



The ABCs of School Funding

Why are Evanston schools facing a budget crisis?

Quite simply, because our schools are spending more money than they are taking in. District 65 figures predict operating revenues will increase nearly 2.5% during the next six years – but expenses are projected to increase by over 3.6%. For the 2004-05 school year, District 65 is expected to run a deficit of over \$1.5 million dollars. The deficits are projected to grow in each future school year, with the projected total deficit climbing to over \$15 million by 2009. District 202 also faces a shortfall of over \$2 million dollars this school year, and deficits are projected at ETHS through at least 2008.

Where does the money for our schools' budgets come from, anyway?

The lion's share of the school budget is paid for directly by Evanstonians, through our local property taxes. 75% of the money District 65 receives comes from property taxes. The federal government contributes 7%, while the State of Illinois provides about 10%. (Local sources of revenue other than property taxes account for the remaining 8%.) Here in Evanston, we are more reliant on local taxes for school funding than some other communities in the state – but property taxes, for every locality in Illinois, are still the major source of educational funding. On average, in school districts throughout Illinois, local taxes account for 54% of educational funding; federal aid provides 10%; and the State government adds 36%.

So, funding our schools is primarily a local responsibility?

In practice, yes. But our State Constitution doesn't define it that way. Article X of the Illinois State Constitution declares that "the State has the primary responsibility for financing the system of public education." Despite this Constitutional obligation, the State's share of educational funding has been declining each year since 1976; so now, as mentioned above, Illinois kicks in only about 1/3 of school district budgets statewide (and far less than that, obviously, for districts like ours). We're a wealthy state: in terms of per capita income we rank 4th in the nation. But most other states, even far poorer ones, provide more money at the State level – Illinois ranks 48th in overall State spending for education. That will be true even with the modest increase in educational funding included in the State budget for fiscal year 2005.

Because our State government's commitment to education, which was minimal to begin with, has been steadily shrinking, cities and towns throughout Illinois have been pressed to find more money within their local budgets to finance their schools – or, as is increasingly the case, to slash educational programming. Three out of four school districts throughout Illinois are, like Districts 65 and 202, running deficits.

What about the Lottery? Wasn't that supposed to take care of the State's school financing problems?

When Illinois lawmakers created the Lottery, they pledged that all proceeds would go to our schools. What has happened, however, is that Lottery proceeds *are* funneled into the education budget, but funds formerly designated for education have been channeled elsewhere. So what the State has provided with one hand has been taken away with the other.

But in Evanston, we do pay huge property tax bills. Doesn't that provide enough money to finance high-quality schools?

As you know from your tax bill, property taxes fund a variety of local services, including our parks, City operations, and our schools, all of which are taxed separately.

Are our rates relatively all that high? As far as our schools are concerned, they are, indeed. In Evanston, we pay school tax rates that are nearly double those in many neighboring communities – but our school children don't benefit more because of it. For example, in 2002, District 65's school tax rate of 3.3% was nearly 50% higher than the elementary school districts in Skokie and Winnetka. Despite our

higher tax rate, though, per-pupil spending at the elementary school level comes in at just about the same in all three districts.

Why don't our kids get more if we are taxed more? Because Evanston's total property wealth, as far as tax assessments are concerned, isn't as valuable as the property in those surrounding communities. Individual properties here must be taxed at a higher rate to generate the same total amount of revenue as is raised in towns with greater total property wealth.

We might think, though, that we should be satisfied since we manage to reach the same level of per-pupil spending (about \$10,500 per elementary school child) as these more affluent districts. But in economically diverse Evanston we face different challenges within our school system; and addressing these challenges, arguably, requires a greater funding effort.

