

Council for American Private Education

CAPE outlook

Voice of America's private schools

New Tax Law Extends Coverdell Savings Accounts

The tax-cut measure negotiated by President Obama and congressional Republicans last month preserves—at least for the next two years—the historic Coverdell Education Savings Accounts (ESA), which 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.

Unique K-12 Tax Relief

Initially enacted in 2001, the hard-fought Coverdell accounts mark the first and only measure of federal tax relief that specifically helps parents with the costs of a child's education in a private, including religious, elementary or secondary school. Tax benefits, such as credits or deductions, to help offset a family's college costs and pre-school costs are a staple of the tax code and have been for some time, but not for K-12 education. So although the relief provided by Coverdell accounts is modest—amounting to tax-free earnings on savings marked for education—its historical significance is unmistakable.

Named After Paul Coverdell

Prior to the tax measure signed by President George W. Bush in 2001, education savings accounts had been available only for college costs. The amended accounts, named after Paul Coverdell, a Republican senator from Georgia, increased the allowable annual contribution from \$500 to \$2,000 and extended the benefits to K-12 education.

From 1997 until his untimely death of a stroke in 2000, Coverdell fought valiantly and tirelessly to secure K-12 accounts. "There is hope in the dreams of parents who stretch the family budget to its capacity so that their children may have

a better future than they had," he once told a group of ESA supporters.

Five-Year Struggle

A clear marker of the importance of Coverdell accounts in the national struggle



President Barack Obama, joined by Vice President Joe Biden and Republican and Democratic members of Congress, signs the tax bill in the Eisenhower Executive Office Building, December 17, 2010. (Official White House Photo by Chuck Kennedy)

for school choice was the intense opposition the measure faced during its march toward enactment from 1997 to 2001. In 1997, President Clinton forced congressional leaders to remove a K-12 ESA provision from a tax-relief bill, threatening in a forceful letter to veto "any tax package that would undermine public education by providing tax benefits for private and parochial school expenses." Months later, after the House had passed a stand-alone ESA initiative, Senate Democrats, under considerable pressure from public school teacher unions, filibustered the bill. In 1998, Congress approved another ESA proposal, but President Clinton vetoed what he called "bad education policy and bad tax policy."

Abandon Hope

The fierce Senate floor fight in 1998 over K-12 education savings accounts pro-

vided perhaps the clearest indicator of the level of opposition to the measure. Overstatement seemed to rule the day. Then Senate Minority Leader Tom Daschle (D-SD) said the bill would "privatize" public schools and result in "the death of public education." Senator Ted Kennedy (D-MA) said if the bill were enacted, a sign should be hung outside every public school saying, "Abandon hope, all ye who enter here."

In 1999 Congress again approved ESAs as part of a tax relief bill, but again the bill was ultimately vetoed.

Vouchers by Another Name?

Even in 2001, when ESAs were being debated as part of an overall tax package eventually signed by President Bush, bickering over the measure continued with an amendment to strip private school tuition from the list of allowable expenses for the accounts. During a Senate floor exchange, Senator Blanche Lincoln (D-AR), a sponsor of the amendment, said, "Using ESA accounts for private school tuition is simply vouchers by another name." She also reiterated what had become a standard refrain among opponents: "I am concerned that providing a tax incentive to pay private school tuition will divert the critical resources needed to improve our public schools." The amendment was defeated 58-41, with eleven Democrats, including then Senator Joe Biden of Delaware, joining 47 Republicans in support of keeping private school tuition as an allowable expense.

How ESAs Work

Like most tax-related benefits, education savings accounts are subject to numerous provisions. The buildup of interest within the accounts is tax free, and neither the principal nor interest is taxable upon

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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
- Evangelical Lutheran Church in America
- Friends Council on Education
- 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
- 33 Affiliated State Organizations

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School Choice Passport Program Can Save States Money

The argument that school choice programs can save states a lot of money got a boost last month with the release of a report by The Foundation for Educational Choice. *School Passports: Making the Stimulus Pay Off for Students and State Budgets* calls on the federal government to spend \$4 billion of current stimulus funds to allow up to 630,000 students to attend private schools. The outlay would be equal to what was available for the Race to the Top program but could save state budgets \$5 billion over five years, according to economist Brian Gottlob, who wrote the report.

