



Federal Education Update II

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Topics

- E-Rate
- Immigration
- Tax Policy
- Medicaid
- Early Learning
- Higher Education

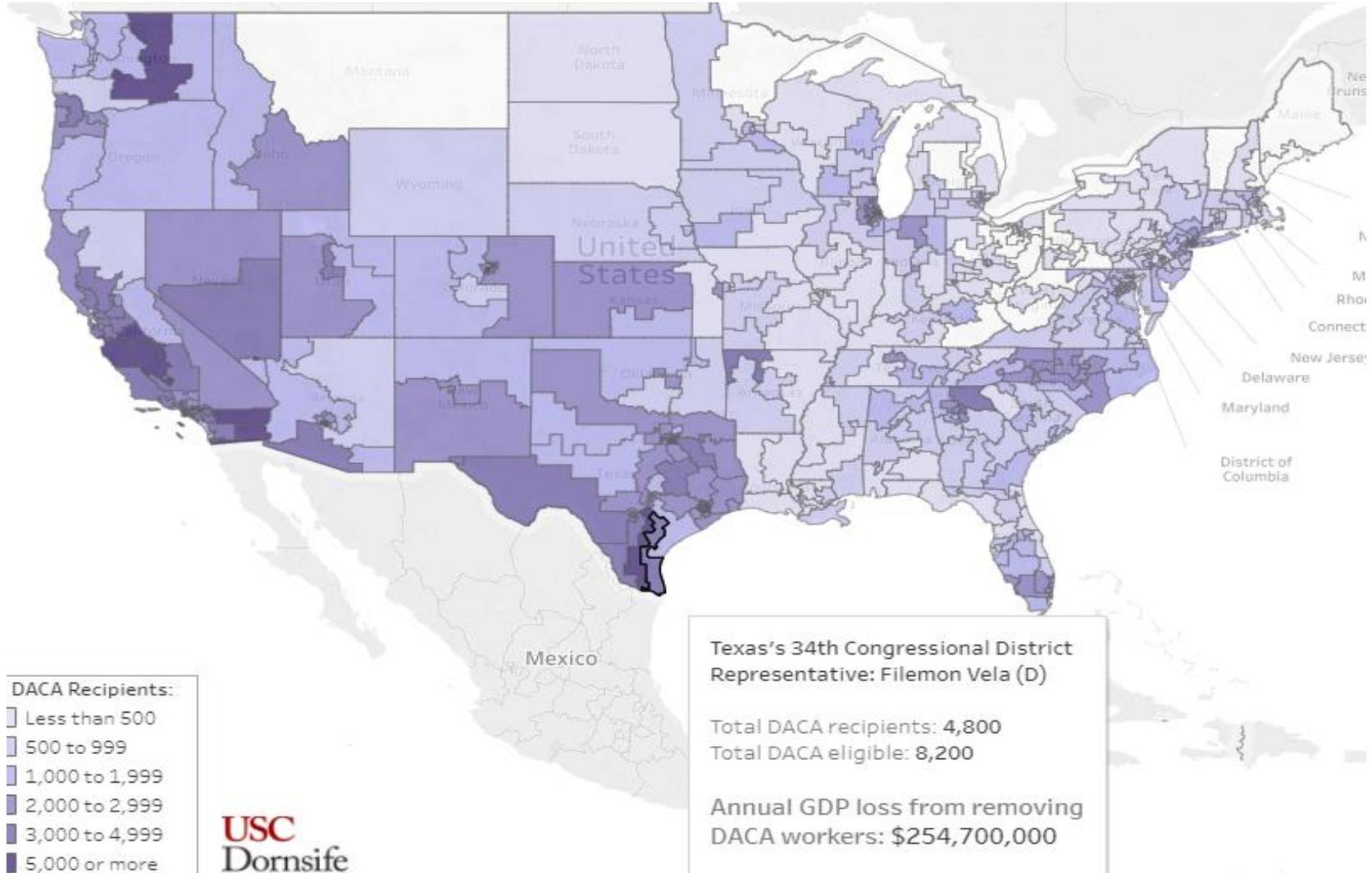
Education & the FCC

- FCC Chairman Pai has advanced a set of policy priorities that demonstrate either a lack of understanding of, or regard for, the importance of connectivity for schools and students
 - E-Rate: proposed policy that would eliminate/cut funding for internal connections
 - Lifeline: reversed policy that would allow the program to help address the homework gap
 - Network Neutrality: voted to eliminate NN protections
- Collectively, these changes undermine what should be an obvious focus and priority for these FCC programs: ensuring continued affordable and equitable access to connectivity and related content

Education & Immigration

- Historically, AASA engaged in efforts to ensure that educators are not agents of enforcement, and that schools are not sites of enforcement.
- AASA policy expanded to support DACA protections
- The approaching end of DACA forced another policy change for AASA, and we endorse the DREAM Act (pathway to citizenship for DACA recipients)

DACA: Impacting Your State



Tax Policy: Background

- Adequate and fair taxes support our nation's communities, neighborhoods and schools. In discussing the ways that tax policy affects our schools, the most obvious examples are those directly related to education expenses and funding, such as property taxes, the Qualified Zone Academy Bonds program, and the teacher tax credit.
- Beyond these more visible and direct tax policies, there are federal tax policies that have an impact on and shape education and educational opportunity.
- As Congress moved forward to revise the tax code, we had to understand not only those tax policies that directly affect schools, but also how broader tax policies help enable states, communities and neighborhoods to support their schools.

