Medicaid in Schools

Overview: The first major legislative priority for Republicans this Congress is the repeal and replacement of the Affordable Care Act known as Obamacare. AASA/ASBO have concerns with various elements of Obamacare, but we did not take a position on the legislation when it passed. Unfortunately, efforts to repeal and replace Obamacare in Congress have led to legislation that would dramatically restructure the Medicaid program and result in a considerable disinvestment in Medicaid at the federal level. Legislation passed in the House (The American Health Care Act) and proposed in the Senate (The Better Care Reconciliation Act) could mean schools will no longer be able to bill Medicaid for services that are medically necessary for children in their IEP or for the health services and screenings districts provide for students in poverty. Districts receive less than one percent of federal Medicaid funding, but this amount represents the third-largest federal funding stream for districts ($3-4 billion).

4 Key Questions and Answers:

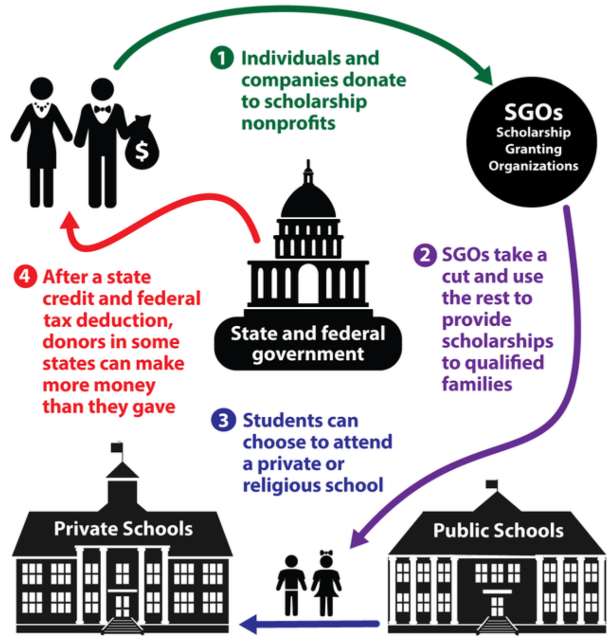
1) *How does Medicaid currently work*? Medicaid is now jointly financed as an open-ended shared responsibility between the federal and state governments. It is often referred to as an "entitlement program." Under current law, the federal government matches state Medicaid spending at a rate determined by a formula set in statute. Federal spending increases in response to the rise in the cost of providing care to enrollees, with no limit on total federal contributions.
2) *What do Republicans want to do?* Republicans are proposing a major change in financing with a per-capita cap meaning that federal Medicaid spending would rise at a specified growth rate, irrespective of the actual rise in Medicaid spending in a state. Limits on federal spending could put pressure on states to limit Medicaid spending over time. In the current Senate bill, it would mean the feds would spend $772 billion less over 10 years. States will have to make up the difference if they wish to maintain coverage for the same services and same number of Medicaid beneficiaries.
3) *Why spend less on Medicaid*? Medicaid is a huge budget item. Tax cuts are needed to do long-term tax reform, which is very important to Republicans. Spend less on Medicaid and you have more for tax cuts.
4) *What happens if Medicaid funding goes down and states have to pick up the tab?* Schools will be unable to compete for limited Medicaid reimbursement with hospitals, doctors, clinics, and other front-line health care providers. Governors and Medicaid directors will have to face tough choices about who continues to bill Medicaid and who does not—it is highly unlikely schools will be able to keep pulling dollars down.

AASA and ASBO Talking Points the American Health Care Act/Better Care Reconciliation Act:

- Children cannot learn to their fullest potential with unmet health needs. School-based Medicaid programs serve as a lifeline to kids who can't access critical healthcare and health services outside of their school.
- School-based Medicaid programs are an efficient and impactful delivery system for healthcare because schools are where children are. Increasing access to healthcare services through Medicaid improves healthcare AND educational outcomes.
- Two-thirds of district Medicaid dollars are used to pay for school personnel. Jobs will be lost, programs will be cut, and services will be reduced if Medicaid dollars are no longer going to schools.
- Compliance with IDEA will be more difficult, if not impossible as Medicaid supplements low-levels of IDEA funding. If districts cannot shift money from the general fund to supplement the personnel, services and equipment special education students need than it will be increasingly difficult to meet IDEA.
- Without Medicaid funding, schools will be unable to meet student health needs, especially mental health needs, and already strained school budgets will not be able to keep up. Proposals to cap federal funds directly shift costs to state budgets—and state budgets are already strained.
- Districts that can raise taxes may be forced to do so to compensate for the loss of Medicaid funding.
- Every child in the district will be harmed by the shift of district dollars to cover health services or special education services. It's not just the poor and/or disabled students who benefit from Medicaid.

