CAPE Supports Tax Credit Scholarships at IRS Hearing

On November 5, the Internal Revenue Service (IRS) held a hearing on proposed regulations that have the potential to harm tax credit scholarship programs in the states (see the September 2018 edition of Outlook for more details). CAPE’s Executive Director testified against the proposed regulations, as did representatives of CAPE member organizations Agudath Israel of America and the Association of Christian Schools International (ACSI).

Proposed Regulations

After Congress passed the new tax law last year, a handful of states took steps to circumvent the law’s new caps on the state and local tax (SALT) deduction. In response, the IRS proposed regulations meant to thwart those “SALT workarounds.” Rather than a narrowly tailored fix, however, the agency put forward a broad proposal that has the potential to harm long-existing tax credit scholarship programs by disincentivizing donations, which could translate to fewer scholarships.

IRS Hearing

Those testifying addressed their remarks to a seven-person panel of IRS attorneys and tax specialists at IRS headquarters in Washington, DC. Twenty people spoke in opposition to the proposed regulations, most of them expressing concern over the damage that the regulations might do to scholarship programs serving children from low-income families. Two young people who have received scholarships gave particularly compelling testimony, as did the mother of a recipient. Seven people, mainly representing public schools, spoke in support of the regulations.

CAPE Involvement

Speaking to the panel, CAPE’s Executive Director, Michael Schuttloflef, suggested that if the IRS had not intended to target tax credit scholarship programs with the proposed regulations, the agency should revise the regulations to affect only their intended target and avoid doing collateral damage to tax credit scholarships and other programs.

If, however, the IRS intended to target tax credit scholarship programs, Schuttloflef asked, “What took so long?” He pointed out that for over twenty years, states across the country “have built their programs in part on assumptions of what the federal side of the tax equation was…without any inkling that the IRS was displeased and might someday pull the rug out from under them.” He continued, “Over all these years, the people running these state programs have built up donor bases and devised whole ways of operating according to the old rules. And now suddenly, after 20 years, this thunderbolt gets hurled down from on high. If the IRS saw a problem, it should have said something instead of letting state after state pass and build their programs on the old assumptions.”

Schuttloflef also observed that the proposed regulations are out of step with Administration education policy and Education Secretary Betsy DeVos’ administration that with respect to school choice, Washington should not do anything to get in the way of what the states are doing. U.S. News & World Report’s coverage cited Schuttloflef as “cutting to the heart of the paradox” when he said, “For some inexplicable reason, a pro-school choice Administration wants to advance their opponents’ anti-school choice agenda.” He concluded by suggesting that Congress should be the one to decide a policy of this scope.

Agudath and ACSI

In his testimony, Rabbi Abba Cohen, Vice President for Federal Affairs of Agudath Israel, expressed concern that by promulgating overly broad regulations, the IRS was “throwing the baby out with the bathwater” and putting at risk the educational opportunities of children in need. According to Rabbi Cohen, “There are currently an estimated 6500 students attending Jewish schools…as a result of scholarships generated by tax credit programs that are the subject of the proposed regs.”

ACSI’s Director for Government Affairs, George Tryfiates, cautioned the panel that “Every gift left ungiven will cut the number of scholarships available and affects a real child who just wants options and opportunities.” He added, “If the final rule causes even one child to lose her scholarship, we did it wrong.”

In addition to the verbal testimony at the hearing, the IRS received over 7,000 written comments on the proposal, including from CAPE member organizations the United States Conference of Catholic Bishops (USCCB), the National Association of Independent Schools (NAIS), and the National Catholic Educational Association (NCEA).

A final decision from the IRS is still pending.
The College Board recently released performance results from the SAT for the class of 2018. According to the College Board, the mean total scores for 2018 graduates who took the SAT was 1068, a slight increase over last year’s class average of 1060. For the Evidence-Based Reading and Writing section (ERW), the mean score was 536, whereas last year’s was 533. The Math section score was 531, just above 2017’s 527.

Private School Data

According to data provided to CAPE by the College Board, results varied significantly by the type of school students attended, with college-bound seniors in religious and independent schools scoring substantially higher than the national average. Specifically, the average combined score of students in independent schools was 1188, or 120 points above the national mean, while the average for religious school students was 1153, which was 85 points above the mean. Public school students scored 1049, 19 points below the mean. Public school students scored 1049, 19 points below the mean. The scores make clear that students in private schools help lift the national average.

In each of the subjects tested, SAT scores for college-bound seniors in religious and independent schools were also substantially higher than the national average. Mean SAT scores for students in public schools were 529 in ERW and 520 in math, while comparable scores for students in religious schools were 581 and 572. Students in independent schools had an average ERW score of 580 and an average math score of 608.

