

May 2016

Saving Chicago Students: Strike Vouchers and SOS Accounts

by Timothy Benson and Lennie Jarratt*

1. Introduction

In December 2015, the 22,000-member Chicago Teachers Union (CTU) voted to authorize its members to strike in 2016. A strike could keep nearly 400,000 students out of the classroom for a significant period of time.

This *Heartland Policy Brief* examines why teachers are threatening to strike, the history of teachers strikes in Illinois, and the performance and financial challenges faced by students, their parents, and taxpayers in Illinois. A three-part plan to save Chicago students is presented consisting of:

(a) “strike vouchers” – payments of \$50 per student per day to organizations willing to open their doors to students locked out of public schools;

(b) “student opportunity scholarship (SOS) accounts” – parent-controlled savings accounts into which public funds raised for schools are deposited and from which disbursements to alternative education providers are allowed; and

(c) expansion of Illinois’ current individual education tax credit program by raising the maximum amount of the allowable credit and extending eligibility to include corporations and individuals who contribute to scholarship management organizations.

Table of Contents

1. Introduction
2. About the Threatened Teachers Strike
3. History of Illinois Teachers Strikes
4. Poor Student Performance
5. The Strike Voucher
6. Student Opportunity Scholarship (SOS) Accounts
7. Expanding the Tax Credit
8. Conclusion

* Timothy Benson is a policy analyst for The Heartland Institute and Lennie Jarratt directs Heartland’s Center for Transforming Education. For more complete bios, see page 17.

These policy ideas are not new. Many states have adopted one, two, or all three of these policies and there is an extensive literature documenting their success. All three have been proposed repeatedly in Illinois but have died, usually without votes, in the Illinois legislature.

Illinois has largely been on the sidelines while other states have been updating and improving their educational finance systems. The threat of another strike by Chicago's teachers is a consequence of the city's and the state's failures to reform a fundamentally flawed system. Only by changing the way the system is financed – as the three reforms described here would do – can the threat of this and future teachers strikes be reduced.

2. About the Threatened Teachers Strike

The union's rejection in January 2016 of the latest contract offer from Chicago Public Schools (CPS) left the door open for a strike, which could begin in late May. CTU officials have notified rank-and-file members they should save 25 percent of every paycheck in preparation for what could be an extended absence from the classroom.

CTU officials have notified rank-and-file members they should save 25 percent of every paycheck in preparation for what could be an extended absence from the classroom.

Although Chicago students' test results were below the average for municipalities similar in size, the median salary for a Chicago public school teacher was \$73,706 in 2015, making them some of the most handsomely compensated teachers of any city in the nation.¹ Their median salary is 64 percent higher than the median household income for the city of Chicago as a whole (\$47,270)

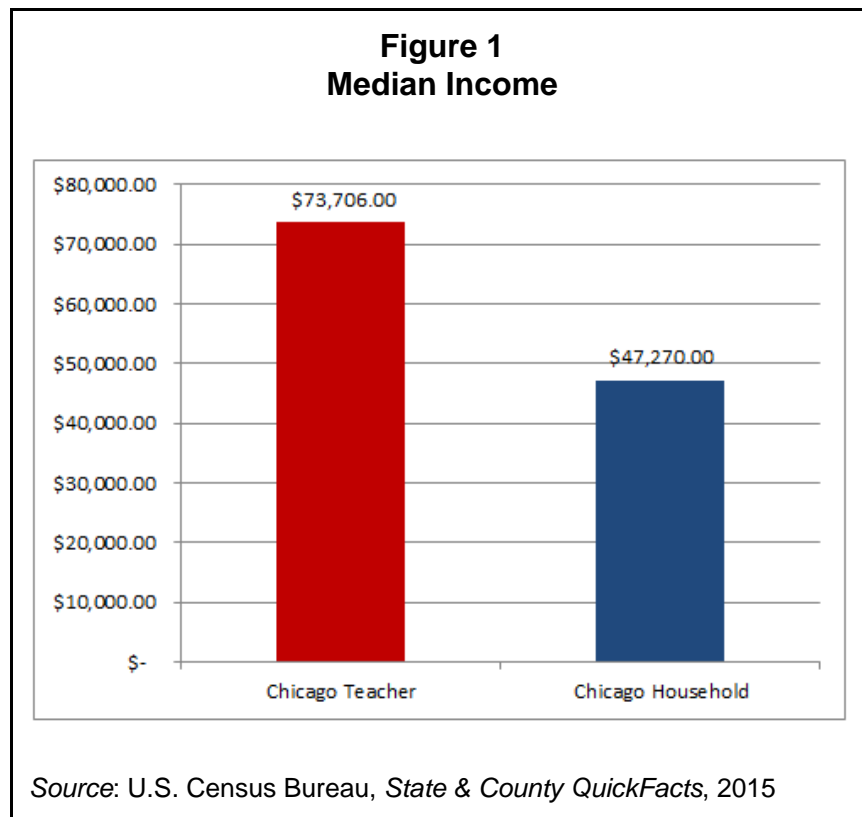
(see Figure 1), and it is 79 percent higher in nominal dollars than the district's median teacher salary in 1998, which was \$41,118.² Chicago teachers' average lifetime earnings are the highest in the country among teachers in major metropolitan school districts.³

Although CTU teachers and support personnel are required by statute to contribute 9 percent and 8.5 percent of their salaries, respectively, toward their pensions, CPS picks up 77.7 percent of this individual contribution. This means CTU members pay only 1.5 percent to 2 percent of their

¹ Chicago Public Schools, *Comprehensive Annual Financial Report For the Year Ended June 30, 2015*, 2015, http://cps.edu/About_CPS/Financial_information/Documents/FY15_CAFR.pdf.

