



The Education Savings Accounts for Military Families Act of 2018: Question & Answer

March 5, 2018

Background: Rep. Jim Banks (R-Ind.) introduced legislation to allow children of active duty military parents to establish military Education Savings Accounts (ESAs) entitled the “Education Savings Accounts for Military Families Act of 2018” (H.R. 5199). If passed, this proposal would transition a small portion of funding from a federal program known as the Impact Aid program into ESAs for children from military families. A military family could then choose to use the account to pay for education-related products and services, including personal tutors, online classes, private school tuition, and education therapies. This would provide children of active-duty military families with education choice and serve military families as they serve our nation.

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. 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 U.S. military 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.

Below are some common questions and answers on the Education Savings Accounts for Military Families Act of 2018:

Question: Why do military families need this legislation?

Answer: Families who serve in the armed forces move from duty station to duty station often with few choices about where they live or what schools their children attend. As noted in a Heritage Foundation [report](#), the Pentagon's changes to policy in 2016—enabling families to remain at duty stations for longer time periods—was a direct response “to complaints by military parents who are loathe to move if the next duty station has poorly performing schools.” Those complaints stem from the fact that military-connected children are too often assigned to the district schools closest in proximity to military bases, regardless of whether those schools meet their needs. More than [half](#) of all active-duty military families live in states with no school choice options at all.

According to a 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 the kind of high-quality education they deserve, regardless of where they may be stationed at the time.

Question: How would this bill benefit the military?

Answer: Providing education choice to families in uniform is a national security issue because recruiting and retaining talent in the military is vital to our national security. 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. 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 a key way to lower training costs while retaining institutional knowledge and boosting morale.

[According](#) to Air Force Deputy Chief of Staff for Manpower and Personnel Services Lt. Gen. Gina M. Grosso, at the end of fiscal year 2016, the Air Force active and reserve components were short a total of 1,555 pilots, including 1,211 fighter pilots. A 1,200 fighter pilot shortage amounts to a \$9 billion capital loss for the United States Air Force since the cost to train a fighter pilot is around [\\$6 million](#). At a time when [71 percent](#) of young Americans between the ages of 17-24 are ineligible to serve the military, recruiting and retaining those serving in our armed forces is a vital national security concern. Establishing military ESAs will help address some of these concerns, better serve our military families, and strengthen our national security.

Question: What is the difference between an Education Savings Account and a school voucher?

Answer: School vouchers allow parents to use public funds to pay private school tuition. A state agency issues a check, which is endorsed by a parent and turned over to a private school—or the check can be issued directly to a school under the parents' names. With Education Savings Accounts, parents can use student funds for multiple expenses, including, but not limited to, private school tuition. As a result, the savings accounts provide parents even more educational choice than vouchers.

Question: How will the military Education Savings Accounts be funded?

Answer: In a similar way veterans receive federal funding through the G.I. bill to attend any college he or she chooses, this legislation provides federal funding directly to military parents so they can choose how and where their child learns. 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 Education Savings Accounts for Military Families Act redirects a small portion of this funding to military parent-controlled Education Savings Account, if the family so chooses, which the family can use to pay for a qualified education service provider.

Question: What could the funds be used for?

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: How are the deposited amounts determined?

Answer: A child who has a parent on active duty in the uniformed services and resides within the boundaries of a heavily impacted local educational agency receives \$4,500 per year, issued on a quarterly basis. A child who has a parent on active duty in the uniformed services and does not reside within the boundaries of a heavily impacted local educational agency but lives on a military base receives \$2,500. Heavily impacted districts receive [more federal funding](#) under the Impact Aid Program since they enroll higher percentages of federally connected children, including military children.

Question: How much money would go to the program on a yearly basis?

Answer: Federal funding under this bill is repurposed from within the existing \$1.3 billion currently spent on the Impact Aid program and is only issued if a military family desires to open an Education Savings Account. Families can choose to remain in the current public school system.

Question: How would this proposal prevent fraudulent uses of the funds?

Answer: In states that have ESA programs, such as Arizona, parents and students can only use their accounts for eligible expenses listed in state law. The Arizona auditor reviewed the program in 2016 and found that one percent of funds distributed during the period audited were misused. Senior Policy Analyst at The Heritage Foundation, Jonathan Butcher, [explains](#) how the process works from there:

“At the end of each fiscal quarter, parents complete an expense report. Families submit receipts for each purchase to the agency overseeing the accounts. The agency cross-references the items on the report with the bank’s records. Once all transactions have been accounted for, the agency makes the next quarter’s deposit. If state officials find a discrepancy between a parent’s report and the bank’s register, the agency can withhold the next quarter’s disbursement. State officials can close an account in the event of fraud.”