SAT Performance Relative to National Mean of 1068

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SAT Scores - Class of 2018

<table>
<thead>
<tr>
<th>Schools</th>
<th>ERW</th>
<th>Math</th>
<th>TOTAL</th>
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<tbody>
<tr>
<td>Independent</td>
<td>580</td>
<td>608</td>
<td>1188</td>
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<tr>
<td>Religious</td>
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<tr>
<td>National Mean</td>
<td>536</td>
<td>531</td>
<td>1068</td>
</tr>
</tbody>
</table>

Benchmarks

The College Board calculates benchmarks for both the ERW and math sections of the assessment. The math benchmark (530) is said to be “associated with a 75% chance of earning at least a C in first-semester, credit-bearing, college-level courses in algebra, statistics, precalculus, or calculus.” The ERW benchmark (480) is associated “with a 75% chance of earning at least a C in first-semester, credit-bearing, college-level courses in history, literature, social science, or writing.”

For the class of 2018, 47 percent of students who took the SAT met or surpassed the benchmarks in both sections of the assessment. But again, percentages varied by type of school. For public school students, the share of students who met or exceeded both benchmarks was 44 percent; for religious school students, it was 63 percent, and for independent school students, it was 70 percent.

With respect to the ERW, 68 percent of public school students met the benchmark, 87 percent of religious school students, and 83 percent of independent school students. For the math benchmark it was 46 percent of public school students, 65 percent of religious school students, and 74 percent of independent school students.

According to the College Board, “More than 2.1 million students in the class of 2018 took the redesigned SAT, an increase of 25 percent over the class of 2017,” which represents “the largest number of students in a graduating class to take the SAT.”
Parents Choose Choice

Political opponents of school choice have been redoubling their efforts in the recent months to call into question the efficacy and even legitimacy of programs that give parents more control of where their children go to school. Yet a new study examining the Florida Tax Credit Scholarship Program (TCS), and the strong growth of Wisconsin’s voucher programs, show that whatever the activists say, parents want more choice, not less.

Florida

A new survey examining the nation’s largest private school choice program shows extraordinarily strong levels of parental satisfaction. The TCS serves more than 108,000 students in the Sunshine State. According to EdChoice, “The vast majority of scholarship parents (92%) expressed satisfaction with the tax-credit scholarship program, including 89 percent who were ‘completely satisfied.’ Only 7 percent expressed being somewhat or completely dissatisfied.”

The study’s authors, Jason Bedrick and Lindsey Burke, point out that “Florida’s tax-credit scholarship program serves some of the state’s most disadvantaged students. Recipients are primarily non-white students from low-income families—often with household incomes well below the poverty line. During the 2017–18 academic year, the average household income of participating families was $25,362, or 8.2 percent above the federal poverty level after adjusting for varying family sizes. More than half of the scholarship students (55%) live with one parent. Moreover, state-mandated annual reports have consistently found that the Florida Tax Credit Scholarship Program attracts students who score lower on standardized exams than other demographically similar students before entering the program.”

The authors found that 89 percent of scholarship families expressed satisfaction with their chosen school. Additionally, “More than 90 percent of scholarship families reported that it was very easy (73%) or easy (16%) to find a school where they wanted to enroll their child using a tax-credit scholarship.”

71 percent of the parents said that were it not for the tax credit scholarship program, their child would be attending some sort of public school. This, according to the report, suggests that the program is “increasing educational opportunities available to families in Florida.”

Also of interest: “When asked to list the top three factors that influenced their decision to have their child attend their chosen school, the only factors to be selected by a majority of scholarship parents were religious environment/instruction (66%) and morals/character/values instruction (52%).”

Finally, “Among respondents whose child was previously enrolled in a public district or charter school before using a scholarship to enroll in a private school, most parents reported engaging in a variety of education-related activities more often than before switching schools, including communicating with teachers (77%), participating in school activities (72%), volunteering or doing community service (63%), reading to their child (57%), using an online educational resource like Khan Academy (56%), and working on math homework with their child (52%).”

Wisconsin

According to data released by the Wisconsin Department of Public Instruction ( DPI), “Student enrollment in Wisconsin’s three private school parental choice programs showed a one-year increase of about 8.7 percent.”

The Milwaukee Parental Choice Program, which, according to the DPI release, began in 1990 with seven schools and 341 students, now has 129 participating private schools and 28,917 students enrolled. It is the nation’s oldest voucher program.

The Racine Parental Choice Program enrolled 3,324 students in 26 participating private schools for the 2018-19 school year.

The Wisconsin Parental Choice Program, which serves Wisconsin residents who do not live in Milwaukee or Racine, saw a dramatic 57% increase in student enrollment, and now boasts 7,140 students attending 213 private schools, up from 154 schools last year.

“Across the three programs, 39,381 students received a voucher to attend one of the 279 participating private schools in the 2018-2019 school year. This is an increase of 3,164 students and 43 schools compared to the prior school year.”

