EDUCATION POLICY PROGRAM

10 NEW IDEAS FROM THE NEW AMERICA FOUNDATION FOR EDUCATION POLICY

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Early Childhood, Elementary, and Secondary Education

A Hurricane Katrina School Voucher Compromise: Washington should make available "portable, in-kind education aid" for Katrina children attending private or public schools. Remember green stamps that your family collected from the local supermarket 30 years ago? Think of portable, in-kind education aid as "school stamps" that can be exchanged for government-approved education items, such as desks, books, school uniforms, and even mobile classrooms. Public and private schools would be able to choose tangible education items from a state catalogue or state-approved list and lease them free of charge. In contrast, President Bush has proposed $7,500 school vouchers for each of the 372,000 children displaced by Hurricane Katrina, which would enable private, sectarian schools to use taxpayer dollars for anything they choose, be it excessive administrative salaries, religious instruction, or teaching creationism. Not only is the Bush voucher plan politically divisive, it also covers only the current school year, and therefore fails to promote genuine choice, which parents have already exercised this year to the extent they have been able. Portable, in-kind aid, made available currently on a smaller scale through an existing federal education block grant program, is a hassle for private schools and displeasing to public education-only absolutists, but it offers a workable compromise to the school voucher issue.

Hurricane Katrina Spending Offset: Federal school aid is normally "forward funded." In order to be available for the September to June academic year, federal school funding is appropriated by Congress in the fiscal year before it's designated for use. In other words, federal funding the current 2005-2006 school year was passed by Congress in November of 2004[1]. For displaced Hurricane Katrina children served by public and private schools across the nation, federal funding *already* has been enacted by Congress for at least some of their academic 2005-2006 school year needs. Funding that is currently designated for New Orleans and surrounding school districts will no longer be serving displaced Hurricane Katrina children this year due to the relevant natural disaster. Congress could reprogram an estimated $400 million in Fiscal Year 2005 education funding for displaced Katrina children that currently is unexpended and unobligated in order to pay partially for the education needs of those children wherever they currently are being educated.

[1] Fiscal Year 2005 funding was supposed to be enacted by Congress prior to October 1, 2004, but with the assistance of a Fiscal Year 2004 Continuing Resolution, that is pursuant to an extension, was delayed until November 2004.

All-Girls Math Science Schools: International studies have shown that girls in all-girls schools achieve higher levels of engagement and achievement in math and science. But today there are only 11 all-girls public schools nationwide and long waiting lists for each. Because of the demonstrated record of traditional stereotyping that steers girls away from math and science, the national importance of increasing math and science expertise, and the value of empirically grounded experimentation, the current No Child Left Behind Act charter school program could be amended to include a prioritization for grant applications that support communities choosing to establish public, all-girls schools specializing in math and science.

Eddie Lee for Small School Construction: There are $127 billion in school construction and emergency repair needs nationally. Approximately 14 million children learn in substandard schools in need of major renovation. Half of all schools have at least one unsatisfactory environmental condition, such as polluted drinking water or soot-filled ventilation. This proposal would create a federally chartered bond insurance and reinsurance corporation, similar but not identical to Fannie Mae and Freddie Mac, that secures funds predominantly borrowed by high risk states and school districts for building new small schools, as well as emergency repair and school modernization. Fannie Mae and Freddie Mac financial irregularities are related to the "smoothing" out of revenues, not an inherent flaw in the concept of government sponsored entities. A similar entity to Eddie Lee, Connie Lee, existed in the 1970s and 1980s and successfully supported higher education school construction. Insurance and reinsurance increase demand for bonds, lower interest costs, and save states and school districts millions. An Eddie Lee for Kids would require an estimated $175 million in one-time start up costs and leverage hundreds of millions more in private capital for school construction.

Grandchild Care: Parents increasingly ask their parents to provide primary child care services, because of the lack of affordable, quality care. According to a February 2000 Economic Report to the President, 25% of working mothers aged 19-26 use a grandparent as their primary child care provider, and, according to AARP, 8% of all grandparents regularly provide child care services. Grandchild care is a phenomenon that should be supported. It fosters relaying important values from generation to generation, such as responsibility, compassion, and respect. Grandchild care combats feelings of loneliness and isolation for seniors and acknowledges their ability to contribute positively to their families at a late stage in life. A new $500 Grandchild Care Tax Credit would help expand the availability of quality child care and support seniors and other grandparents for the uncompensated costs they currently incur in providing care. Grandparent tax relief could be constructed through an expansion of the current Child and Dependent Care Tax Credit or crafted as a new free-standing credit. Total cost would be $800 million annually (1.6 million children * $500).

