



# The New Math on School Finance

Adding Up the First-Ever Disclosure  
of Corporate Tax Abatements'  
Cost to Public Education

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DECEMBER  
2018



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of Corporate Tax Abatements' Cost  
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December 2018  
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# EXECUTIVE SUMMARY

Thanks to a new accounting rule—GASB Statement 77 on Tax Abatement Disclosures—thousands of America’s public school districts are, for the first time ever, reporting how much revenue they lose to corporate tax breaks granted in the name of economic development.

The Governmental Accounting Standards Board (GASB) is the professional organization that establishes and constantly improves standards of accounting and financial reporting for U.S. state and local governments. GASB’s rules are known as Generally Accepted Accounting Principles, or GAAP. When GASB issues an update or amendment to GAAP, it takes the form of a Statement.

Statement 77 now requires most state and local government bodies, including school districts, to annually disclose the costs of such corporate tax abatements—even if the losses are passive. That is, if a body loses revenue as a result of the actions of another governmental body, as is most often the case for schools, those are to be disclosed. (For background on Statement 77 and how it came to be, see Appendix C.)

Although we find very uneven compliance, it is already evident from the first year of the new disclosure data that some school districts are losing millions of dollars per year. That revenue could be used to hire back more teachers, reduce class size, restore student-support services and elective programs, and bring educators’ pay in line with similarly-educated professionals. With K-12 funding still lagging pre-recession levels in many states, tax abatements merit close scrutiny

lest they undermine the skills of America’s future workforce.

Our examination of the financial reports of more than 5,600 of the nation’s 13,500 independent school districts reveals that:

- Schools in 28 states lost at least \$1.8 billion over the last fiscal year as a result of corporate tax subsidies;
- School districts in just 10 states—South Carolina, New York, Louisiana, Ohio, Oregon, Missouri, Pennsylvania, Michigan, Texas and Georgia—collectively lost nearly \$1.6 billion;
- Three of the five most-affected school districts are in Louisiana parishes. Together, they were shortchanged more than \$158 million—more than \$2,500 for each enrolled student;
- Two-hundred and forty nine (249) school districts in 22 states each lost more than \$1 million in revenue; and,
- If abatements were curtailed and the resulting tax revenues were reinvested to hire additional teachers (at each state’s average teacher salary rate), the ten most-affected states could hire a

total of 28,059 more teachers. South Carolina alone could hire more than 6,600 teachers.

Surveys of corporate leaders consistently find that the availability of a well-trained workforce is a leading factor in facility siting and investment decisions, almost always far more important than the availability of economic development subsidies. That is especially true during times like these when unemployment is low, and it is projected to remain critical as the Baby Boom generation finishes retiring. Thus, when elected officials hand out subsidies that undermine local school finances, they are shortsightedly undermining the very economic development that taxpayers want to support.

We are disappointed that more than half of those school districts whose financial reports we inspected failed to report losses associated with corporate tax abatements. There are several legitimate reasons why a school district may not have reported, but in many instances, it appears Statement 77 was simply ignored.

The high rate of non-reporting means this study cannot be a 50-state comparison, though it is a rigorous summation that would allow some comparisons between states with similar characteristics. We encourage interested parties in no-disclosure or low-disclosure states to press for improved future adoption and compliance.

However, those school districts that *have* complied paint a vivid picture of why GASB Statement 77 is already so important—and will become more so over time as compliance improves. To be sure, school finance is complicated, varies greatly by state, and has often been legally contested. But in the long, contentious U.S. debate over how to fund public education with equity and adequacy, we have lacked even the most basic data about these heretofore hidden tax expenditures.

When it comes to protecting the cornerstone of our nation's workforce development system, Americans deserve the right to know where their tax dollars are—and are not—going. There is a longstanding tension between costly economic development tax breaks and adequate funding for education and other public goods and services. Those public investments are proven economic development winners, so this is no small debate. Good Jobs First invites others to join us in making use of our new tax abatement disclosures. Let's exercise our new information rights to shape an economic development strategy that is transparent, inclusive and balanced.

