

Council for American Private Education

# CAPE outlook

Voice of America's private schools

## New Tax Law Affects Private Education

The tax bill that President Trump signed into law December 22 benefits thousands of families with children in religious and independent schools and positively resolves several issues of concern to the private school community.

Prior to the bill's passage, CAPE invited voters to contact Congress about four specific tax-related issues, all of which were favorably addressed in the final legislation.

At the top of the list was a proposal to expand popular college savings accounts, known as 529 accounts, to allow—starting in 2018—withdrawals of up to \$10,000 annually to cover tuition in elementary and secondary schools.

Other issues advanced by CAPE were retention of tax-free tuition reductions for the children of teachers and other employees in private schools, retention of tax-free benefits of up to \$5,250 annually for educational assistance to school employees, and retention of the \$250 above-the-line deduction that educators can take for classroom materials or professional development. The original House version of the tax legislation would have eliminated all three benefits, but the final bill signed into law keeps them intact.

### Senate Drama

The road to the expansion of 529 plans to include K-12 education was rather rocky. At first, only the House version of the tax reform legislation had the 529 expansion. The Senate got on board thanks to an amendment offered by Texas Senator Ted Cruz—an amendment that squeaked by, 51-50, when a dramatic tie-breaking

vote was cast by Vice President Pence.

But the 529 drama had just begun. Two weeks later on December 19, hours before the Senate was to consider the conference version of the bill that the House had passed earlier in the day, the Senate



parliamentarian sustained some technical challenges to the legislation, one of which involved expanding 529 benefits to home school families. That ruling forced the Senate to strip the offending language and vote on a version of the bill different from what the House had already approved. In turn, the next day the House had to vote on the bill again, prompting some on Twitter to call the measure “a bill so nice, they passed it twice.”

### Coverdell

Extending 529 plans to K-12 education is not the first time Congress has approved tax advantages for private school savings plans. Coverdell Education Savings Accounts, approved in 2001 and still an option under the tax code, allow families to earn tax-exempt interest on up to \$2,000 in annual savings for specified expenses, including tuition, associated with elementary, secondary, or post-secondary education in public or private schools. The \$2,000 cap on annual investments and an income limit on eligible investors are two of several differences between Coverdell accounts and 529s.

### Flexible

A Q&A document from the IRS touts the flexibility of 529 plans, noting that

anyone can establish a plan for any beneficiary, including relatives or friends. There is “no limit to the number of plans” one can set up and there are “no income restrictions” on either the contributor or the beneficiary (each plan has only one designated beneficiary).

Although deposits into the accounts are not deductible for federal tax purposes, earnings on the accounts accumulate tax free. Some states provide tax deductions or credits for all or part of the contribution to a 529 account.

### Popular

Created by Congress in 1996 and named after Section 529 of the Internal Revenue Code, 529 plans have been a popular way for families to save for college—public or private. According to data from Strategic Insights, in the first quarter of 2017, American families had 13.3 million 529 accounts with assets of \$289 billion. Moreover, 75 percent of 529 plan owners were in middle-class families with household incomes of \$150,000 or less. Seventeen percent had incomes of \$50,000 or less.

Still, several public school advocacy organizations that apparently had no problem with college-only 529s were all of a sudden dead set against expanding them to elementary and secondary education.

### Not Enough

In its letter supporting the use of 529 plans for K-12 tuition, CAPE also called on Congress to “enact additional school choice legislation that more directly benefits low-income families who cannot afford to save for their children’s education.” The CAPE letter noted that a “school choice initiative to assist families of modest and low household incomes would help level the playing field by giving all children access to schools selected by their parents.”

