Correcting the Record on the Education Savings Accounts for Military Families Act (H.R. 5199): A Response to the National Association of Federally Impacted Schools

April 27, 2018

Each year, the U.S. Department of Education (ED) distributes billions in taxpayer dollars to support the education of children for whom the federal government has a special responsibility.¹ This group of federally connected children is the focus of the Department of Education’s Impact Aid program. Federally connected students, who number nearly 800,000, include children of military families, children living on tribal lands, and children of civilians who live or work on federal property such as military bases or national parks.

Although many aspects of military life have been modernized over the past century, the way in which the federal government supports the education of federally connected children has failed to keep pace with new education delivery models. Children of military families continue to be assigned to schools that may or may not meet their learning needs, consigning them to nearby district schools that are closest to their parents’ duty station. The federal government’s unique involvement with the education of federally connected children puts the onus on Congress to reform Impact Aid to ensure that it meets the needs of military-connected children and children who are otherwise federally connected.

**Question:** Are Impact Aid funds an appropriate way to pay for ESAs?

**Answer:** Yes. The purpose of Impact Aid is to educate children in districts that have federal property (such as a military base) in its boundaries. Districts do not receive property tax revenue from these parcels, so Washington provides funding through Impact Aid. The Education Savings Accounts for Military Families Act (H.R. 5199) provides federal funding directly to military parents so they can choose how and where their child learns. This proposal is similar to the way veterans receive federal funding through the G.I. Bill to attend any college he or she chooses. The funding for this legislation comes through the Impact Aid program, which currently directs $1.3 billion directly to district schools, and then assigns students to those schools based on where their parents are stationed. The Act redirects a small portion of this funding to a military parent-controlled Education Savings Account (ESA), if the family so chooses, which the family can use to pay for a qualified education service provider.

Furthermore, Impact Aid is a modest part of federal education spending, accounting for approximately 2 percent of all federal K-12 education spending and 0.2 percent of all education spending.

**Question:** How much would ESAs cost the Impact Aid program?

**Answer:** Not one penny. Students using an account would use a portion of Impact Aid funds they are eligible for under the savings account law ($4,500 for children in high-impact Impact Aid districts or $2,500 for students living on base in non-heavily impacted districts) for their learning experience. Those funds are not subtracted from Impact Aid.

Instead, families use those funds for learning options that are the best fit for a student. Public school services such as individual classes or extracurricular activities are allowable uses, along with personal tutors and private education services. For more information, see H.R. 5199, page 5, lines 6-11.
Education savings accounts do not prevent traditional public schools from educating students who do not use an account and remain in a public school. Again, students are not required to use an account. Children who are succeeding in a traditional school setting can continue to do so.2

**Question:** What are allowable uses for the ESAs?

**Answer:** Funding may be used for a wide variety of qualified educational services including: costs of attendance at a private school, private online learning programs, private tutoring, educational services provided by public schools such as individual classes and extracurricular activities, textbooks, computers, educational software and applications, school uniforms, fees for nationally standardized assessment exams, advanced placement exams, any exams related to college admission, fees for summer education programs, educational services and therapies, transportation fees, costs of attendance at an institution of higher education, costs associated with an apprenticeship or vocational training program, fees for state-recognized industry certification exams, and contributions to a 529 college savings account.

**Question:** What is a Heavily Impacted school district (also called a “Local Education Agency” or LEA)?

**Answer:** Heavily Impacted LEAs are school districts that have a high concentration of children eligible for Impact Aid.3 Districts must meet at least one of five criteria to be classified as “heavily impacted,” including districts that share boundaries with a military base or have 45 percent of its enrollment eligible for Impact Aid and the district’s per student spending is less than the state average.

**Question:** How are the amounts of funds determined for the two ESA categories, and will the amount of ESA be consistent throughout a student's K-12 education?

**Answer:** Children in heavily impacted districts would receive accounts worth $4,500, while students living on a military base in a non-heavily impacted district would receive $2,500. Officials would adjust these amounts according to inflation for the duration of a student’s K-12 career. See H.R. 5199, page 5, lines 12-21.

