

What's different about it?

BUSH'S PROPOSAL FOR HIGHER EDUCATION

*The presidential campaign this year is unusual in that both Al Gore and George W. Bush are placing so much emphasis on improving education. Proposals from both candidates could significantly change the federal government's role in education. This is one in a series of issue briefs intended to help people understand how each candidate's major proposals **differ** from what the federal government already does in the field of education. To analyze these proposals, the Center on Education Policy drew from information on each candidate's Web site and from news reports as of October 1, 2000. These briefs are not meant to judge the merit of these proposals.*

How does Bush's proposal for higher education differ from current federal actions?

George W. Bush builds on current federal programs by increasing funding or grant amounts. He also proposes a new initiative to help states establish merit-based scholarship programs. Bush would grant a federal tax exemption to independent prepaid tuition savings plans and would expand education savings accounts. Bush's ideas differ from what is being done now in these ways:

1. Increase the Pell Grant amount for first-year college students

Bush would increase the maximum Pell Grant award level that a first-year college student could receive from the current level of \$3,300 to a proposed \$5,100. This higher amount would apply only to students in their first year of college; the maximum Pell Grant award would not change for eligible students in their second year of college and beyond. The cost of increasing the awards for first-year students is estimated to be \$5 billion over five years. Also, under a different Bush proposal to enhance math and science achievement, students who complete certain rigorous course work while in high school would be eligible for a bonus Pell Grant of \$1,000 for their first year of college.

2. Help states establish or expand merit-based college scholarship programs

Under Bush's "College Challenge" proposal, the federal government would spend \$1.5 billion over five years to help states establish or

expand college scholarship programs based on merit rather than financial need. The federal contribution would cover one-third of the costs, and states would pick up the rest. To be eligible for a scholarship, students would have to complete rigorous courses while in high school and meet other state-developed criteria. Under the current LEAP program (Leveraging Educational Assistance Partnership), the federal government provides one-third of the cost of state scholarship programs, but LEAP scholarships are for financially-needy students.

3. Provide federal tax exemption for independent prepaid tuition savings plans

Bush would allow a tax exemption for contributions that families or individuals make to prepaid college tuition savings plans developed by *private* entities, such as private colleges and universities, employers, and nonprofit organizations. Several states currently offer prepaid tuition savings plans that cover the costs of attendance at a state college or university

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and some states allow the tuition earned also to be put toward the costs of a private college or university. These state plans are already tax-exempt; the Bush proposal would expand the exemption to include independent plans developed by private entities.

4. Increase limits on education savings accounts and expand to cover K-12 education

Bush would increase the annual amount that families can contribute to education savings accounts from \$500 per child to \$5,000 per child. Currently, these funds can be withdrawn, tax free, to use for higher education expenses. Bush would further change these tax-exempt accounts to allow funds to be used for any education-related purpose, including private school tuition for K-12 education.

5. Forgive student loans for math and science teachers in high-need schools

Bush would forgive up to \$17,500 in college student loans for math and science majors who agree to teach in high-need schools for 5 years.

6. Increase funding for historically black colleges and universities and for Hispanic-serving institutions of higher education

Currently, the federal Higher Education Act provides assistance to historically black colleges and universities (HBCU) and to Hispanic-serving institutions (HSIs). For a college or university to qualify as a Hispanic-serving institution, at least 25% of its student population must be Hispanic and at least half of its Hispanic student population must be low-income. Bush would increase annual funding for HBCUs from \$180 million to \$320 million and would increase annual funding for HSIs from \$42 million to \$80 million.

What are some questions that can be asked about Bush's proposal?

- Recent changes in federal tax law proposed by President Clinton provide tax credits for higher education costs, a policy that tends to assist middle-income families more than low-income families. Further, many states are moving to merit-based—not income-based—student aid, which also tends to help the middle class more than the poor. *Shouldn't Bush, therefore, be focusing more federal aid on helping low-income students pay for college?*
- *Should increased funding for the Pell Grant program benefit all eligible undergraduate students, rather than just those in their first year of study?*
- *Should education savings accounts be expanded to cover the costs of K-12 private education?*

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