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OFFICE OF POLICY DEVELOPMENT

STAFFING MEMORANDUM								
DATE: 2/16/83	ACTION/CO	ACTION/CONCURRENCE/COMMENT DUE BY:10:00 am TODAY						
SUBJECT: DRAFT F	PRESIDENTIAL STA	TEMENT:	TUITION TAX CREDITS		••			
		•…						
	ACTION	ACTION FYI			FYI			
HARPER			DRUG POLICY					
PORTER			TURNER					
BARR			D. LEONARD					
BLEDSOE			OFFICE OF POLICY INFORMATION					
BOGGS			HOPKINS					
BRADLEY			PROPERTY REVIEW BO	ARD 🗌				
CARLESON			OTHER					
DENEND				🗆				
FAIRBANKS				🗆				
FERRARA	. 🗆			🗆				
GALEBACH								
GARFINKEL				🗆				
GUNN				🗆				
B. LEONARD								
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MONTOYA				🗆				
ROCK				🗆				
ROPER				🗆				
SMITH				🗆				
UHLMANN				🗆				
ADMINISTRATIO	N							

REMARKS:

Document No.	
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WHITE HOUSE STAFFING MEMORANDUM

DATE: February 15, 1983 ACTION/CONCURRENCE/COMMENT DUE BY: February 16, 1983

SUBJECT: DRAFT PRESIDENTIAL STATEMENT: TUITION TAX CREDITS

	ACTION	FYI		ACTION	FYI
VICE PRESIDENT			GERGEN		
MEESE			HARPER		
BAKER		4	JENKINS		
DEAVER			MURPHY		
STOCKMAN	3		ROLLINS		
CLARK		0	WHITTLESEY	0	
DARMAN	□Р	D85	WILLIAMSON	0	
DUBERSTEIN			VON DAMM	0	
FELDSTEIN			BRADY/SPEAKES		
FIELDING			ROGERS		
FULLER			BAKSHIAN	_ 0	0

Remarks:

Please forward comments/edits directly to Aram Bakshian, with a copy to my office, by 10:00 tomorrow morning -- February 16, 1983. Thank you.

Richard G. Darman Assistant to the President (x2702)

Response:

PRESIDENTIAL STATEMENT: TUITION TAX CREDITS
WEDNESDAY, FEBRUARY 16, 1983

Today, with bipartisan support, I will resubmit tuition tax credit legislation to the Congress. I urge their prompt action on this measure to allow the working families of America to direct the education of their children.

This traditional right of parents is threatened by the dual tax burden so many bear. This legislation would allow parents a credit of up to half the cost of tuition against their Federal taxes. Today, five million of our children attend private schools. Most of these schools are church-supported, and in many the majority of students come from minority neighborhoods. We are not talking about the children of a wealthy elite, but of the children of all Americans whose parents care, and care a lot, about their education.

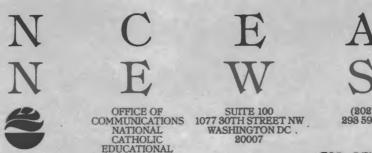
Most families of private school children have incomes under \$25,000. They pay their full share of local taxes to fund public schools as well as full private school tuition for their children. These working families need fair treatment.

The bipartisan bill we propose is for all Americans -- it's no special deal for the rich, because the tax credit is capped to exclude them. Civil rights are also carefully guarded; the bill will not apply to schools that discriminate.

I first submitted tuition tax credit legislation to the Congress in June of last year. It still awaits enactment.

Today, as I propose it again, I urge the Congress to recognize

the right and desire of American families to provide the best possible education for their children. This Congress can bring them this right; working together in a bipartisan spirit, we can make this happen.



FOR RELEASE UPON RECEIPT Contact: Patricia Feistritzer February 17, 1983

WASHINGTON, DC--Praising President Reagan's action in sending his Tuition Tax Credit bill to the Senate Committee today, the president of the National Catholic Educational Association (NCEA) stressed the bill's importance in rectifying "a basic inequity in our present educational tax system."

Msgr. John F. Meyers also noted that the American public is increasingly supportive of parents' rights to choose an education for their children "in keeping with the values they cherish."

He pointed out that low income families in particular bear an "unjust burden" in providing support for the Catholic or private school of their choice in addition to paying public school tax support.

Saying that public schools have no reason to fear tuition tax credits, Meyers asserted that this legislation will "ensure the best possible education for the youth of this country."

The full text of Msgr. Meyers' statement follows:

"I am very pleased that President Reagan has again sent his Tuition Tax Credit bill to the Senate Committee.

This bill is important because it will help to rectify a basic inequity in our present educational tax system. As more and more Americans are recognizing, parents must be financially free to exercise their right to choose an education for their children in keeping with the values they cherish.

I am especially pleased that a tuition tax credit will relieve some of the unjust burden placed on low income families, expecially black and Hispanic, who make great financial sacrifices to send their children to Catholic and other private schools, in addition to paying taxes to support the public schools.

Public schools need not fear this legislation. It will stimulate the improvement of all schools and help to ensure the best possible education for the youth of this country. This objective is the primary concern of all Americans.

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release

3 Total

February 16, 1983

PRESS BRIEFING

BY

GARY JONES, UNDERSECRETARY OF EDUCATION FOR PLANNING, BUDGET, AND EDUCATION ON

TUITION TAX-CREDIT LEGISLATION

The Briefing Room

2:11 P.M. EST

MR. ROUSSEL: If we can get started -- first of all, the ground rules on this briefing are that it is on the record, for sound and camera.

We have with us Gary Jones, Deputy Undersecretary of Education for Planning, Budget, and Evaluation who will brief on the tuition tax-credit legislation. You should have the message to Congress, the fact sheet, and the copies of the legislation.

Q Gary, or Harry?

MR. ROUSSEL: Gary.

MR. CARLESON: Undersecretary.

MR. ROUSSEL: Undersecretary. Well, I said that -- Deputy Undersecretary.

MR. CARLESON: No. He is Undersecretary.

MR. ROUSSEL: Oh, Undersecretary. I am sorry we got it wrong. We, also, handed out a piece of paper on the written statement on the CBI.

Gary.

