

# CAPE OUTLOOK

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## Tax Reform : A Message to the CAPE Community

CAPE has just sent to its community the following statement on the Tax Reform legislation agreed to by the House-Senate Conference Committee. When passed, it will be a vitally important but deeply troubling landmark in tax policy for private schools and the rest of the non-profit community heavily dependent on voluntary giving.

*The Tax Reform Bill passed by a Senate-House Conference Committee for consideration by Congress after the summer recess makes the tax system fairer and probably more simple. Nonetheless it is likely to cause some serious problems for private schools, not to mention the non-profit sector as a whole.*

*At the same time as the bill significantly enlarges the number of non-itemizing tax payers by lowering the marginal tax rates, it removes the tax deductibility of non-itemizer gifts. This means that the tax incentive to give will be removed from an increased number of private education's supporters. Because all private schools are dependent on donors of moderate means for the majority of their gifts, all are faced with the potentially serious consequences of this legislation. In addition, church-related schools whose support comes from both small gifts to the school and to the related church are placed in double jeopardy.*

*Equally serious, the inclusion of gifts of appreciated property in the alternative minimum tax is a threat to the number and size of major gifts and will mean that gifts at both ends of the spectrum, large and small, are subject to significant reductions.*

*There are a number of other difficulties for our schools in the Tax Reform Bill as it now stands. Among these:*

- \* it treats scholarships that exceed tuition as taxable income;*
- \* it imposes complicated fringe benefit coverage rules on all employers; and*
- \* it places limits on other tax benefits such as retirement savings and pension plans, tax-exempt bond financing, and employee education assistance.*

*Although the long-term impact of the proposed bill on charitable gifts is, of course, uncertain, Independent Sector, an umbrella organization for non-profit organizations, estimates annual reductions in giving at \$11 billion (out of total annual giving of \$80 billion), including \$6 billion from the expiration of the charitable deduction for non-itemizers, \$1 billion from the inclusion of gifts of appreciated property in the alternative minimum tax, and \$4 billion from lowered marginal tax rates.*

*This legislation not only has serious potential fiscal implications for our schools, but it also has societal implications which could affect our respective school communities of support. For by making low and moderate income family school gifts non-deductible, the new legislation implies to the largest number of our financial supporters that their*

*gifts play a non-essential role in the critical area of voluntary support of our private schools.*

*It appears highly likely at this writing that the Conference's bill will be passed handily but not without a struggle by the Congress sometime in September.*

*Also, at this writing there does not seem to be any optimism at all that a major substantial lobbying effort, even if it could be launched (which is highly doubtful), could make any dent in the final outcome on the floor of Congress.*

*In summary, although most experts agree that tax incentives do not much affect the number of givers, they do often affect the size of gifts. It is our opinion the new tax bill as passed by House and Senate Conferees makes it even more important for each private school to develop a strong and loyal community of support based on trust and good performance. Perhaps ironically this need is the most positive contribution which this likely-to-pass legislation will make to the future of our schools.*

## Elementary Schools Praised by President

On September 12th the principals of the sixty private elementary schools selected under the auspices of CAPE for the Elementary School Recognition Program were honored by President Reagan and Secretary of Education William Bennett at a recognition ceremony in Washington, D.C. Their counterparts from 212 public schools were also honored on this ceremonial occasion.

The day's activities included a panel discussion on school improvement which featured site visitor W. James Kirchhoff, District Executive of the Lutheran Church-Missouri Synod's Northern Illinois District and the presentation to the schools of flags symbolizing outstanding educational achievement.

For the 60 recognized private schools the Awards Ceremony was the culmination of an eight-month-long process which began in November with the announcement of the program to more than 17,000 private schools and ended with Secretary Bennett's announcement on June 30th of the program's outcome.

Schools applied from virtually every area of private education. The 293 applications received represented secular and denominational, as well as alternative and special education schools. This diversity was noted by Secretary Bennett in his statement, "These fine public and private schools are as diverse as America itself."

