

# *Fiscal & Education Policy Challenges*

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**TUESDAY, MAY 22, 2018  
RAISE YOUR HAND  
KENWOOD ACADEMY  
5015 S BLACKSTONE AVE.  
CHICAGO, IL 60615**

**Presented by:  
Bobby Otter, Budget Director**

# Why Reform Education Funding Practices

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- The Old System Was Not:
  - Adequate;
  - Equitable;
  - Accountable; nor
  - Evidence Based

# Key Features of the EBM Formula

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1. Evidence-Based Adequacy Model
2. Local Capacity Target
3. Funding Tiers
4. Accountability & Updates
5. Only runs “New State \$” through the EBM—in FY2018: \$350 M
6. Thereafter, SB1947 establishes a Minimum Funding Level for new \$ of @ least \$300 M/yr—w/ an additional \$50 M in play for EBM formula or property tax relief fund

# Does the Formula Work?

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## **SB1947 Provides Equitable Funding To Both Low-income And Low Property Wealth Districts**

- Over 85% of all new state dollars go to districts with greater than 50% low-income.
- Almost 70% of all new state dollars go to districts with lower than median property wealth.
- CPS receives about 20% of all new formula dollars. It has about 19% of the state's students and 1/3 of its low-income students.\*

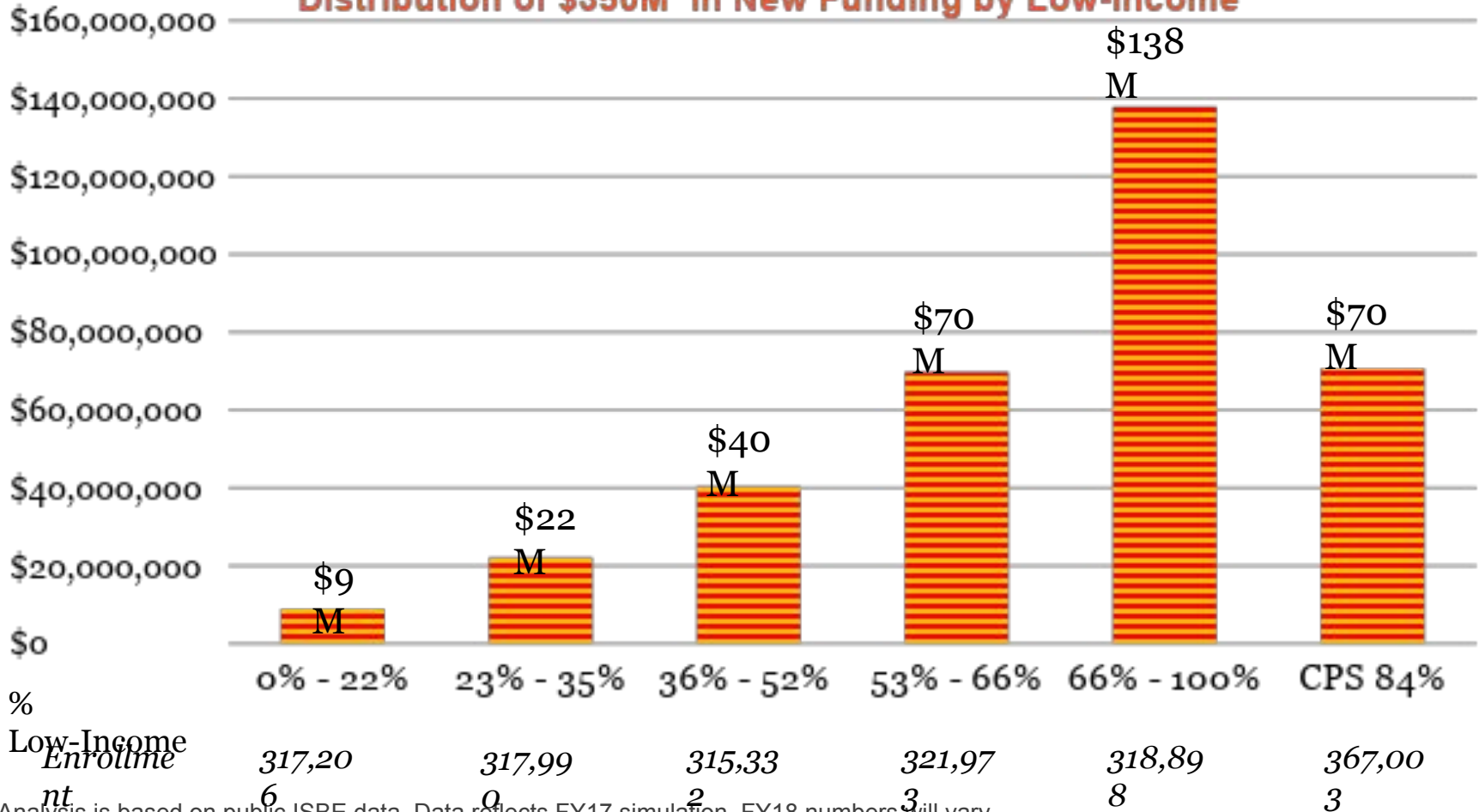
**SB1947 intentionally directs dollars to the least well-funded districts. These are by and large both the poorest and most property poor districts.**

\*(All based on estimates using ISBE's FY2017 simulation—FY2018 will vary some)

# SB 1947 Increases Equity By Sending New Dollars To Neediest Districts

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Distribution of \$350M in New Funding by Low-Income



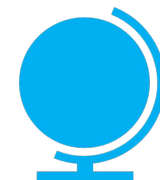
\*Analysis is based on public ISBE data. Data reflects FY17 simulation. FY18 numbers will vary.