# PUBLIC EDUCATION'S FUNDING CRISIS

The 2017-2018 school year saw massive teacher walk-outs in West Virginia, Oklahoma, Colorado and Arizona. In wrenching personal stories of years without raises, crowded classrooms, and severe cutbacks in student-support services such as counseling and special education, teachers and parents demanded more public attention to the chronic underfunding of our nation's schools.

News reports paint a sad story of the way many states compensate those who teach our children. Inflation-adjusted teacher pay had declined [five percent over the last decade](#), leaving [one in five teaching professionals working a second job just to make ends meet](#). Driving such disinvestment in human capital for teaching are long-term spending cuts: as an [American Federation of Teachers study](#) recently documented, 25 states have yet to restore pre-recession spending levels for K-12—even though the nation's economic recovery is more than eight years old and most states' student populations have grown as well. In 38 states, the average teacher salary in 2018 is lower than it was in 2009 in real terms.

Given both this long-term stagnation and adverse changes some states have made to their revenue structures, we expect public concern about inadequate school funding to persist. It is inevitable that those who care about school quality will be looking for ways to address the problem.

School finance is a complicated mix of local and state funds plus a small portion of federal aid. It varies by state, and to be sure there are multiple underlying causes for public education's financial stress. But until Statement 77 took effect, one of those causes had been largely hidden. Yet the harm done to schools by tax abatements has been

a contentious—if poorly informed—debate in some places for a long time.

Fifteen years ago, Good Jobs First published a [50-state study](#) on the issue: We found that very few states grant school boards the power to opt out of abatements or otherwise shield school funding from the lost revenue. In states where school boards have a voice in approving subsidies, we've observed that they are often subject to enormous political pressures not to block “job creation.” And while state funding formulas often offset some abatement-driven losses, they seldom make school districts anywhere near whole. Such offsets are, ultimately, a transfer of money from districts with few abatements to those where 0abatements are common. A better approach would be to simply exclude the school share of property taxes (and other taxes) from abatements as Alabama has already done, and as Tennessee has considered.

Hence the impetus for this study: As state and local elected officials seek solutions to restore and improve our children's education, we hope they will use this new disclosure data. We hope it will enable a better-informed policy debate over the role of tax abatements for individual companies versus adequately-funded public services that broadly benefit all employers and all working families.

# THE NEW MATH ON SCHOOL FINANCE: KEY FINDINGS

Good Jobs First examined the most recent annual reports of more than 5,600 school districts. These reports are most often known as Comprehensive Annual Financial Reports, or CAFRs. About 300 districts we looked at do not follow GASB’s Generally Accepted Accounting Principles, or GAAP, standards and thus are not required to adhere to Statement 77’s disclosure standards; we excluded those districts from our calculations. Here are our key findings:

## Finding #1: Some school districts are clearly losing significant sums of vital funding to tax abatements.

**Table 2: States with the Greatest Disclosed Losses to Abatements, by Dollar Amount**

State	# of Districts Examined	Total Subsidy Losses Disclosed
South Carolina	76	\$331,324,018
New York	402	\$322,225,413
Louisiana	65	\$268,249,991
Ohio	390	\$127,100,785
Oregon	86	\$117,853,061
Missouri	194	\$98,579,187
Pennsylvania	414	\$98,089,085
Michigan	347	\$77,638,845
Texas	479	\$70,521,015
Georgia	82	\$64,454,604
TOTAL	2535	\$1,576,036,004

In the 28 states where some districts have reported, \$1.8 billion has been lost to corporate tax breaks. In 10 states where reporting is most robust, nearly \$1.6 billion in losses are newly revealed. See Appendix F for state-by-state summaries of tax abatement losses by schools.

## Finding #2: Opportunity Costs: Abatement Dollars, if Redirected, Could Help Restore Better-Quality Education

School districts in the ten states with highest reported tax-break losses could hire at least 28,059 new teachers (at average teacher salary level in each state) if reported dollars were redirected to expanding the teacher corps. Given that each state has many districts that have failed to report their losses to business tax abatements,

the actual number of teachers that could be hired is surely far greater. These calculations, though specific to teachers, could of course be applied to other education specialists whose staffing levels have been cut, such as counselors, nurses, librarians, special educators, and elective course teachers.