² U.S. Census Bureau, *State & County QuickFacts*, 2015, <http://quickfacts.census.gov/qfd/states/17/1714000.html>; Ted Dabrowski, John Klingner, and Tait Jensen, "CPS Pensions: From Retirement Security to Political Slush Fund," Illinois Policy Institute, 2015, https://d2dv7hze646xr.cloudfront.net/wp-content/uploads/2015/09/CPS_Paper-1.pdf.

³ Nithya Joseph, Nancy Waymack, Anissa Sepulveda, and Valerie Franck, "Smart Money: What Teachers Make, How Long It Takes and What It Buys Them," National Council on Teacher Quality, 2014, http://www.nctq.org/dmsView/Smart_Money.



salaries toward their pensions.⁴ By comparison, private-sector workers pay 6.2 percent of their salaries for Social Security.

CTU notes Illinois teachers do not receive Social Security benefits in addition to their pensions, suggesting their pensions are not so excessive. But the Social Security benefits private-sector workers receive each year are capped; the annual cap for 2016 is \$31,668.⁵ The average starting pension for a CTU retiree in fiscal year 2011 was \$77,496.⁶ CTU members can look forward to a retirement in which they earn more than double the maximum benefit available under Social Security.

Disagreements over pension contributions, and who is to pay for them in the future, are one of the main reasons CTU is threatening to strike in 2016. CPS expects CTU personnel to start paying their full pension contributions once their current contract expires. CTU President Karen

⁴ Chicago Public Schools, *Approved Budget 2014–2015*, 2014, <http://cps.edu/fy15budget/documents/fy15budget.pdf>.

⁵ Social Security Administration, *Frequently Asked Questions*, 2016, <https://faq.ssa.gov/link/portal/34011/34019/article/3735/what-is-the-maximum-social-security-retirement-benefit-payable>.

⁶ Jonathan Ingram, “Chicago Teachers Union Demands Huge Raise on Top of Million-Dollar Pensions,” Illinois Policy Institute, September 11, 2012, <https://www.illinoispolicy.org/ctu-demands-huge-raise-on-top-of-million-dollar-pensions/>.

Lewis has called that expectation a “strike-worthy” issue.⁷ Other CTU demands include smaller class sizes, a 3 percent pay increase, the hiring of 1,000 new employees, a “paperwork limit” for teachers, a freeze on charter school expansion and school closings, and a reduction in the number of standardized tests given to district students.⁸

The financial situation in the district is so dire that Illinois Gov. Bruce Rauner has floated the possibility of the state taking over CPS and allowing the district to file for bankruptcy.

Meanwhile, CPS is more than \$6 billion in debt and is running a \$1.1 billion structural deficit, due largely to annual pension payments that reached \$676 million in 2015. Annual deficits in excess of \$1 billion are expected through 2020. In February 2016, the city negotiated a \$725 million sale, with an 8.5 percent yield, of CPS’s “junk”-rated bonds. According to *Bloomberg Business*,

“no state or local government has managed to issue so much debt with credit ratings as low as Chicago’s schools.”⁹ The financial situation in the district is so dire that Illinois Gov. Bruce Rauner has floated the possibility of the state taking over CPS and allowing the district to file for bankruptcy.¹⁰

3. History of Teachers Strikes in Illinois

A teachers strike in 2016 would be the second experienced by Chicago since 2012 and at least the tenth since CTU received collective bargaining rights in 1966. The 2012 teachers strike lasted nine days, and a teachers strike in 1987, the longest the city has experienced so far, lasted 19 days. The average length of time Chicago teachers have been out of their classrooms per strike is 8.1 days.

Chicago is not the only school district in Illinois subjected to strikes in recent years. There have been 16 such walkouts in Illinois since 2010. Prospect Heights School District 23 (1,500 students) and McHenry County School District 156 (2,300 students) had teachers walk out for

⁷ Ted Cox, “CTU’s Lewis Threatens Strike After Contract Talks Rebooted by CPS,” *DNAinfo*, August 7, 2015, <https://www.dnainfo.com/chicago/20150807/river-north/ctus-lewis-threatens-strike-after-contract-talks-rebooted-by-cps>; Stacey Baca, “CPS Pension Payments to Continue as CTU Threatens April 1 Demonstration,” ABC7 Eyewitness News, March 4, 2016, <http://abc7chicago.com/education/cps-pension-payments-to-continue-as-ctu-threatens-april-1-demonstration/1231343/>.

⁸ “CTU Releases Transformational Contract Demands for [the] City Chicago’s Students Deserve,” Chicago Teachers Union, March 27, 2015, <http://www.ctunet.com/blog/ctu-releases-transformational-contract-demands-for-the-city-chicagos-students-deserve>.

⁹ Brian Chappatta and Elizabeth Campbell, “Chicago Schools Pay Bigger Bond-Market Penalty Than Puerto Rico,” *Bloomberg Business*, February 4, 2016, <http://www.bloomberg.com/news/articles/2016-02-05/chicago-schools-pay-bigger-bond-market-penalty-than-puerto-rico>.

¹⁰ Kim Geiger, Juan Perez Jr., and Rick Pearson, “Rauner on CPS Takeover Attempt: ‘The Mayor Has Failed,’” *Chicago Tribune*, January 20, 2016, <http://www.chicagotribune.com/news/local/politics/ct-illinois-republican-cps-bankruptcy-met-20160120-story.html>.

12 and eight days, respectively, in fall 2015. Also in fall 2015, teachers in East St. Louis School District 189 stayed out of classrooms for 21 school days, essentially cancelling classes for the entire month of October for 6,000 students. A month-long strike in October 2014 left idle the 17,000 students of Waukegan Community Unit School District 60.

