December 23, 2014

David Bean
Director of Research and Technical Activities, Project No. 19-20E
Governmental Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

Dear Mr. Bean:

The Chicago Teachers Union (CTU) represents almost 30,000 active and retired teachers, clinicians, and paraprofessionals in the Chicago Public Schools (CPS). Our primary goal is to create the schools and city our students deserve, and it is in this pursuit that we submit comments in response to the Governmental Accounting Standards Board’s (GASB) exposure draft of a proposed statement of accounting standards for tax abatement disclosures (Project No. 19-20E). The Grassroots Collaborative is a coalition of ten members (of which the CTU is one) representing over 100,000 members throughout the region as a community, labor coalition working on racial and economic justice in the city of Chicago and state of Illinois. The GC has been organizing for real TIF accountability and reform for years, successfully winning back TIF dollars from CME, Board of Trade and United Airlines.

Both CTU and GC members and staff regularly utilize financial reports that conform to GASB standards. Our work with CPS’ Comprehensive Annual Financial Reports (CAFR) has provided deep insights into the district’s financial activities, including multi-year budget trends, the potential financial impacts of pension reforms, and the real financial impacts of the district’s adventures in interest rate swaps. Consequently, CTU and the GC supports GASB’s goal of including the costs of tax abatements related to economic development in government financial statements. Tax abatements drain vitally important revenue away from public schools, and true costs of their continued use, primarily by well-to-do private citizens and corporations, should be included in any governmental financial statements. This measure of transparency is an important step in a better and broader public understanding of how seemingly individual tax policy decisions have significant impacts on the wider community.

While CTU and the GC support this measure, we also encourage GASB to go further in its reporting requirements.

As currently defined in the GASB proposed rule, “tax abatements” may not include programs like Tax Increment Financing (TIF), which directly undermines the Chicago’s tax base and greatly reduces the revenue available to fund public services like schools, libraries, and public safety, by diverting revenues to benefit what are often private, for-profit companies. We recommend that GASB adopt stronger language to clarify that all programs that in fact reduce available tax revenues to government bodies be subject to these reporting standards.
We also note that in Paragraphs B14 and B16 of the Exposure Draft, GASB proposes to require that any body of government body that loses revenue as the result of the tax abatement actions of one or more other bodies of government report that revenue loss. However, GASB proposes that if such losses occur as the result of multiple programs, the passive income-losing government body would only be required to report one aggregate revenue-loss number. This situation would apply to Chicago Public Schools and other school districts throughout Illinois: they may lose tax revenue to TIF, enterprise zones, property tax abatements and/or sales tax abatements. If only one aggregate number were to be reported for multiple programs, the magnitude of an individual program such as TIF would be concealed. We recommend that GASB require bodies of government that lose revenue passively be required to report separately the revenue loss attributable to each tax abatement program and by the actions of each different body of government. A strong GASB rule that disaggregates the myriad tax subsidies and their impacts will dramatically increase the amount of quality information included in government financial reports, including CAFRs from school districts like CPS that often lose revenue because of other government tax subsidies.

Another crucial piece of disclosure omitted from the Exposure Draft is the impact of tax abatement programs on future revenues of government bodies. The City of Chicago has taken out numerous bonds as part of their TIF program, and the associated debt-service will impose a significant burden on the tax revenues received by TIF districts and diverted from our public schools and other taxing bodies, for years to come. GASB has recently adopted changes to improve reporting standards of long-term liabilities from pensions and retiree health care costs. To better assess the long-term fiscal health of our governments, there must be similar transparency over the impact of tax abatement programs.

CTU and the GC encourages GASB to require stringent and detailed reporting requirements so that all stakeholders, not just those with the most resources, can more actively participate in the democratic process. We deeply appreciate your work and are thankful for the opportunity to comment on these important proposed rule changes.

Sincerely,

Jesse Sharkey
Vice President
Chicago Teachers Union

Amisha Patel
Executive Director
Grassroots Collaborative

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