**Table 3: Staffing Level Improvements Possible in the Ten States with the Largest Abatement Losses**

State	Total # of Students (2016)	Average Teacher Salary (2017)	How Many More Teachers Could Be Hired Using Known Subsidy Dollars?
South Carolina	763,533	\$50,000	6,626
New York	2,711,626	\$81,902	3,934
Louisiana	718,711	\$50,000	5,365
Ohio	1,716,585	\$58,202	2,218
Oregon	576,407	\$61,862	1,905
Missouri	1,716,585	\$58,202	2,218
Pennsylvania	1,717,414	\$48,618	2,028
Michigan	1,536,231	\$62,287	1,246
Texas	5,301,477	\$52,575	1,348
Georgia	1,757,237	\$55,532	1,171
TOTAL			28,059

Source: *Rankings of the States 2017 and Estimates of School Statistics 2018*, National Education Association, April 2018, page 49; [http://www.nea.org/assets/docs/180413-Rankings\\_And\\_Estimates\\_Report\\_2018.pdf](http://www.nea.org/assets/docs/180413-Rankings_And_Estimates_Report_2018.pdf)



## Finding #3: Some School Districts are Hard-Hit Even though they Are not in Major Urban Centers, and Some Urban School Districts Don't Report Finances Independently, Hampering the New Data's Value

**Table 4: Individual School Districts with the Largest Disclosed Abatement-Revenue Losses in FY2017**

Rank	School District	State	Disclosed Revenue Lost
1	Hillsboro School District	OR	\$96,718,000
2	Philadelphia Public Schools	PA	\$61,900,000
3	Ascension Parish Schools	LA	\$58,255,238
4	St Charles Parish Schools	LA	\$54,811,960
5	Calcasieu Parish Schools	LA	\$45,355,000
6	Port Arthur Ind. School District	TX	\$44,452,984
7	Berkeley County Schools	SC	\$43,552,509
8	Storey County School District	NV	\$38,562,923
9	Chicago Public Schools	IL	\$37,500,000
10	Cleveland Municipal Schools	OH	\$34,246,606
11	Iberville Parish Schools	LA	\$31,740,168
12	Greenville County Schools	SC	\$30,422,000
13	Aiken County Schools	SC	\$25,562,690
14	Charleston County Schools	SC	\$25,347,694
15	Ossining Union Free Schools	NY	\$25,083,330
16	Kansas City School District	MO	\$24,394,000
17	Anderson County School District 5	SC	\$21,086,000
18	East China Schools	MI	\$19,920,008
19	Peekskill City Schools	NY	\$18,496,215
20	Cincinnati City Schools	OH	\$18,350,966

This list (Table 4) reveals large subsidies to “New Economy” corporations such as those operating “cloud computing” data farms in Hillsboro, Oregon, or Tesla’s new “giga-factory” in Storey County, Nevada, as well as those operating in “Old Economy” energy and chemical plants like those in Ascension, St. Charles and Calcasieu

Parishes in Louisiana. Charleston County, South Carolina is home to large subsidy recipients such as Boeing, Daimler, and Mercedes-Benz. Port Arthur, TX is home to the Saudi Arabian Oil Company that, in 2006, was approved for a \$257 million subsidy package from the state and local governments.

### Where's New York City School's Disclosure?

Among U.S. cities, New York City reports the largest dollar loss to tax abatements. So why doesn't its school system show up among those with the greatest losses? It's because in accounting lingo, the City's schools are a “component unit” of New York City, not “independent.” That is, they are a part of city government, so their expenses are all reported within the City's annual financial statements. New York City reports its total corporate tax abatement losses, but is not required to, and does not, break out how these losses affect school funding.

Not all large urban school districts are component units, however. Los Angeles and Chicago, the nation's second and third largest school districts, are both independent and thus required to report abatement losses. Chicago Public Schools reported losing \$37.5 million to corporate tax abatements, while Los Angeles Unified School District did not report. And in two states, Maryland and Virginia, most school districts are component units of county governments and as such, few are required to separately report Statement 77 tax abatement losses.

