

Executive Summary

of a Plan for

A Fundamental Reform of Illinois' Tax and Education Systems

By Bruno Behrend

Make no little plans; they have no magic to stir men's blood and probably themselves will not be realized. Make big plans; aim high in hope and work, remembering that a noble, logical diagram once recorded will not die, but long after we are gone be a living thing, asserting itself with ever-growing insistence. --Daniel Burnham

Illinois is in deep crisis

Before the 2006 elections, Illinois Governor Rod Blagojevich announced a grand new scheme to "fund education" with yet another application of Illinois Lottery money. In this scheme, the lottery was to be "privatized," with the proceeds to be used for funding schools. His opponent, Judy Baar Topinka, ran on a platform of giving Mayor Daley his coveted Chicago Casino.

These are more examples of the lack of seriousness on the part of Illinois' political class. Illinois elected officials are basically playing shell games with state revenue streams while ignoring the State's looming financial debacle. Something must be done to break the tax-and-spend cycle that plagues Illinois. This document summarizes a real plan for reform. Unlike the Governor's and the legislature's shell games and Band-Aids, it actually solves specific problems. Let's start by defining what those problems are.

Illinois needs radical financial reform, not Tax Increases

State of Illinois would be considered [legally bankrupt](#) if it were held to the standards of the private sector, and even some states. Most legislators believe we can tax or grow our way out of the problem. We can't. Tax increases will only provide incentives for more individuals and businesses to leave Illinois. Though politically difficult, **combining spending cuts** with a change in Illinois tax structure is a superior solution. The question is, "Where is it possible to cut?"

The answer is to curtail the massive spending increases in the state's broken and unsustainable education bureaucracy. If we make the transition to smaller and more effective education system, we can create dynamic benefits for Illinois children and taxpayers.

The **Fundamental Reform Plan** summarized in this document details the numerous benefits of dramatic reform, the most important of which include;

- *A large phased in tax cut for most Illinois citizens and businesses*
- *Equalized funding for Illinois' school children*
- *A dramatic increase in Local Control of schools*
- *A dynamic education system that is there for the citizens - not politically powerful interests*
- *Increased revenues for the State Government.*

It would be an understatement to say that this proposal represents a bold, maybe even radical, blueprint for reforming Illinois. Frankly, the vast majority of people familiar with Illinois politics will feel compelled to say something like "Interesting idea, but it's politically impossible."

Though we understand such a reaction, we ask you to keep an open mind. *The moment one takes the position good ideas are "impossible," they unwittingly rubberstamp the status quo.* It is our view that the status quo in Illinois politics is unacceptable. With that in mind, let's begin with the main features of this proposal.

Tax Reform

- Completely Repeals/Phases-Out of the Local Property Tax for Education
- Increases State taxes similar to HB750 or GRT

Education Reform

- Uses existing and increased state revenues to *equally fund every child in Illinois* with a Scholarship (between \$6,500-7,500 indexed for inflation) redeemable at any accredited school
- Phases out the "School District" as a Governmental Entity
- Converts every Public School in Illinois into an independent "Charter School"
- Replaces State Education Mandates with a system of annual, uniform, content-specific tests that show progress.

Impact of Reforms

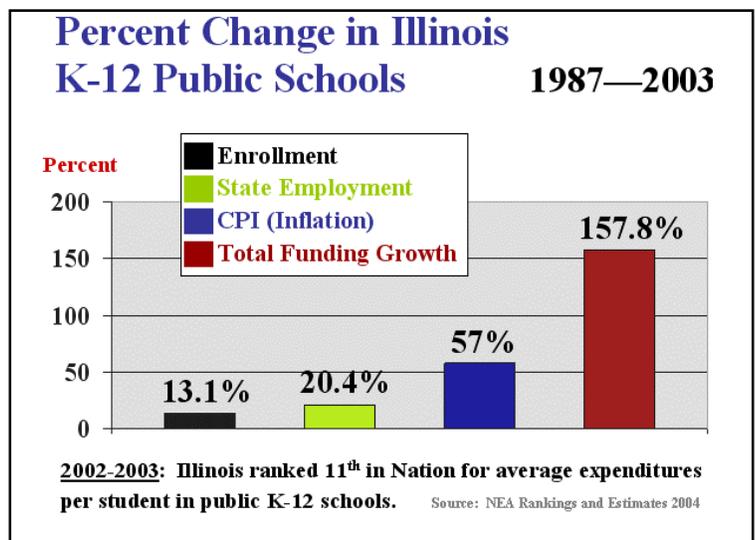
As noted before, these reforms are dramatic, but they are dramatically positive for most of Illinois. These positive benefits include;

- Substantial relief for Illinois taxpayers
- Increased revenues for State Government
- Increased local/parental control of schools
- Increased innovation in education.

By reading the entire **Fundamental Reform Plan**, you will find out a great deal about Illinois taxes and education systems that you may not have been told.

Lack of Funding Isn't the Problem

If funding was the problem for Illinois school children, where did all the money spent over the last 16-18 years go?



