



## *Senate of Pennsylvania*

### ***Senator Anthony H. Williams***

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**DATE:** September 6, 2012  
**TO:** All Senators  
**FROM:** Senator Anthony H. Williams  
**SUBJECT:** Co-sponsorship of Legislation: **Administrative Expenses**

In the near future, I will be introducing legislation to address the percentage of donations by participating organizations under the Educational Improvement Tax Credit program (EITC) and the Educational Opportunity Scholarship Tax Credit program (OSTC) that must be reserved for scholarships.

Currently, organizations participating in the EITC and OSTC programs (i.e., educational improvement organizations, scholarship organizations and pre-kindergarten scholarship organizations) are required to contribute 80% of their annual receipts to scholarship programs or utilize them for “innovative educational programs.” This effectively allows them to spend 20% of such annual revenue on administrative and other non-program related expenses. The initial motivation for such a high percentage, when the EITC program was enacted, was the understanding that these organizations were expected to incur start-up costs since the program was new to the Commonwealth. This reason no longer exists. Furthermore, as the Legislative Budget and Finance Committee reported in June of 2010, research shows that about 62% of these program organizations already use 100% of their annual receipts for scholarships. Quite often, administrative costs are limited to between 10% and 15% of total program costs. There is no longer a reason to maintain the requirement that only 80% of organizations’ annual receipts be dedicated to scholarships and innovative educational programs.

Ultimately, the Legislative Budget and Finance Committee recommended that the General Assembly consider increasing the percentage of annual revenue that must be used for scholarships or direct programming purposes from 80% to 90%. My bill would increase that percentage from 80% to 90% over an eight-year period, by 2.5% increments every two years; thus, it would decrease the amount organizations participating in the EITC and OSTC programs may spend on administrative expenses to 10% by the year 2020.

If you wish to co-sponsor this legislation, please contact Shannon Sargent, Esq., at 7-5970 or email [ssargent@pasenate.com](mailto:ssargent@pasenate.com).