UNDERSECRETARY JONES: As you folks recall, last year the President submitted to Congress in June a tax-credit bill that was acted on rather promptly by the Senate Finance Committee, reported out in September. The President is, again, committed strongly to seeing this legislation enacted in this Congress. You will find that what we have done this year is principally use the bill as reported out by the Senate Finance Committee as the principal working document.

And we plan to submit very soon -- perhaps tomorrow it will be introduced by Senator Dole, co-sponsorship by Senators Moynihan, Packwood, and Roth. And very shortly, we expect Congressman Gradison to introduce the legislation in the House. And we have been assured of bipartisan support there.

Since we used the Senate version of the reported bill as the base of information here, let me just indicate three basic changes from that bill that we are submitting in this bill.

One of those changes is: last year's Senate bill reported out an income cap starting at \$40 thousand, phasing out at \$50 thousand. We have raised the income cap to phase out at \$60 thousand.

Q \$40 thousand to \$60 thousand?

UNDERSECRETARY JONES: \$40 thousand to \$46 thousand.

Secondly, the Senate bill had some language in for the handicapped. We have chosen not to put any language in this bill for the handicapped principally because the Public Law 94.142, Education of the Handicapped Act provides coverage for education of the handicapped principally as an obligation of the states. They have, principally, assumed the local school districts to have that obligation. Local school districts, public school districts, also, have flow-through funds to the tune of approximately \$300 per handicapped child that attends private institutions -- private schools.

So there are already public dollars that are being used to support handicapped children and do go to private institutions. So we think the coverage is already there.

Lastly, there has been in the Senate reported bill a compulsory attendance rule. We have chosen not to include such language. And we have done so principally because compulsory attendance laws are state laws. And we would prefer that the states enforce these laws themselves, as opposed to utilizing the internal revenue code at the federal level to do such enforcement.

Yes?

Q Two questions: why change it from -- I think your bill was \$50 thousand to \$75 thousand, phasing out at \$75 thousand to \$40 thousand to \$60 thousand, and whether this is an acknowledgement that that bill favored higher income brackets too greatly; and secondly, whether or not -- even at this level of \$40 thousand to \$60 thousand it still favors higher income brackets too much?

UNDERSECRETARY JONES: Well, it depends upon what a higher income bracket is, I presume. We have decided that the \$40 thousand to \$60 thousand is a very reasonable approach to this measure. You will find that most of the Americans in this nation that send returns into the IRS have returns that are indicative of an income level of \$60 thousand or less. Some 97 percent of the people who filed income tax returns

MORE

in 1980 and adjusted gross incomes of \$60,000 or less. And we think this is fairly appropriate, therefore, to look at a \$60,000 cap. Most of the people, working Americans, are covered by this and yet it excludes those people who are in the exceedingly high income brackets and therefore that won't be an abuse.

Q Some people would argue that \$60,000 -- people earning up to \$60,000 do not need this kind of additional tax relief -- that this is another indication of the administration favoring the upper-middle class.

UNDERSECRETARY JONES: It's to the contrary. You will find that if you look at enrollment patterns in private schools that you're really not favoring the higher income bracket people. You'll find that in 1979 statistics more than 50 percent of the students who attended the private schools came from families with an adjusted gross income less than \$25,000.

Q But that wasn't her question. She's still talking about the \$60,000 --

UNDERSECRETARY JONES: What I'm saying, the fact of the matter is the people that we principally are helping are the lower-income people, and to some degree, the middle-income people and I suggest to you that we're phasing this income level out from \$40,000 to \$60,000 so that the only way you get the maximum credit of \$100, \$200, or \$300, is when you're at the \$40,000 income level or less.

Q Can I try that question another way? Why, for exmample, a \$60,000 cap instead of just a \$40,000 or \$30,000 cap? How did you arrive at that figure?

UNDERSECRETARY JONES: We wanted a phase-in, number one. We think that's more appropriate than simply a cut and dried figure of \$40,000 or whatever. You'll find that, as I said, many of the people who send their children to private schools fall into an income category of \$50,000 or less as of 1979 statistics.

So, what we are trying to do is to encourage parents to utilize private schools and not feel they cannot utilize those because of their income resources of the family.

Q Are we talking family income or are we talking --

UNDERSECRETARY JONES: We're talking adjusted gross income for families.

MR. CARLESON: Actually, the cap is \$40,000 with a phase-out and in order to have a phase-out with a cap of \$40,000, you phase it out into the \$60,000 -- so that the people that are getting fifty and sixty are actually getting a relatively small amount of money.

The other thing that weighs it in favor of the low income people is the fact that it's a tax credit rather than a deduction which means that by being a tax credit, the people in the lower income are going to get a proportional advantage over the people with a higher income. And the fact that it's limited to one-half of the tuition rather than the full tuition means that people that go to high cost tuition schools, in other words, the people that are more well to do, are still only going to get the credit up to 50 percent. So, the whole thing is weighted in the direction of the low income people.

Q What's the chance of your passage this time around?

UNDERSECRETARY JONES: We think chance of passage is very good. One reason that we're encouraged is that we have found the work of Senator Dole and the Finance Committee last year to be very useful. They've produced what we felt was a pretty good bill and that's one reason that we use that as our base for submitting this bill this year.

 $\,$ Q $\,$ But these changes are changes in what the Senate Finance Committee --

UNDERSECRETARY JONES: These are essentially the only changes from that bill reported out by the Senate.

Q -- \$40,000 to \$60,000 in adjusted gross income translate into by your figures in reportable income? How much money are these people making -- \$75,000, \$100,000?

UNDERSECRETARY JONES: I don't have that information.

Q You don't have any idea what that is in reportable --

UNDERSECRETARY JONES: We're using adjusted gross income. That's what we have been using, what we've been dealing --

Q It's certainly much higher than \$60,000, though, isn't it?

UNDERSECRETARY JONES: It would be, yes. But that's also why we're phasing it out so that there is no tax credit after you get to \$60,000 and there's a very small credit when you get over \$50,000.

- Q What about the guys at \$40,000 then?
- Q How much will this bill cost the federal treasury in '83, '84 and '85?

UNDERSECRETARY JONES: About \$200 million in '84, there's no loss in '83; about \$200 million in '84, \$500 million in '85, and about \$800 million in '86.

 $\,$ Q $\,$ -- said it's going to draw middle-class people out of urban public schools. Do you have any estimate of what impact this will have on public school population?

