



FEDERAL EDUCATION TAX CREDITS

WHY ILLINOIS SHOULD OPT IN

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AGENDA

- ▶ **What is the tax credit?**
- ▶ **What is in the federal regulations?**
- ▶ **How can this benefit public schools?**
- ▶ **What can a school district do now to get ready?**
- ▶ **How can the State play a pivotal role for equity?**

WHAT'S THE FEDERAL TAX CREDIT SCHOLARSHIP PROGRAM?



U.S. TAXPAYER



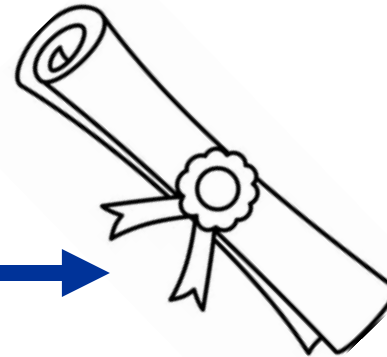
U.S. TAX
LIABILITY



I.R.S.



SCHOLARSHIP
GRANTING ORG.



STUDENT
SCHOLARSHIP

WHAT IS AN SGO?

- ▶ A 501c3
- ▶ Gives scholarships to 10+ kids under 300% Area Median Income at 2+ schools
- ▶ Invests 90%+ in scholarships
- ▶ On a Governor's list of qualified SGOs
- ▶ Can narrow focus more than federal minimums

WHAT IS A SCHOLARSHIP?

- ▶ Can be for **K-12** public school fees/expenses or private school tuition
- ▶ Schools can add to registration paperwork to allow them to apply on behalf of families, or families can seek specific scholarships on their own
- ▶ Allowable expenses: **K-12** tutoring, supplies, technology fees, enrichment, after-school programs, summer camp, transportation, AP test fees, dual credit, and Career and Tech Ed costs (no cap)
- ▶ Non-allowable expenses: preschool, post-graduation education, non-academic uses (like sports uniforms), or school-wide expenses (like hiring a teacher or counselor or buying a new playground)

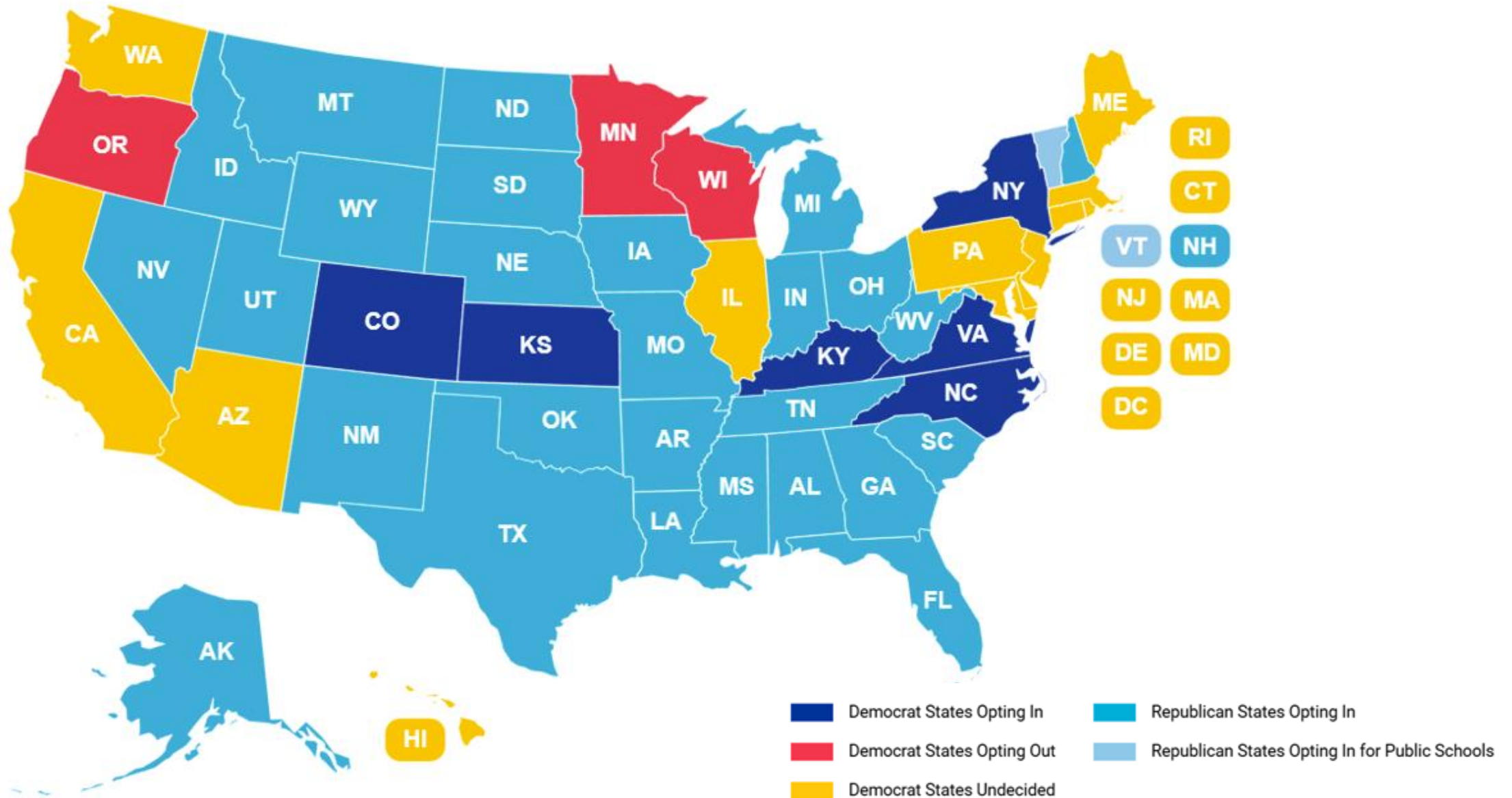
HOW DO YOU GET ON A LIST OF QUALIFIED SGOs IN ILLINOIS?