## Finding #4: Some of the New Data Reveals How Abatements Cause Interactions between State and Local Treasuries

In our aforementioned study on corporate tax breaks and school board powers, we documented how in many states local tax breaks are partially offset by state funds, typically via per-pupil equalization formulas. Rarely do such offsets make school districts whole, however. This tension persists and figured prominently in one of the largest changes to incentive law in recent U.S. history. In 2011, [California terminated its tax increment financing \(TIF\) program](#) as part of a budget-balancing legislative package. That gave the Golden State enormous budget relief because it was reimbursing school districts more than \$2 billion annually for their TIF-generated losses.

Some of the new tax abatement disclosure data provides a look into this obscure intergovernmental funding flow. Some school district CAFRs in Texas, Michigan, Iowa, and South Carolina show state costs incurred reimbursing local school districts for revenue the districts lost to corporate tax abatements. We found disclosure of such reimbursements to be varied and uneven. For instance, if 13

districts in Texas acknowledge receiving state reimbursements, what about the other 74 districts that reported losses, but no offsetting reimbursements? In none of these cases, did the states report their local school reimbursements as losses in their Statement 77 disclosures in their CAFRs.

**Table 5: State Reimbursements to Schools Revealed by Statement 77 Disclosures in FY 2017**

State	Reimbursement Amount
Texas	\$45,880,114
Michigan	\$12,290,592
Iowa	\$7,167,232
South Carolina	\$37,017
TOTAL	\$65,374,955

## There's still a lot of data missing.

While school losses as a result of corporate tax abatements is the primary story here, another story is how many schools have not complied with the new subsidy disclosure requirements.

We looked at more than 5,600 annual reports of school districts. Of these, we found almost 300 with facially valid reasons for not disclosing: for example, a district's finances might be fully integrated into their city or county's government (these types of school districts are called "component units"). In other cases, districts do not follow Generally Accepted Accounting Principles (GAAP) accounting. Of 13,506 independent school districts identified in a [2008 analysis commissioned](#) by GASB, 5,944 were then not required by state law or administrative code to use GAAP accounting. Hence, they would not be subject to the disclosure requirements of Statement 77. Despite not being legally required to use GAAP accounting, we found that many districts do so anyway, largely to satisfy the requirements of bond credit-rating agencies and bond buyers.

After excluding districts that were component units of governments and those choosing not to use GAAP accounting, we found at least 3056, or 54 percent of those school districts made no mention of the accounting rule, nor did they report whether or not they had any tax abatement-related losses.

Some of these non-reporting districts surprised us, because we knew from our Subsidy Tracker database that their cities or counties have granted large corporate tax abatement deals, and those would likely also affect school revenues.

Here are some of those places:

**Jefferson Parish Schools, Louisiana** – In 2014, Jefferson Parish awarded a 100 percent property tax abatement to Entergy Louisiana to support the company's expansion of its Nine mile 6 natural gas-powered electric plant. The abatement was estimated to be worth over \$111 million over 10 years. Property taxes account for about 15 percent of the District's revenue. Still, the school district has not disclosed any abatement losses in school revenue.

**Houston, Texas** – Houston [reported](#) giving up \$7 million in tax revenue for economic development tax subsidies, and yet the Houston Independent School District did not report any abatement-related revenue losses.

Even within the districts that disclosed, there are loopholes in Statement 77 that have confounded full disclosure of school losses. The most important of these are losses related to tax increment financing (TIF). Through a series of clarifications, GASB allows governments to avoid disclosure of TIF losses associated with the creation of public infrastructure, or those used to finance TIF-related debt. The rationale behind these exclusions makes less sense when it comes to schools that lose resources when tax revenues are diverted from school budgets to fund development exclusively within the TIF District. As districts are not required to say which programs caused their losses, we don't really know whether they have included losses related to TIFs or not. If all school funding losses caused by TIFs were included, we believe the losses we've identified would be much larger.

# POLICY CONCLUSION: TAXPAYERS HAVE A RIGHT TO KNOW MORE ABOUT ECONOMIC DEVELOPMENT SUBSIDIES AND SCHOOL FINANCE

Quality public schools are vital to retain existing businesses and are also an important site location advantage for communities seeking to attract and retain employers offering good jobs.