In states such as Arizona, where students have had access to education savings accounts since 2011, the median private school tuition for elementary schools is $5,700, which means the

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account awards under this proposal puts these schools within reach for families.\(^4\) In addition, the average Catholic school tuition—the most common type of private school in the U.S.—is $5,300.\(^5\) Again, the account awards put these schools within families’ reach.

**Question:** What happens if ESA funds are not fully used in a year, and how long could such an account remain open?

**Answer:** If a student does not use all of the funds in their account in one school year, the funds remain in the account and are carried into the next school year. See H.R. 5199, page 8, lines 24-25 and page 9, lines 1-3.

U.S. Department of Education officials will close an account when a) a student returns to a district school; b) completes college; c) turns 22 years of age (for children with special needs, when the student turns 26); or d) at the conclusion of four consecutive years when the student does not use his account.

**Question:** How would LEAs currently receiving Impact Aid funds be impacted if students currently attending those LEAs opt for an ESA?

**Answer:** LEAs would not be impacted. School districts receive Impact Aid funds based on the number of students eligible for such funds attending schools in those districts. Individual student Impact Aid amounts are determined by the student’s characteristics. For example, Native American students generate more Impact Aid than students of civilian parents who work on a military base.

For students in active duty military families eligible for an account, these students will use only the portion of the Impact Aid that would have been provided to their district school in an account. The remainder of a district’s Impact Aid funds for students not eligible for an account—along with state, local, and federal sources of education funding—will remain with the school district.

**Question:** Will this bill harm LEAs educating American Indian and other federally connected students?

**Answer:** No. These students will continue to receive Impact Aid in the same amounts as in the years prior to the creation of education savings accounts for students in active duty military families in the proposal before Congress.

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**Question:** How will this bill impact students who are educated at schools on military installations?

**Answer:** This proposal will have no impact on students attending schools on military bases unless the student is eligible and chooses to use an education savings account. If the student chooses to use an account, the student can use a portion of their Impact Aid funds to customize their education. Other students that generate Impact Aid will remain at their school on a military base along with their Impact Aid funding.

**Question:** What accountability measures would be in place to protect taxpayer dollars and families who opt for an ESA?

**Answer:** Deposits into each child’s account will be made quarterly. Before each deposit, account holders must complete an expense report confirming that all purchases were for items and expenses outlined in this education savings account law.

The text describing these reports is available in H.R. 5199, page 8, lines 13-23.

The accounts operating in Florida, Arizona, Mississippi, and Tennessee use similar procedures. The first audit of Arizona’s accounts found that just 1 percent of the funds disbursed to students was misspent.\(^6\)

Furthermore, the U.S. Department of Education must:

- Make sure only eligible student applications are approved (page 3)
- Make sure parents have signed a written agreement outlining parents’ responsibilities to educate their child in reading, language, mathematics, science, and social studies (page 4)
- Conduct quarterly reviews of parent expense reports (page 8)
- Close the accounts once a child is no longer eligible to participate (page 9)
- Create a website and telephone hotline for fraud reporting (page 12)
- Make sure random and annual audits are performed (page 12)

The department will also require schools and other education service providers that receive $100,000 or more in account funds from families to buy a surety bond.

Public notaries commonly use these bonds similar to the way individuals buy insurance. Once a business has a bond, if funds are lost or misused, the bond will cover the loss and repay the agency.

For more information, see H.R. 5199, page 12, lines 14-24.

**Question:** Will students using an ESA be covered by the Military Interstate Compact?

**Answer:** Students using an education savings account under this proposal remain in the Impact Aid formula and are eligible for the services they received prior to using an account. However, students may not attend a public school full-time and use an education savings account unless families use account funds to pay for those public school services.

**Question:** Will this bill significantly increase ED's administrative burden and bureaucratic footprint?

**Answer:** No. Impact Aid funds are federal funds under congressional jurisdiction. As described above, the U.S. Department of Education is responsible for monitoring the accounts or contracting with vendors to implement this law.