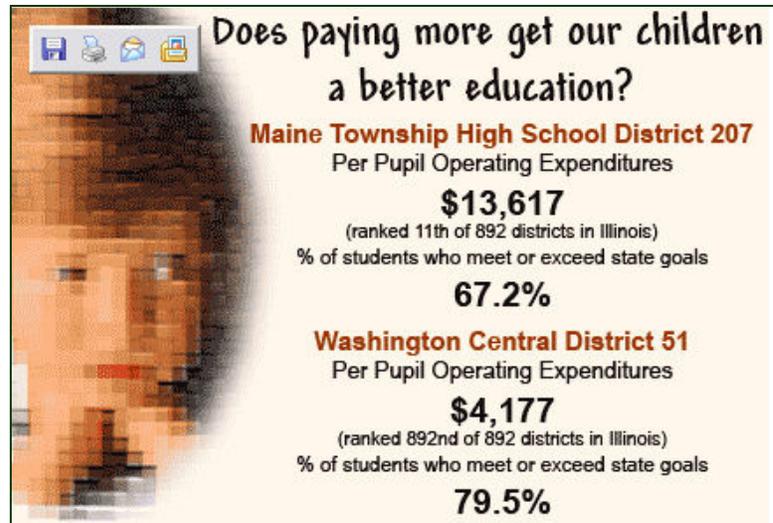
When confronted with this question at a 2005 debate on HB 750, the Honorable John Fritchey replied, “*Yeah, but that all went to pensions.*”

Where do you think the new spending is going? Does an early retirement benefit with a fat pension connect any neurons in a child’s brain? If spending is the answer, how does it explain some results that we see right here in Illinois?

Study after study finds that there is little or no correlation between spending and educational outcomes.

Rich districts succeed because the parents are rich. The reforms we propose offer Illinois poor and disadvantaged access to the same outcomes. More money for the existing system does not.

There certainly are problems with Illinois schools, but lack of financial resources is not one of them. While there clearly is a “fairness issue,” the source of that problem is Illinois’ tax structure.



Tax Reform

The so-called "Local Property Tax" for education is, in fact, a "State Authorized" tax. This means that though monies are taxed at the local level, the state can repeal all, or any portion, of the tax. This simple fact calls into question all the hand wringing over "funding disparities" in education. Illinois ranks 11th in school spending (see Chart on P. 1), not 48th, as promoters of tax increases cynically argue. While there is good argument to be made to fix Illinois structural problems, all recent proposals have been cynical ploys to raise taxes with out any real reform.

HB 750 (and its various offspring SB1484 and HB755) is a *fictitious* tax swap that is promoted heavily by the Education Industry and many legislators. It calls for;

- A 67% increase in the Illinois income tax (from 3% to 5%)
- A 67% increase in the corporate income tax (from 4.8 to 8%)
- Expanding the sales-tax base to include all consumer services (e.g. Professional Fees, Home Cleaning and Maintenance)

Rather than promote a “swap” that leaves Illinois high property taxes in place to be raised again, the **Fundamental Reform Plan** recommends a *real tax swap* that zeros out the property tax for schools and replaces that money with state based taxes.

A real “swap” will dramatically reduce the tax burden on millions of Illinois citizens while providing most of them with a substantial tax cut. With taxation and revenues for schools centralized in the entity with the Constitutional authority to provide “schooling,” (the State),

the overly complex barriers to reforming education are removed. The **Fundamental Reform Plan** makes concrete recommendations to make Illinois schools more efficient, equitable, and efficacious.

Education Reform

Education in Illinois cannot be reformed at the margins. Where our schools “succeed,” they do so at an unsustainable cost. Where they do not succeed, they are wasting not only vast sums of money, but vast quantities of human potential as well. The tax reform portion of our plan has empowered the state to assume its responsibility of funding education. It now requires the proper structure to meet that goal.

With new revenues going to the State (\$8.5- 9 billion in Tax Increases) added to existing State and Federal funds used for Education (about \$9 billion), there will be enough money for the state *to fund every child in Illinois equally.* This offers Illinois an opportunity to end the egregious “education apartheid” fostered by the current tax structure.

Of course, the only way to guarantee that every child is funded equally, is to fund the child, and not systems, districts, and other bureaucratic structures. We propose that each child in Illinois receive a scholarship (around \$7,000) that they can use at any Illinois school. To make such a proposal succeed, we need to;

- Phase out the "School District" as a Governmental Entity
- Convert every Public School in Illinois into an independent "Charter School"
- Replace State Education Mandates with a system of annual, uniform, content-specific tests that show progress.

Though seemingly radical, The **Fundamental Reform Plan** demonstrates that each of the recommended reforms are not only good policy, they are also more equitable for Illinois disadvantaged students.

Our reforms enhance “local control” by increasing school independence and parental choice. Conversely, state mandates prove that the current system provides the appearance, or the “myth of local control” without any of the decentralization that might actually serve Illinois citizens and children. The details of our plan separate the rhetoric of “local control” from the reality of allowing individual schools, and the parents that choose them, to decide what best serves their children.

Does a “School District” mean “Local Control?” State Mandates say “No”

It sounds like an outlandish question, but ask yourself, “Just what does a District do?” “What purpose does it serve?” Are Illinois schools paragons of “local control? The answer is “no.”