Tuition Tax Credits (TTCs)

Background: Currently, 17 states have laws that generate private school vouchers through a tax-credit mechanism and that divert up to $1 billion annually from public coffers. These policies, known as tuition tax credits (TTCs), allow taxes owed to a state by individuals or corporations to be redirected into charitable donations to voucher nonprofits that then bundle the donations and distribute tuition checks to families to use to attend private schools. The voucher nonprofits are known as Scholarship Granting Organizations (SGOs). The SGOs can direct dollars toward specific types of schools (for example, schools affiliated with a religion or schools promoting a specific curricular approach). Nationally, the average voucher amount for students from a SGO is $2,580.



When combined with a federal tax loophole that allows taxpayers to receive a federal deduction on a dollar-for-dollar state tax credit, 10 of these states' credits are so lucrative that they allow some upper-income taxpayers to turn a profit (at federal taxpayer expense) on contributions they make to fund private school vouchers. Simply put, wealthy taxpayers are benefiting from a federally sanctioned voucher tax shelter. The states with these loopholes are: Alabama, Arizona, Georgia, Montana, Oklahoma, Pennsylvania, Rhode Island, South Carolina, and Virginia.

Federal TTC Legislation

School voucher advocates, including Education Secretary DeVos, are meeting regularly to devise a plan to include a federal tuition tax credit when Republicans move forward with tax reform. There are two legislative options: 1) allow taxpayers and corporations in states with TTCs to also benefit from a new federal tax credit (thereby profiting considerably from their "charitable donation") or 2) create a new federal tax credit program that is open to any taxpayer or company in any state. The second option has been fleshed out and introduced in Congress and is known as the *Educational Opportunities Act* (HR 895/S148). This legislation would allow individual taxpayers and businesses in any state to receive federal tax credits for donations to school voucher nonprofits, up to $4,500 per year for individuals or $100,000 per year for corporations. Donors in states with state voucher tax credit programs would also be eligible for a state credit. By stacking federal credits and state credits together on a single donation, some individuals and corporations would be able to double their money by claiming a dollar in state credit and a dollar in federal credit for each dollar donated. The result would be a risk-free, 100% profit of up to $4,500 per year for individuals or up to $100,000 for corporations. Wealth managers and tax accountants would be foolish to not advise their clients to take advantage of this handout from their federal and state governments.

Talking Points

- The end result of a TTC is the same as under a traditional voucher program: a boost in resources for private schools and a reduction in resources for public education and other services.
- Oppose the *Educational Opportunities Act*, which allows wealthy taxpayers and corporations to exploit the tax code for personal gain and deprives public schools of critical funds.
- Ask Congress to close the federal voucher tax shelter that allows for the voucher tax shelter in 10 states and deprives all taxpayers of revenue that could be used to support public education.

School Infrastructure

Our nation's public schools represent one of the original public investments in infrastructure. An investment in schools—the physical structures that are essential to support all other aspects of student learning, teaching, community building, and civic development—is a critical element of continued economic growth and success. In 2014, a Department of Education study estimated that it would cost $197 billion to bring all public schools into good condition. The 2016 State of Our Schools Report determined there is an annual state and local spending gap of $46 billion on school facilities. A 2006 Building Education Success Together report found that high-poverty and minority-serving schools are unable to adequately invest in school facilities. Schools predominantly serving white students spend nearly 50% more on capital construction than those serving minority students, and wealthy districts spend nearly triple their high-poverty counterparts on capital construction.

Talking Points:

- Talk to your members of Congress about the condition of your district's facilities and the extent to which you are at capacity, able to address renovations and repairs, and how your district is impacted if/when renovations and repairs have to be delayed.
- Ask your Representative to endorse the Rebuild America's Schools Act of 2017 (HR 2475).
- Ask your Senator to endorse the Get the Lead out of Schools Act of 2017 (S 1401).

Child Nutrition

AASA and ASBO International (ASBO) advocate for the highest quality public education for all students. As educators leading entire systems of students, school superintendents not only recognize and understand the importance of student nutrition and school meal programs, but are uniquely positioned to ensure that the nation's school systems provide nutritious meals to students as part of a broader educational mission. AASA and ASBO support and advocate a federal school nutrition program that balances the critical need of providing nutritious meals in the school setting with the systemic realities of administering a program. AASA's opposition to the 2010 Healthy, Hunger-Free Kids Act (HHFKA) was in response to a poorly crafted policy, not to school nutrition in the whole. While we advocate for changes to be made to current law, we do not and will not support a full repeal of the HHFKA.