“This would be an opportunity for the largest voucher program ever and certainly would bring immediate education relief to students,” said Robert Enlow, president and CEO of the foundation. “It gives states seed money to kick off their own programs. And even a short-term voucher program would bring pressure on public schools to improve, not to mention give children the school choice options their parents crave.”

Gottlob, a senior fellow at the foundation, said, “What would catch the eye of lawmakers would be the savings for state budgets, particularly in such tough economic times.”

The report calls for single grants to states, which would then decide the specific mechanics

of the program, including how many scholarships to distribute and what criteria to use when doing so.

Among the study’s key findings:

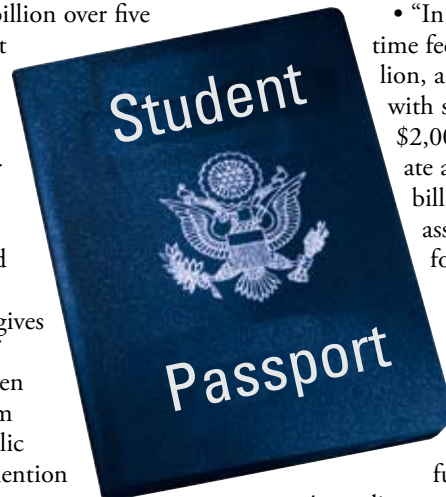
- “Unlike some reforms funded by the Race to the Top program, the financial rewards for states inherent in the School Passport program provide an incentive for states to continue the program long after federal funds for the program cease.

- “In return for an initial, one-time federal investment of \$4 billion, a School Passport program with scholarship values of between \$2,000 and \$2,250 would generate annual savings for states of \$1 billion to \$1.6 billion once states assume financial responsibility for the program.

- “The School Passport program will create a competition-based education reform program of a large enough scale to be evaluated against other reforms funded by Race to the Top.”

According to the report, “Each state could set scholarship values at levels required to generate enough savings in state education aid to maintain the original size of the School Passport program and still produce savings for the state budget.”

The report is available for download at <http://www.EdChoice.org/School-Passports>.



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withdrawal if used for a qualified educational expense. Such expenses include tuition, fees, academic tutoring, after-school programs, special-needs services, books, supplies, computers, uniforms, and transportation. A noteworthy component of the program allows third parties, including corporations, unions, and tax-exempt organizations, to establish and contribute to ESAs. Individual taxpayers with “modified adjusted gross income” under \$95,000 and married taxpayers with MAGI under \$190,000 can make the maximum allowable annual contribution to an ESA. At higher income brackets, the allowable contribution level starts to phase out.

Other Education Benefits

The massive bill signed by President Obama December 17, 2010, was the most sweeping piece of tax legislation enacted in nearly a decade. Besides extending the extensive across-the-board tax cuts established back in 2001, the legislation also retains important tax provisions

relating to education beyond ESAs.

The new law extends for two years the above-the-line deduction for certain expenses incurred by elementary and secondary school teachers. Classroom teachers and other educators in public and private schools may continue to deduct up to \$250 for their out-of-pocket expenditures for books, computer equipment and software, and other materials and supplies used in the classroom.

The law also extends through 2012 the provision allowing an employee to exclude from taxable income up to \$5,250 in assistance provided by the employer for graduate and undergraduate education. In another provision, persons satisfying income eligibility limits may continue to deduct “above the line” up to \$2,500 in student loan interest. Also, the new law allows certain scholarships for qualified tuition and education expenses to continue to be excluded from taxable income for the next two years. (A tax authority should be consulted for further details on these provisions.)

Google Chronicles Terms for Private Education

What's in a name? Would a private school by any other name remain the same?

For some time now, leaders in the private school community have been searching for the perfect generic term to describe the type of schooling they provide, with consideration given at various times to “nonpublic,” “nongovernment,” “independent,” and, of course, “private.”