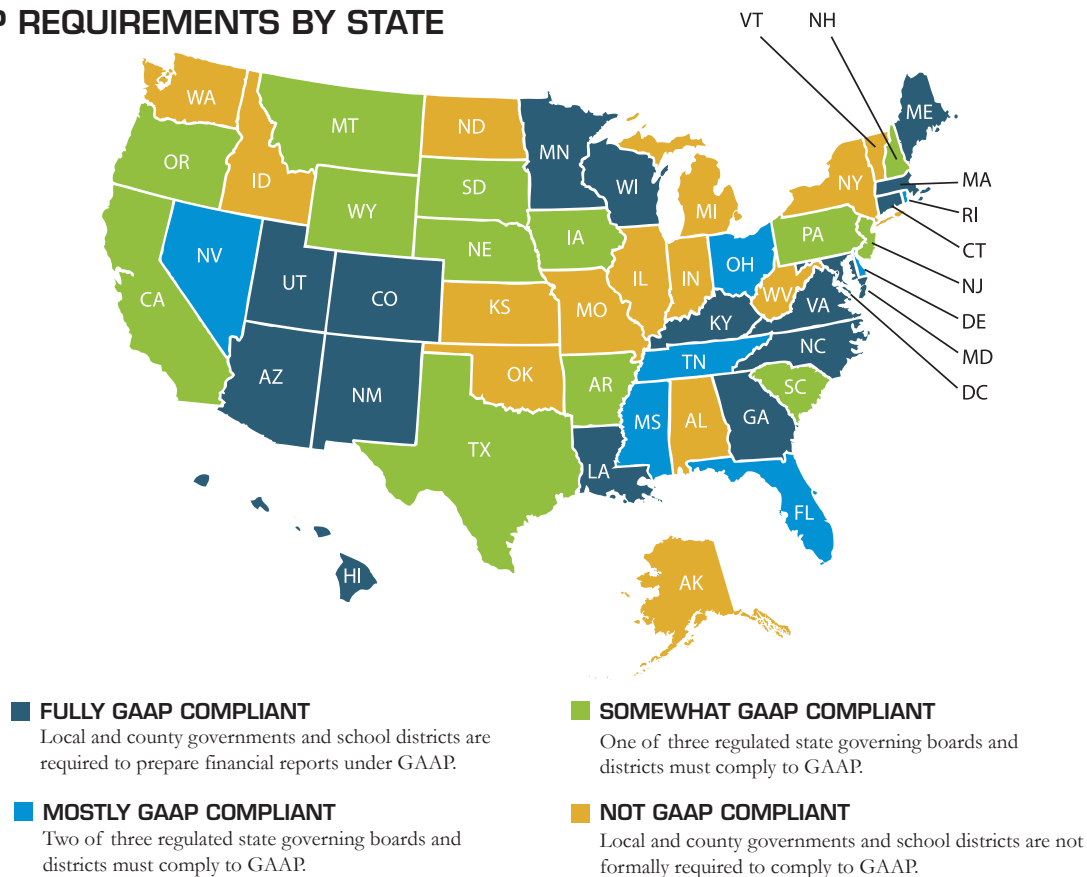
If an employer expects to hire skilled workers in a labor market it is considering, it will closely examine statistics such as graduation rates to understand if local schools graduate workers with adequate skills and knowledge. If a company is going to relocate jobs and expects managers to transfer a long distance, the first reassurance it will need to make to the affected families is that the new location has good schools. The same is true of an employer that expects to grow in a new place and will need to attract talented employees to move there. And of course, good schools are a major determinant of real estate property values, which benefit homeowners and strengthen local economies.

Hence the tension between company-specific tax-break packages and adequate school funding that benefits all employers and all working families. It is no exaggeration to say that when tax abatements cause school districts to have fiscal stress and reduce school quality, they are undermining the local “business climate.”