In announcing the recommendations of the Steering Committee, CAPE stressed that the purpose of the Program is not to identify the "best" schools, but rather to recognize schools which exemplify characteristics that are worthy of wide emulation.

The private schools were evaluated both in terms of how well they fulfilled their own schools goals as well as the Program criteria for selection.

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## “First Lessons” Is First Class

Education Secretary William Bennett's Report on Elementary Education in America, *First Lessons* has just hit the street and we recommend it as vital and vibrant reading. Written about elementary education as a whole and not about any of its parts (e.g. private schools), its major conclusion is that the nation's elementary schools "are in pretty good shape." Quoting Tolstoy that "all happy families are alike," Bennett observes that "in a sense all good elementary schools are alike too." His brief, highly readable sections offering wisdom, experience and research knowledge cover parents and community, the curriculum, faculty and administration, school policy and some illustrative school vignettes.

Among the many points which private school educators will find useful, if sobering, are these:

\* "Of a randomly-selected 100 children born in 1986 - the kindergarten class of 1991, 12 have been born to unmarried parents; 40 have been born to parents who will divorce before the child is 18 years old; 5 have parents who will separate; 2 have been born to parents at least one of whom will die during the child's first 18 years. Only 41 of these 100 boys and girls will reach their 18th birthdays in "traditional" family units."

\* "American children do seem to be getting better at basic skills - reading, writing, and computation. Yet when asked to begin applying these skills to the acquisition of more complex knowledge, usually around fourth grade, many begin to falter. In a number of curriculum areas, international comparisons have found students in our later elementary grades failing to hold their own against students in other countries.

\* "Children do not just 'grow up.' They must be raised by the community of adults - all adults. The community should accept as its solemn responsibility - as a covenant - the nurture, care, and education of the coming generation."

\* "Parents belong to the center of a young child's education. The single best way to improve elementary education is to strengthen parents' role in it, both by reinforcing their relationship with the school and by helping and encouraging them in their own critical job of teaching the young. Not all teachers are parents, but all parents are teachers."

\* "The first requirement for a good school is that it rest on values that are good. The second requirement is that it be efficient in promoting the good values."

In summary, the report is brief and solid, laced with good examples and simply but strenuously directed toward the goal of elementary school excellence. It

treats elementary education with the intellectual respect usually reserved for colleges and universities, a rare treat. For copies send \$4.25 to U.S. Government Printing Office, Washington, D.C. 20402; Order #065-000-00259-1.



## House Republicans Unveil Alternative Chapter 1 Program

As the time to reauthorize Chapter 1 approaches a new effort to restructure Chapter 1 so that it delivers services in a manner which maximizes student learning, parental involvement and cost-effectiveness has been drafted and was introduced in Congress on August 13.

Seven Republican members of the House Wednesday Group, a group of moderates, are co-sponsoring a new version of the Chapter 1 voucher plan. Called CHOICE, "Children's Options for Intensive Compensatory Education Act" (H.R.5409), the plan is aimed at targeting and then serving the most educationally and economically needy students under Chapter 1. "Once eligibility is determined, CHOICE targets the particular needs of each student selected to receive assistance by requiring that an individual instructional plan be developed. Unlike either TEACH or the current program, CHOICE also makes a three-year commitment to students in the program and allows the public (and private) schools along with the parents to be involved in planning a child's curriculum through the individual instructional plan (IIP). Moreover, under CHOICE, the IIP must be approved by the parents of the participating child." Parents, in consultation with public school authorities would decide whether they wanted the determined remediation to be at the same school or a different one. Parents who select a private school for services would receive a voucher equal in value to the per pupil cost of Chapter 1 services in their particular educational area.

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A coalition of 15 national organizations serving private schools (K-12)

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As an alternative to the Administration's TEACH bill (The Chapter 1 Voucher Bill) CHOICE is intended to redress perceived problems with that bill and create a more politically and educationally viable approach to the delivery of Chapter 1 services.