With Google recently releasing its NGram Viewer, allowing users to track how frequently a term has been used in the past 500 years (or any period in between), it is now a fairly simple matter to find out the most popular terms employed over the years to describe private education. In less than a second, Google's program searches its corpus of digitized books (in our case, books published in the United States) to unveil the desired results. They are instructive.

It turns out that the term “private school” started appearing in Google's corpus of scanned books as far back as the mid 18th century. The NGram Viewer further shows that between 1820 and 1930 the phrase enjoyed a fairly steady rise in frequency among “2-grams,” Google's term for two-word combinations. “Independent school” starts to crop up in the early 19th century, and “nonpublic school,” a relative newcomer, makes its first appearance about 90 years later, with one early reference surfacing in the 1892 publication *The History of Education in Indiana*.

Most Popular

When it comes to popularity, “private school” wins hands down. In the year 2000, for example, “private school” was used about 25 times more frequently than the term “nonpublic school” and about 12 times more frequently than “independent school.” In fact, “private school” has consistently and significantly outpaced its rival terms over the past 200 years.

The graph above zeroes in on the frequency of two terms, “private school” and “nonpublic school,” in books published in English in the United States between 1950 and 2000. Because it isolates discreet values for the six years identified (1950, 1960, etc.), the chart is actually masking a much more varied picture of occurrences in the in-between years. Nevertheless, the graph shows how Google's Ngram Viewer

works. In 1950, for example, of all the 2-grams (two word combinations) identified by Google in its selection of scanned books, the term “private school” accounted for about .000070 percent, while the term “nonpublic school” represented roughly .000002 percent, a ratio of about 35 to 1.

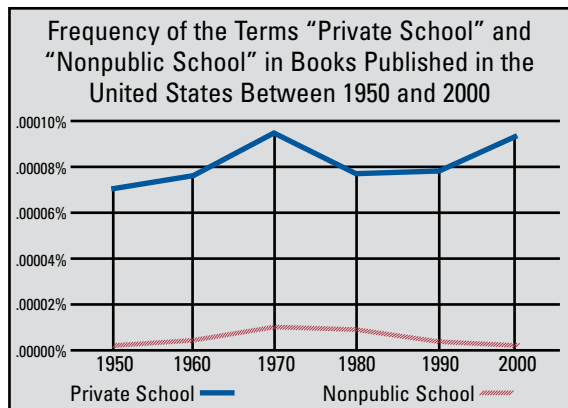
Defenders and Detractors

Over the years, each term used to describe private education has had its defenders and detractors. For some, the term “private school,” which is supposed to capture a particular mode of governance as well as funding by private dollars, suggests an exclusive student body, even though the overall demographics of private education reflect the mainstream. “Nonpublic” suggests

that the students being educated are not part of the public, when in fact such schools educate nothing but the public. Besides, few people or institutions enjoy being called a “non” anything. As for “independent,” it certainly captures the freedom from government control and the spirit of innovation that private schools enjoy, but it is generally used to identify a specific type of private school, namely, those governed by autonomous boards. “Religious and independent schools,” though a bit cumbersome, manages to embrace not only independent schools, but also private schools that are religiously affiliated, and it does so without carrying the negative connotations of other terms. Finally, “nongovernment schools,” while not as popular, reflects an important attribute and the freedom that all private schools have in common.

Specific Choices

What's in a name? CAPE's very title incorporates “private education” as a means of succinctly capturing the autonomy, independence, freedom, quality, and diversity of private schools. But any generic term necessarily fails to represent the rich specificity of the members it encompasses. And parents select schools based on specifics—particular schools that reflect precise expectations of what a school should be. Jewish, Montessori, Independent, Lutheran, Friends, Waldorf, Episcopal, Adventist, Reformed, Evangelical, Catholic, Pentecostal—these are the terms that matter when making decisions about a child's future.



Survey Says Choice

Tax-credit scholarship programs, which provide individuals or corporations with tax credits for donations to private school scholarship organizations, are gaining ground across the country. Seven states have them already, and after the elections in November, it looks like more states will join the bandwagon. But what does the public think about such programs?