Given those facts—and what we now know from the first year of Statement 77 data, even despite uneven compliance—we recommend the following policy options:

**Option #1: Mandate School Districts Adhere to GAAP:** Schools in Alabama, Alaska, Idaho, Illinois, Indiana, Kansas, Michigan, Missouri, New York, North Dakota, Oklahoma, Vermont, Washington State or West Virginia, are not required by the state to use GAAP accounting (this according to [GASB’s 2008 report](#)). Some school districts in some of those states, however, have disclosed based on other reasons but there should be uniformity: all schools should fully disclose every year. (See map on following page)

## GAAP REQUIREMENTS BY STATE



Source: Governmental Accounting Standards Board

### Option #2: Mandate State Online Collection and Publication of School Districts’

**Statement 77 Data:** Most states already have a designated state official—auditor, treasurer, comptroller or education secretary—responsible for overseeing financial reporting by school districts. That official should now be required to gather the new Statement 77 data and publish it online for easy access and analysis by concerned taxpayers, journalists, academics and advocacy groups. State officials should also require clear disclosure of compensation received from cities, counties, or corporations that offsets abatement losses as the former State Auditor of New Mexico did – all entities in the state use a [state-mandated template](#) that lists gross amount of abatement, offsetting compensation, and net abatement loss.

**Option #3: Exclude School Revenue from Abatements: Some U.S. school boards have a say over whether abatements that would affect their revenues are granted. But in virtually every case, they are pressured by the need for jobs, and assent, even though their students may be harmed. A better path, in our view, is to prohibit tax abatements from adversely affecting school funding.** A few states, including Alabama and Florida, either prohibit property tax abatements altogether (typically by constitutional provision) or they effectively exclude schools from property tax abatements or other common tax breaks.

**Option #4: State Officials Should Close GASB Loopholes and Require Inclusion of Losses from TIFs and Industrial Revenue Bonds in School District Abatement Reporting:**

Loopholes in Statement 77 may allow school districts to omit losses caused by school tax revenue being diverted into special funds used to finance development in TIF Districts. School boards, parents and taxpayers deserve a full accounting of the costs of corporate tax abatements for their local schools.

Ensuring equal access to public schools that are adequately funded is a critical issue for America's future success. Now that we have a new tool to better understand school finance, taxpayers in every community should have the information so they can fully participate in this debate.

# APPENDIX A: *YOU CAN MOVE THE DEBATE*

There are no GASB “police” to enforce GASB’s accounting standards. When the Governmental Accounting Standards Board establishes a new accounting rule like Statement 77, it looks to the accounting profession to enforce it through the auditing process. Some states grant state auditors, comptrollers, treasurers or state boards of education a role in establishing accounting rules for local governments in the state, and an oversight responsibility to make sure those standards are being followed.

In cases where these auditing functions are not working properly, there is a role for citizens and institutions to call for greater transparency in adhering to the new accounting rule requiring schools and other governmental bodies to disclose the revenue they lose each year to corporate tax subsidies.

Here are some ways that you and organizations you may belong to (like PTAs, unions, churches, and chambers of commerce) can act to help foster a renewed debate about the efficacy and opportunity costs associated with corporate subsidies.

## Ask questions

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Visit Good Jobs First’s newest database, [Subsidy Tracker 2](#), to see whether your school district has reported tax-abatement related revenue losses.

If your local school district is one of the many that seem not to have adopted the new accounting rule, ask your school business office about the omission. If their answer is not

satisfactory, raise the issue with members of your school board. If you are still not satisfied, you can ask the independent auditor who has certified that the district has complied with all accounting rules. (the accounting firm’s name will appear on the CAFR – search for “independent accountant”)

Check out Good Jobs First’s [“state road maps”](#) to determine which, if any, of your state officials have jurisdiction over local government accounting practices. Typically, this would be a state auditor, treasurer or comptroller; sometimes a state board of education plays this role. If you can identify such a state official, contact them and ask them to investigate why your school district did not comply with the requirements of GASB Statement 77, the new accounting rule requiring schools to disclose the tax revenue they lost as a result of corporate tax breaks.

## **Ask your state elected officials to give school boards a seat at the table when subsidy deals are approved or to adopt protections that shield school funding from tax abatements altogether.**

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In only a handful of states are school boards permitted an effective vote on tax abatements that will cause school board losses. In other states, school boards are left to manage the budget holes caused by elected officials from other governmental bodies.

Louisiana schools have suffered some of the greatest revenue losses as a result of corporate tax subsidies. In 2016, an effective campaign by the faith-based community group Together Louisiana led Gov. Jon Bel Edwards to sign an executive order giving local school boards the right to opt out of abatement deals granted by the state board that oversees subsidies.