The longest teachers strike in the history of Illinois, and what is believed to be the longest recorded strike in the nation’s history, took place from October 16, 1986 to June 23, 1987 in the small town of Homer in Champaign County. It essentially lasted an entire school year – 156 school days – and some residents say the marathon strike did permanent damage to the fabric of their community, from which it has yet to recover fully.¹¹

Students suffer when teachers are out of their classrooms. A working paper from the National Bureau of Economic Research (NBER) shows 10 days of teacher absences over the course of a school year can significantly reduce student achievement in mathematics.¹² Teacher absences, the study found, “radically reduced ... instructional intensity” by creating “discontinuities of instruction [and] the disruption of regular routines and procedures of the classroom.”¹³

In addition, time children spend out of the classroom is time in which previous gains in achievement begin to atrophy, and this is especially true of low-income students. Whereas most students come into a new school year having lost some of the gains made in mathematics and reading during the previous school year, research has shown low-income students tend to lose more ground over summer break than their higher-income peers.¹⁴

Time children spend out of the classroom is time in which previous gains in achievement begin to atrophy, and this is especially true of low-income students.

Classroom time lost due to strikes, especially lengthy work stoppages, increases the already-significant achievement gap between students from low-income and higher-income families. This is a particular problem for Chicago, where 87 percent of public school students are classified as “low-income,” meaning they qualify for reduced-price lunch programs, live in

¹¹ Tim Mitchell and Rebecca Mabry, “Two Decades Later, Homer Teachers’ Strike Still Sore Subject,” *The News-Gazette*, November 12, 2006, <http://www.news-gazette.com/news/local/2006-11-12/two-decades-later-homer-teachers-strike-still-sore-subject.html>.

¹² Reagan T. Miller, Richard J. Murnane, and John B. Willett, “Do Teacher Absences Impact Student Achievement? Longitudinal Evidence From One Urban School District,” *Working Paper 13356*, National Bureau of Economic Research, August 2007, <http://www.nctq.org/nctq/research/1190910822841.pdf>.

¹³ *Ibid.*, pp. 5–9.

¹⁴ Jennifer Sloan McCombs, Catherine H. Augustine, Heather L. Schwartz, Susan J. Bodilly, Brian McInnis, Dahlia S. Lichter, and Amanda Brown Cross, “Making Summer Count: How Summer Programs Can Boost Children’s Learning,” RAND Corporation, 2011, http://www.rand.org/content/dam/rand/pubs/monographs/2011/RAND_MG1120.pdf.

families receiving government financial aid, or live in substitute care.¹⁵ Any time out of the classroom is time these students can ill afford to lose.

4. Poor Student Performance

Even when classes are in session, Chicago students are not receiving a quality education, placing them at higher risk of falling behind during a strike. Standardized tests show only about one-fourth of Chicago's students are being educated to a degree that allows them to transition comfortably to the next grade level and then to college.

The district's scores on the National Assessment for Educational Progress (NAEP) tests, colloquially known as the "Nation's Report Card," are far below what they should be. NAEP testing has been ongoing since 1966, with district-level testing beginning in 2002. Only 30 percent of Chicago's fourth graders and 25 percent of eighth graders scored at or above proficient in mathematics on the 2015 test, and only 27 percent of fourth graders and 24 percent of eighth graders did so in reading.¹⁶ (See Figure 2.) Although these scores represent a significant increase from a decade ago – the percentage of students testing proficient in math has more than doubled since 2005 – Chicago students remain below the national average for large cities.¹⁷

The disappointing results of Chicago's NAEP scores are confirmed by the Common Core-aligned Partnership for Assessment of Readiness for College and Careers (PARCC) testing, which states began implementing in 2010.¹⁸ Only 29 percent of CPS district students met or exceeded proficiency in English and language arts on PARCC, and just 21 percent met or exceeded proficiency in math. Those who exceeded proficiency were just 4 and 2 percent of students, respectively.¹⁹ (See Figure 3.)

Seven entire schools failed to bring a single child up to proficiency, and 143 schools had fewer than 10 percent of their students test proficient. Only 45 of the 525 Chicago schools for which numbers were available, or 8.5 percent of CPS schools, enabled half of their students to test proficient. Put another way, an incredible 91.5 percent of CPS schools, staffed by CTU teachers, failed to enable half of their students to test proficient on the PARCC exam.²⁰ (See Figure 4.)

¹⁵ Illinois Report Card, <http://www.illinoisreportcard.com/District.aspx?source=StudentCharacteristics&source2=LowIncome&Districtid=15016299025>.

¹⁶ National Center for Education Statistics, <http://nces.ed.gov/nationsreportcard/districts/>.

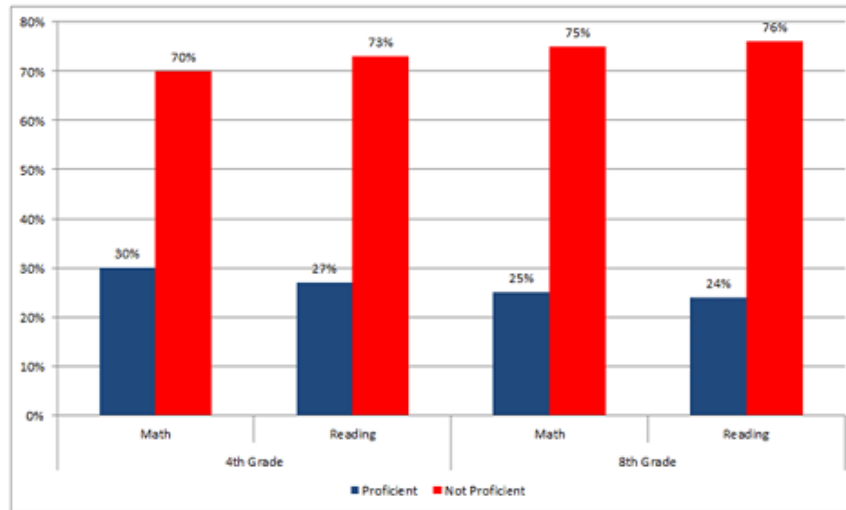
¹⁷ *Ibid.*

¹⁸ Twenty-six states originally signed on to PARCC; only seven states remain members as of April 2016.