CAPE and member organizations plan to carefully study this plan which, of course, differs radically from that presently in place. The inadequacies of Chapter 1 service delivery to private school students as a result of the *Aguilar v. Felton* decision compel the most careful look at alternatives for the Chapter 1 reauthorization which comes up next spring.

## Legislative Update

The thorny but familiar issues of tax overhaul, budget deficits, appropriation bills, immigration reform, Superfund and defense spending confronted Congress once again upon its return to work on September 8. Members face this crowded agenda and a short business calendar to the next recess. The target for adjournment is October 3 assuming there is no lame-duck session.

Congress may have to combine all its appropriations bills in a continuing resolution to meet its adjournment target.

**Fiscal 1987 Appropriations** - Education advocates enjoyed major successes in funding for elementary and secondary programs this year. On July 24, the House gave its approval to a Labor/HHS/Education appropriations bill containing significant increases for Chapter 1 and P.L. 94-142 and restoring funds cut by Gramm-Rudman in most others. The House passed its bill with an amendment which requires schools to have drug education programs in order to receive federal education funds. The Senate Appropriations Committee on August 15 approved its FY '87 funding bill for education that increases funding for the Chapter 1 program but at \$110 million less than the House bill and gives significant increases to programs for the handicapped. The Senate bill is expected to be voted on by the Senate in mid-September.

**Tax Reform** - On August 16, House and Senate conferees on tax reform completed their work on a major overhaul of the federal tax code. Floor action is likely to begin the week of September 15. (See article on tax reform in this issue.)

**Child Nutrition** - H.R. 7 - The bill which would reauthorize 5 child nutrition programs, including the National School Lunch and Breakfast programs and which contains a provision that increases the tuition ceiling for private school participation to \$2000 from the \$1500 limit adopted in 1981, has been held up in conference since January. But last month an amendment which mirrors H.R. 7 was attached to a defense authorization bill which is expected to go to conference this month.

**Higher Education Act Reauthorization** - House and Senate conferees have been meeting since late July to iron out differences in the House and Senate bills reauthorizing higher education programs for five years. The major issue for private education (which CAPE has been working on for three years) is the policy on how private school tuition for family members other than the student is treated in determining need for college financial aid. It appears likely that the calculation for determining need will include an allowance for unreimbursed elementary and secondary school tuition and fees not to exceed for each child the national average per pupil instructional cost as published by the National Center for Education Statistics.

Other areas of interest to private education in the higher education reauthorization have been programs to address teacher shortages. Under consideration is a House provision allowing new teachers to defer student loan payments. However, because of the cost implications of new programs and the looming federal deficit it is uncertain whether Congress will accept these new loan deferral programs in this reauthorization bill.

While many issues in the legislation have been resolved the Conference Committee was unable to finish its business before the August recess. Conferees resume negotiations on September 10.

**Asbestos Removal in Schools** - This summer the House and Senate passed similar bills (H.R. 5073 - Florio, D-NJ; S.2083 - Stafford, R-VT) which would require the Environmental Protection Agency to set standards for asbestos inspection and abatement in the nation's private and public schools. The bill has been on a fast track and despite opposition by the Administration it has a good chance of getting through conference before the October adjournment.

In other areas related to asbestos in schools, EPA released its list of loans and grants to schools for asbestos abatement projects on July 29. Private schools received \$5.3 million for 81 projects in 60 schools. The program is funded through the Asbestos School Hazard Abatement Act which received a \$50 million appropriation in fiscal 1986 (reduced by Gramm-Rudman cuts to \$47 million). In an uphill struggle CAPE and other school organizations have been working hard to get the program funded in FY '87. The House Appropriations Committee in its FY '87 spending bill did not include any money for the loans and grants. Supporters of the program in the Senate will push for at least a \$50 million appropriation. The Senate Appropriations Committee is expected to mark-up its bill in mid-September.

