

# ISSUE BRIEF

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## Repurpose Existing Taxpayer Resources from Ineffective Programs for Military Education Savings Accounts

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This year, Congress is considering a proposal to give children from military families more quality learning options through education savings accounts.<sup>1</sup> Surveys have found that a child's education is a factor in military parents' decisions about whether to remain in the service, and legislation pertaining to the education of children in military families is a federal concern.<sup>2</sup> Heritage Foundation researchers have documented the difficulties that the military faces in recruiting and training new members, part of which is due to the cost of training new service members—costs that increase when service members need to be replaced should parents leave the service to provide their children with more learning options.<sup>3</sup>

State lawmakers in Arizona, Florida, Mississippi, North Carolina, and Tennessee have made education savings accounts available in their state using existing state taxpayer resources.<sup>4</sup> Parents can use an account to buy textbooks, save for college, pay K–12 private school tuition, and purchase materials to educate a child in the home—simultaneously, if they choose.

For the proposal currently before Congress—the Education Savings Accounts for Military Families Act—federal lawmakers should make sure that the education savings accounts do not require new tax-

payer spending. Arizona, the first state to enact an account law in 2011, uses a child's portion of the state education formula for each account, which means that the accounts use existing spending for a child's education.<sup>5</sup> Lawmakers in most of the other states with account laws have followed this model.

Likewise, Washington does not need new taxpayer spending to create these learning options for children of military families. Congress should choose among the many duplicative and ineffective programs and repurpose existing spending for the accounts.

### **New Taxpayer Spending Not Required**

The U.S. Department of Education's Office of the Inspector General (OIG) makes semi-annual reports to Congress documenting illegal activity with money meant for students in federal K–12 and postsecondary programs, along with special reports as needed.<sup>6</sup> These reports uncover millions of taxpayer dollars stolen every year.

For example, the OIG has reported significant fraud and even outright theft in the 21st Century Community Learning Centers (CCLC), a federal after-school grant program. In 2015, a Louisiana grantee used \$87,000 of federal grant money to “cover gambling debts and other personal expenses.”<sup>7</sup> More recently, an 11th Circuit court ruling required Georgia's department of education to repay some \$2.1 million in CCLC funds awarded in a “rigged competition” for grant awards.<sup>8</sup> In California, an individual seeking CCLC monies forged documents and tried to steal \$35 million. (Fortunately, investigators caught the fraudster and the spending was returned.)<sup>9</sup>

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This paper, in its entirety, can be found at <http://report.heritage.org/ib4943>

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Meanwhile, the Bush, Obama, and Trump Administrations have proposed either cutting or eliminating the program.<sup>10</sup> The White House's fiscal year (FY) 2019 budget request states that the program "lacks strong evidence of meeting its objectives," and Heritage researchers have summarized the academic studies finding no positive effects, and even negative effects, on participating children.<sup>11</sup>

Impact Aid is another example. This federal spending program applies to relatively few students and, consequently, is a federal line item with which most voters would be unfamiliar. The spending is federal taxpayer money for "federally connected school children," such as children from military families or Native American students, as well as spend-

ing on school districts in areas where the federal government owns property and the local government does not collect taxes on that property.<sup>12</sup> Districts have wide discretion over how to use Impact Aid spending.<sup>13</sup>

Last year, federal officials rejected a proposal to use this federal spending for education savings accounts for children in military families. Current bill sponsors Senators Ben Sasse (R-NE), Tom Cotton (R-AR), and Tim Scott (R-SC) and Representative Jim Banks (R-IN) have not discussed using this funding in connection with their proposal.

Any recommendations to reduce or repurpose Impact Aid meets resistance from special interest groups.<sup>14</sup> This year, the National Association of Fed-