[Photo: Orham Cam/Shutterstock.com]



**CAPE member organizations:**

- Agudath Israel of America
- American Montessori Society
- Association Montessori International—USA
- Association of Christian Schools International
- Association of Christian Teachers and Schools
- Association of Waldorf Schools of N.A.
- Christian Schools International
- Council of Islamic Schools in North America
- Council on Educational Standards and Accountability
- Evangelical Lutheran Church in America
- Friends Council on Education
- Islamic Schools League of America
- Jesuit Schools Network
- Lutheran Church—Missouri Synod
- National Association of Episcopal Schools
- National Association of Independent Schools
- National Catholic Educational Association
- National Christian School Association
- Oral Roberts University Educational Fellowship
- Seventh-day Adventist Board of Education
- United States Conference of Catholic Bishops
- Wisconsin Evangelical Lutheran Synod Schools
- Affiliated State Organizations

a coalition of national associations serving private schools K-12  
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**Outlook is published monthly (September to June) by CAPE. An annual subscription is \$35. ISSN 0271-1451**

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# Voucher Programs Can Save States and Taxpayers Money

The House and Senate’s Joint Economic Committee (JEC), which was established in 1946 “to review economic conditions and to recommend improvements in economic policy,” issued a **report** last month analyzing the fiscal effects of private school vouchers and concluding that under the right conditions, voucher programs can yield cost savings for states.

Recognizing that the primary purpose of voucher programs “is to empower parents to choose a school that best serves the unique gifts and challenges of their children,” the report notes that such programs can also provide “a fiscal benefit for the state and/or local government.” The fiscal benefit is the paper’s focus.

## No Choice of Providers

As background, the paper makes a cogent observation: “Public education in America is one of the only major government-funded programs that does not allow participants to choose a provider.” Noting that recipients of Social Security checks decide how to spend their money, that Medicare and Medicaid participants choose their health care providers, and that beneficiaries of federal food programs choose where to shop, the report claims that providing “choice in education is consistent with the tradition of other large government-funded programs.”

## Students and Taxpayers Benefit

Addressing the concerns of voucher opponents that (1) “private-school vouchers harm students, and (2) that financial resources are diverted away from cash-strapped public schools,” the report notes that the “majority of studies conclude that students benefit from school choice and from private-school vouchers” and that “research reveals that school choice—specifically private-school vouchers—actually lowers education costs and has a positive fiscal effect on public schools and taxpayers.”

## Simple Premises

The report’s calculations on the value of voucher programs to states and localities are based on some simple premises. One of them is the following: “If a growing student population increases public education costs, then a shrinking student population must decrease education costs.” The report explains that in the short run, “more public-school students cause increased

expenditures for teachers and textbooks, as well as supplies and equipment for classrooms, art, music, and athletics.” In addition, continued enrollment growth requires more buildings or temporary classrooms. On the other hand, “a reduction in enrollment growth slows cost growth; and, a decreasing student body lowers public-school demand, reducing education costs.”

## Value of Vouchers

Here’s where vouchers come in. “Through the provision of private-school vouchers, governments can slow the growth of—or in some cases reduce—public-school enrollment, saving taxpayer dollars while offering parents education options for their children.”

Diving a bit deeper, the report explains that vouchers “affect government budgets through two channels: (1) additional direct voucher expenditures, and (2) public-school cost savings from lower enrollments.” The savings mechanism is illustrated with the following example: “1,000 vouchers worth \$7,000 each incur annual direct voucher costs of \$7 million. Assuming average public-school education costs per pupil of \$12,000, and all voucher students would otherwise attend public schools, 1,000 vouchers result in \$12 million in savings.”

Of course, not all voucher programs benefit only students who would otherwise attend public schools, so the cost/benefit calculation becomes a little more complicated: “For a positive fiscal effect—meaning net budget savings—two conditions must hold: (1) the average voucher expense must be less than the per-pupil public-school education cost, and (2) the portion of students using vouchers to leave public schools must be sufficiently high to generate savings to offset the voucher costs.”

In looking at public school education costs, the report distinguishes between fixed costs and variable costs. Fixed costs include “capital expenditures, debt interest, general administration, school administration, operation and maintenance, transportation, and ‘other’ support.” Variable costs “change with student population and include: instruction, student support, instructional staff support, enterprise operations, and food.” To calculate enrollment savings accurately, the report only uses variable costs.

And its conclusion is simple: “[A]s states face tighter budgets, the fiscal relief from vouchers... makes them an important budget-stabilizing tool.”