The 2010 *Education Next*—Program on Education Policy and Governance (PEPG) Survey asked a random sample of American adults the following question: “A proposal has been made to offer a tax credit for individual and corporate donations that pay for scholarships to help parents send their children to private schools. Would you favor or oppose such a proposal?” Fifty percent of the public said they would support such a proposal, but within minority groups the responses were even more encouraging. Sixty-four percent of African Americans and 56 percent of Hispanics favored the idea.

Nearly 2,800 respondents participated in the survey, and roughly half of them were randomly assigned the above question. The other half were given this question concerning direct tax credits for parents: “A proposal has been made to offer a tax credit for educational expenses (fees, supplies, computers, and tuition) to low- and moderate-income parents who send their children to public and private schools. Would you favor or oppose such a proposal?” Fifty-five percent of American adults supported the idea, including 71 percent of African Americans and 65 percent of Hispanics.

The survey covered a wealth of issues relating to education, including spending, accountability, teacher pay and performance, and school choice. Complete results are available on the *Education Next* Web site at http://educationnext.org/files/Complete_Survey_Results_2010.pdf.

Return service requested

CAPE notes

★ **Fast Fact About Private Schools:** College freshmen who attended private high schools have higher average ACT scores than students who attended other schools. ACT has released a profile of students who attended college full-time as freshmen during the 2009-10 academic year. Their average ACT composite score in high school was 22.2, while the average for all 2008-2009 high school graduates was 21.1. But ACT scores varied significantly by the type of high school the college freshmen had attended. For graduates of public high schools, the average ACT composite score was 22.1; for graduates of Catholic high schools it was 23.5. Private independent school graduates averaged 24.1, while private denominational school graduates averaged 23.5. (The standard deviation for all freshmen scores was 4.9 with a mean of 22.2.) The full report is available at: <<http://www.act.org/research/services/pdf/ClassProfileNormReport.pdf>>.

★ Students like to know that the school they attend is safe. When they perceive it is not, they tend to avoid certain locations or activities simply to protect themselves. A report recently released by the National Center for Education Statistics titled *Indicators of School Crime and Safety: 2010* notes the following: “A larger percentage of public school students (6 percent) than private school students (1 percent) reported avoiding one or more places inside school because of fear of attack or harm.” The full report is available

at <<http://nces.ed.gov/pubsearch/pubsinfo.asp?pubid=2011002>>.

★ Voters in six states (Alabama, Arkansas, Kansas, Mississippi, New Jersey, and New York) support tax-credit scholarships and vouchers, according to a new report from The Foundation for Educational Choice.

The report *Interstate Survey: What Do Voters Say About K-12 Education in Six States?* found that 64 percent of voters favored tax-credit scholarships, defined in the survey as “tax credits to individuals and businesses if they contribute money to nonprofit organizations that distribute private school scholarships,” while only 24 percent opposed them. Support ranged from a low of 56 percent in Kansas to a high of 70 percent in New York.

When asked about vouchers to allow “parents the option of sending their child to the school of their choice, whether that school is public or private, including both religious and non-religious schools,” 65 percent of voters said they supported the idea, while 28 percent opposed it. The range of support went from 57 percent (Kansas) to 74 percent (Mississippi), with support in New York clocking in at 66 percent and in New Jersey at 69 percent.

A total of 3,614 telephone interviews were conducted for the survey, covering more than 600 registered voters in each of the six states.

“Every child is different. That’s why families deserve a variety of education op-

tions,” said Robert Enlow, president and CEO of the foundation. “School choice is about equipping families with those options and giving every parent the freedom to choose the education that’s best for their individual child—and this study demonstrates that Americans want that freedom.”

The report is available at <<http://www.edchoice.org/>>.

★ Private school teachers may now apply for the U.S. Department of Education’s Teaching Ambassador Fellowship program. According to the USDE, “Fellows spend a year gaining greater knowledge of the content of key federal programs and policies” and “provide outreach and communication about federal initiatives to other educators.” Applications for a one-year fellowship in 2011-12 are due January 17, 2011. For more information, visit <<http://www2.ed.gov/programs/teacherfellowship/index.html>>.

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