1. H.R. 1605, Education Savings Accounts for Military Families Act of 2019, 116th Cong. (2019-2020), <https://www.congress.gov/bill/116th-congress/house-bill/1605> (accessed March 27, 2019), and S. 695, Education Savings Accounts for Military Families Act of 2019, 116th Cong. (2019-2020), <https://www.congress.gov/bill/116th-congress/senate-bill/695?q=%7B%22search%22%3A%5B%22military+savings+account%22%5D%7D&s=1&r=2> (accessed March 27, 2019).
2. Congress has a constitutional responsibility for national defense. See Lindsey Burke and Adam Michel, "Why a Federal Tax-Credit Scholarship Program Will Not Advance School Choice in America," Heritage Foundation *Backgrounder* No. 3395, March 13, 2019, <https://www.heritage.org/education/report/why-federal-tax-credit-scholarship-program-will-not-advance-school-choice-america>. See also Article 1, Section 9; Article 4, Section 4; and Article 1, Section 10 of the Constitution. Federal taxpayer spending also provides for Department of Defense Domestic Dependent Elementary and Secondary Schools (known as "base schools") and Impact Aid, a specific budget item for children in military families.
3. Lindsey Burke, Jude Schwalbach, and Jonathan Butcher, "Funding Education Savings Accounts for Military Families by Repurposing the '21st Century Community Learning Centers' Program," Heritage Foundation *Issue Brief* No. 4930, December 20, 2018, <https://www.heritage.org/sites/default/files/2018-12/IB4930.pdf>.
4. Jonathan Butcher, "A Primer on Education Savings Accounts: Giving Every Child the Chance to Succeed," Heritage Foundation *Backgrounder* No. 3245, September 15, 2017, <https://www.heritage.org/sites/default/files/2017-09/BG3245.pdf>.
5. Arizona State Legislature, Arizona Revised Statutes, Title 15, Chapter 19, Article 1, 15-2402, Section C, <https://www.azleg.gov/viewdocument/?docName=https://www.azleg.gov/ars/15/02402.htm> (accessed March 27, 2019).
6. U.S. Department of Education Office of Inspector General, "Reports and Resources," <https://www2.ed.gov/about/offices/list/oig/reports.html> (accessed March 27, 2019).
7. U.S. Department of Education Office of Inspector General, *Semiannual Report to Congress*, No. 70, May 2015, p. 20, <https://www2.ed.gov/about/offices/list/oig/semiann/sar70.pdf> (accessed March 27, 2019).
8. Eva Fedderly, "11th Circuit Orders Georgia to Repay Feds \$2.1 Million in Grant Scam," Courthouse News Service, February 28, 2018, <https://www.courthousenews.com/11th-circuit-orders-georgia-to-repay-feds-2-1m-in-grant-scam/> (accessed March 27, 2019).
9. News release, "Central Coast Woman Guilty in Fraud Scheme to Obtain \$35 Million in Grants for After-School Programs," Federal Bureau of Investigation, June 7, 2011, <https://archives.fbi.gov/archives/losangeles/press-releases/2011/central-coast-woman-guilty-in-fraud-scheme-to-obtain-35-million-in-grants-for-after-school-programs> (accessed March 27, 2019).
10. Burke, Schwalbach, and Butcher, "Funding Education Savings Accounts for Military Families by Repurposing the '21st Century Community Learning Centers' Program."
11. U.S. Department of Education, "Fiscal Year 2019 Budget Summary and Background Information," p. 52, <https://www2.ed.gov/about/overview/budget/budget19/summary/19summary.pdf> (accessed March 27, 2019), and Burke, Schwalbach, and Butcher, "Funding Education Savings Accounts for Military Families by Repurposing the '21st Century Community Learning Centers' Program."
12. U.S. Department of Education, "Office of Elementary and Secondary Education: Office of Impact Aid Programs," <https://www2.ed.gov/about/offices/list/oese/impactaid/index.html?exp=6> (accessed March 27, 2019), and U.S. Department of Education, Office of Elementary and Secondary Education, "About Impact Aid," <http://www2.ed.gov/about/offices/list/oese/impactaid/whatisia.html> (accessed March 28, 2019).
13. National Association of Federally Impacted Schools, "About Impact Aid," <https://www.nafisdc.org/impact-aid-resources/about-impact-aid/> (accessed March 28, 2019).
14. See, for example, National Association of Military Impacted Schools et al., "Joint Statement on Impact Aid," December 13, 2017, <https://www.nafisdc.org/wp-content/uploads/2018/08/JointStatementDec13.17.pdf> (accessed March 27, 2019).

erally Impacted Schools released a statement opposing additional learning options for students in military families, claiming that the proposal “creates a new Federal online marketplace with little oversight or accountability.”<sup>15</sup>

However, these groups should show as much concern when investigators discover fraud. For example, in Beaufort County, South Carolina, which receives some \$50,000 in Impact Aid annually, the superintendent violated ethics rules by hiring his wife to a position that paid \$90,000 per year.<sup>16</sup> To put this in perspective, the \$90,000 annual salary the superintendent gave his wife is nearly double the total amount of Impact Aid the district received in FY 2014.<sup>17</sup>

One year later, the superintendent came under scrutiny again after “thousands” of transactions using district credit cards went “unexplained.”<sup>18</sup>