Policy Update

Congress – As discussed in the October 2018 Outlook, the major overhaul of the federal tax code passed last year included a provision that was little-noticed at the time, but now has people’s attention. The Tax Cuts and Jobs Act of 2017 (TCJA) included language applying a 21% tax on some of the fringe benefits nonprofit organizations, including private schools, provide their employees. Those benefits include transportation-related expenses like parking, transit passes, and commuting subsidies. The new rule applies to both religious and secular nonprofits.

Slowly but surely, word of the new rule spread, and uproar ensued. Not only did the new policy represent a dramatic change for how government interacts with nonprofit groups, especially in the religious sector, but with each passing day it became more clear that the new rules were themselves as clear as mud. Compliance would be a severe challenge, especially for small organizations.

Nonprofit groups were pleased to see then that, in late November, the chairman of the House of Representatives’ tax committee announced his intention to repeal the provision as part of tax legislation moving through Congress. That bill’s prospects are uncertain, but there appears to be some significant support for the idea that the new tax on nonprofits should go. Stay tuned.

Arizona – The November 2018 Outlook took a close look at the referendum on Proposition 305, a vote of the people on legislation passed by the Arizona Legislature that would have both expanded and capped the state’s existing Empowerment Scholarship Accounts program. School choice advocates in Arizona and nationally were divided over the proposal. In the end, Arizona voters rejected Prop 305, which means that the Arizona program will continue to operate as it has before, and advocates in Arizona can go back to the drawing board to look for ways to expand its promise.
The National Association for the Education of Young Children (NAEYC) is developing a position statement on standards for early childhood education. As part of the process, NAEYC solicited comments on their draft statement. That statement included language that raised eyebrows, for example: “Early childhood educators understand how systems of privilege and oppression (including, but not limited to, racism, colorism, capitalism, patriarchy, hetero-sexism, cis-sexism, Christian hegemony, anti-Semitism, Islamophobia, colonialism, xenophobia, Western imperialism, ableism, ageism, adultism, sizism, and European cultural dominance) advantage members of certain social groups at the expense of other social groups and how this impacts young children’s learning and development.” If the draft committee was seeking to encourage comment, they were undoubtedly successful.

On November 9, the White House issued a presidential proclamation recognizing November 11 - November 17 as American Education Week. The statement included mention of private education and nodded towards school choice: “We are also protecting and expanding parents’ access to a wide range of high-quality educational choices, including effective public, charter, magnet, private, parochial, online, and homeschool options … When families are free to choose where and how their children learn, and when teachers are free to do their best work, students are able to grow and explore their talents and passions … We must continue our efforts to expand freedom and opportunity in education.”

Speaking of expanding educational freedom and opportunity, Patrick J. Wolf has a book coming out this month: School Choice: Separating Fact from Fiction. The publisher describes it thusly: “What claims about school choice are grounded in actual evidence? This book presents systematic reviews of the social science research regarding critical aspects of parental school choice. How do parents choose schools and what do they seek? What effects do their choices have on the racial integration of schools and the performance of the schools that serve non-choosing students? … What effects does school choice have on important non-cognitive outcomes including parent satisfaction, student character traits, and how far students go in school? … This book … provides evidence-based answers to those vital questions.”

The private school world lost a great friend on November 11 with the passing of William Sadlier Dinger. Mr. Dinger served as president of William H. Sadlier, Inc., the oldest family-owned publishing company in the United States (founded in 1832), for a twenty-five year period and worked there in various capacities since 1963.

An article in Crux described how “as president of one of the country’s leading publishers of catechetical and educational materials, William Sadlier Dinger sought out parish catechists and teachers so he could learn what they needed and to make sure his company’s books met their needs.”

In a statement, National Catholic Educational Association president and CEO Tom Burnford said, “Bill was a wonderful friend and mentor to me over the years, and I will miss him deeply. His passion for Catholic education will long be remembered and his contributions to both the education and publishing communities will benefit children for generations to come.” In 2009, Mr. Dinger and his brother Frank Sadlier Dinger were awarded the NCEA Elizabeth Ann Seton President’s Award in recognition of outstanding commitment, service and lifelong support of religious education.

Mr. Dinger’s many contributions to religious education were widely recognized. According to Crux, “he received the Lifetime Achievement Award from the Association of Catholic Publishers in 2014. He was active in several educational organizations, serving on the board of directors of the Mid-Atlantic Catholic Schools Consortium and the Catholic School Accreditation Association and the Dean’s Advisory Board of Mercy College. He also was a member of the Task Force for the National Standards and Benchmarks for Effective Catholic Elementary and Secondary Schools and the Steering Committee for the Common Core Catholic Identity Initiative.” He is survived by his wife Maureen, sons Michael Sadlier Dinger and William Sadlier Dinger Jr., and four grandchildren.