¹⁹ Illinois Report Card, *supra* note 15.

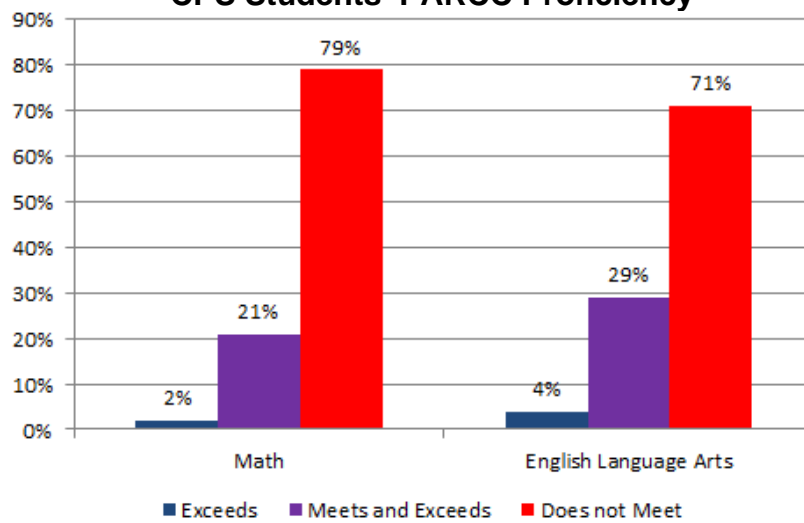
²⁰ 2015 Illinois PARCC Scores, *Chicago Tribune*, website, no date, http://apps.chicagotribune.com/news/local/parcc-scores-2015/#/districts/150162990250000?_k=g3g40z.

Figure 2
CPS Students' NAEP Proficiency



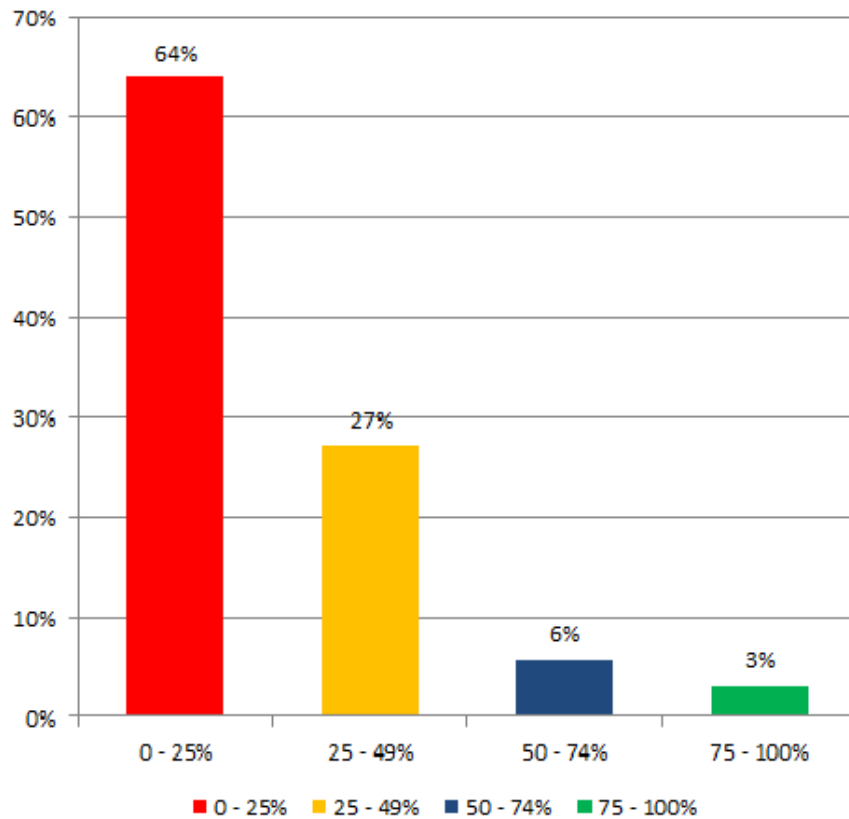
Source: National Center for Education Statistics, <http://nces.ed.gov/nationsreportcard/districts/>.

Figure 3
CPS Students' PARCC Proficiency



Source: Illinois Report Card, <http://www.illinoisreportcard.com/District.aspx?source=Trends&source2=Parcc&Districtid=15016299025>.