In Oklahoma, the state auditor found that Marble City School superintendent Larry Couch used \$100,000 of the district’s Impact Aid spending to buy a house.<sup>19</sup> The amount of the theft is equivalent to one-third of the district’s Impact Aid funding in FY 2014.<sup>20</sup> After the auditor uncovered the fraud, the superintendent “stated that he had ‘cooked the books’ and that the independent auditor would not have known about the transaction.”<sup>21</sup>

Any misuse of taxpayer spending meant for students and teachers is unacceptable. In the states that have made education savings accounts available to K–12 students, state officials prevent ongoing fraud by reviewing account expenses quarterly, even closing accounts in the event of misuse—providing more transparency to taxpayers and lawmakers than district budget practices.<sup>22</sup> In Arizona, audits of education savings account have found that approximately 1 percent of the spending in the accounts was for unapproved education items.<sup>23</sup>

## Conclusion

Surveys and other reports on education savings accounts in Arizona, Florida, and Mississippi have found high levels of satisfaction among participating families, and low levels of misspending.<sup>24</sup> Families are also taking advantage of the accounts’ unique features that allow account holders to customize a child’s learning experience and save unused money from year to year.<sup>25</sup> The accounts have the potential to help the nation’s military with ongoing recruitment and retention challenges because servicemembers, like all parents, consider their child’s education when making career choices.

Washington should repurpose taxpayer spending from existing programs to fund the accounts. Exam-

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15. National Association of Federally Impacted Schools, letter to Congress, March 18, 2019, <https://www.nafisdc.org/wp-content/uploads/2019/03/NAFIS-Statement-Military-ESA-March-2019.pdf> (accessed March 28, 2019).
  16. Rebecca Lurye, “Superintendent Moss ‘Unintentionally’ Guilty, Fined as Part of Deal to Avoid Ethics Hearing,” *The Beaufort Gazette*, August 10, 2016, <https://www.islandpacket.com/news/local/community/beaufort-news/article94856127.html> (accessed March 27, 2019).
  17. National Association of Federally Impacted Schools, “Blue Book: Impact Aid Fiscal Year 2016 Estimated Payments,” [https://docs.wixstatic.com/ugd/423d5a\\_92e724ebca3c4e24888e09fa8b01d9f1.pdf](https://docs.wixstatic.com/ugd/423d5a_92e724ebca3c4e24888e09fa8b01d9f1.pdf) (accessed March 27, 2019).
  18. Kelly Meyerhofer, “Outrage Over Victoria’s Secret Credit Card Charges Leads to Changes at Beaufort County School District,” *The Beaufort Gazette*, July 20, 2017, <https://www.islandpacket.com/news/local/community/beaufort-news/article162670508.html> (accessed March 27, 2019).
  19. Jeff A. McMahan, “Marble City Elementary School District No. 68C035,” State of Oklahoma Office of the Auditor and Inspector *Special Audit*, February 25, 2008, <https://www.sai.ok.gov/Search%20Reports/database/MarbleCitySPau.pdf> (accessed March 27, 2019).
  20. National Association of Federally Impacted Schools, “Blue Book: Impact Aid Fiscal Year 2016 Estimated Payments.”
  21. *Ibid.*
  22. Jonathan Butcher, “Financial Technology and Parental Choice in Education,” Heritage Foundation *Backgrounder* No. 3270, December 22, 2017, <https://www.heritage.org/sites/default/files/2017-12/BG3270.pdf>.
  23. Arizona Auditor General, “Performance Audit: Arizona Department of Education,” *Report* No. 16-107, June 2016, [https://www.azauditor.gov/sites/default/files/16-107\\_Report.pdf](https://www.azauditor.gov/sites/default/files/16-107_Report.pdf) (accessed March 28, 2019), and Jonathan Butcher, “My Turn: Voucher Fraud Is Terrible, But Put It Into Perspective,” *Arizona Central*, July 18, 2017, <https://www.azcentral.com/story/opinion/op-ed/2017/07/18/voucher-fraud-terrible-but-put-into-perspective/484733001/> (accessed March 28, 2019).
  24. Butcher, “A Primer on Education Savings Accounts: Giving Every Child the Chance to Succeed.”
  25. *Ibid.*, and Lindsey Burke and Jason Bedrick, “Personalizing Education: How Florida Families Use Education Savings Accounts,” EdChoice, February 2018, <https://www.edchoice.org/wp-content/uploads/2018/02/Personalizing-Education-By-Lindsey-Burke-and-Jason-Bedrick.pdf> (accessed March 27, 2019).
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ples of waste and even misuse, along with ineffective programs, abound in OIG reports and White House budget requests, giving Congress plenty of options. These resources should be put to better use to give children in military families the chance to succeed in school and in life.

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