Higher Education

Student Loan "Reconsolidation": Students who consolidate their student loans at a fixed interest rate are prohibited from refinancing their consolidated loans at later, lower interest rates. Many borrowers today are paying in excess of 8% interest on student loans consolidated years ago. By eliminating a wasteful taxpayer subsidy, known as the "9.5% loan guarantee," provided to lenders who recycle student loan proceeds, the federal government could save $400 million over the next five years, according to the Congressional Budget Office. By eliminating the "exceptional provider" designation in current student loan law that guarantees large banks 100% back on any defaulted student loan instead of the current 98% guaranteed return guaranteed to all other lenders, the federal government could save another approximate $400 million over five years. Together these savings would more than offset the cost of allowing middle class borrowers to "reconsolidate" or refinance their student loans. *Note: President Bush proposed allowing reconsolidation when accompanied by a 1% borrower fee. Neither the Senate, nor House has incorporated this proposal into their Higher Education Act reauthorization legislation.*

College Admissions: There are more white students admitted to top ten universities after having benefited from an alumni or "legacy" preference than African American or Latino students admitted after having benefited from affirmative action policies. According to the Department of Education, the average legacy student is "significantly less qualified" than the average admitted non-legacy student. Eliminating legacy preferences in college admissions would open up as many as *one in six spaces* at elite schools for talented students of all races and income levels who are currently passed over in favor of less qualified applicants. Federal financial aid eligibility could be conditioned on an institution's disclosure of its use of the legacy preference in terms of the percentage of enrolled students benefiting, disaggregated by race. A sunshine proposal allows legacy preferences to continue, but discourages their use.

Truth-in-Tuition: Public four year college tuition is up over 33% during the last four years, according to the Department of Education. The size of tuition increases fluctuates wildly from year to year, inhibiting family financial planning and increasing college dropout rates. As a condition of federal financial aid eligibility, state and local institutions of higher education could be required to set multi-year tuition and fee levels for each cohort of students at the beginning of each student's freshman year. Tuition costs could increase from one year to the next, but students and families should know in advance how much of an increase they will confront on an annual basis once they enroll. Illinois adopted a model "truth-in-tuition" law in 2002.

Reduce the Rate of Tuition Hikes: The number one cause of rising public college tuition is reduction in state aid to higher education. State constitutions require balanced budgets, and education typically accounts for one-third of state spending. States have tended to cut higher education funding disproportionately in times of fiscal crisis, in part because those cuts can simply be made up through tuition increases and because other programs like Medicaid come with attractive matching federal grants. As a result, public college tuition has increased more than 33% on average in recent years. As with federal elementary and secondary education funding, in order for public institutions to be eligible for *increased* federal financial aid, states could be required to maintain their overall fiscal effort on behalf of higher education. State budgets should not be balanced on the backs of students.

Repeal the Tax on Graduate Student Loans. Not only do families pay high interest rates on student loans, they also pay a little known 3% student loan origination tax or "fee" for the privilege of assuming educational debt. Instituted as a temporary revenue raising measure in 1982, graduate students still pay a one-time 3% origination tax for every dollar in federal student loans borrowed. A new graduate student today will pay $555 to borrow a maximum of $18,500 this year, in the form of a loan that he or she will have to pay back at 6.8% rate of interest. (*Note: The current Federal Reserve established interest rate on Treasury Bills is 3.6%.*) This student loan origination tax would not be necessary, if Congress would cut unnecessary taxpayer subsidies associated with graduate loans. Graduate student loans are already so lucrative that to attract university business, student loan providers like Sallie Mae and Nelnet currently offer graduate schools a "kickback" of up to 8% of student loan borrowing in exchange for funneling students their way. The U.S. Senate Education Committee aims to place a moratorium on growth in the number of these "school-as-lender" arrangements, but neither the House nor the Senate has any plan to reduce the size of the taxpayer-provided bank subsidy for graduate student loans. Washington could repeal the origination tax on graduate student loans and fully offset the cost by reducing special allowance taxpayer subsidy payment to student loan banks like Sallie Mae and Nelnet. Through the school-as-lender arrangement, student loan banks already have acknowledged that their taxpayer subsidy level is unnecessarily high.