Rep. Banks’s proposal establishes a similar system. This piece of legislation establishes a website and a telephone hotline that allows individuals to report fraud. It also requires qualified educational service providers (that receive over \$100,000 in funds) to put up a “surety bond” to insure reimbursement to military families in the event of fraud. Consistent with state ESA

programs, this military ESA option would also require parents to submit documentation of their education expenses quarterly, with the Department of Education reserving the right to audit accounts and withhold the subsequent quarter's distribution of funding if there is evidence of misuse.

Question: What happens if families do not end up using all of the funds for the year?

Answer: Any unused funds can be rolled over into next year and eventually be used to pay for higher education, if a student chooses.

Question: How would this impact funding for local schools that rely on Impact Aid?

Answer: While a local school district may receive slightly less funding from the Impact Aid program, it would have lower variable costs since the district would no longer need to provide services for that child. Under this proposal, roughly 126,000 military-connected children would be eligible for an ESA. Even if 10 percent of students left their assigned district schools with an ESA, research demonstrates that the changes in Impact Aid as a share of district budgets would represent just 0.10 percent of total budget expenses. For heavily impacted districts, this figure is 1.82 percent. No public school has ever closed its doors due to an ESA program. It's important to remember that the education system is made for the students, not the administrations. Education policy should keep kids and their parents in mind first.

Question: Will this bill harm Native American children?

Answer: No children are adversely impacted by the proposal. It is important to note that the proposal only applies to children with a parent on active duty in the uniformed services residing in the United States. Impact Aid for Native American populations is a different part of the program that is untouched in this proposal. In fact, using Impact Aid funding that goes to Native American children for military ESAs is prohibited in this legislation.

Question: How will this bill impact kids who are educated at schools on military bases?

Answer: There is no impact. This proposal does not address children who are currently educated on military bases. Roughly four percent of military-connected kids are educated at schools on bases, at great expense to the military. The DOD should continue to study this issue and explore the feasibility of expanding this Education Savings Accounts proposal to military children educated on bases. The most recent Heritage Foundation report detailing recommendations to Congress entitled [The 2019 NDAA Must Continue to Rebuild the Military and Make It More Efficient](#) made this recommendation. The report states: "Congress should create real choice for military families and transition the Domestic Dependent Elementary and Secondary Schools (DDESS) system into a system of education savings accounts for military families."

Question: How will this bill impact military-connected kids who are stationed overseas?

Answer: There is no impact.

Question: Which agency will be responsible for administering this program, and how much will it cost to manage the accounts?

Answer: The U.S. Secretary of Education in consultation with the Secretary of Defense shall administer the program. The state of Florida currently serves approximately 10,000 students with ESAs at an administrative cost of only \$2.1 million.

Question: How long can an account remain open?

Answer: The account expires when the student completes postsecondary education or the date on which the student attains 22 years of age, whichever comes first. Students with special needs have an extended time frame of four years. Any unused funds return to the Secretary of Education.

Question: Are these funds included in taxable income for the parents?

Answer: No. Children and parents are exempted from paying federal taxes on any contribution to or distribution from a military ESA since the monies are already federal funding.

Question: Is this policy supported by the Trump administration?

Answer: Yes. Secretary of Education Betsy DeVos supported ESAs for military-connected children at the 2018 Conservative Political Action Conference (CPAC) in an interview with Heritage Foundation President Kay Coles James. She said:

“As I mentioned earlier, there are so many active-duty families today who are making decisions about how they advance within the military, or where they are going to live or not live based on educational opportunities for their children. I think we have an opportunity to change that dynamic for them, and allow them the chance to tap into education savings accounts, which would allow them to take the funding that would go for their child’s education at whatever the assigned school is, and use it to customize their child’s education. Maybe they take a couple classes at the local traditional school to which they are assigned. Maybe they take a couple of online classes. Maybe they take a couple of classes at a charter school, or some other combination that will work for that child. But to afford these families that kind of flexibility, to meet their student’s needs where they are and where they’re moving--we know they are so mobile generally that it is difficult for those kids moving from base to base to base, or from city to city to city, to have continuity in their education. An education savings account would afford them a much different dynamic and approach to be able to get their education in the

way that best works for them. And if they don't use it all up in one year, it can roll forward in that savings account to be used for future years."

Question: Will this proposal lead to increased federal or state control over private schools, home schools, or other education service providers?

Answer: No. First, this proposal is voluntary for qualified education service providers. Second, education service providers who do receive payments from military ESAs will not be considered agents of the state or federal government, cannot be supervised or controlled by the state or federal government, and are not required to change their creed, practices, admissions policy, or curricula to be eligible to receive payments from a military ESA. Finally, assistance provided by this proposal is considered assistance to the military family not to the qualified education service provider that uses or receives funds from military ESAs. This ensures education providers who participate in this program are not subject to federal anti-discrimination laws, which were used to undermine religious freedom under the Obama administration.