Education & Tax

- 2017 Tax Cuts & Jobs Act was first federal tax overhaul since 1986
- AASA's tax efforts had been pretty narrow, focused on tax extenders and bonds/financing.
- Comprehensive tax policy change, though, has far-reaching policy implications.
- THAT was the catalyst for AASA policy engagement.

Education & Tax

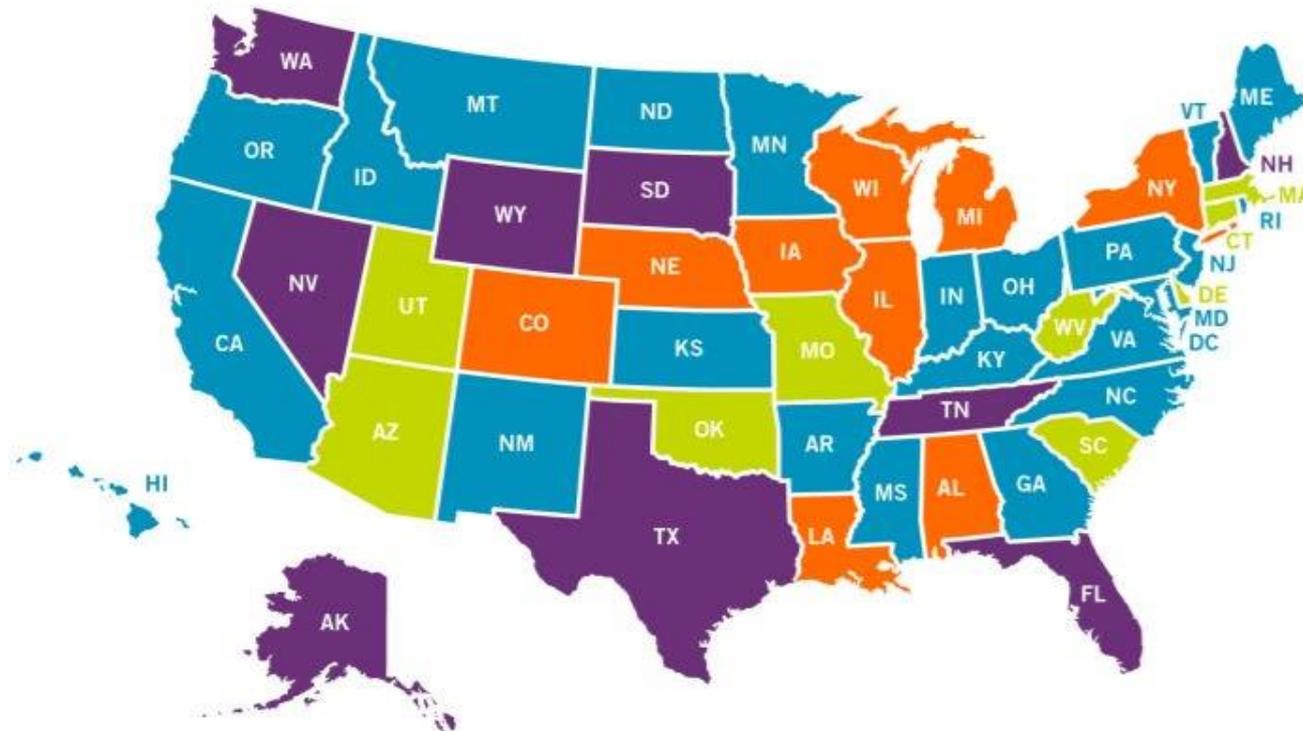
- We had four priorities:
 - Opposed efforts to modify SALT-D
 - Expand 529 to support K12 expenses and bankroll private education tuition
 - Eliminated/changed QZABs, QSACs and private activity bonds
 - Continued reliance on deficit financing
- The bill passed and, in a nutshell, includes very, very little that could pass as good for public education.