In Alabama, state law requires the school increment of property taxes be shielded from economic development deals offering tax abatements.

## **Write an op-ed, a letter to the editor or raise abatement related school losses on social media platforms.**

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Use the new information (or lack thereof in places that have yet to disclose) to respond to elected officials' claims that there is no extra money for schools in an op-ed or letter to the editor in your local paper. Make the case that dialing back subsidies and reinvesting in our kids' schools is integral to a pro-education, pro-development agenda.



# APPENDIX B: METHODOLOGY

We examined 5,621 CAFRs, representing nearly half of the 13,500 independent school districts in America. We made sure to review the nation's 100 largest school districts and the five largest districts in each state.

Beyond that, we accessed the CAFRs that were most readily available via the [CAFRS for School Districts](#) website operated by the Center for Municipal Finance. Because of the large number of schools districts across the country and challenges in locating financial statements online, we did not widely search for statements not included in the [CAFRs for School Districts](#) website. In some cases where we could not include a large share of a state's schools, this was often due to delays in publishing CAFRs or lack of CAFR postings on school district websites.

As a result, our data cannot be treated as in any way comprehensive. The losses we have identified should be considered minimums. Actual losses by state are undoubtedly greater.

We examined the most recent CAFR available for each district. In most cases, this was for the fiscal year ending June 30, 2017. In a smaller number of districts, we used their December 31, 2016 CAFR; and a few ended on other dates.

For each report examined, we searched for the term "abatement," which should be reflected as the district cites the formal name of Statement 77. Where school districts have clearly stated that they receive state reimbursements for subsidy losses, we have subtracted that amount from the amount of reported abatement losses, and created a second entry in our Subsidy

Tracker 2 database, noting the state's cost for reimbursement. Where these reimbursements have not been clearly stated within their Statement 77 note, we have not searched further for reimbursements reported elsewhere in the CAFR.

Analyzing compliance with Statement 77 requirements has been challenging. Nearly 6,000 school districts in 17 states (out of roughly 13,500 independent school districts nationally) are not required by their states' laws to use GASB's Generally Accepted Accounting Principles (GAAP). Yet, hundreds of school districts which are not legally required to use GAAP do so anyway, apparently seeking higher bond ratings (and lower interest costs). Schools in Illinois, and New York are not required to use GAAP accounting, yet a majority of districts in these states follow GAAP standards. In contrast, schools in Alabama, Indiana and Kansas are not required to use GAAP, and few do. Recognizing that all school districts could use GAAP accounting if they so choose, when we see no apparent implementation of Statement 77, we note this as a disclosure concern in those each districts' entries in our Subsidy Tracker 2 database. Cumulatively, about 54percent of the School CAFR's we examined do not appear to have implemented Statement 77, for a variety of reasons.

There are lots of sound reasons for using GAAP accounting beyond the issue of tax abatement disclosures, including the use of accrual accounting which more accurately matches revenues with future liabilities. In recording school district compliance with GASB 77, we have noted a “disclosure concern” where it is readily apparent that the district is not employing GAAP accounting. Where it is not apparent, we have simply noted, “It does not appear that the district has implemented GASB 77. No abatements reported.” This recognizes that even districts not required to use GAAP accounting could choose to do so. Indeed, many already have.

Statement 77 asks state and local governments to also disclose any compensating payments that offset abatement-related losses. Finding #4 (on page 8) discusses four states that provide such payments to school districts. In the State of Ohio, more than 40 school districts note that they have received compensation payments from either city or county governments or from corporations receiving abatements. In many districts, there are separate PILOT payment disclosures located elsewhere in the CAFRs. Generally these have no textual explanation as to their make-up. PILOT payments can occur for a number of reasons, including large non-profit institutions like hospitals, universities or private schools making agreed upon payments to offset some of the costs of public services they consume. Even if we assumed that all PILOT payments were related to economic development, this would allow us to conclude how much was collected, but not how much was foregone through the abatement portion of the PILOT. Therefore, we have excluded from our reporting any compensation payments not reported in the Statement 77 note.