Talking Points:

- Explain to your Senators and Representatives that the HHFKA represents unfunded mandates that shift funding burdens to schools, who in turn have to either increase the paid lunch price or cut other areas of the school budget, neither of which is a palatable option.
- If you participate in the Community Eligibility Provision, urge your Senators and Representatives to protect it.

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Rural Education

Secure Rural Schools and Communities (Forest Counties): The Secure Rural Schools (SRS) program was intended as a safety net for forest communities in 41 states. SRS payments are based on historic precedent and agreements established in 1908 removing federal lands from local tax bases and from full local community economic activity. The expectation was that the federal government and Congress would develop a long-term system based on sustainable active forest management. Both the 114th and 115th Congress failed to act on SRS and forest management. On March 7, 2017, the National Forest Service issued 25 percent payments of timber receipts to states based on the original 1908 Act. These payments, actually based on timber receipts, are well below Secure Rural Schools funding and also are subject to a 6.9 percent sequestration cut. In total, 775 counties and over 4,400 schools serving over 9 million students in 41 states now directly face the grim financial reality of budget cuts and the loss of county road, fire and safety services, and reductions in education programs and services for students. This Congress must continue the historic national commitment established in 1908 to the 775 rural counties and 4,400 schools in rural communities and school districts served by the SRS program. Without immediate Congressional action on forest management and SRS, forest counties and schools face the loss of irreplaceable essential fire, police, road and bridge, community, and educational services.

The 115th Congress must act on Secure Rural Schools with short-term FY 2016-2017 funding as it develops active long-term forest management programs generating revenues and local jobs to actively manage and restore National Forest and BLM lands promoting social and economic stability in local communities.

Talking Points:

- ASK House members to cosponsor H.R.2340 to extend the Secure Rural Schools and Community Self-Determination Act of 2000.
- ASK Senators to cosponsor S. 1027 to extend the Secure Rural Schools and Community Self-Determination Act of 2000.
- ASK Members of Congress to request their leadership in the House and Senate to act on Secure Rural Schools authorization and short-term funding for Fiscal Years 2016-2017.

Rural Education Achievement Program: This program was included in reauthorization of the Every Student Succeeds Act (ESSA) and is level funded in FY17. Congress appears to recognize both the value and importance of this program, something that must be maintained and cultivated.

Talking Points:

- NEW for FY17: Applicants need to submit an online application to receive REAP monies. Some applicants have reported difficulties with the online portal and that the process is cumbersome. Let your members of Congress know about your application experience.
- Encourage your members of Congress to continue to invest in REAP. Let them know the importance of investing in formula programs that provide federal dollars to all schools, and the importance of formula funds for rural schools.

<u>Impact Aid</u>: Impact aid is the federal government's obligation to school districts financially burdened by the presence of nontaxable federal property (i.e,. military installations, Indian lands, federal low-rent housing, national laboratories, and grasslands) and/or the costs of enrolling federally connected children. Funding appropriated annually by Congress goes directly to over 1,200 public school districts and may be used for any general fund purpose, including academic materials, technology, staff, or transportation. This flexibility allows school districts to target funds based on need, as determined by district leadership, supporting all students.

<u>Talking Points</u>:

- Right now, the focus is on ensuring adequate and continued investment in Impact Aid, particularly as it relates to FY18.
    - Impact Aid funds are efficient, flexible, and locally controlled.
    - Impact Aid funds are appropriated annually by Congress. The US Department of Education disburses the funding directly to school districts.
    - School district leaders decide how Impact Aid funds are spent, including for instructional materials, staff, transportation, technology, facility needs, etc.
    - The final FY18 budget allocation must include robust investment in Impact Aid. AASA is opposed to program cuts in the program, including the proposal to eliminate funding for the support payments for federal property program (within Impact Aid).
- SUPPORT a $51 million increase for Impact Aid in FY18:
    - $2 million increase for Impact Aid Federal Properties. This increase would reject the Administration's proposal to eliminate funding for this line item. The $2 million increase would be a continued step toward covering the cost of new school districts, as the federal government continues to acquire property.
    - $49 million increase for Impact Aid Basic Support. This increase would provide much-needed resources and help to ensure funding for federally impacted school districts is on par with non-impacted school districts who have a regular tax base.

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Federal Funding: Budget & Appropriations

When it comes to the federal fiscal year (FY), we are currently in FY17, which runs from October 1, 2016 through September 30, 2017. FY17 dollars will be in your schools for the 2017-2018 school year. When you go to the Hill, you will be talking about FY18 appropriations, which will take effect this coming October and will reflect the dollars in your schools for the 2018-2019 school year.

