



This discussion guide is intended to serve as a jumping-off point for our upcoming conversation. Please remember that the discussion is not a test of facts, but rather an informal dialogue about your perspectives on the issues. Prepared by FOCUS St. Louis.

FUNDING FOR EDUCATION: MEETING THE NEED

FUNDING EQUITY

The state of Missouri ranks 33rd nationally in the amount of state funding it provides for education, Illinois ranks 46th. The main source of income for public schools is the local property tax because education requires a steady stream of funding, one that doesn't fluctuate (such as sales taxes). This reliance on local property taxes allows the financial burden of funding education to be shifted from the state and placed in the hands of the local communities, creating a funding gap, particularly for school districts serving low-income communities. Residents in low-income communities are forced to pay higher property taxes on homes of lower value to fund the basic needs of local schools.

Supporters of the current system of funding for education prefer the local control they are able to have over their schools. Residents feel this allows them to decide what is necessary for the education of their children. Opponents, however, point to the major inequities this creates from district to district. Property values and how those values are assessed vary, especially in comparing the rural and metropolitan school districts. Residents of communities where property values are lower are also living in communities where the income brackets are lower. They are often paying a higher property tax, and thus a higher percentage of their income, to fund local schools. Yet the schools in rural and low-income areas still are financially unable to compete with the richer school districts. Many communities cannot afford to tax themselves a higher percentage to provide more for local schools.

SOME ALTERNATIVE APPROACHES:

- Increase state and federal share of funding for schools. Local communities face the burden of generating funding to support schools while still complying with federal and state education standards. Federal and state governments must work to ensure appropriate funding is provided to schools to meet mandated achievement standards, easing the reliance on local property taxes.
- Earmark additional federal and state money for high poverty school districts, provide financial support based on need.
- Fairly distribute current funding within districts. While funding inequities exist from district to district, they may also exist within districts. District administrators and school boards must work to ensure that each school within the district receives equitable funding, and states must ensure that each district receives adequate funding to reach high standards.

SCHOOL CHOICE AND VOUCHERS

While we take pride in our commitment to offering education to all, we struggle with how to cope with troubled schools and the “achievement gap” that, while closing slightly according to recent studies, continues to separate the achievements of minority and white students. Some say the best way to deal with these problems is to give children in underperforming public schools—schools that are often in poorer districts, populated by minority students—new schooling options, including the chance to get vouchers to attend private schools or the choice to go to charter schools.

Supporters call this approach “school choice,” and think our school system should operate like our economic market and allow consumers to hold public schools accountable. They believe that choice, not additional funding for public schools, is the answer to our education problem. They point out that over the past three decades, per pupil education spending has doubled, but test scores have remained stagnant.

They also believe that public schools that cannot adequately educate students do not deserve public money. Instead, they propose vouchers and charter schools, which they say will give parents more control over their children’s education by providing options while forcing substandard public schools to improve in turn providing a better education for all children.

Critics of this approach say vouchers and charter schools make the overall improvement of public education more difficult by draining valuable resources from our core public school system, which they suggest is the most important institution for educating most students. They believe we should focus on targeting funding to improve our most troubled public schools by reducing teacher/student ratios, boosting teacher pay to increase teacher quality, and improving facilities, from basic systems to the science and computer labs needed to train tomorrow’s workers.

These critics also note that the poorest children do not always benefit from the current school choice options, as vouchers often do not cover the full cost of attending private schools. Still other groups maintain that public dollars should not be used for private education. They point to a return to segregation and to government funds being used for religious education.

There are still others who think we should find a way to do both things at the same time: 1) Allocate more money to under performing schools and, 2) provide educational choices for families, including vouchers and charter schools, even if this means raising taxes or finding other sources of revenue.

School Choice Terms:

Charter schools are publicly funded schools that function independently of local school districts and are exempt from certain state regulations, as long as they meet state standards for student achievement.

School Vouchers give parents a voucher for the money that would have been spent on their child's education at a public school and allow them to apply this money toward tuition at a private or parochial school.

Magnet Schools in the St. Louis region were formed as a part of the desegregation settlement, therefore the goal is integration. African American city residents and non African American county residents are given priority in admission. Participating school districts allow African American students from city schools to attend predominately white county schools, while non African American students are brought into magnet schools.

Regional Choice: Where do we stand?