UNDERSECRETARY JONES: We don't have an estimate. Obviously, there's never been a tax credit bill nation-wide before, so it would be hard for us to draw a very credible estimate. We would say there has been one previous experience where in the State of Minnesota there was a tuition tax credit bill from '71 to '73. And during the life of that bill, there was very little change. The change in fact was there was an increase in the enrollment of public

schools in Minnestoa, as opposed to a decrease.

Q -- what is the average tuition for private schools?

UNDERSECRETARY JONES: Well, it depends which private schools and which levels you're talking about; but we're talking, I think, in the neighborhood -- do you have something there -- \$819 for all private schools, average per pupil expenditures. We're talking about tuition charges and it varies. Elementary schools, I believe it was something like \$400 and secondary schools it's about \$800 on the national average.

 $\,$ Q $\,$ Wait a second. How can it be \$400 for elementary and \$800 for secondary and the average nationally is \$819?

UNDERSECRETARY JONES: No, I've said that the \$819 was a per pupil expenditure. And you asked me, I believe, how much was the tuition charge. And not necessarily do the tuitions pay the full cost of expenditure. Now, if I didn't hear your question correctly, I'll listen to it again.

- Q Okay. The average expenditure for a family, sending a kid --
 - Q Tuition.
- Q -- to a private school, tuition, is \$400 for elementary school and \$800 for secondary?

UNDERSECRETARY JONES: On the average, national average. That's correct.

- Q Did you break that down between parochial and -- UNDERSECRETARY JONES: I don't have those here.
- Q -- other kinds of private schools?

UNDERSECRETARY JONES: We do have that kind of a break-down.

Q You said that there was --

UNDERSECRETARY JONES: We'll provide that.

Q -- little change or maybe some increase in the Minnesota sample, public schools. How about on the private schools? Was there an increase in private school enrollment?

UNDERSECRETARY JONES: No, the fact is, they remain essentially constant. Now, it was only in effect for two years and then they changed into a tuition tax deduction program. But, again, the enrollment patterns did not change significantly.

- Q Well, are you planning then --
- Q So then -- If I may follow up. So then, in effect, this is nothing more than some kind of equity measure for those who currently send their kids to school, as opposed to something to encourage --

UNDERSECRETARY JONES: That's one of the principal ingredients in the President's approach to this. That's correct. He has a long time advocated tax equity. And, in fact, that's the name of the bill is the Tax Equity Measure because we are attempting to provide tax equity to parents who are paying tax dollars to the public schools and also choosing to send their students to private schools and paying the tuition there.

- 6 -

Q Are you trying to suggest that this will not have any impact on the urban school population?

UNDERSECRETARY JONES: We wouldn't suggest there is no impact. But if there is an impact, there is no reason one cannot expect it to be very positive on the public schools.

You will find that many people in many institutions fare a lot better when they have some sense of competition. And right now there's very little competition in the educational sector.

- Q Do you think your --
- Q How do you mean? Can you explain that?
- Q Wait a minute. Wait a minute.
- Q Excuse me.
- Q Could we finish --
- Q Yes, could we follow that up --
- Q I don't know what you're talking about.
- Q Well, if he can finish the positive aspect. How is it positive by competition?

UNDERSECRETARY JONES: Well, roughly --

Q Public schools don't compete with each other.

UNDERSECRETARY JONES: They don't. And they don't compete with anyone else unless there are private schools in this local school district.

 $\,$ Q $\,$ I think the question was the impact on the public schools and what the impact --

UNDERSECRETARY JONES: That's precisely my point, sir, that there --

Q You said it wouldn't increase it. Because of competition.

UNDERSECRETARY JONES: I'm saying that if there is an impact, the impact may well be positive from the standpoint that teachers may begin to address themselves better in the classroom to the students and the students' needs. You may find — the fact is, if you'll look at a 1981 issue of the American School Board Journal, there were two polls that were taken. One was taken by Gallup and one was taken by the American School Board Journal. And you found that parents concerns differed greatly from school board concerns. And I think if you think of that very carefully, what you find is that many people that run our public schools are more interested in managing the school system rather than improving disciple and improving curriculum and correcting drug abuse. And that's exactly what the poll showed.

And if people become more sensitized to what parents want out of their schools, which I think tuition tax credits may do in the public school sector because they're going to become more sensitive to what parents want to see done for their children. And that is what I'm speaking of as a positive impact.

Q Are you against public schools?

UNDERSECRETARY JONES: Not at all. I served on a public school board for four years. And I'm a great advocate --

Q Is that why you know it's so insensitive to the needs? (Laughter).

UNDERSECRETARY JONES: Is that what, ma'am?

Q Why you know it's so insensitive to need? They are so insensitive?

UNDERSECRETARY JONES: No, I wouldn't say that my school board was insensitive to the needs. (Laughter).

Q How can you expect public schools to compete, Mr. Jones, when they have fewer and fewer resources because of shrinking tax revenues at the local level and shrinking federal dollars?

UNDERSECRETARY JONES: Well, we have to be careful when we talk about shrinking federal dollars because depending upon which program you're talking about, you will find that through the administration's FY '84 budget proposal, we're suggesting a higher level of funding for the handicapped through the state grants to the local districts than has ever been allocated --

Q That's one -- But overall, federal dollars for education are down.

UNDERSECRETARY JONES: Well, let me finish here. You've got 125 programs in the Department of Education. And if you begin to address those different programs, you will find that the major programs are education for the handicapped and Chapter One dollars, which are state grants to LEA's, are receiving the highest level of funding in this nation's history through the President's FY '84 budget.

And students that attend public schools as well as private schools, take advantage of those dollars.

So we have to be careful when you talk about declining federal dollars because in some cases, there's an escalation of federal support.

Q In some cases there's an escalation; but is it not true that in school districts across this country, there is, in the aggregate, fewer federal dollars for public education?

UNDERSECRETARY JONES: In the aggregate -- In the aggregate, I can agree with that if you compare the '83 budget with the '82 budget and the '81 budget, by about \$100 million.

MORE

Q How do they compete more effectively with the private schools?

UNDERSECRETARY JONES: Because it depends upon where those dollars are going, ma'am. It depends whether you're focusing on the handicapped child or whether you're focusing on the educationally-disadvantaged child, which we are doing in this administration, and that's where the highest level of funding is that it's ever been in this country.

Q How about the average kid?

