The Washington Post

Betsy DeVos's claim about public funding for 'Education Freedom Scholarships'

Salvador Rizzo

April 8, 2019

These scholarships are a big part of DeVos's plans to expand school choice because they would fund private or religious education for students who otherwise might be going to public schools.

It's "the most transformative education proposal" in the Trump administration's budget plan, the Education Department says. DeVos tweeted that Education Freedom Scholarships "do not take any money from public schools."

"Privately funded scholarships improve the educational experiences of students across the country, without taking a single dollar away from public schools and the students who attend them," the Education Department says in a fact sheet.

But the individuals and businesses privately funding these scholarships would get a dollar-for-dollar tax credit under DeVos's proposal. President Trump's 2020 budget plan includes a $5 billion tax expenditure for these credits. "Because it is a tax credit, it will not divert a single dollar away from public schools or teachers," the Education Department says.

Is that really how it works?

The Facts

Although there are some key differences, DeVos's proposal resembles the "voucher" programs in some states, which use taxpayer dollars to fund private or religious education. Eighteen states run their own tax-credit scholarship programs, according to EdChoice. DeVos's plan is to support such state programs with a new federal tax credit. (The libertarian Cato Institute says tax-credit scholarships are better designed and more legally sound than vouchers.)

Here's how the DeVos plan would work:

- States would have the option of participating, but they would not be forced to do so. "Each participating state will determine how it will structure its program, including eligible students, education providers, and education expenses," the Education Department says.

- Participating states would have to identify "scholarship-granting organizations." These are typically nonprofit organizations that offer scholarships to low-income or special-needs students.

- Individuals and businesses donating to these scholarship-granting organizations "are eligible to receive a non-refundable, dollar-for-dollar federal tax credit, but no contributor will be allowed a total tax benefit greater than the amount of their contribution," the Education Department says.

- Then, depending on how a state structured its program, the scholarships could be used for a range of expenses. "Families receive and control the use of scholarships for their child's elementary and secondary education, which may include career and technical education, apprenticeships, and dual and concurrent enrollment," the Education Department says, as well as "private and home education," "advanced, remedial, and elective courses," "industry certifications," "special education services and therapies," "transportation to education providers outside of a family's zoned school," "tutoring, especially for students in low-performing schools," and "summer and afterschool education programs."

Federal taxpayers may not be funding these scholarships directly, but they would be footing up to $5 billion of the cost in lost revenue from the new tax credits. That means forgoing revenue that could have been used on building roads or paying teacher salaries.

The Education Department said in its budget request:

The most transformative education proposal in the President's Budget Request is not a part of the Department of Education's fiscal year 2020 budget, but rather is proposed in the request for the Department of Treasury. It is a federal tax credit for voluntary donations to State-designed scholarship programs for elementary and secondary students, capped at $5.0 billion per year. This tax credit is available to individuals and domestic businesses. The donations will empower States to offer scholarships that can be used on a wide range of public and private educational activities. States, not the federal government, will determine family eligibility requirements and allowable uses of scholarship funds. Because it is a tax credit, it will not divert a single dollar away from public schools or teachers.

This comes at the same time that the Education Department is proposing to reduce its own budget by 12 percent, or $8.8 billion. That includes cuts to programs to manage class sizes and fund teacher development, services for students and technology, critics note.

"For the third year in a row, the president's dead-on-arrival federal budget proposal prioritizes privatization, reverts to post-sequester spending levels, and underinvests in critical education supports and programs, threatening to revert trends in student attendance, graduation and performance," said Noelle Ellerson Ng, associate executive director of the School Superintendents Association.

Here's how the Education Department addresses the cuts:

The 2020 Request promotes fiscal discipline and supports priorities to improve the quality of education and prepare students for the workforce of the 21st century. The Request would implement fundamental reforms aimed at reducing the size and scope of the Federal role in education, while empowering States, communities, and parents to improve the performance of our schools and postsecondary institutions. As such, the Request eliminates funding for 29 programs that do not address national needs, duplicate other programs, are ineffective, or are more appropriately supported with State, local, or private funds.

For example, roughly $74 million would be cut in “impact aid,” a reduction from $1.44 billion to $1.37 billion in Trump’s budget. The Education Department sends impact aid to school districts on federally owned lands, which are exempt from paying local property taxes. Those school districts would be in a pickle without impact aid because property tax revenue commonly goes toward funding public schools.

The Education Department justifies this proposed cut by noting “the President’s overall goal of increasing support for national security and public safety without adding to the Federal budget deficit.”

So, the Education Department is proposing to cut its own budget by $8.8 billion. Simultaneously, the Treasury Department is contemplating a $5 billion tax expenditure for the Education Freedom Scholarship credits that DeVos has made a priority.

Taxpayer dollars would not be used directly on the scholarships, and there’s no direct comparison to be made between the $8.8 billion in cuts at Education and the $5 billion tax expenditure at Treasury.

But these seem like distinctions without a difference. What’s being proposed is a dollar-for-dollar tax credit, meaning taxpayers would end up footing the cost of the scholarships (albeit indirectly and capped at $5 billion) even if the private sector is fronting the money.