**Figure 4
CPS Schools Proficiency**



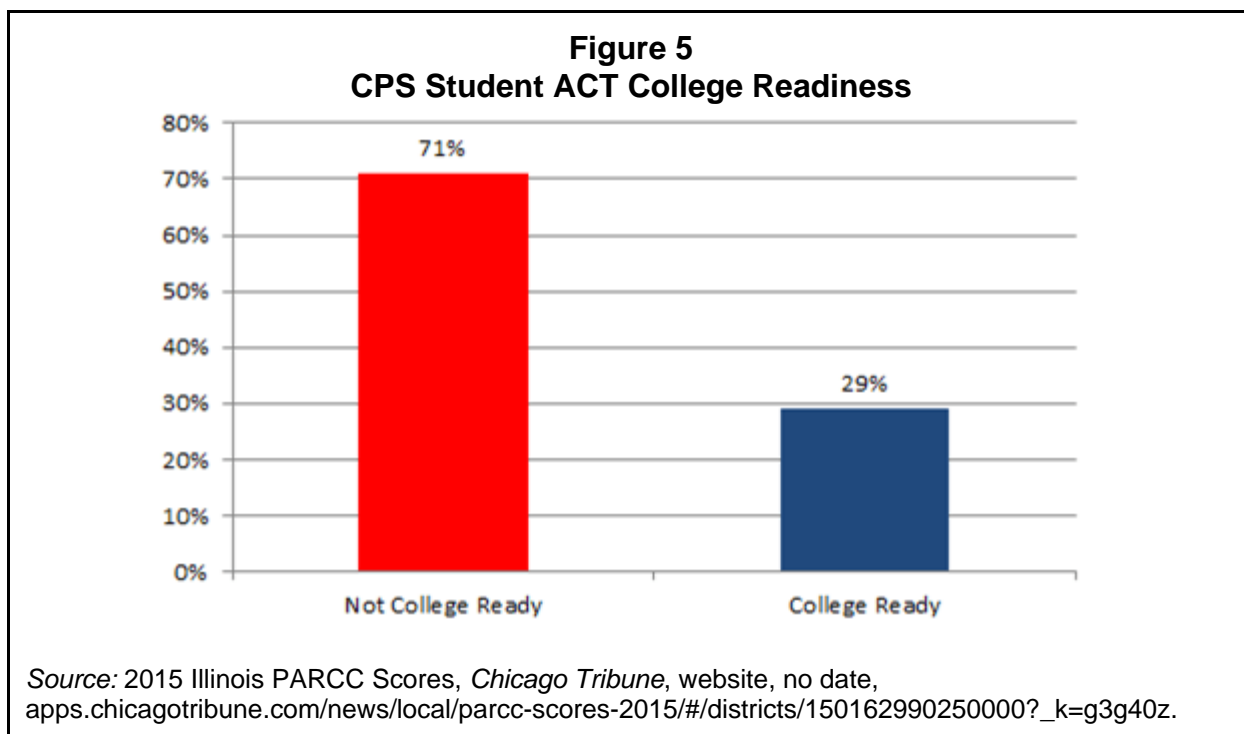
Only 3 percent of CPS schools enabled most of their students to test proficient on the PARCC exam. Six percent enabled half of their students to test proficient. Fully 91 percent of CPS schools could not get even half their students to test proficient. *Source: 2015 Illinois PARCC Scores, Chicago Tribune, website, no date, apps.chicagotribune.com/news/local/parcc-scores-2015/#/districts/150162990250000?_k=g3g40z.*

Given the results of these two tests, it is not surprising only 28 percent of CPS high school students scored at least a 21 on the ACT exam, the score needed to “[classify them] as being Ready for College Coursework.”²¹ (See Figure 5.)

The city recently had to revise downward its 77 percent graduation rate to 75 percent after it was found 4,500 more students had dropped out of school since 2011 than had been previously reported.²² Seventy-one percent of all CPS graduates attending an Illinois community college

²¹ *Ibid.* See also Becky Vevea and Sarah Karp, “Reality Check: Graduation Numbers Inflated at Nearly All CPS High Schools,” WBEZ 91.5, February 22, 2016, <http://www.wbez.org/news/reality-check-graduation-numbers-inflated-nearly-all-cps-high-schools-114956#downloads>.

²² *Ibid.*



require remediation coursework.²³ All of this poor achievement comes at an operational cost of \$15,120 per student per year, well above the Illinois average of \$12,521 and the latest national average of \$12,401 per student per year.²⁴ Despite these poor levels of performance by Chicago students, only 2.9 percent of district teachers were rated “unsatisfactory” on CPS’s REACH Students evaluation system.²⁵

5. The Strike Voucher

Stuck between the CTU rock and the CPS hard place are the children of Chicago. As state policy currently stands, if CTU decides to strike, the children attending the city’s public schools will once again be forced into idleness and will miss irreplaceable instruction time that will be difficult to make up.

Parents should not have to watch their children be used as pawns in a struggle over money, and they should not have to fret over how they will keep their children safe when CTU forces them from their classrooms. To shift the focus back to the students, Illinois policymakers should

²³ Illinois State Board of Education, Illinois State Report Card Data, http://www.isbe.net/assessment/report_card.htm.

²⁴ Illinois Report Card, *supra* note 15; National Center for Education Statistics, <https://nces.ed.gov/fastfacts/display.asp?id=66>.

²⁵ Becky Vevea, “New Teacher Ratings Not Dramatically Different,” WBEZ 91.5, September 18, 2013, <http://www.wbez.org/news/new-teacher-ratings-not-dramatically-different-108703>.

consider creating a “strike voucher” and “student opportunity scholarship (SOS) accounts” to help students during and after a teachers strike.

Education vouchers are a predetermined amount of money families are provided to pay for their students’ tuition at another school. There are currently 26 voucher programs across 15 states, enrolling nearly 170,000 students.²⁶ Vouchers have been proposed multiple times over the years in Illinois, including model legislation produced by The Heartland Institute, without legislative success.²⁷

Starting on the first day of a teacher walkout, the strike voucher would give any student currently enrolled in a CPS school access to a safe place where learning could continue.

The Milwaukee Parental Choice Program, one of the nation’s first voucher programs when it was enacted in 1990, now enrolls more than 27,000 students.²⁸ It has helped produce gains not only for voucher students themselves, but for Milwaukee Public Schools students as well. These include a higher graduation rate, a narrowing of the

achievement gap between white and minority students, and a reduction in dropout rates.²⁹ Similarly, a recent study of vouchers in Florida provides evidence of long-term positive effects including higher college persistence and higher earnings.³⁰

A “strike voucher” would be similar to other education vouchers currently in operation, except it would pay only for a single day of a student’s use of an alternative education option. It would be renewed for each succeeding day until the strike ends.

Starting on the first day of a teacher walkout, the strike voucher would give any student currently enrolled in a CPS school access to a safe place where learning could continue. Any charter, private, or parochial school in the district with the room to enroll additional students would be given a stipend of \$50 per day for each strike-displaced student it takes in. Other non-school

²⁶ Friedman Foundation for Educational Choice, “Fast Facts on Vouchers,” <http://www.edchoice.org/our-resources/fast-facts/>.