The state of Florida currently serves approximately 10,000 students with ESAs at an administrative cost of $2.1 million. Arizona serves 3,500 students with an administrative cost of $760,000.

**Question:** Does this bill infringe on state and local education authority?

**Answer:** No. States do not have to change any processes or statutes as a result of this proposal. Students using education savings accounts satisfy compulsory public school attendance requirements.

**Question:** Will this bill burden taxpayers?

**Answer:** No. As described above, the current proposal before Congress will not require new money from the federal Impact Aid program. Heritage Foundation research finds that, in a random sample of districts that receive Impact Aid, the change to total Impact Aid funding as a share of total district expenditures is 0.1 percent or less. For heavily impacted districts, the total change to Impact Aid funding as a share of total district budget expenditures is less than 2 percent.

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7 E-mail correspondence with Step Up for Students, February 1, 2018.
9 Butcher, “Giving Every Child in a Military Family the Chance for a Bright Future: Education Savings Accounts, Impact Aid, and Estimated Fiscal Impacts on District Schools.”
**Question:** What is the difference between ESAs funded with Impact Aid and G.I. Bill benefits?

**Answer:** With education savings accounts under this proposal, the federal government provides a portion of a child’s Impact Aid funding to students in an account that families can use to buy educational products and services. The accounts can be used for K-12 and postsecondary expenses.

The G.I. Bill provides current and former service members that meet certain criteria with funds for post-secondary tuition, housing, and books and education supplies.10

**Question:** What did the Military Times poll so frequently referenced to justify this bill say about education choice for military families?

**Answer:** According to a survey conducted by *Military Times*, 35 percent of respondents say that dissatisfaction with their children's education was a significant factor in their decision to remain in or leave military service. According to another recent survey, military respondents were almost five times more likely to support ESAs than they were to oppose them (72 percent favor vs. 15 percent oppose). Giving military families an ESA will empower parents to give their children a high-quality education, regardless of where they may be stationed at the time. By providing education choice through ESAs, the military will possess a key tool to both attract and retain military families. Reducing turnover in the ranks is an important way to lower training costs while retaining institutional knowledge and boosting morale.

**Question:** Do organizations representing service members, veterans, and their families support this legislation?

**Answer:** In April 2018, Heritage Action gathered signatures for more than 2,000 current and former service members or relatives of service members in support of the bill. Organizations operating in Washington, D.C. don’t necessarily represent the interest of service members, veterans, and their families as this letter and the polling demonstrate. Military families already sacrifice so much on the battlefield, but far too often Washington fails them off the battlefield. Men and women in the armed forces have earned the right to send their children to whatever school or educational service provider they believe will benefit their family.

**Question:** Has anyone in the Administration publicly supported this bill?

**Answer:** In February 2018, Education Secretary Betsy DeVos said, “I know for a fact that for more than a third of active-duty military families that have school-age children, their decisions where they go, or where they don’t go, or whether they continue to serve, hinge very heavily

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on the opportunities they have for their children's education.” She continued, "So I think we have an opportunity in that regard to empower them with some more of those choices."

According to Education Week, “DeVos added that parents could use these ESAs, which could be financed using money that goes to the school to which they’re now assigned, to ensure their children receive a high-quality, ‘customized,’ education as they move from ‘base to base to base and city to city to city.’”¹¹

**Question:** Is the Defense Authorization an appropriate vehicle to advance this legislation?

**Answer:** Yes. Every year Congress considers the National Defense Authorization Act (NDAA) which sets the policies and authorizes the budgets for the U.S. Department of Defense.¹² This bill and the defense appropriations bill are Congress' two major pieces of annual defense legislation. While education is a state and local issue, providing education choice to military families is tied to national defense and therefore establishes a unique constitutional nexus for federal school choice. As mentioned above, Impact Aid pertains to the Military Services and has a constitutional basis as part of defense spending. The NDAA presents the best possible vehicle for military ESAs and its funding. Heritage Action and conservatives are committed to including military ESAs on this year’s NDAA.

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