# Low Lights of SB1947

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## Invest in Kids Tax Credit



- At its core, the Invest in Kids tax credit utilizes public tax dollars to subsidize a parent's or guardian's choice to send a child to a private, rather than public school.
- The subsidy comes in the form of a credit against the Illinois income tax liability of individuals and corporations that make qualifying donations for the purpose of funding scholarships that cover private school tuition in Illinois.



# Low Lights of SB1947

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## Invest in Kids Tax Credit

- What is it?
  - A 75% credit against Illinois income taxes, up to \$1 million per taxpayer for funding scholarships to private schools.
    - Maximum credit is \$1 million, so the maximum donation for scholarships is \$1.333 million.
    - A taxpayer claiming the credit cannot take a charitable deduction on federal income taxes.
  - The credit is capped at \$75 million state wide and is given out on a first-come, first-served basis.
  - Individuals may designate their donation to a specific school or group of schools; however corporations and partnerships may not.
    - The donation may not be designated to an individual scholarship recipient

# Scholarship Granting Organizations

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- Corporations or individuals can donate money to specifically designated, nonprofit “Scholarship Granting Organizations” (**SGO**) that then utilize the donations to grant private school tuition scholarships to Illinois school children
- The legislation requires that each SGO be established as a 501(c)(3) tax exempt nonprofit; and utilize at least 95 percent of the total contributions it receives towards issuing scholarships each year.
- Custodians of individual students must apply to SGOs to receive the scholarships





# Or “When the Legislative Train Leaves the Station.....”

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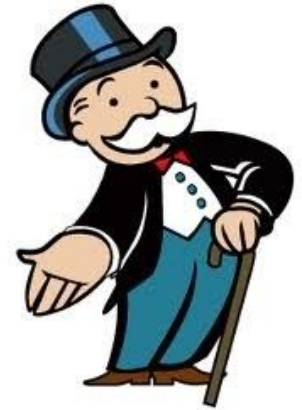
## Who can receive scholarships?

- **Income:** When first applying, no more than 300% FPL; up to 400% FPL in subsequent years
- **School attendance:** Eligible to attend public school in Illinois or registering for the first time in school in Illinois
- **Residency:** Must reside in Illinois while receiving a scholarship
- **Priority:**
  - Recipient of scholarship in previous year
  - Household income less than 185% of FPL
  - Students in districts with underperforming schools
  - Siblings of scholarship recipients

# It Gets Loaded Up with the Rich Man's Baggage

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## Amount of Scholarship



- The base amount is the lesser of either:
  - The statewide average of operating costs, or
  - The actual tuition and fees at the school
- The statewide average cost can be adjusted for disabilities, English learners, and gifted students.

| Household FPL                               | Percentage of Scholarship |
|---------------------------------------------|---------------------------|
| For households below 185% of FPL            | 100% of base amount       |
| For households between 185% and 249% of FPL | 75% of base amount        |
| For households between 250% to 400% of FPL  | 50% of base amount        |

**NOTE:** goes up to 400% of FPL or \$98,400 for a family of 4

# Tax Credits Awarded by Region

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- The Invest in Kids Act requires that tax credits issued under it be awarded in a “geographically proportionate” manner that is to private school enrollment.

| Region                 | Percentage of Statewide Tax Credit | Amount (\$ Millions) |
|------------------------|------------------------------------|----------------------|
| Cook County            | 51.22%                             | \$38.4               |
| Norther Counties       | 23.09%                             | \$17.3               |
| North Central Counties | 9.97%                              | \$7.5                |
| Central Counties       | 7.50%                              | \$5.6                |
| Southern Counties      | 8.22%                              | \$6.2                |

# The Invest In Kids Act Creates a Budget Hole

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- If the entire \$75 million in tax credits are awarded in a year, this will create a \$75 million loss in revenue for the state in that year. No revenue source has been identified to pay for tuition tax credits granted under the Act.
- This is a questionable use of public taxpayer money from a good public policy stand point for two key reasons.
  - First, ISBE determined that current the current level of K-12 funding in Illinois is \$7.2 billion **less** than what the EBF indicates is needed.
  - Second, the research indicates that after adjusting for student demographics, public schools do a better job of educating low-income and other “at-risk” students, than do private schools.
    - So should public, taxpayer dollars be used to subsidize private school enrollment which cannot be expected to enhance student academic achievement state-wide, and may in fact lead to diminished student achievement?

# Are We Sure Vouchers Work?

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- Newest research on Indiana, Louisiana, and Ohio's state wide voucher programs suggest that private school vouchers may harm students who receive them.
  - Indiana students who transferred to private schools experienced losses in achievement in math and no gains in reading
  - In Louisiana, students who left public schools for private schools saw their performance in math
  - Students who took part in Ohio's voucher program have fared worse academically compared to public school students

# For More Information



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