²⁷ The Heartland Institute, “Illinois Educational Choice Law,” September 17, 2014, <https://www.heartland.org/policy-documents/illinois-educational-choice-law-aka-heartland-plan>; Joseph Bast, “The Heartland Plan for Illinois: Model School Voucher Legislation,” *Heartland Policy Study #98*, May 2002, <https://www.heartland.org/policy-documents/no-98-heartland-plan-illinois-model-school-voucher-legislation-0>.

²⁸ See “Milwaukee Parental Choice Program” in *The ABCs of School Choice - 2016 Edition*, Friedman Foundation for Educational Choice, January 2016, pp. 115–16, <http://www.edchoice.org/wp-content/uploads/2016/02/2016-ABCs-WEB-2.pdf>.

²⁹ George Clowes, “Can Vouchers Reform Public Schools,” The Heartland Institute, July 2008, <https://www.heartland.org/policy-documents/no-120-can-vouchers-reform-public-schools>.

³⁰ Tim R. Sass, Ron W. Zimmer, Brian P. Gill, and T. Kevin Booker, “Charter High Schools Effects on Long-Term Attainment and Earnings,” *Journal of Policy Analysis and Management*, April 4, 2016, <http://onlinelibrary.wiley.com/doi/10.1002/pam.21913/abstract>.

institutions, such as libraries, museums, Boys and Girls Clubs, YMCAs, and similar private organizations, also could participate and apply for the strike vouchers.

Currently, when a school day is cancelled due to a strike, teachers are not paid for that day. Funds that would have gone toward paying teachers would be available to pay for the strike vouchers instead. Historically, during the collective bargaining process, CTU has negotiated in its new contract with CPS for a return of pay forfeited during a strike. Under the strike voucher plan, negotiators would be required to reduce this strike makeup pay by the amount spent on strike vouchers, meaning striking teachers would fund the voucher program.

By financing the program out of the CTU teachers' strike makeup-day pay, the strike voucher program would impose no additional net cost on taxpayers or CPS. For example, if a strike lasted eight days and 1,000 district students made use of the strike voucher for each day, \$400,000 would be taken out of CTU strike makeup-day pay. This arrangement would act as a penalty paid by the striking teachers to reflect the cost they are imposing on the rest of the community, increasing with every day the strike continues.

By financing the program out of the CTU teachers' strike makeup-day pay, the strike voucher program would impose no additional net cost on taxpayers or CPS.

Not all of Chicago's 400,000 students would be able to make use of the strike voucher at schools within the district, as private and charter schools may not have enough seats available to accommodate them all. The Archdiocese of Chicago Catholic Schools is the largest private school system in the United States, yet it serves only 79,000 students in Cook and Lake Counties. Charter school enrollment in the district is just 57,000 students, or 14 percent of district market share. The Fordham Institute ranked Chicago as 11th out of 30 for school-choice-friendliness among large U.S. cities.³¹

With limited seating at brick-and-mortar schools available for strike-displaced students, parents should be allowed to take their strike voucher stipend to tutoring facilities, online virtual schools, and, for very young students, daycare facilities. During the 2012 strike, many private organizations acted to provide safe spaces for children who were locked out of the city's public schools. Government agencies, including the Chicago Transit Authority and Chicago Police and Fire Departments, also pitched in. As Sara Johnson of CityLab wrote at the time,

The city has 144 "Children First" district-organized care sites as well as over 50 "Safe Haven" sites. The Chicago Children's Museum is offering [free admission for every five students accompanied by a paid adult admission]. The YMCA of Metro Chicago extended hours to accommodate 1,500 students. Chicago Public Library tweeted that it's reserved computers for CPS students who need to

³¹ Priscilla Wohlstetter, Dara Zeehandelaar, and David Griffith, "America's Best (And Worst) Cities for School Choice," Thomas B. Fordham Institute, 2015, <http://edex.s3-us-west-2.amazonaws.com/12.09%20-%20America%27s%20Best%20and%20Worst%20Cities%20for%20School%20Choice.pdf>.

complete online course work. The Chicago Transit Authority is providing free rides to any student with proper ID, and the Chicago Police Department has extended hours for tactical units and placed additional uniform officers on the streets.³²

Strike voucher funds could be used to reimburse these organizations for extra costs incurred in accommodating CPS students. For example, the Chicago Children’s Museum or other city museums could be reimbursed the cost of admission per head and per day for each admitted student. Personnel and other costs incurred by organizations such as the YMCA for extending hours could be covered up to \$50 per student, per day, as long as they provide at least half a day’s worth of educational activity for each day of accommodation.

6. Student Opportunity Scholarship (SOS) Accounts

The second stage of protecting Chicago students in the event of an extended strike is allowing parents to transition from strike vouchers to education savings accounts (ESAs) if the strike extends beyond nine days. The student opportunity scholarship (SOS) account would be a

SOS accounts would allow parents to turn their children’s temporary placement at independent schools into actual enrollment at those schools.

mechanism to encourage independent schools to take in as many strike voucher students as possible. Families could convert temporary strike vouchers into SOS accounts on the tenth school day of a strike. SOS accounts would allow parents to turn their children’s temporary placement at independent schools into actual enrollment at those schools.

An ESA is a personalized account set up for each public school student. Each year, the state deposits a specific amount of money into the account. The parents then pay, usually via a state-provided debit card, for a public charter, private, online, or combination of schooling and other approved education options.

ESAs are the most flexible school choice option with the most allowable expenditures. In some states, parents can save unused money for higher education expenses. Five states currently have ESA programs serving nearly 7,000 students. The longest-running ESA is now helping more than 2,500 students in Arizona. Florida’s ESA, with 4,080 students enrolled, has the country’s largest program by participation.³³

³² Sara Johnson, “What Chicago Can Expect From a Long Teachers’ Strike,” *CityLab*, September 12, 2012, <http://www.citylab.com/politics/2012/09/what-chicago-can-expect-long-teachers-strike/3227/>.