MR. CARLESON: I think what's forgotten on the question of the average kids and so forth -- and it's much more closely related to something like a tuition tax credit -- is the fact that one of the greatest federal contributions is through the deductibility on the income tax of state and local school taxes, as all state and local taxes are deducted from your income tax. That is similar to a tax credit concept, and I think that average was \$316 per student. So that means that -- that that is \$316 per student of federal revenue that is foregone because those state and local school taxes are deducted.

- Q Mr. Jones, what is your analysis --
- Q -- you're just not answering our questions --
- Q -- of the impact this bill will have on the school districts in areas of the country where private academies have sprung up in the last 20 years, primarily as a means to keep children out of an integrated public school system?

UNDERSECRETARY JONES: It will do nothing to help those schools because we will not permit tax credits to parents who send their children to racially discriminatory institutions.

Q Well, no, the question is -- the schools are not necessarily any more -- any longer racially discriminatory, but the fact is they exist and do compete with the public school systems, areas in parts of the country -- Charleston, South Carolina, for instance. What is your analysis of the impact it will have on areas --

UNDERSECRETARY JONES: If they don't racially discriminate, they are a 501.C.3 tax exempt non-profit institution, and they would qualify for a tax-exempt status as well as tuition tax --

Q And the impact of this legislation on public schools in those areas, do you think it's going to help them, or hurt them?

UNDERSECRETARY JONES: That's a subjective judgment that you're asking for, and I can assure you that from my exposure to education, I would say that tuition tax credits, as well as other measures this administration will come forward this year, can do nothing but improve the public school and the private school sectors.

Q In citing the Minnesota study and in suggesting that the impact may well be positive, you're not really overwhelming us with a great deal of evidence.

UNDERSECRETARY JONES: As I'm saying, that's the only state in the entire United States that has had any experience in this. Now, what you will find is that most of the critics of this legislation last year were saying that this would have a derogatory impact on the public schools. And, ironically, they were public school advocates who were saying that, to me self-admitting that they didn't have very much confidence in their own public schools.

I suggest to you that anybody who is an advocate of public schools ought to tell the private schools: Come on. You know, have your tuition tax credits, and we'll still prove to you that we, too, provide a quality education.

- Q But you're telling us --
- Q Is that what the purpose of schools are, to compete and so forth?

UNDERSECRETARY JONES: The purpose of schools is to provide the best quality education that you can possibly provide and --

Q Right. But you're saying that public schools do not.

UNDERSECRETARY JONES: I'm saying that we can simply improve the quality of the education in all schools if we simply provide a little bit of competition.

Q Mr. Jones, you said in here that -- you said the purpose of this: We want to encourage the use of private schools. Did you mean to say that? Number two, is that the President's policy? And number three, if so, why?

UNDERSECRETARY JONES: We want to encourage parents to be able to have a choice. And right now we feel many parents don't have that opportunity for choice between a private school and a public school. And by providing a tax equity measure, we think that we will encourage the parents to be able to consider whether they wish to make that choice or whether they don't.

Q I'm just a little bit confused by the reasoning here. It seems to be -- everything we're saying is that parents are concerned that public schools are inadequate. You're saying they need to have a choice, and the only reason you need to choose to send your child to a private school is because public schools are inadequate. And why do you -- how do you help the -- your already inadequate public schools by making it easier for people to send their children to private schools?

UNDERSECRETARY JONES: I have not said that we have inadequate public schools, and let's make that clearly understood. I did not say that. What I am simply suggesting is that people should look upon this as an opportunity to provide parents with an opportunity or of choice as to where they wish to send their children to school so their children can get the education that their parents desire. That's what's the nuts and bolts of all of this. We are trying to provide children with the best education possible. And we think this is one way to do it.

Q Sir, you said that you thought if it had any impact at all on public schools it would make them better because of the competition. On the other hand, you said you had no idea whether it would affect enrollments, but from your limited knowledge of what happened in Minnesota, it probably would not. How would it foster competition unless -- by creating new public schools to compete with,

and how could that happen if you do not expect it to have any impact on enrollment? Are you saying you think there's going to more private schools that are going to start?

UNDERSECRETARY JONES: No, I'm saying previous -- I said previous experience showed that there was not much of an impact on enrollments. Now, you will find that we have built into the revenue losses here some expectation of increase in enrollments in the private schools. And because we're going to provide tax equity to parents and because we're providing that tax equity, they will be able to have the better opportunity of choice.

Now, you will find that there are many parents who choose private schools, regardless of economic consequences to the family. And that's been principally the choice up to this time.

- Q How many more students have you --
- Q -- the President's policy as well as yours --
- Q If I could follow up, please, how many more students are you expecting to be enrolled in private schools?

UNDERSECRETARY JONES: The Department of the Treasury has come up with those estimates and I $-\!-$

- Q What are they --
- Q -- you've given us the figures for your --

UNDERSECRETARY JONES: It's a complicated formula. There's about a four or five stage process to it. We'll be happy to provide you with that information.

- Q We'd like to know.
- Q How are you going to provide it?

UNDERSECRETARY JONES: I don't have that information here. I'll be happy --

Q How can we do it?

UNDERSECRETARY JONES: -- to provide that information.

Q You give us your phone number?

UNDERSECRETARY JONES: Yes, you can have -- it's 755-1100.

Q Mr. Jones, is it the President's policy as well as the Department of Education's that this bill is to be used to encourage parents to use private schools? Is that the President's policy?

UNDERSECRETARY JONES: The interest in this bill is to assist parents in making a choice of which institution they want their children to go to school. That's the President's policy and that's the policy that is underscored throughout this bill.

Q -- you clarify something --

MR. ROUSSEL: Let's take Sarah and this'll be the last one.

- ${\tt Q}$ ${\tt Just}$ to clarify something, the credit you're -- proposing in this bill --
 - Q We've got one more back here, Pete.

UNDERSECRETARY JONES: I'm sorry. I couldn't hear you.

Q The credits you're proposing in this bill are smaller than the ones that you proposed last year, and you're saying that it was the Senate Finance Committee that reduced these. You're using the same figures, the same credits --

UNDERSECRETARY JONES: The 100, 200 and 300 level were figures used by the Senate Finance Committee reported out in September.

Q And what were the old ones that you first submitted?

