

The Works

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The Schools Scam

Under the TIF system millions of dollars in property taxes are being diverted from education to development.

By Ben Joravsky

On June 15 Mayor Daley brought public school officials and aldermen to a south-side grammar school for a revival meeting of sorts. The ostensible purpose of the press conference was to announce the mayor's plans to spend \$1 billion over the next six years to build 24 new schools in neighborhoods across Chicago. But Daley and the other officials made a point of reminding people of the economic development plan that makes this possible: the tax increment financing program.

"This is a creative use of existing dollars which have accrued from our successful TIF program and will not require any property tax increase by the city of Chicago to fund," Daley said in his remarks.

Even as public pronouncements go, this was a whooper. Of course building new schools requires an increase in property taxes. It's just that in this case the deed's been done: TIFs have been jacking up property tax bills for almost 23 years. Rest assured they'll continue to—the city shows no sign of abandoning them. On the contrary, City Hall insiders tell me that the mayor's press conference was part of a move to win public approval for the extension of the Central Loop TIF, the city's oldest and largest, which is set to expire next year.

But as a public relations maneuver the announcement was brilliant. In one fell swoop, Daley managed to tweak the state for not paying more in education funds and look like the heroic protector of the city's schoolchildren, using the promise of new schools to camouflage the diversion by TIFs of millions from public education coffers.

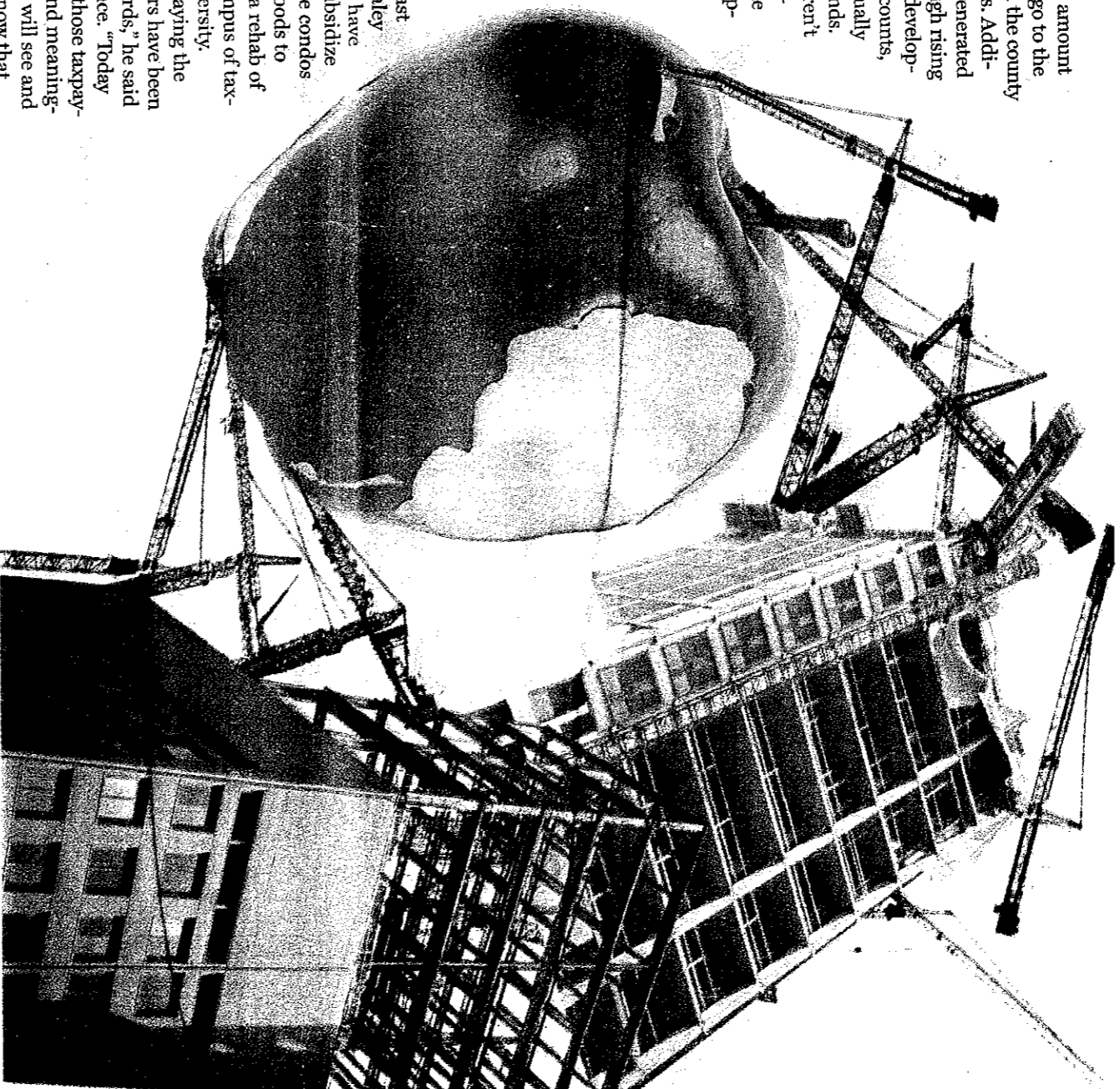
According to the city, as much as \$600 million, or 60 percent, of the new construction costs will come from various TIFs, districts created by the City Council that

put a rough cap on the amount of property taxes that go to the schools, the parks, and the county for a period of 23 years. Additional property taxes generated in these districts through rising assessments and new development flow into TIF accounts, which function as virtually unmonitored slush funds.

Originally TIFs weren't intended to build tax-exempt properties like schools: they were supposed to subsidize economic development in blighted communities with the goal of eventually increasing property tax revenue. But as the TIF program has expanded and evolved—the city's created more than 100 districts in the last ten years—Mayor Daley and the City Council have drawn on them to subsidize projects from upscale condos in trendy neighborhoods to Millennium Park to a rehab of the lake-shore campus of tax-exempt Loyola University.

Daley says he's repaying the public. "Our taxpayers have been generous beyond words," he said at the press conference. "Today we're giving back to those taxpayers something real and meaningful—something they will see and touch and feel and know that their dollars are being invested carefully and appropriately."

That's a noble aspiration, and Lord knows there are neighborhoods that desperately need new classrooms. But even with the new construction, the Chicago Public Schools won't come close to retrieving the property tax revenue it's lost to TIFs. According to CPS officials, the city has already spent about \$280 million in TIF funds building or rehabbing schools. By 2012, when the



proposed construction program is completed, that amount will have gone up to about \$880 million. Since TIFs operate without budgets, the other side of the ledger is more difficult to calculate. But based on the annual statements provided by the county clerk's office, TIFs have diverted about \$621 million in property taxes over the last two years. Since roughly half of this would have gone to the schools, the

money diverted from the schools to TIFs amounts to about \$310 million in the last two years alone. As TIFs continually grow, this means that by a conservative estimate they will have diverted well over \$1 billion from the schools by 2012, when the new construction is completed—a shortfall of \$120 million or so. But this is only part of the story. If you really want to understand the impact of TIFs

on the schools, you have to know a little about state education funding. Illinois sets what school officials call a "target foundation level"—a minimum per-pupil amount—that every school district must meet. In 2004 the foundation level was \$4,810 (The using 2004 because that's the most recent year for which all the needed statistics are readily available). State law requires that school districts use "available