Joint Economic Committee  
Senator Mike Lee, Vice Chairman  
Representative Pat Tiberi, Chairman

# How Principals Spend Their Time

Most of us can vividly remember the few (or in some cases, many) times we visited the principal's office as a student, but not many of us know what went on in a principal's life when we weren't around to observe. Unlike our teachers, the principal was a bit of a mystery.

Well, to help unpack the mystery, the National Center for Education Statistics (NCES) released last month a statistical brief titled *How Principals in Public and Private Schools Use Their Time*. Drawing on data collected from the 2011-12 Schools and Staffing Survey (SASS), the report explores, from several different angles, responses to a fairly direct question: "On average throughout the school year, what percentage of time do you estimate that you spend on the following tasks in this school?" Principals were offered the following options: "(a) internal administrative tasks, including human resource/personnel issues, regulations, reports, school budget; (b) curriculum and teaching-related tasks, including teaching, lesson preparation, classroom observations, mentoring teachers; (c) student interactions, including discipline and academic guidance; (d) parent interactions, including formal and informal interactions; and (e) other."

Remarkable Similarities

The accompanying table reports the average percentages of time that public and private school principals reported spending on these activities. One main takeaway is that principals from both sectors are very close in how they allocate their time among the key tasks. As the report put it, both groups "reported spending a larger percentage of time on internal administrative tasks than on any other type of task." Private school administrators spent slightly more time than their public school counterparts on administrative tasks and interactions with parents, and slightly less time on their interactions with students. Both groups allocated the same percentages of time to instructional and curriculum issues.

Community/School Characteristics

Things got a tad more interesting when analysts at NCES looked at how the average "percentages of time that principals spent on specific tasks vary by school characteristics, staffing characteristics, and principal characteristics."

In private schools, for example, "principals in rural areas reported spending a smaller percentage of time on internal administrative tasks (30 percent) than principals in cities and suburbs (36 percent for both), but a larger percentage of time on curriculum and teaching-related tasks (30 percent) than principals in cities (24 percent)."

Further, "principals in Catholic schools reported spending a larger percentage of time on internal administrative tasks than principals in other religious schools (39 vs. 32 percent). Principals in other religious schools reported spending a larger percentage of time on curriculum and teaching-related tasks than principals in Catholic and non-sectarian schools (30 percent for other religious vs. 23 percent for Catholic schools and 22 percent for nonsectarian schools)."

## School Size

School size also seemed to play a part in how principals spend their time. According to the report, "Principals in private schools with fewer than 25 teachers differed from their peers in a number of ways. Compared to private school principals in schools with 25–50 teachers, they reported spending a smaller percentage of time on internal administrative tasks (33 vs. 39 percent). Additionally, compared to principals in private schools with 25–50 teachers and more than 50 teachers, they reported spending a larger percentage of time on curriculum and teaching-related tasks (28 vs. 20 and 19 percent, respectively)."

## Principal Characteristics

Gender is not a factor in time allocation. "In private schools, there were no measurable differences in how male and female principals spent their time," according to the report.

Age differences, however, were a slightly different matter. While private school principals of varying ages generally spent their time in ways that aligned with the overall pattern, there was a difference in how principals of different ages spent their time on one task. Specifically, principals who were 55 years or older reported spending a smaller percentage of time on parent interactions, compared to principals who were 45–54 years old (13 vs. 16 percent)."

[Photo: Mr Doomits/Dollar Photo Club.com]

Task	Private	Public
Administrative	34	31
Instructional	26	26
Students	19	23
Parents	14	13
Other	7	7

January 21 to 27 marks National School Choice Week, and this year's celebration is set to be a doozy. According to NSCW officials, "an estimated 6.7 million people will participate in a record-breaking 32,240 celebrations this year."

Started in 2011, NSCW bills itself as "the world's largest annual celebration of opportunity in education." Tens of thousands of events around the country have taken place since the program's inception.

These events "raise public awareness of the different K-12 education options available to children and families, while spotlighting the benefits of school choice."

The week is designed to recognize "all K-12 options, including traditional public schools, public charter schools, public magnet schools, private schools, online academies, and homeschooling."