- ❖ Neither Missouri nor Illinois offer publicly funded vouchers for attending private schools.
- ❖ Illinois currently offers a tax credit for education related expenses of parents sending their children to public, private, or parochial schools. Parents must spend at least \$250 and the credit may not exceed \$500.
- ❖ Missouri law states that charter schools may operate only in the school districts of St. Louis and Kansas City, while in Illinois a maximum of 45 charter schools may operate; 30 in the Chicago metropolitan area and 15 in the rest of the state. Each school is responsible for meeting state achievement standards.
- ❖ Illinois has 27 charter schools serving 13,360 students. Missouri has 24 charter schools serving 12,130 students.
- ❖ Missouri has forty-five magnet schools, 30 of them located in the St. Louis region, while the state of Illinois has 420 magnet schools, but only a few are located outside of the Chicago Metropolitan area.

SOME ALTERNATIVE APPROACHES:

- Create state legislation that would allow for the use of publicly funded school vouchers to be used at any private or parochial school.
- Increase funding for charter schools.
- Apply more resources towards improving public schools such as raising teacher salaries, reducing class sizes, and funding teacher education.



TAX INCENTIVES

A property tax abatement is an economic subsidy offered by local governments to attract or retain businesses. Essentially, the local government offers to exempt some or all of the business' property value from being taxed, for a specified number of years.

Property tax abatements are seen as a good way to attract business to an area. By offering these subsidies, areas are able to attract business, which may help to revitalize and stabilize areas by bringing in jobs and housing. Many times these jobs are for low-skill workers, and companies may bring along with them opportunities for development of affordable housing in these areas. Legislators and community members often see approaches such as tax abatement as a way to encourage local economic growth and to create a better business climate.

Since property tax is the largest funding source for education, when taxes are forgiven the district loses that income. Schools find themselves losing funding to support the attraction of new business and economic growth. In addition, when companies build facilities in a new area they bring along new residents to the community, including new families with children, creating higher school enrollment and a greater demand for more teachers and classrooms. This creates additional burden on the schools, exacerbated by the company that brought them in not paying taxes to support education. This also increases the burden on other residents. Opponents of such tax subsidies also argue that data

is lacking to show the economic growth these programs promise.

Tax Increment Financing (TIF) is also a form of economic development subsidy. Local governments may designate an area as a TIF district, anticipating that this area will be a site of redevelopment. Along with the redevelopment of the area comes an anticipated increase in property values and property tax revenues.

A TIF district allows for future property taxes to be divided into two funds. The first fund attached to the original property values of the area continues to go where it always has: schools, police, etc. The second fund is created by the increase of property tax and revenue, all revenue generated from the increase in property tax (the tax increment)-is now designated for subsidizing the redevelopment of the area. These increased property taxes then are no longer available for things like schools and fire protection, but go to pay for roads, sewers, lights, and in some instances privately owned buildings or land, which support further economic development.

This diversion of property taxes may last from 10-30 years depending on state regulations. The debate surrounding TIF tax diversion involves many of the same discussions as the debate surrounding tax abatement. These subsidies seem to encourage economic growth and revitalization of areas, but they run the risk of hurting our schools by diverting needed tax revenue. Another complaint is that the "new" business growth is really just existing businesses moving

from one local community to another,
creating competition with ourselves.

SOME ALTERNATIVE APPROACHES:

- Allow school boards a formal voice in the granting of tax abatement and TIFs. School districts while largely affected by abatements and TIFs are rarely allowed a voice in granting these subsidies. In Missouri, school boards have a seat on the advisory committee granting a TIF, but have no formal say on the granting of tax abatement to corporations. Illinois school boards have no formal say in the granting of tax abatement or TIF.
- States should reimburse school districts the funding lost to tax abatement and TIF. Several states provide funds to local districts to compensate for differences in property wealth from district to district. These funds may offset some of the funding lost to abatements and TIF; however, the funding is usually not sufficient to cover all losses. This is especially true when we consider that assessment of a district's property wealth generally includes all properties, even those receiving tax abatement or TIF.
- Create more local and state regulation of current TIF and tax abatement agreements. Many tax abatement and TIF agreements are long-term deals. States and municipalities must measure the economic outcome of these agreements over the years and re-evaluate the need and effectiveness of such subsidies. Cost benefit analysis of these agreements should be done to measure the benefit of the economic growth to the loss of school revenue.
- Tax abatement and TIF are necessary ways of encouraging economic development and revitalization of some communities. The loss in school revenue is offset by the increase in economic development. This increase in economic development has the potential to then lead to more money for the schools. Therefore, they should be encouraged.