There were over 1,300 low-income students in District 65 in 2002; there were just over 200 in the Skokie elementary district with the comparable per pupil spending rates, and only 5 low-income students in the Winnetka district. Just like children from affluent backgrounds, low-income children often require special programs – but poor parents cannot afford to foot the bill for these services. In Evanston, we are enriched and distinguished by our diversity, and we are justifiably proud that our school system endeavors to ensure that *all* our children thrive. This is a commitment we cannot abandon. Increasingly, however, local tax revenues are proving inadequate to equip our classrooms and fund the programs which allow us to provide quality education for all.

Why not just cut the education budget? Surely there must be a lot of waste we can trim.

No doubt, there is some waste in our school budgets, big as they are. In this era of limited resources, our school boards and superintendents must do their utmost to ensure that all our educational dollars are spent efficiently. Parents and other concerned citizens should acquaint themselves with our schools' budgets and participate in the review process. But we need to recognize that a good portion of our educational expenditures are devoted to items that are difficult or impossible to trim. Three-quarters of District 65's budget goes to employee salaries and benefits. We can't reduce this expense unless we cut the total number of teachers and staff in our schools, which would have results few parents want to see: bigger class sizes, fewer services for our children, poorer maintenance of our buildings. There may be some programs remaining in our districts which could be trimmed with little consequence; for the most part, though, as we realized last year when District 65 set out to reduce its expenditures, further budget cuts will fundamentally and negatively alter the educational experience for Evanston's children.

If the schools need money so much, why don't the school boards just increase our property taxes?

Local communities are not free to establish what they might regard as appropriate school tax levels. In the 1990s the State Legislature passed a tax cap law stipulating that school property taxes be raised no more than the current rate of inflation or 5%, whichever is lower. Recently, the rate of inflation has run around 2%, so any tax increases contemplated by our school boards could be no greater than that. This limit on tax increases can be overridden by referendum, and many school districts in Illinois have tried to raise their revenues by appealing to their local communities to approve a tax increase. These moves have met with limited success; at the last election, in March, 2004, fewer than half of the referenda initiated by school districts in Illinois passed. We could mount a campaign for a referendum to raise school funding here; but it would require a concerted effort to convince all Evanstonians – not just those with children in the public schools – that such a measure would benefit our entire community.

Even if we could marshal the resources necessary to launch a referendum, we must consider whether this is the best solution for our schools and our community. Evanston property taxes are already higher than those in many neighboring communities; and buying a home here, even for families with solid middle-class incomes, is already a difficult proposition. Raising local taxes even more could threaten to make home ownership in Evanston an impossible dream for all but the most wealthy families; and, of course, property tax increases affect rents as well. We want all the children in our schools to live in decent places, because children who go home to comfortable living spaces do better in school. Evanston's diversity is an important part of our identity. If we raise our property taxes even more, this diversity may be a thing of the past.

My neighbor's kids go to a private school, and they claim a State tuition tax credit. How does that affect our public schools?

In 1999 the Illinois legislature established a tuition tax credit of up to \$500 for families whose children attend private or parochial schools. Though poor families were supposed to be the main beneficiaries of this law, in fact higher-income households have made the most use of it. Taxpayers earning more than \$80,000 annually have utilized nearly half of all tuition tax credit dollars. Since it was enacted, the tuition tax credit has cost the Illinois treasury nearly \$200 million – money that might have gone to the state's public schools. Through tuition tax credits, then, the State provides subsidies for private schools – at the expense of our already strapped public ones.

What about TIFs? We have several in Evanston, and more are being considered. Aren't they supposed to bring more money into the schools?

Tax Increment Financing (TIF) districts were designed to attract development to blighted areas in towns and cities. Evanston has several TIFs in place and is considering adding more. Essentially, property taxes derived from TIF projects (condominiums, for instance) are used to finance parts of the project itself, thus providing a substantial incentive for developers. For a period of 23 years, school taxes in the district remain the same, as though the development had never taken place. So even though a large condo complex might bring in hundreds of new taxpayers, what school districts derive from that increased tax base remains artificially low.

After the 23-year period expires, property taxes will be pegged to the real value of the property – presumably substantially higher than would have been the case without the development – and it is hoped that schools at last will collect the now increased property taxes.