**Handicapped Children's Protection Act** - On August 5, the President signed S.415, a bill that amends the Education for All Handicapped Children Act, P.L. 94-142, that would allow the parents of handicapped children to collect attorneys' fees if victorious in court cases. The bill reverses a 1984 Supreme Court decision in *Smith v. Robinson*, in which parents of a handicapped child who won their court case were denied attorneys' fees.

## Recognition Program continued from page 1

The Department of Education has announced that a recognition program for secondary schools will be conducted during the 1986-87 school year. Invitations will be mailed to all private secondary schools this fall.

Listed below are those schools recognized in the 1985-86 Program.

### CALIFORNIA

Pacific Union College Elementary School, Angwin  
Saint Anthony's School, Fresno  
St. David's Elementary School, Richmond

### CONNECTICUT

Saint Francis School, New Haven

### DISTRICT OF COLUMBIA

Sidwell Friends Lower School, Washington

### FLORIDA

Ascension Catholic, Melbourne  
Rabbi Alexander S. Gross Greater Miami Hebrew Academy,  
Miami Beach

St. Rose of Lima, Miami Shores  
The King's Academy, West Palm Beach

### GEORGIA

Christ the King, Atlanta  
Hebrew Academy of Atlanta, Inc., Atlanta

### HAWAII

Hanahauoli School, Honolulu

### ILLINOIS

Holy Cross School, Deerfield  
Saint Matthias, Chicago  
St. Joan of Arc, Lisle

### INDIANA

Holy Cross Lutheran School, Fort Wayne  
St. Mark Catholic School, Indianapolis  
St. Paul Lutheran School, Fort Wayne  
The Stanley Clark School, South Bend

### IOWA

St. Katherine's/St. Mark's School, Bettendorf

### KANSAS

St. Mary Queen of the Universe, Salina

### LOUISIANA

Our Lady of Fatima School, Lafayette  
Saint Michael Catholic School, Crowley  
St. Martin's Episcopal School, Metairie

### MARYLAND

Saint Rita School, Baltimore  
St. Elizabeth School, Rockville

### MICHIGAN

Dickinson Area Catholic School, Iron Mountain  
Holland Christian Middle School, Holland  
St. John Lutheran School, Rochester  
St. Lorenz Lutheran School, Frankenmuth  
St. Mary Cathedral School, Gaylord

### MINNESOTA

Holy Family School, St. Louis Park

### MISSOURI

Central Institute for the Deaf, St. Louis  
H.F. Epstein Hebrew Academy, St. Louis  
St. Monica, Creve Coeur

### NEBRASKA

Saint Cecilia's Cathedral Elementary, Omaha  
St. John Lutheran School, Seward  
St. Pius X/St. Leo School, Omaha

### NEVADA

St. Viator, Las Vegas

### NEW JERSEY

St. Peter Elementary School, New Brunswick

### NEW YORK

Our Lady of Lourdes, West Islip  
St. Ignatius Loyola, New York  
Sts. Peter and Paul, Bronx  
The Calhoun School, New York

### OHIO

Saint Barbara, Massillon  
St. Agatha, Columbus  
St. Mary School, Cincinnati

### OKLAHOMA

Holland Hall, Tulsa

### PENNSYLVANIA

Ancillae-Assumpta Academy, Wyncote  
Benchmark School, Media  
Saint Bernadette School, Drexel Hill  
The Miquon School, Miquon

### TEXAS

Akiba Academy of Dallas, Dallas  
Immaculate Conception, Grand Prairie  
Pines Montessori School, Kingwood  
St. Patrick School, Corpus Christi  
St. Peter Prince of Apostles, San Antonio

### UTAH

Rowland Hall-St. Mark's School, Salt Lake City

### WISCONSIN

Elm Grove Lutheran School, Elm Grove  
Northwest Lutheran School, Milwaukee

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