UNDERSECRETARY JONES: We first went forward with 100, 300 and 500.

MR. ROUSSEL: Paul? Paul, that's it now.

Q How many kids go to private school now?

END

UNDERSECRETARY JONES: About five million out of 45 million that go to private schools.

THE PRESS: Thank you.

2:34 P.M. EST

THE WHITE HOUSE

WASHINGTON

September 3, 1983

FOR:

FROM:

MICHAEL M. UHLMANNOOD UUUS

SUBJECT: Situation Report on Tuition Tax Credits

- Our plan of action was (1) to let political pressure build on 1. Bradley and on Moynihan over the recess to soften them up: (2) to develop an "alternative" to Bradley's amendments which would be some minimal adjustments to our original proposal; and (3) to get Dole, Packwood,, and Moynihan to offer the alternative, which Bradley would hopefully be receptive to after two weeks of grassroots pressure.
- During the recess, it was agreed by Dole's staff, Packwood's 2. staff, coalition representatives, and us that, in developing the alternative, we would stick firmly with our basic approach of DOJ enforcement and that we would not bring IRS into it as desired by Bradley. It was the assessment of Dole's staff and Packwood's staff that if we made DOJ enforcement "tough enough" we stood a good chance of getting Bradley to back off his insistence on IRS enforcement. Dole's staff and Packwood's staff have been pressing us very hard to go beyond "window dressing" and to make fundamental changes to our original enforcement scheme. Their position is that if we do not make fundamental changes, we stand no chance of heading off Bradley.
- Senator Dole wants to have us meet with Moynihan and Bradley 3. no later than this next Wednesday, September 8, to unveil our alternative.
- The Alternative Approach Under Consideration: Developing a 4. compromise has been difficult, made more so by the fact that many of the principals have been on vacation. Based on our negotiations so far with the coalition, Packwood's staff, and Dole's staff, it looks as if an approach along the following lines could be acceptable. (Discussions have centered on principles rather than actual language; over the weekend we will be drafting language along the lines suggested here.) We are thinking of offering the following alternative:
 - a. The Attorney General would be "authorized and directed" to bring declaratory judgment actions against schools that discriminated. Unlike the present bill, no petition would be required to trigger the Attorney General's suit. (For bargaining

purposes, we may start with the position that a petition is still required but can be filed by anybody as long as it is related to a specific victim. But we believe we could trade-off this petition requirement altogether if we get what we want in "b" below.)

- b. The existing bill authorizes suits to establish that a specific act of discrimination has occurred pursuant to a discriminatory policy. Dole's and Packwood's staffers would like us to abandon the requirement of a specific act of discrimination altogether and permit suits if a school is "following a discriminatory policy". The approach we are thinking of is to permit the Attorney General to bring suit if he determines either (i) that a person has been discriminated against pursuant to a policy or (ii) that a school has declared or otherwise expressed a discriminatory policy. The Attorney General would be required to show one or the other of these to cut off credits.
- c. The current bill cuts-off credits for 3 years if final judgment is against the school. We would like to propose that the penalty period now run indefinitely but that the school could (after a minimum period like 1 or 2 years) file a motion with the court to reestablish eligibility. The school would have to show that it met certain objective criteria (e.g., that it formally rescinded any declared policy; that it undertook remedial advertising of its new non-discriminatory policy; that it has filed an affidavit detailing the steps it has taken to stop the policy). Once the school has made this threshold showing, the court would be required to reestablish eligibility unless the Attorney General came in and showed an actual instance of discrimination within the preceding 1 or 2 years.
- d. The present bill would not permit disallowance of credits until after the final appeal. Under the alternative, disallowances would occur as soon as the district court judgment was entered unless the school obtained a stay.
- e. We think there is one pro-school change that should be made if we make the above concessions. Under the present bill, after final judgment credits are disallowed retroactively to the year in which the complaint was filed by the Attorney General. This meant that the really decisive event would be the filing of a complaint, because that immediately put credits at risk. In many cases, the mere filing of a

complaint against the school could drive the school out of existence. We felt we could take this severe position because the original bill provided safeguards against DOJ abuse — namely, the :petition requirement, the three-year maximum penalty term, the exhaustion of appeal requirement. Because we would be relinquishing these safeguards, we think the penalty should be prospective from the date of the district court judgment. There are elements in the coalition that would not accept the alternative unless we provided this protection. It is unclear whether Bradley would view this change as a "step backward".

5. Recommended Action:

- a. Tuesday (September 7): Complete coordination of alternatives within Administration and with coalition.
- b. Wednesday: Meet first with Packwood and Moynihan and, then, with Bradley to see if agreement can be reached on the alternative.
- c. Thursday: If Bradley does not agree to our compromise, spend Thursday trying to muster enough votes to beat back Bradley in committee.
- d. <u>Friday</u>: If Bradley compromises or we can beat him, go ahead with mark-up.

Catholic School Parents Are Political Pygmies

by Virgil C. Blum, S.J.

American Catholic school parents are chumps, patsies, dopes, born-every-minute suckers. They are political pygmies. And everyone in Washington knows it. From President Reagan down to the lowliest page.

That is why, during the great battle in 1981 over Reagan's 25 percent tax-reduction measure, neither the president nor Congress paid any more attention to tuition-paying private school parents than they paid to Pygmies roaming the Ituri Forest of Africa.

Why not? Because in our interestgroup democracy, lawmakers do not represent individuals; they represent interest groups, organizations of citizens with a common interest. Citizens with a common interest who fail to organize into interest groups have no way to influence lawmakers. That is why one can hardly imagine dairy farmers or government school teachers, for example, not being organized into interest groups.

During the debate on the tax reduction bill, thousands of such interest groups roamed the corridors of Congress, and called upon the president and his advisors. And the most powerful and persuasive of them got sizeable slices of

Reagan's tax reduction pie.

But private school parents got no tax reduction, no tuition tax credit. They weren't even noticed because they had not organized into an interest group to represent their proper interests in the White House and on Capitol Hill.

Citizens with a common interest who fail to organize are inevitably-almost by political necessity-treated as secondclass citizens. In the often vicious battle for a cut of the government's tax-paid benefits, unorganized citizens have no

political clout to demand a fair share.