Moreover, the NSCW organization is "a nonpartisan, nonpolitical, independent public awareness effort" that is "not associated with any legislative lobbying or advocacy."

According to the NSCW Web site, "Anyone can plan an NSCW event, meeting, or activity." Particular "schools, groups, and individuals decide how they want to celebrate NSCW and plan the types of events, meetings, or activities that best meet their objectives."

The week even has its own official dance and an **instructional video** to teach it. Meghan Trainor's "Better When I'm Dancin'" provides the soundtrack.

Right now the NSCW Web site ([schoolchoiceweek.com](http://schoolchoiceweek.com)) has an interactive map that folks can visit to find a School Choice Week event in their area.

So find an event, wear the yellow scarf, do the dance, and join the celebration of this year's National School Choice Week!

## CAPE notes

★ Back in November ExcelinEd and several other school choice advocacy groups launched a video contest in which students and their families were invited to tell their stories—in under two minutes—about the effect of school choice on their lives. Well now you get a chance to vote on which of the 15 finalist videos should be awarded the “most popular” prize. But you’ve got to act fast, since voting ends January 2. Videos can be viewed at [www.ChoicesInEd.org](http://www.ChoicesInEd.org).

The stories are moving and, according to ExcelinEd officials, provide “sincere and thoughtful insights into how having the freedom to find the right educational fit for a student’s unique needs can change lives.”

Persons who have the two most popular videos will receive \$5,000 each. A panel of judges will also select three \$15,000 winners and three \$5,000 winners, all of whom will be announced during National School Choice Week, January 21-27.

Commenting on the videos, Patricia Levesque, CEO of ExcelinEd, said: “These wonderful families and students have shared their passion and joy of experiencing the benefits of educational freedom. Because of the dozens of educational choice programs in states across the nation, millions of students have the opportunity to find their right educational fit—whether that is a traditional public school, public charter school, magnet school, private school, blended and virtual learning, or homeschool. These students and families

are the real experts on education, and I urge everyone to watch their stories to feel the life-changing benefits of choices in education.”

★ Florida’s First District Court of Appeals last month upheld various education policies enacted by the Florida Legislature, including the McKay Scholarship Program, which provides school choice to students with disabilities.

The court ruled that the McKay program “offers a beneficial option for disabled students to help ensure they can have a ‘high quality’ education.” The court added, “It is difficult to perceive how a modestly sized program designed to provide parents of disabled children with more educational opportunities to ensure access to a high quality education could possibly violate the text or spirit of a constitutional requirement of a uniform system of free public schools.”

Rabbi Moshe Matz, executive director of Agudath Israel of Florida, had this to say about the ruling: “We were happy to see that the court not only declared the program constitutional, but also highlighted its effectiveness. We hope this ruling marks the end of an eight year legal battle over the right of Florida parents to choose the best school for their child.”

★ A bipartisan trio of legislators in Wisconsin introduced legislation to establish a Gifted and Talented Education Savings Account in the state, which, if

enacted, would be the first of its kind in the nation.

The program would provide \$1,000 in a savings account fund to help families pay for materials and instruction that help develop the talents of low-income students who score in the top 5 percent on any state-mandated test or are designated gifted and talented in other subject areas.

Justin Moralez of the Wisconsin Federation for Children called the new program “the type of reform that will propel our Wisconsin education system and economy into the next century.”

State Senator Alberta Darling was enthusiastic about how the legislation could help children: “Who knows how many scientists, engineers, musicians, artists, and community leaders we are missing out on because their family can’t afford additional educational opportunities. This is another way to make sure our best and our brightest get the opportunity they need to succeed.”

★ Ron Matus of redefinED reports in his [blog post of December 18](#) that more than 1,400 employees of Florida’s public school districts are taking advantage of the Florida Tax Credit Scholarship program for their children. The program serves more than 100,000 students across the state.

“Clearly, none of these employees are motivated by some twisted desire to dismantle public education,” writes Matus. “They simply want what all parents want: the school that best fits their kids’ needs.”