- ▶ Gov. Pritzker will decide whether to opt in IL students by Jan. 1. If he opts in, the list (due Feb. 15) must include all SGOs that meet federal qualifications.

**STATES *CANNOT* OPT OUT
THEIR TAXPAYERS.**

**THEY CAN ONLY OPT OUT
THEIR STUDENTS.**

STATES OPTING IN THEIR STUDENTS SO FAR

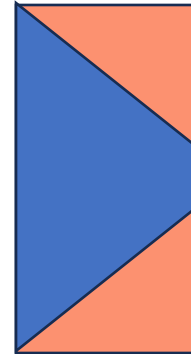


UNPACKING THE REGULATIONS



Married taxpayers can **each** give \$1,700.

States cannot restrict which SGOs go on the list if they meet federal minimum criteria...



...But **SGOs can restrict** criteria to lower income students, schools that do not discriminate, etc.

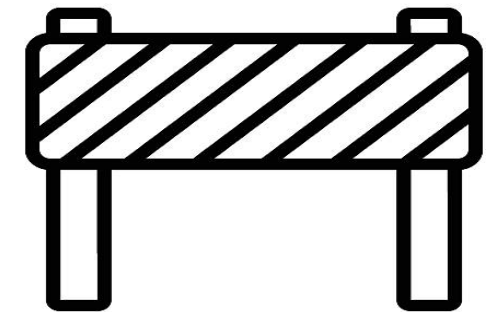


New SGOs get flexibility: meet 90% by year 2 and can be on list before 501c3 status is official.



Family income verification thru:

- Direct verification
- Categorical eligibility (SNAP, TANF, WIC, Sec. 8, SSI, maybe FRL), or
- **Safe Harbor** (for individual tutoring and special needs services in low-income census tracts).



More **clarity on allowable uses is forthcoming.** One set of regs goes into effect immediately for next year. The others are pending and accepting comment until December 1.