529 Changes in Tax Bill

- Major victory for privatization proponents
- Allows 529 savings accounts to be used for K-12 tuition
- Originally was created as a mechanism for families to set aside savings tax-free to eventually pay college tuition.
- Only used by 3% of Americans
- The federal tax break taken on its own won't break the piggy bank of the federal government—the 10-year cost of the 529 expansion is less than \$1 billion.
- But in the many states that now allow 529 programs, conforming to the new private-school provisions could reduce income tax collections by far more, **since many states allow deductions not only for withdrawals but contributions**

My State and 529 Tax Code Linkages

STATE-BY-STATE REQUIREMENTS FOR EXPANDING 529 ACCOUNTS TO K-12 EDUCATION EXPENSES



- Need to adopt legislation
- No legislative change needed
- Not applicable (no state income tax)
- State has not yet determined

My State and 529 Changes

- For the 9 states that do not have individual income tax there is no state income tax savings to apply to 529 accounts
- 9 other states (AZ, CT, DE, MA, MO, OK, SC, UT, WV) have reported that no legislative changes will be needed and their states will immediately recognize the 529 changes made in the federal law
- 23 states would have to proactively amend tax law to mirror the 529 provisions in the tax bill
- The goal for those in these 23 states: Amend code so that taxpayers can set-aside money temporarily in 529 accounts and then withdraw for private school tuition which would allow part of their private school tuition to be paid with pretax dollars.
- In a nutshell, the provision would allow state residents to send their state income tax dollars to pay for private schools instead of public schools, as they already now can with their federal income tax bills.

Want to Get Schooled on 529 Plans?

FREE Webinar on March 8 at 2 pm ET. Sign up at AASA.com

Two great experts (one tax and one education policy) lend their time and expertise for this webinar.

[Andrea Feirstein](#) is the founder of AFK Consulting Group and is an expert on all aspects of 529 plan design and administration. Ms. Feirstein will present on the structure of 529 plans, how state plans differ, and speculate on how state 529 policies may need to change as K-12 tuition dollars start to flow in and out of these savings accounts.

[Nat Malkus](#) is the deputy director of education policy at the American Enterprise Institute (AEI), where he specializes in K–12 education. Dr. Malkus was one of the most vocal critics of the 529 policy changes during the tax reform debate and will share his perspective on how the 529 provisions advance private school interests and how state policy could be amended to minimize or maximize the educational impact of the new tax law.

2017: The Year of Medicaid Debates

- The goal of 2017: Repeal Obamacare, reduce expenditures for Medicaid and use savings to pay for tax cuts
- The reality of 2017: Can't fully repeal Obamacare or make big-changes to Medicaid, but can pass taxes. Need to figure out how to pay for it in 2018.
- Main ideas that the GOP has coalesced around generally referred to as "Graham-Cassidy":
 - Reduce federal expenditures for Medicaid to pay for other things (tax cuts, increases to defense, etc)
 - In exchange for a major cut in federal \$, offer States more "flexibility" to design their Medicaid program
 - Leave it to States to decide who keeps getting paid from Medicaid, who is eligible for services, what services are covered

Why is Graham-Cassidy a Problem for Schools?

More students in poverty +

More students with significant disabilities and medical needs served in our schools +

Fewer federal and state dollars for education =

More districts relying on Medicaid to make budgets “work”

And...

Under a block-grant program, States will have fewer dollars to spend on Medicaid, so school-based Medicaid programs will be among the first to lose reimbursement.

Schools can't compete with frontline healthcare providers like hospitals, doctors, clinics, for limited Medicaid resources.

Crystal Ball: 2018 and Medicaid

Optimistic view: McConnell has no appetite for yet another Medicaid/Obamacare fight. *Asked about ObamaCare repeal last month, McConnell said “we’ll probably move on to other issues.”*

Likelihood of success is lower in a 51-49 environment than 52-48 environment.

Pessimistic view: Conservative groups have made clear they want ACA repeal. They also want welfare reform (not well-defined) which could include changes to Medicaid. Either way, they will try again to use budget reconciliation to get either option accomplished.

“We're going to have to get back next year at entitlement reform, which is how you tackle the debt and the deficit... Frankly, it's the health care entitlements that are the big drivers of our debt, so we spend more time on the health care entitlements — because that's really where the problem lies, fiscally speaking,” said Paul Ryan.

Arming School Leaders with Fresh Data

What would transpire if your district lost its ability to bill Medicaid?

- 57 % of districts indicated they would have difficulty meeting special education mandates in state and federal law w/out Medicaid funds
- 24 % of districts responded that they will be unable to meet special education mandates in state and federal law w/out Medicaid reimbursement
- 36% of districts said they will be forced to reduce mental health services and providers w/out Medicaid funding.
- 32% of districts indicated they will be unable to intervene early in identifying and addressing health needs for students without Medicaid funds
- 29% of districts responded they will have to cut general education positions and programs to compensate for Medicaid dollars
- 26% of districts answered that they will have to ask their community to raise local revenue to compensate for lost Medicaid dollars

Early Learning

- Child care as a Trump (family) priority
- Democrats released a comprehensive bill
 - Provides financial incentives to states to beef up their programs for 3 and 4 year-olds in high-quality preschools
 - Increases workforce training and compensation
 - Broader support for Head Start
- Child care tax credit increased in tax bill
 - Unlikely to see Republicans offer more

Higher Education Act

- The House committee passed partisan (GOP) bill
 - Eliminates all of Title II – teacher preparation programs
 - Eliminates TEACH Grants
 - Eliminates public service loan forgiveness
 - Limits accountability on for profit colleges
- Looking for time on the floor
- Senate is working through priorities
 - Alexander focused on simplification
 - Murray focused on affordability, access, accountability

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Questions?