Private school parents—unorganized could make no effective demands on the President and Congress when the tax reduction bill of 1981 was negotiated: when the tax reform bill of 1982 was bargained; when the Senate Finance Committee haggled over the provisions of Reagan's tuition tax credit bill in the fall of 1982. As a result, they got nothing—they were treated as secondclass citizens. The bill was reported out of the Senate Finance Committee, only to die at the end of the regular session.

The reason is obvious to political analysts: private school parents have failed to form a unified, effective interest group to represent their legitimate interests

Virgil C. Blum, S.J., professor emeritus of political science, Marquette University, Milwaukee, Wis., is founder and president of the Catholic League for Religious and Civil Rights.

through the democratic processes. Consequently, they cannot possibly countervail the great political clout of such special interest groups as the National Education Association (NEA) and the American Federation of Teachers (AFT).

The penalty for this sin of omission falls on the sinners with predictable regularity, even when their cause is most righteous. In 1978, when Congress killed the Packwood-Moynihan tuition tax credit bill, Congressman James J. Delaney, chairman of the powerful House Rules Committee, explained why: "Clearly the defeat of tuition tax credits can be attributed to the lack of organization of the supporters. It is often the case here in Washington that righteousness will not pass legislation—only organization and hard work can do that.'

The same lack of organization among private school parents that doomed the Packwood-Moynihan bill to defeat was again painfully apparent during the first two years of the Reagan Administration.

During his campaign and after his election. President Reagan repeatedly pledged his support of legislation providing tuition tax credits for parents whose children attend private schools. But that pledge was forgotten when Reagan began his first major legislative effort, to get his massive tax reduction bill enacted.

To carry out his campaign promise to give tax relief to private school parents, Reagan quite obviously should have included tuition tax credits in his bill. To line up the necessary votes for his tax-reduction bill, he did in fact make many tax concessions to powerful interest groups. But the White House expressly asked the Senate Finance Committee not to include tuition tax credits in the bill. Why? The reason is simple. Private school parents are not organized into an interest group that has the political clout to make claims on the president, senators and congressmen.

Again, in the following year, Reagan should have provided for tuition tax credits in his tax reform bill of 1982. But, again, while making dozens of other adjustments in taxes, he did not make a tax concession to private school parents. In fact, the White House again asked the Senate Finance Committee not to include tuition tax credits in the bill. And again, for the same reason, unorganized private school parents were treated as second-class citizens.

It was not until late in the 97th Congress that Reagan finally introduced his tuition tax credit bill. But, of course, that effort fell victim to the hard political realities inherent in the lack of an effective interest group to represent the interests of the parents of some 5.2 million private school children. Here are the consequences of the political pygmy status of private school parents.

1) To begin with, in the face of the powerful NEA and the absence of a countervailing parents interest group, not a single senator or congressman would sponsor Reagan's tuition tax credit bill. Not a single senator or congressman! Senator Robert Dole, chairman of the Senate Finance Committee, took up the bill, but only as a personal favor to President Reagan.

No unified coalition

- 2) In the absence of a unified parents interest group, there was long bickering over the language of the bill. There was no political organization with the stature and clout to form a coalition of all segments of private education for the purpose of hammering out the provisions of a tuition tax credit bill that all would vigorously support. Up to two weeks before Reagan sent his bill to the Senate, representatives of the different segments of private education had not been able to hold even a single meeting to hammer out an agreed-upon draft of the bill.
- 3) At that late hour—5 minutes to midnight—a coalition of private education representatives began to meet periodically with White House aides to work out firm agreeements on provisions of the bill: for example, on language to prohibit the granting of tax credits to parents who send their children to schools that discriminate on racial grounds.
- 4) This 11th-hour coalition was extremely fragile. In fact, it shattered when one group, contrary to understanding, said it would not oppose amendments granting the Internal Revenue Service supervisory control over many

of the internal operations of private schools in order to force the schools to comply with the IRS's non-discrimination policies. With the collapse of the coalition, Reagan's bill was virtually dead.

5) In an effort to save the bill, Senator Dole obtained committee approval of a compromise amendment which did not resolve the conflict but merely postponed its resolution. By this time, however, congressmen were checking out of Washington for the elections, and Reagan's tuition tax credit bill was dead.

Thus ended another ineffectual attempt to enable parents of private school children to benefit, at least partially, from the education taxes they pay.

Once again, elected politicians had demonstrated that they respond to the best-organized, the best-financed, the best-led interest groups in their constituencies; to groups which have the capability to keep their members informed on issues of concern to them, to activate them to political action when vital legislation is under consideration, and to get out and deliver the vote for their friends in elections.

One of the most—if not the most powerful interest groups in local, state and national politics today is the NEA. President Carter's campaign manager, Hamilton Jordan, publicly acknowledged Carter's debt to the teachers' union, saying: "The massive support from teachers was crucial to our winning. We turned to the National Education Association for help and it delivered nationwide." And, as was to be expected, Carter paid off his political debt to the NEA. First, he established a Department of Education. Second, he increased the federal education budget by a whopping 46 percent. Third, he used every political device at his command to kill the Packwood-Moynihan tuition tax credit bill. Indeed, Carter claimed credit for killing tax credits when he told AFT members: "It is important to me to protect public education. We've fought together successfully against the proposal that would undermine public education, and that is tuition tax credits. And we're going to continue that fight."

NEA Support

Money could not buy the kind and magnitude of support that the NEA gave to Carter. This teachers' union has more than 1,400 field organizers; more than 1,100 staffers to build and run the union's organizational structures; an estimated political action budget of some \$2 million; 1.8 million members scattered throughout every congressional district; and strong leadership provided by highly paid officers and campaign directors.

In congressional campaigns, the NEA gives selected candidates large financial contributions. But politically skilled manpower is an even more valuable pol-

itical contribution than money. The NEA has some 5,000 local teachers expertly trained for extremely important tasks: to decide which candidates merit NEA support, to provide professional help to the selected candidates, to generate grassroots involvement among union members, and to raise money, recruit volunteers, contact voters, conduct public opinion polls, work with party structures and actually manage campaigns.

Of course, the NEA has every right to pressure lawmakers to vote against tuition tax credits, and to defeat in subsequent elections those who vote to give financial assistance to parents who send their children to private schools. And in November, 1982, the NEA once again flexed its well-toned political muscle; NEA-supported candidates won in 222 of the 302 House races they were involved in, proving that the "green vote," delivered by grassroots interest groups, is a force to be reckoned with.