That's the theory, anyway. As far as our schools are concerned, the first problem with TIFs is the obvious one: at best, it will be several decades before these development deals bring in any extra revenue for education. And in some localities, it's turning out to be far longer than originally planned, as towns such as Waukegan and Elmhurst have moved to add an additional 12 years onto their TIFs. This happens, in part, because local governments fear that eliminating these tax breaks will cause developers to take lucrative projects to neighboring communities that still have TIFs in place. Some critics wonder, though, why a development-rich community like Evanston needs TIFs in the first place. In fact Skokie, whose real estate market, like ours, has been healthy lately, recently terminated two of its TIF districts well before they were set to expire.

So, TIFs are good for developers, and they may be good for some communities – but whether they are good for our schools remains to be determined.

Are there other proposals out there that might bring in more money for our schools?

From suburbs on the North Shore to the small towns in Southern Illinois, almost all the school districts in our state are facing severe economic difficulties. Some districts, like ours, have been forced to pare down or eliminate so-called “frills” – like drama and foreign language programs – that enhance our children's educational experience. As protests at last year's District 65 meetings made clear, few parents were happy with these decisions.

All of our children deserve better. Our educational funding crisis is statewide, and it requires a statewide solution.

An increase in State financing for education could benefit all school children in Illinois – and it would make economic sense for all of us. Our State income tax, at a flat 3%, is the lowest rate among the 41 states in the nation that assess income taxes. Increasing the State's personal income tax modestly, to 4.5%, for instance, would bring billions more into the Illinois treasury. Some of the money brought in would be used to reduce the property tax burden for homeowners, so lower property tax bills would offset the slight income tax increase. Most of the additional revenue, though, would be plowed into our schools. For poorer school districts throughout the state, this would ensure adequate funding, allowing essential programs and reasonable classroom standards to be restored. In more affluent areas, communities would still be able to augment State funding with property tax rates agreed upon at the local level.

A plan of this nature – one which decreases our schools' reliance on local property taxes while greater contributions toward educational funding are kicked in at the State level – makes so much sense

that a broad coalition called “A+ Illinois” has formed to try to make it a reality. You can find much more information on school financing, along with a long list of organizations that have endorsed the principles of A+ Illinois – including the League of Women Voters of Illinois – at www.aplusillinois.org.

How would such a financing plan affect our schools and my family? Would I pay more in taxes? Would Evanston’s schools benefit?

It depends on the specifics of the plan and your family’s financial situation, of course, but many of the proposals on the table envision a “swap” of property taxes for income taxes, such that the overall tax bills of most Evanstonians would not change much. But the financial situation for our schools could change considerably – for the better. Evanston’s elementary schools, at least, would see significant increases in the amount of money coming to us from the State. There’s little to be lost by such a tax adjustment, and in Evanston a great deal for our schools to gain.

I am tired of facing school budget cuts every year, and seeing programs eliminated that benefit my children. But what can I do to change the way our schools are financed?

You can do a lot. In fact, if meaningful tax reform is to occur, Illinois voters **must** speak up. Governor Blagojevich has said publicly that he won’t consider any tax increases, and many State legislators have made similar statements. Most important, though, public pressure can persuade the Governor and our State politicians regarding issues of taxation. This may be a challenge, though, since many politicians believe that support of any kind of tax increase could spell political suicide. We need to convince them otherwise. When enough municipal leaders, school board members, parents and concerned citizens throughout Illinois let our State officials know that we are ready and willing to take up the issue of restructuring educational financing, it *will* happen.

Contact the Governor and your State Representatives today. Let them know that ensuring quality education here in Evanston, and for all children throughout Illinois, should be their highest priority. Let them know that you recognize that good schools require adequate, but fairly structured, funding. Let them know that you will hold *them* accountable when our schools districts must undergo another round of budget cutting, diminishing our children’s educational experience yet again.

Who are my State officials, and how can I contact them?

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