FY17: Congress completed its FY17 funding package in May, more than halfway through the funding year. Congress avoided a shutdown by using a series of continuing resolutions (CRs) to keep government running. The overall funding for the US Education Department (USED) is down $1.1 billion compared to FY16. The bill provides the funding for the first year of ESSA implementation, but leaves certain programs lacking, including Title I, Title II, and Title IV. While Title I did receive a $550 million increase, only $100 million of that is new funding, and it still results in a $100 million shortfall at the local level when considered in combination with policy changes related to state set aside and hold harmless. Title II is cut by $294 million (13 percent), impacting the ability of LEAs to use the funds for class size reduction and/or staff development. The significantly overhauled Title IV is funded at $400 million, but gives states the option to revert the program to competitive allocation. IDEA receives a $90 million increase, leaving the federal share at just under 16 percent of the authorized 40 percent of costs associated with educating students with disabilities. These decisions are final, but do warrant conversation with Congress as they prep for the 2018 appropriations work.

FY 18: President Trump's FY18 budget proposal represents deep, damaging cuts for education. The basis of his budget proposes to cut non-defense discretionary funding by $54 billion, which translates into a $9 billion (13 percent) cut at USED. On top of this direct cut, every new K-12 dollar is for privatization and choice. His budget cuts the Title I, IDEA, and Carl D. Perkins allocations, and completely eliminates ESSA Titles II and IV, as well as the 21st Century Community Learning Center program. He proposes $1.4 billion in funding for privatization, including $1 billion for a rewritten pilot within Title I related to portability and open enrollment; $250 million for voucher research; and $168 million for charters. While the President's budget is anticipated to be "dead on arrival" on Capitol Hill, Congress may look to the extremely deep cuts in the President's proposal and use it to justify bad—but not as deep as the President's proposed—cuts. President Trump's budget cannot be used to normalize bad behavior; a "less bad" proposal from Congress doesn't mean it is "good."

E-Rate

AASA and ASBO International (ASBO) are strong supporters of the E-Rate (School & Libraries) program, which helps schools and libraries across the country access affordable broadband connectivity. The program was modernized in 2014, a two-pronged approach that both expanded the scope of the program to prioritize broadband AND increased the funding cap of the program to $3.9 billion annually. Demand for school district connectivity is not going away. As such, it is imperative the E-Rate program not only continue to exist and support schools and libraries, but that it do so in a manner consistent with the founding principles of equity in access. The new chairman of the Federal Communications Commission (FCC) is Commissioner Ajit Pai. While he has yet to take any direct action that threatens E-Rate, we remain concerned that his overarching focus on maintaining the contribution factor and limiting the size of the Universal Service Fund—both of which directly impact the availability of funding for E-Rate—coupled with his repeated interest in capping E-Rate or making it a per-pupil program, give us great concern. While Congress is not poised to make any changes to E-Rate, we want to ensure that they know what E-Rate is, how schools and libraries use it, why the program matters, that it is working and is important, and what would happen to schools if the program were reduced or cut.

Talking Points:

- Though Congress has no role in determining the changes to E-Rate, they do engage in conversations with the FCC Commissioners. As such, make sure your Senators and Representatives know the critical role that E-Rate dollars play in school connectivity and how important those dollars will be as schools prepare for the online assessments.
- Did you know? E-Rate is the fourth largest stream of federal resources for schools in the country, after Title I, IDEA, and Medicaid funding.
- E-Rate played a critical role in the rapid and significant expansion of connectivity in schools, and the 2014 modernization was a much-needed update to ensure more schools and libraries are connected to broadband.
- Talk about how your district uses its E-Rate funding, how it supports your district's learning and teaching, and what it would mean if E-Rate were cut.
- More changes to the E-Rate are not needed now. The changes instituted by the Commission are only in their third year of implementation. Pushing for new changes to the program now would create great confusion and uncertainty in the applicant community, potentially discouraging those applicants who benefit from the program the most (including rural and low-density applicants who are benefiting from the cap increase).
- AASA and ASBO oppose a per-pupil formula for a number of reasons:
    - Any formula-driven system is unlikely to account adequately for the needs of low-income schools and libraries, pursuant to the establishing statute and the Commission's interpretations of the statute.
    - Bandwidth is not sold on a per-pupil basis and limiting E-Rate support by a formula linked to per-pupil allocations could very well lead to small rural and large urban schools and libraries receiving support that is inadequate to purchase higher bandwidth levels. While funding fairness may be achieved through a per-pupil system, higher bandwidth levels may be compromised.
    - A formula-driven system would not provide more flexibility for applicants. Although on the surface it would allow them to buy whatever they want, in reality they would only have enough money to buy what they will be able to afford with the subsidy, which may fall far short of what they need.