Private school parents

On the other hand, private school parents, muddled in their long-standing state of disarray, for the most part probably didn't even know their friends from their foes in the 1982 elections.

Private school parents apparently do not understand that, in our system, the public good can be achieved only through the balancing of countervailing political forces; through a compromise of conflicting interests. Nor do they understand that it is in the public good for them to defend their primary rights as parents and to demand their fair share of tax dollars for their children's education. By failing to organize into an interest group, private school parents are responsible for the creation of a political vacuum and the consequent denial of religious freedom rights in education to millions of citizens. And though nature may abhor a vacuum, the NEA does not.

Confronted with no political force capable of counterbalancing or neutralizing its own, the NEA stands guard over a virtual government monopoly in education—a monopoly which, while exceedingly beneficial to government school teachers, has untold harmful effects on American society.

The government monopoly in education, which the NEA and AFT have understandably fought so doggedly to maintain, assures government school teachers that they will have minimal competition for the education taxes paid by all taxpayers, including the parents of *private* as well as government school children.

Naturally, government school teachers find this arrangement quite to their liking, since it exempts them, for all practical purposes, from public accountability. They are virtually guaranteed that their salaries, working conditions and job security will steadily improve—even if, as has been the case, their educational

product does not.

Most members of Congress would probably agree, at least privately, that enactment of tuition tax credits is in the public interest, that tax credits would inject a much-needed measure of fairness and justice into our present system of financing elementary and secondary education. But they would also agree that neither righteousness nor justice, by themselves, can induce Congress to enact fair and just legislation.

In the wake of the 1978 defeat of the Packwood-Moynihan bill, Congressman Delaney underscored the purely political nature of the tax credit issue when he said: "Without an effective lobbying organization, Catholics, and the many other citizens who would have benefited from the legislation, did not have the political clout to make the Congress

isten.

Does this mean that our lawmakers are unethical men and women, that they give no consideration to fairness and justice, freedom and equality in education legislation? Of course not. It means simply that in our democracy Congress takes care of those interests that have the grassroots political clout to make the Congress listen.

Our black fellow citizens have learned this lesson well. Benjamin Hooks, executive director of the NAACP, bluntly told a convention of blacks: "If we are to affect American (public) policy today and in the 1980s, it must be done from a...black power base....We must have strong grassroots organizations throughout America....We blacks must manifest clearly that we have the organized power to reward and punish the people who actually determine our policies....If we don't do that, everything black leaders say is empty oratory...(and) our pronouncements on (public) issues will provide nothing more than public entertainment.'

Political changes

Standing in stark contrast to the teachers unions are the parents of private school children. Not only do they lack grassroots organization and the power to reward and punish elected officials; many of them do not even comprehend the need for a strong and effective parents interest group. Most of the Catholics among them think the United States Catholic Conference is quite capable of lobbying for their interests.

These people fail to understand recent profound changes in our political system. They think the "good old days" still pertain, when political parties controlled nominations and elections, rewarded tens of thousands of faithful supporters with jobs, and decided what legislation would

be enacted or rejected. In those political circumstances, a Cardinal Spellman, speaking for a Catholic Church largely composed of docile immigrant people, had great political clout with the Democratic Party.

Those days are no more, and the ability of the United States Catholic Conference to influence the political actions of the president, senators and representatives on highly controversial domestic issues like tax credits is virtually non-existent.

After extensive interviews with senators and representatives about the influence of the Catholic Church on Capitol Hill, Professor Mary Hanna concluded in her study, Catholics and American Politics, that the "(Catholic) religion would not seem...to have much direct, independent effect on American politics, in the sense of its effects as an interest group lobbying for particular benefits and issues." According to Prof. Hanna, one congressman said forthrightly: "I think it's fantastic how little influence Catholicism has on the senators and congressmen."

'Spiritual homilies'

Summing up the results of her interviews, Prof. Hanna observed that, on Capitol Hill, "official Church statements from the bishops of the United States Catholic Conference seem largely to be regarded as spiritual homilies." Such statements are intended to evangelize and educate, to bring informing influence to bear on secular society. But, as Prof. Hanna intimates, they do not add up to political clout.

The bishops, like other religious leaders in America, have not only the right but the duty to speak out on the moral or religious dimensions of political issues. But clearly such statements are no substitute for the continuing, diversified actions of grassroots interest groups—groups that in our system of representative government can by direct action at the polls hold elected politicians accountable for their political decisions.

Reverend Timothy O'Brien's research on Capitol Hill supports the findings of Prof. Hanna. He concludes in *Groupism in American Politics*, after scores of interviews with senators and representatives, that "Members of Congress perceive the United States Catholic Conference as an ineffective religious interest group...one that functioned poorly and was politically ineffective."

In line with the fundamental shift in political accountability from political parties to interest groups, Prof. Hanna observed: "The political interviewees seemed more attentive and responsive to Catholic groups representing some part of their constituency than to large national organizations...(like) the United States Catholic Conference."

As noted earlier, Catholic school parents are no longer an immigrant people. They are entitled to equal rights and benefits. But if they don't claim them, they will not get them. Rights and claims to benefits in an interest group democracy add up to zero—if they are not claimed through the democratic pro-

This was stated with startling clarity by Pope John XXIII in *Pacem in Terris*: "When a man becomes aware of his rights, he must become equally aware of his duties. Thus he who possesses certain rights has likewise the duty to claim those rights as marks of his dignity."

Catholic lay teachers

The recent publication of Lay Catholics in Schools by the Vatican Sacred Congregation for Catholic Education should convince lay teachers in Catholic schools that they, too, must begin to regard themselves as first-class citizens. For decades they were considered to be mere substitutes for Religious teachers, but the Vatican document rejects that view: "The Church believes that, for an integral education of children and young people, both Religious and lay Catholics are needed in the schools."

Lay teachers in American Catholic schools must be role models for their students who must soon play a role in our pluralistic, democratic society. As the Sacred Congregation said, "lay educators must bring the experience of their own lives to this social development and social awareness, so that students can be prepared to take their place in society with an appreciation of the specific role of the lay person—for this is the life that nearly all of the students will be called upon to live."

But if lay teachers are to be effective role models, they themselves must be active in our interest-group democracy. And if they are to have credibility with their students, there is one interest group, above all others, in which they must be actively involved: They must help organize, be active in and play leadership roles in an interest group dedicated to securing the rights of private school parents.

