What’s different about it?

GORE’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 Gore’s proposal for higher education differ from current federal actions?

Al Gore proposes to expand federal tax deductions and credits for student aid, to coordinate state prepaid tuition savings plans so that participating students can attend college out of state, and to establish a new type of tax-exempt savings account for job training and college. Gore would also forgive student loans and provide scholarship aid to encourage individuals to become teachers. Gore also supports increased funding for many existing higher education programs. Gore’s ideas differ from what is being done now in these ways:

1. Provide a tax deduction or a tax credit for college tuition
   Under his “College Opportunity Tax Cut,” Gore would allow those who have expenses for college to either deduct up to $10,000 in tuition annually from their federal taxable income, or to receive a tax credit of up to $2,800. The cost of this proposal is estimated to be $36 billion over ten years. Currently, the Hope tax credit allows individuals who are in their first two years of higher education to claim a tax credit of up to $1,500 per year, and the Lifetime Learning tax credit allows students pursuing undergraduate, graduate, and professional degrees to claim a maximum tax credit of $1,000 per year for tuition and fees.

2. Increase the maximum Pell Grant Award
   Gore would increase from $3,300 to $3,500 the maximum annual Pell Grant award that a student could receive—a raise of $200. This would benefit students in all years of college.

3. Coordinate state college tuition savings plans
   Gore’s “National Tuition Savings” program would link existing state college savings plans and state prepaid tuition plans so that children of parents who contribute to such plans could attend an institution of higher education in any participating state. Many states already have similar reciprocity agreements with other states that allow students covered by these plans to attend college in another state. Gore would also create incentives for states that do not currently operate tuition savings plans to do so.

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4. Establish a new kind of tax-exempt account to save for higher education
Gore would allow individuals and employers to deposit funds into a new type of “401(j)” account to save money for job training or college. Interest earned would not be taxed, and contributors could withdraw funds to pay for higher education expenses for themselves or their families.

5. Provide scholarship assistance for teachers
Under his “21st Century Teachers’ Corps” program, Gore would provide $2,500 annually in scholarship assistance to college students who will agree to teach, after they graduate, in high-need school districts for four years.

What are some questions that can be asked about Gore’s proposal?

- The Clinton-Gore Administration has succeeded in enacting many programs that help the middle class pay for college, and Gore’s new “College Opportunity Tax Cut” also seems to benefit mostly middle class Americans. Shouldn’t Gore focus more federal assistance on helping low-income students pay for college?

- Many states with prepaid tuition savings plans already have reciprocity agreements with other such states. How will Gore’s proposal to coordinate state prepaid tuition plans improve upon the agreements that states are already working out among themselves?

- Currently, prepaid tuition savings plans offered by private entities do not have the same tax-exempt status as tuition savings plans operated by states. Gore’s higher education proposals are silent on how such private plans should be treated in the federal tax code. Shouldn’t prepaid tuition savings plans operated by private entities, such as private colleges and universities, employers, and non-profit organizations, receive the same federal tax status as those programs operated by states?