³³ See “Empowerment Scholarship Accounts” and “Gardiner Scholarship Program,” *The ABCs of School Choice - 2016 Edition*, Friedman Foundation for Educational Choice, January 2016, pp. 17–8 and 31–2, <http://www.edchoice.org/wp-content/uploads/2016/02/2016-ABCs-WEB-2.pdf>.

Illinois state Rep. Tom Morrison introduced an ESA bill in 2015 (House Bill 417).³⁴ The measure would have created a near-universal ESA in Illinois. All public school students with a total family income of less than or equal to 250 percent of the income threshold for the federal free or reduced-price lunch program would be eligible to participate. The Heartland Institute has many resources describing the value and implementation of ESAs.³⁵

CPS currently funds schools according to a per-student formula, enabling them to direct the correct amount of funds to each traditional public school and to district charter schools based on enrollment choices. This same per-student funding formula could be used to fund the SOS accounts, prorated according to the number of days remaining in the school year at the time of the change.

Funds would be placed in an account created in each student's name and managed by the Illinois State Comptroller's Office.

Funding for the SOS accounts could be appropriated from CPS district monies and any remaining state funding that has not been paid to CPS for the per-student education funding. Funds would be placed in an account created in each student's name and managed by the Illinois State Comptroller's Office. A maximum of 5 percent would be charged to the account for management purposes by the comptroller's office.

In subsequent years, the state would automatically deposit its share of the pupil's education funds into the account for each student wishing to continue his or her SOS account. This amount should be equal to 100 percent of the average per-student education funding provided CPS in the prior school year for low-income students. The amount deposited into the account could be slightly lower, at 90 percent, for students who are not low income. Parents would then fully direct the funds to the school or other education options for their child.

Although SOS account students would be independent of the CPS system, for purposes of funding they would still be considered CPS students. This ensures CPS would not rush to settle a strike on the ninth day on terms disproportionately unfavorable to the district just to avoid a serious loss of immediate funding.

7. Expanding the Tax Credit

The third part of the plan to save Chicago's students is to expand the state's individual education tax credit (IETC) program by lifting caps and making it refundable for parents, and including a scholarship tax credit (STC) component to allow other individuals and corporations to contribute to scholarship management organizations. These programs would cover expenses that exceed the funding available from the SOS accounts. This process is known as "topping off" – allowing

³⁴ House Bill 427, January 28, 2015, <http://ilga.gov/legislation/BillStatus.asp?DocTypeID=HB&DocNum=427&GAID=13&SessionID=88&LegID=84787>.

³⁵ The Heartland Institute, <http://policybot.enginez.com/results.engz?c=%5Btaxonomy%2Ftags%2Ftitle%5D%3D%22Education%20%20Savings%20%20Accounts%22>.

parents and others to contribute toward tuition and other expenses that exceed the amount reimbursed by a government program.

Individual education tax credits (IETCs) cover tuition, tutoring services, specialty courses, and other education-related expenses. More than 302,000 people in Illinois take advantage of the currently available credit.³⁶ Unfortunately, Illinois' IETC is very limited. The state's current limit is 25 percent of education costs after the first \$250, with a maximum credit of only \$500 per family. Parents must spend at least \$2,250 on educational expenses and have a state income tax liability of at least \$500 to receive the maximum credit.³⁷

With a few modifications, such as making the credit refundable and raising it to Illinois' average per-pupil public school expenditure, the state's IETC "could be one of the country's most effective school choice programs."

With a few modifications, such as making the credit refundable and raising it to Illinois' average per-pupil public school expenditure, the state's IETC "could be one of the country's most effective school choice programs," according to the Friedman Foundation for Educational Choice.³⁸ Four other states have IETC programs, with an estimated 493,000 participants.³⁹

Scholarship tax credits (STCs) allow corporations and individuals to deduct from their state income taxes the amount of donations made to a scholarship management organization (SMO). This amount is usually capped at some percentage of the business's total tax liability, and the total amount of such donations is also often limited by state statute, with some states including an automatic increase if the previous year's donations exceed 90 percent of the cap. Currently 16 states have 21 STC programs providing scholarships to 226,000 students.⁴⁰

Illinois' IETC could be expanded into an STC program, allowing a tax deduction for the full cost of tuition for parents paying out of their own pocket. The SMOs managing these donations would provide scholarships to top off the additional tuition costs above the original ESA

³⁶ See "Illinois: Tax Credits for Educational Expenses," *The ABCs of School Choice - 2016 Edition*, Friedman Foundation for Educational Choice, January 2016, pp. 37–8, <http://www.edchoice.org/wp-content/uploads/2016/02/2016-ABCs-WEB-2.pdf>.

³⁷ *Ibid.*

³⁸ *Ibid.*

³⁹ Friedman Foundation for Educational Choice, "Fast Facts," <http://www.edchoice.org/our-resources/fast-facts/>. For more on funding ESAs with individual tax credits, see Jason Bedrick, Jonathan Butcher, and Clint Bolick, "Taking Credit for Education: How to Fund Education Savings Accounts through Tax Credits," *Policy Analysis No. 785*, Cato Institute, January 20, 2016, <http://object.cato.org/sites/cato.org/files/pubs/pdf/pa785.pdf>.

⁴⁰ Friedman Foundation, "About Individual Tax Credits and Deductions," <http://www.edchoice.org/our-resources/fast-facts/#taxcredit-scholarship-fast-facts>.

amounts. This would give low-income families access to schools and education opportunities currently out of reach of many parents.