DIFFERENT FROM INVEST IN KIDS

Invest in Kids

- ▶ Private schools only
- ▶ Money mostly raised through a few wealthy donors (\$1 million cap @ 75%)
- ▶ \$100 million cost cap
- ▶ Handful of SGOs

FETC Program

- ▶ Public and private schools
- ▶ Raising money depends on broad middle-class donations (unlimited \$1,700 cap @ 100%)
- ▶ Hundreds of SGOs
- ▶ Taxpayers are already in

**FAMILIES AND DONORS
PREFER TO SUPPORT PUBLIC
SCHOOL SGOs.**

**PUBLIC SCHOOL STUDENTS
SHOULD—BY FAR—BENEFIT
MOST.**

PARENTS AND TAXPAYERS OVERWHELMINGLY SUPPORT OPT IN AND PREFER PUBLIC SCHOOL SCHOLARSHIPS

Top intended uses among families who would apply (up to two)



9%

would put it toward **private school tuition**.

Families want to *build their kids up* – not walk away from public schools.

PARENTS AND TAXPAYERS OVERWHELMINGLY SUPPORT OPT IN AND PREFER PUBLIC SCHOOL SCHOLARSHIPS

3:1

**DONORS PREFER PUBLIC TO
PRIVATE SCHOOL SGOs**



PUBLIC SCHOOL SGO EXAMPLES



Scholarships would provide evidence-based literacy tutoring to first graders below grade level in public schools.

ALLIANCE SGO

Started by a downstate IL supt and educators to position IL public schools to be ready to go it if it opts in; will partner with schools nationally and across IL.



Every public school foundation can be a chapter under a new national SGO. NAEF is also creating a toolkit for affiliates to create their own SGOs.



The “premier national SGO made specifically for public school students,” started by outgoing superintendent of Tulsa Public Schools, schools can partner and their taxpayers can designate scholarships for their schools.

LOCAL SCENARIOS

THIS IS A TIER 1 LARGE UNIT DISTRICT WITH AN \$11 MILLION BUDGET DEFICIT

Find an SGO partner.

They have an established and well-run public schools foundation that could partner with NAEF.

Identify what fees to cover with scholarships.

What does the district NOT charge fees for that it could? Technology, after-school, summer programs, AP, CTE, transportation? Or are there supplemental services that they would want to work into the budget, like tutoring?

Partner with local employers to add payroll deductions.

School district plus largest 20 employers have 26k employees. About half have a \$1,700 federal tax liability. If 10% opt in to payroll deductions, \$2B raised. If half of those eligible choose to pay, could cover entire deficit.

LOCAL SCENARIOS

THIS IS A TIER 1 LARGE UNIT DISTRICT WITH A \$200 MILLION BUDGET DEFICIT

Find an SGO partner

Identify

**THIS WON'T BE EASY.
SCHOOLS NEED TO START NOW.
OPTING IN ASAP MAKES IT POSSIBLE.**

add
deductions.

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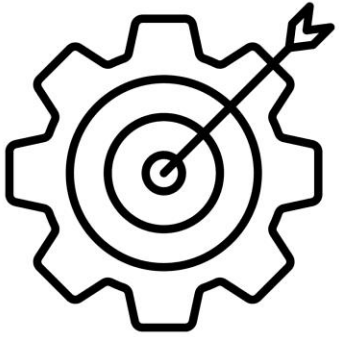
Could it? Could it not charge fees for that it could? School, summer programs, AP, CTE, Or are there supplemental services that would want to work into the budget, like tutoring?

**WE DON'T HAVE TO *LIKE*
THE LAW ...**

**...TO *LEVERAGE* THE LAW FOR
THE GOOD OF ILLINOIS
PUBLIC SCHOOLS.**



HOW IL CAN LEVERAGE THE LAW FOR THE PUBLIC GOOD



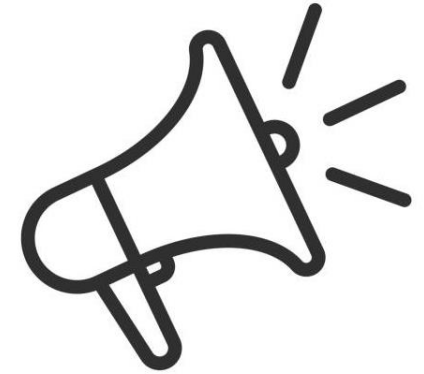
Establish goals to maximize equity and public school resources in a stated Theory of Action.



Maximize payroll deductions for state employees, pensioners, and large state employers for preferred SGOs.



Streamline income verification for student eligibility: meet 90% by year 2 and can be on list before 501c3 status is official.



Raise awareness through communication campaign and technical assistance through agencies.

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