1:100 Do school districts or their governing bodies have inherent powers?

A school board is a creation of the state, and creations of the state are without inherent power. A school board may exercise only those powers that the legislature has specifically granted, or those powers that are reasonably implied from a specified power, to achieve the purposes that the legislature has assigned to them.

Goedde v. Community Unit School District No. 7, Macoupin County, 21 Ill. App. 2d 79, 157 N.E.2d 266 (3rd Dist. 1959)
Source: Lexis/Nexis Illinois School Law Survey – 8th edition

The idea that a school district is an independent entity is pretty much a myth. Our proposal calls for phasing out the school district as a governmental entity, and converting of every Illinois public school to an independent charter. In the **Fundamental Reform Plan** we show that the district model provides next to zero “local control.” We also show that funding children directly, (keep in mind that each child will receive a \$7,000 scholarship) combined with the deregulation of individual schools, provides a level of local control and parental control that cannot exist in today’s *bureaucracy-based* education. That is why the “district” needs to be phased out, and every Illinois school converted to an independent charter school. The numerous *transition issues* raised by such a conversion are covered in the **Fundamental Reform Plan** that accompanies this Executive Summary.

Charters are More Effective

In a series of recent studies, Charter Schools have proven that they exceed or equal the results of the current unsustainable system at a lower cost. CAROLINE M. HOXBY and JONAH E. ROCKOFF, in a [recently completed study](#) of Chicago Charters found that;

“Our results demonstrate that, among students who enter in a typical grade, attending a charter school improves reading and math scores by an amount that is both statistically and substantively significant. We believe that these results can safely be extrapolated to similar schools that serve similar students. In particular, the results are most useful for understanding the effects of charter schools run by education-management organizations on student populations that comprise largely low-income and racial/ethnic minorities. We cannot confidently extrapolate the results to very different charter schools, students from very different backgrounds, or students who enter in atypical grades. Our results should be helpful for many policymakers who are concerned about urban students like those we study. However, we do not claim that the results are helpful for all policymakers.”

Furthermore, there is a wide body of information available to parents on the [best practices of Charter Schools](#), and how to find those that succeed. With such information in the hands of parents, their ability to choose schools will be far better than that of a faceless bureaucracy imposing its "one size fits all" model on them.

Repeal State Education Mandates and Replace Them with a Rational Testing Regime

If every child is to receive a \$7,000 scholarship, and every school is to become an independent charter school, then how is the state going to manage the process of testing students and overseeing the schools?

The **Fundamental Reform Plan** recommends *repealing all mandates and replacing them with a system of annual, uniform, content-specific tests covering a broad range of knowledge.*

Any school wishing to redeem scholarships must agree to meet these standards, while being allowed the *maximum amount of freedom of choice in the methods and curricula they use to attain them.* This structure will be a more effective measurement of student progress than the current ISAT testing regime.

We further recommend that the process by which the tests are administered should be completely independent of the schools. This will remove most of the problems associated with "teaching to the test." Separating testing from the institutions providing the content will

allow for more accurate measurement not only of teachers and schools, but of the testing institutions as well.

The **Fundamental Reform Plan** provides details on why confusing and countervailing state mandates are inferior to offering students a broad, content-rich curriculum. It also shows that testing for content mastery solves the current problems of “teaching to the test” that plagues the top-down NCLB (No Child Left Behind)/ISAT/”High Stakes” model used by today’s education bureaucracy.

Conclusion

We recognize that the reforms discussed in this plan are aggressive. However, the time has come for such reforms. Illinois taxpayers deserve relief from the upward spiral of taxes and spending. Illinois school children deserve a better education than the one they are getting. The **Fundamental Reform Plan** addresses many of the *Transition Issues* that will arise from enacting these reforms. It also provides details on why these reforms will be beneficial for Illinois taxpayers and children.

In closing, we must stop worrying about teachers, their unions, the administrators, or their salaries and benefits. None of these things benefit Illinois children or taxpayers. **“Funding Students and not Districts or Bureaucracies”** must become the rallying cry (and the bedrock principle) underlying any and all aspects of education reform. I invite any and all readers who took the time to read this Executive Summary to comment on it. Any proposal so large in scope requires much debate and analysis. *This exercise is intended to change the focus of the debate from empowering parties, interests, and bureaucracies to empowering citizens and children.*

A Thought Experiment

Hold in one hand a piece of paper representing your vote for an essentially powerless school board member in your district. Remember that their role is dictated by a state school code and enforced by a Superintendent that rose through the ranks of the education bureaucracy.

Hold in your other hand a \$7,000 scholarship that allows you to choose the school that best suits your child’s needs. Which provides you with the *illusion* of control and which better defines true control of your child’s education?

As you ponder this question, think about a 50-65% reduction in your property tax.

About the Author

Bruno Behrend is an Illinois lawyer, Entrepreneur, and host of the Extreme Wisdom Radio Show at WKRS 1220 AM in Waukegan. When asked what a mere citizen and talk show host thinks he’s doing proposing radical changes in Illinois’ tax and education structure, he usually replies, “Somebody has to.”