STCs and IETCs would allow corporations and individuals to help fund education more directly. Tax credits would encourage private donations to help the city's underprivileged students gain access to a high quality education they otherwise would not be able to afford, making it possible for parents to "build" an education that fits the unique needs of each child.

8. Conclusion

Chicago parents already are looking for ways to remove their children from their poorly run, CTU-staffed neighborhood Chicago Public Schools. Nearly half of all CPS students (49 percent) are opting out of their zoned neighborhood schools and attending a different district-run school.⁴¹ At the high school level, only 27 percent of CPS students attend their neighborhood school.⁴²

Twenty-nine percent of all opt-out families are choosing to send their children to charter schools. It is reasonable to believe even more would do so if more charter opportunities were available in Chicago. Charter school operators plan to open 21 new campuses in the city through 2018, but the city could support many more.⁴³

Strike vouchers and SOS accounts would allow all parents, no matter their income, to ensure their children have the opportunity to attend a safe and effective school.

Strikes are a part of the natural order in the collective bargaining process. When teachers strike, however, the children are always the losers. In Chicago, where most students are low-income and most are not being educated to a satisfactory level, strikes are even more devastating than elsewhere.

In the first four months of 2016, Chicago had already seen 175 murders and 1,109 shootings.⁴⁴ By shutting children out of their classrooms, CTU will harm its charges not only academically. By forcing them out into the streets, CTU will literally put children's lives at risk.

⁴¹ Kasia Kalata and Jelani McEwen, "Chicago: A Choice District," Illinois Network of Charter Schools, 2015, https://www.incschools.org/wp-content/uploads/2014/07/Chicago-A-Choice-District_Winter-Issue-Brief_Final.pdf.

⁴² *Ibid.*

⁴³ Lauren Fitzpatrick, "Amid Declining Enrollment, 21 Charter Campuses Seek to Open in CPS," *Chicago Sun-Times*, February 24, 2016, <http://chicago.suntimes.com/news/7/71/1349750/amid-declining-enrollment-budget-woes-21-charter-campuses-seeks-open-cps>.

⁴⁴ Mitch Dudek, "Chicago's Soaring Murder Count Slows in April," *Chicago Sun-Times*, May 1, 2016, <http://chicago.suntimes.com/news/shocking-uptick-in-2016-murders-slows-in-april/>.

Teachers unions currently face no significant repercussions for walking out of their classrooms. For CTU, a strike is a mild interruption, but for students and parents, it is a massive disruption. CTU has made a habit of using Chicago children as pawns. Under this strike voucher plan, CTU would be charged daily for each of the thousands of students it abandoned who takes advantage of the strike voucher, giving CTU an incentive to reconsider its penchant for walking off the job.

The very existence of the strike voucher and SOS accounts may make teachers strikes in Chicago less likely. Knowing their students could use strike vouchers to leave their public schools and never come back might be enough to make CTU think twice about locking students out of their schools in the first place.

The goal is to make sure as many Chicago children as possible will be freed from forces outside of their control standing in the way of their continuing education.

The goal of strike vouchers, SOS accounts, an expanded IETC is to make sure as many Chicago children as possible will be freed from forces outside of their control standing in the way of their continuing education. All parents, no matter their income, would be allowed to ensure their children have the opportunity to attend a safe and effective

school, free from the continual tug-of-war between school districts and teachers unions, of which they are frequently caught in the middle.

###

© 2016 The Heartland Institute. Distributed by **The Heartland Institute**, a nonprofit and nonpartisan public policy research organization. Nothing in this report should be construed as reflecting the views of The Heartland Institute, nor as an attempt to aid or hinder the passage of legislation. Additional copies of this *Policy Brief* are available for \$6.95 from The Heartland Institute, phone 312/377-4000; email think@heartland.org; Web <http://www.heartland.org>.

About the Authors

Timothy Benson is a policy analyst at The Heartland Institute. Prior to joining Heartland, Benson worked for the Foundation for Government Accountability as an editor and writer. He also authored a regular column for Scripps Treasure Coast Newspapers. His work has appeared in *The Hill*, *The Washington Times*, *Crain's Chicago Business*, *The American Spectator*, and many other publications across the country.

Lennie Jarratt is project manager for the Center for Transforming Education at The Heartland Institute. He is the former managing editor of *Champion News*, an Illinois-based news website focused on education and Illinois politics, and was managing editor of *Education Matters*, which researched education in local school districts across Illinois. Jarratt has commented on school reform issues on Fox News, ABC Chicago, and many radio outlets, and at *Breitbart News* and in newspapers across Illinois.

About The Heartland Institute

The Heartland Institute is a national nonprofit research and education organization based in Arlington Heights, Illinois. We are a publicly supported charitable organization and tax-exempt under Section 501(c)(3) of the Internal Revenue Code.

Heartland is approximately 6,000 men and women devoted to discovering, developing, and promoting free-market solutions to social and economic problems. We believe ideas matter, and the most important idea in human history is freedom.

Heartland has a full-time staff of 39. Joseph Bast is cofounder, president, and CEO. Dr. Herbert Walberg is chairman of the 10-member Board of Directors. Approximately 250 academics participate in the peer review of its publications and more than 220 elected officials pay annual dues to serve on its Legislative Forum.

Heartland has a long and distinguished history of defending freedom. We are widely regarded as a leading voice in national and international debates over budgets and taxes, environmental protection, health care, school reform, and constitutional reform.

We a leading voice in national and international debates over budgets and taxes, environmental protection, health care, school reform, and constitutional reform.

Five centers at The Heartland Institute – including the Center for Education Transformation, through which this *Policy Brief* is published – conduct original research to find new ways to solve problems, turn good ideas into practical proposals for policy change, and effectively promote those proposals to policymakers and the public.

For more information, visit our website at www.heartland.org, call 312/377-4000, or visit us at 3939 North Wilke Road, Arlington Heights, Illinois.