

United States Senate

WASHINGTON, DC 20510

April 13, 2017

The Honorable Gene L. Dodaro
Comptroller General of the United States
Government Accountability Office
441 G Street, N.W.
Washington, D.C. 20548

Dear Mr. Dodaro,

We are writing to request that the Government Accountability Office (GAO) conduct a review of state tax credit voucher programs used to provide subsidies for private school tuition. Currently, about one third of states offer tax credit voucher programs, subsidizing approximately 250,000 students to attend private schools.¹ These programs allow individuals and corporations to receive full or partial state income tax credits when they donate to nonprofit organizations that administer and distribute vouchers to students for private schools. The current administration has proposed a \$20 billion school voucher program, and has looked to state tax credit voucher programs, including Florida's tax credit scholarship program, as a model for their efforts.

The rules governing tax credit voucher programs—contribution thresholds, program caps, award amounts, and student eligibility—vary across states and programs, as do the provisions to ensure fiscal accountability and transparency for taxpayer dollars. In addition, states vary in how they designate the non-profit organizations that administer the vouchers and how many organizations are able to do so. These inconsistencies make it challenging for policymakers to assess the consequences of instituting these types of tax credit schemes on fiscal accountability.

Additionally, the structure of tax credit voucher programs and the difficulty in tracing public dollars through this complicated scheme has raised the potential for fraud or conflicts of interest. A March 2017 *New York Times* article documented one such situation at the Arizona Christian School Tuition Organization (ACSTO), one of the largest voucher-granting programs in Arizona.² In this case, a prominent State Senator was able to profit significantly off of overhead funds from the voucher program while subsequently advocating for its expansion in the Senate. The article also describes concerning tax credit voucher structures in other states including Pennsylvania.

With the strong possibility of federal legislative activity on tax-credit vouchers at the federal level in the near future, we are interested in how states have designed these programs, whether they have strong internal controls, and whether they pose a risk of waste, fraud, abuse, misconduct, or mismanagement. A multi-state analysis of this issue by GAO would help inform the advisability of any future federal programs and help ensure proper fiscal accountability and

¹ Leuken, M. (September 2016) The Tax Credit Scholarship Audit. *EdChoice* Retrieved from: <https://www.edchoice.org/wp-content/uploads/2017/03/Tax-Credit-Scholarship-Audit-by-Martin-F.-Lueken-UPDATED.pdf#page=62>

² Carey, K. (March 2, 2017). DeVos and Tax Credit Vouchers: Arizona Shows What Can Go Wrong. *New York Times*. Retrieved from https://www.nytimes.com/2017/03/02/upshot/arizona-shows-what-can-go-wrong-with-tax-credit-vouchers.html?_r=0

transparency for federal funds. Therefore, we request that GAO provide information on the following questions, which may be addressed through a series of reports, as appropriate:

1. How have states structured tax credit voucher or incentive programs?
2. What financial accountability requirements—including any requirements intended to guard against fraud, waste, and abuse—have states established for organizations that administer and manage the programs?
3. How have selected organizations administered tax credit voucher or incentive programs (including any steps taken to ensure transparency, efficiency, and accountability)?
4. How have selected states monitored these programs? What are best practices and the challenges the programs have encountered?

We are eager to work with you and your staff to ensure timely and useful information is available to meet the needs of the relevant congressional committees. If you have any questions, please contact staff in our offices. Thank you for your attention to this matter.

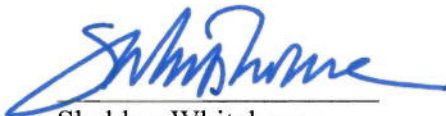
Sincerely,



Patty Murray
Ranking Member
Senate Health, Education, Labor
and Pensions Committee



Ron Wyden
Ranking Member
Senate Finance Committee



Sheldon Whitehouse
United States Senator