Meanwhile, the Education Department is justifying the proposed cuts to its budget in terms of “fiscal discipline” and “the President’s overall goal of increasing support for national security and public safety without adding to the Federal budget deficit.” DeVos and the Trump administration are choosing to fund the tax credits while choosing to cut the department’s programs.

“While the tax credit would forgo revenue from federal coffers, it certainly would not draw on dollars headed to public schools,” wrote Nat Malkus, of the American Enterprise Institute, a conservative think tank. “EFS would be no more in competition with public-school funding than would investments in highways or defense expenditures. And while it would support private school choice in some states — as states have the responsibility and flexibility to set the contours of the programs — it could just as easily be used to drive educational options that are much more popular on the left.

“For instance, California could use EFS to fund pre-K scholarships for low income students. That’s hundreds of millions of dollars that California preschoolers would be hard-pressed to get from a constrained state budget.”

The Education Department did not respond to a request for comment.

The Pinocchio Test

A clever bureaucratic design cannot paper over the reality of money going in and out. In this case, DeVos's plan does not involve a $5 billion line item in her department's budget. Rather, it's a tax expenditure in the Treasury Department. That's a bit of an artifice to us.

Getting down to brass tacks, the federal government would be forgoing up to $5 billion in revenue to cover the cost of DeVos's Education Freedom Scholarships. Private actors may be fronting this money with their donations, but they would get a dollar-for-dollar tax credit in return. That's money that could have been put to another use, such as public schools or the military.

We were on the fence between Two and Three Pinocchios. But as we looked through the Education Department's budget request, we found unequivocal statements that some programs were being cut as a matter of "fiscal discipline" or to meet "the President's overall goal of increasing support for national security and public safety without adding to the Federal budget deficit."

Once you open that door, what's the difference between cutting school programs to support national security and cutting them to support tax-credit scholarships? Both of them — national security and EFS scholarships — would fall outside the Education Department's budget request.

It pushed us to Three Pinocchios. DeVos's carefully worded tweet leaves out any mention of the tax credits. Her claim that public schools would not lose funding to the scholarship program may be accurate in a technical, budgeting sense. But it's clear where her priorities lie: $5 billion for the tax credits, but "fiscal discipline" and $8.8 billion less for her department's programs.

"On one hand, we need more people because the economy is booming," he said. "Then on the other hand, to say, 'The country is full, go back' — it's impossible to reconcile those."

The H-2B visa program, which started in the mid-20th century, has been a feature of a persistent debate over using foreign workers for seasonal labor.

Unions and immigration opponents argue that hiring H-2B workers suppresses wages and deprives Americans of jobs. Advocacy groups say foreign workers are often exploited, and employers say the cap encourages businesses to hire undocumented workers.

Andrea Palermo, a spokeswoman for the Department of Homeland Security, did not directly answer questions about what was behind the plan for additional H-2B visas. She also did not address questions about the apparent contradiction in the administration's positions.

"Congress — not D.H.S. — should be responsible for determining whether the annual numerical limitations for H-2B workers set by Congress need to be modified, and by how much, and for setting parameters to ensure that enough workers are available to meet employers' temporary needs throughout the year," she said.

The White House did not immediately respond to requests for comment on Sunday.

Mr. Nowrasteh said he favored the H-2B program. “I think the economic benefits from the H-2B visa are very large, the benefits to the workers are huge,” he said.

Because businesses are required to show that no American workers want the jobs, the cap “makes no sense,” he said.

“If they try to hire Americans, and Americans don’t want to do that job, then there should be no cap,” he said.

Mr. Nowrasteh said he believed that H-2B visas for Mexican workers have helped drive down illegal immigration. He said expanding the program or eliminating the cap could also help reduce the number of undocumented immigrants from Central American countries.

Last month a bipartisan group of senators, led by Susan M. Collins and Angus S. King of Maine, asked the Department of Homeland Securityto increase the number of visas as a way to support small businesses in a tight labor market, especially those preparing for the summer season.

“In the short run, many areas of our country simply lack the working-age population needed to meet the demand for seasonal jobs,” the senators wrote in a letter signed by 11 lawmakers. “In some industries, particularly tourism, we fear that the demand for workers so far outstrips the available supply that businesses could be forced to curtail operations, putting at risk the jobs of American workers who fill year-round positions at these establishments.”

But Mark Krikorian, the executive director of the Center for Immigration Studies, which supports curbs on immigration, was critical of the program and said it enabled “businesses to avoid hiring people they’d rather not hire.”

“A nation with a third of a billion spanning an entire continent, with 50 million working-age people not in the labor force, doesn’t need to be importing labor,” he said.

Mr. Krikorian said the proposed expansion of the program was not “backtracking or flip-flopping” by the administration.

“The president has always been a big fan of these guest worker visas,” said Mr. Krikorian, who noted that Mr. Trump’s properties, such as Mar-a-Lago, use this visa program to hire workers.

Three Pinocchios