Successful interest groups are characterized by large and committed memberships, tight organizational structures, competent leadership and—most importantly—adequate funding.

The NEA has 1.8 million members, all of whom have a personal stake in maintaining the government monopoly in education. NEA members are easily organized and mobilized since they congregate each day in their places of employment. Because union dues are withheld from members' paychecks, the NEA has an assured annual budget of \$25 million, which enables it to retain

top-flight leadership and staff personnel.

In contrast, there are more than 6 million private school parents and teachers, all of whom have a personal stake in the enactment of legislation, such as tuition tax credits, which would help to protect their constitutional rights and ease their financial burdens. But they cannot compete with the NEA because they are unorganized. And they will never effectively be organized until they can provide adequate funding to sustain a national parents interest group.

To be successful, a parents interest group would need to be assured of an annual budget of \$4 to \$6 million. That sounds like a lot of money, but with the right collection mechanism, it could be

almost painlessly raised.

Funding of a parents interest group was successfully accomplished at a modest level 10 years ago in two Wisconsin dioceses. With the approval of Archbishop William Cousins of Milwaukee and Bishop Cletus O'Donnell of Madison, the Catholic schools, acting as collecting agents, added 20 cents to the book bill of every private school child and turned over the money thus collected to Citizens for Educational Freedom, an interdenominational parents interest group. Even with scratch rights, 94 percent of the parents made the voluntary contribution to their interest group. These contributions enabled this parents interest group to develop political clout. For example, it prevailed on the state legislature to pass, with hardly a dissenting vote, one of the best bus transportation laws in the nation for private school children.

Practical proposal

I propose that for the adequate funding of a parents interest group there be added a voluntary contribution line on the tuition bill inviting parents to make a one dollar donation to the parents interest group. Let us assume that tuition at St. Mary's Elementary School is \$300 per semester. Parents with a child at St. Mary's would, if they did not exercise their scratch rights, give the school a check (at least figuratively) for \$301 at the beginning of the fall semester. St. Mary's, acting merely as a collecting agent for the parents interest group, would send the donations directly to the central office of the interest group.

This is not a pie-in-the-sky proposal. It has lately been implemented in one Eastern diocese, and others have the proposal under consideration. With the approval of Archbishop Peter L. Gerety of Newark, New Jersey, Catholic schools, acting as collecting agents, will add a voluntary contribution line on the tuition bill inviting parents to make a one dollar donation to the New Jersey Right to Educational Choice Committee and

send the collected donations directly to the central office of the parents interest

If, in rapid succession, parents in other dioceses were to get the approval of their bishops and join the New Jersey group, and if Lutheran, Jewish, Baptist and other private school parents joined the parents interest group and added a one dollar voluntary contribution line to their tuition bills, the private school parents interest group would have a predictable annual operating budget of some \$4 to \$6 million. Although this is only a fraction of the \$25 million annual operating budget of the NEA, the parents interest group could begin to function as a countervailing force to the NEA. It could exert a positive influence on both state and federal lawmakers to win for all families tax funds for the education of their children in the schools of their choice.

The last frontier

The quest for the religious freedom rights of parents in the education of their children is perhaps, as Senator Daniel Patrick Moynihan observed, "the last frontier of civil rights in this nation." And the duty to do battle for this civil right falls squarely upon the shoulders of private school parents. The winning of this civil right is a secular duty, not a religious duty, and the winning of it is the duty of the laity.

Pope John Paul II has made this point repeatedly. In his address to the bishops of Mexico at Puebla, he said: "It is to the laity, though not exclusively to them. that secular duties and activity properly belong." Again, emphasizing the role of the laity in the political arena, the Pope asked: "Is it not the laity who are called, by reason of their vocation in the Church, to make their contribution in the political and economic dimensions, and to be effectively present in the safeguarding and advancement of human rights?"

Archbishop John R. Roach, president of the United States Catholic Conference, also emphasizes the role of the laity in establishing a parents interest group. He has written that "the development of a viable network of private school parents must begin at the grassroots level, namely, within each school community, and then be organized at local and state-wide levels. This is the way to build the foundation for a national organization or agency of this kind. To be truly effective, its origin as well as its leadership must come from the laity though by all means with the support of the existing structure...I wish to assure you that the United States Catholic Conference fully supports any and all efforts to help parents exercise their rightful role as active advocates for Catholic and private education within the public policy process."

Private school parents can no longer ignore their moral obligation as citizens of our interest-group democracy to organize a parents interest group. Their failure to do so has made it impossible for government to give low-income black and Hispanic parents a choice of quality education for their children, to give all parents a choice of philosophies and of religious and moral values in education, to give teachers a choice of the kind of schools they want to teach in, and to provide conditions of rivalry and competition which alone will, in our competitive society, guarantee high quality performance from our government and private schools.

These educational goals—so imperative in a free, pluralistic democratic society-cannot be achieved without dutiful and conscientious participation in our interest-group democracy by private school parents. If there is any doubt as to the necessity of such an organization, it should be dissolved by a recent statement of NEA President Willard McGuire, who wrote in the October issue of NEA TODAY: "It's vital, therefore, that we make certain our friends in Congress understand that it's not enough merely to defeat the administration's (tuition tax credit) bill. We hope to crush the whole idea once and for all."

If the NEA succeeds in crushing once and for all the idea of tuition tax credits, the consequences will be devastating for religious freedom in education, the survival of private schooling, pluralism in our democratic society, and the social benefits of quality private education.

Action needed soon

If the NEA is not effectively countered, and countered soon, the number of parents who can afford to pay the ever-increasing financial penalty on their choice of a private school will continue to diminish; the number of low-income minority families who can make the necessary financial sacrifices for quality inner city private education will continue to plummet; each year fewer children will receive an education with God-centered religious and moral values, and more children will be indoctrinated in the religious values of Secularism; religious freedom, diversity of thought and democratic pluralism in our society will suffer irreparable harm; and government school education, relieved of the stimulus of rivalry and competition, will continue to operate at a level lower than that of any other democratic society in

If private school parents refuse to perform their moral and civil duty to participate actively in a parents interest group, they will, in effect, be choosing these consequences for their children, their church, their civil society and for future generations of Americans.