NEPC
NATIONAL EDUCATION POLICY CENTER

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Newsletter

How Corporate Welfare Can Pilfer Money From Marginalized Students and Their Schools

Corporate welfare—in the form of tax abatements intended to stimulate economic development—is more generous in school districts that serve higher percentages of students from low-income families and students of color, according to a new study that focuses on the Cincinnati, Ohio area.

The study finds that, in the past six years, Cincinnati Public Schools lost $80.9 million to such tax abatements, or $2,394 per student. In Cincinnati, students of color comprise 73 percent of the enrollment, and more than half the students in the district qualify for the free or reduced-priced meal program for lower-income families. The district's rate of tax abatement revenue loss is 23 times as much as the tax abatement revenue losses in six neighboring school districts where the majority of students are white and where less than half qualify for free/reduced-price meals. Since school districts like Cincinnati that enroll larger shares of students from low-income funding need more money to provide educational opportunities and supports for their students, the impact is even greater than it might appear to be at first glance.

The study was conducted by Good Jobs First, a 25-year-old Washington, D.C.-based nonprofit organization that promotes corporate and government accountability in economic development. It is the latest in a longstanding line of research repeatedly demonstrating that tax abatements drain money from public schools and disproportionately impact districts that serve higher percentages of low-income and minoritized students.

A 2021 report by the organization found that corporate tax breaks cost public school districts at least $2.37 billion in 2019, which was 13 percent more than they did two years before.

“School districts with the highest rates of poverty (measured by metrics such as the share of students who qualify for free or discounted school lunches) are likely to suffer the highest losses,” that report found. “And because U.S. poverty is racialized, this means that Black and Brown students often suffer the greatest losses.”

The actual impact of corporate welfare on school districts is likely even larger than indicated by the 2021 report. Due to poor recordkeeping by government officials, Good Jobs First was only able to calculate its 2019 results based on one-fifth of U.S. school districts in just over one-half of U.S. states.

Corporate tax incentives or abatements are supposed to spark economic growth. However, researchers have repeatedly found that they either fail to do so or that the benefit to the corporation far exceeds any benefits to the jurisdictions that grant them.

Interested in learning how reforming corporate tax breaks could contribute to public education if curtailed or ended? Check out Spend It On Schools, an interactive game created by NEPC and the Partnership for the Future of Learning.

NEPC Resources on School Finance and Funding

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