have to provide a list to the General Assembly—using data from tax returns—the top ten individuals donors contributing to pass through entities.
- The Auditor General would have to provide “compliance audits” of both scholarship granting organizations and of participating private schools.
 - The bill does not specify the frequency of said audits.
 - The Auditor General does not even perform regular audits of school districts, despite \$18 billion in state funding for public schools.