Another challenge is districts which are components of their city’s or county’s governments. Most districts prominently disclose their status as a “component unit”. Where they do, we so note in the district’s Subsidy Tracker 2 profile, explaining that the status as a component unit exempts the district from reporting tax abatement losses. We did not, however, make an in-depth search to determine component unit status where the disclosure is not prominent in the annual financial report. As previously noted, some school districts, particularly in large cities plus those in Maryland and Virginia, are “component units” of municipal governments (i.e., not independent). As such, their financial reports are fully integrated into those of the municipal governments, so they are not required to report education-specific tax abatement losses. For our analysis here, we excluded 298 districts which are component units or do not follow GAAP standards.

# APPENDIX C: DEFINING TERMS—WHAT ARE GASB AND STATEMENT 77?

The Governmental Accounting Standards Board (GASB) is the professional organization that establishes and constantly improves standards of accounting and financial reporting for U.S. state and local governments. GASB’s rules are known as Generally Accepted Accounting Principles, or GAAP. When GASB issues an update or amendment to GAAP, it takes the form of a Statement. GASB is a project of a non-profit group, the Financial Accounting Foundation, in Norwalk, Connecticut. FAF is also parent to the Financial Accounting Standards Board, or FASB, which creates GAAP for the private sector.

Most states, by law or administrative code, require at least some local government bodies (school districts, cities, counties, etc.) to conform to GAAP. School districts may also comply with GAAP for two additional reasons: to get the best-possible credit ratings (and therefore the lowest borrowing costs) when they issue bonds; or because they receive more than \$750,000 per year in federal support (true of many large and/or low-income districts) in which case GAAP accounting is required. We estimate that about 12,000 of the nation’s school districts are covered by the rule.

For decades, however, there was a big gap in GAAP: GASB had never set forth rules for any form of tax expenditures—when governments reduce or exempt taxes for public policy purposes. Such spending takes many forms: for example, states grant personal income tax breaks for things such as home ownership; they also grant corporate tax breaks for job creation. This gap in GAAP was a big omission, given that on the economic development side alone, states

and localities spend [an estimated \\$80 billion per year](#), most of that in the form of tax abatement deals to individual companies.

In October 2014, GASB broke its silence on tax expenditures and issued an Exposure Draft on Tax Abatement Disclosures (with “tax abatements” as its umbrella term for all kinds of economic development tax breaks: property, sales and/or income taxes). There followed a three-month public-comment period during which 298 comments were filed, signed by hundreds of organizations and individuals. After considering those comments, GASB issued Statement No. 77 on Tax Abatement Disclosures in August 2015.

The new accounting rule requires governments to report not only revenue they lose actively due to their own actions, but also revenue they lose passively, i.e., as a result of tax abatements implemented by any other government. This passive-loss reporting requirement is especially important for public schools, because in most

states, city or county governments have the legal authority to grant tax abatements even though the biggest revenue loss will be suffered by the local school district.

This amendment to GAAP took effect for some governments as of calendar 2016, but the vast majority of school districts are on a non-calendar budget schedule, so for them it took effect starting in FY 2017. Hence, most of the data for this study only began to flow in 2018, as districts issued their FY17 spending reports. Statement 77 data appears in Comprehensive Annual Financial Reports (CAFRs) as a narrative Note, not in the governmental body's balance sheet. CAFRs are reports of a prior year's expenditures, not forward-looking budgets.

To the extent states enforce compliance with GAAP, that is the duty of a state's comptroller, auditor, treasurer and/or education department. There is a great deal of variation in how such oversight occurs. To help concerned parties better understand these processes, Good Jobs First has published 51 [state-specific "roadmaps"](#) as references.

# APPENDIX D: WHAT'S THE KEY TO STRONG STATEMENT 77 REPORTING?

Three-fourths of the states require at least some local governments to adhere to Generally Accepted Accounting Principles (GAAP) as established by GASB. For that reason, and because of the aforementioned federal reporting requirement and credit-rating advantage, most school districts comply with GAAP, and therefore should be reporting now on the revenue they lose to tax abatements each year.

So why do compliance rates vary so greatly among states? While we lack definitive answers, we do have some informed guesses.

In many cases, we believe compliance improves when a state auditor, treasurer or comptroller has jurisdiction and a strong commitment to transparency.

- South Carolina has had one of the best records for GASB 77 disclosure at all levels of government. We suspect it is because the South Carolina Association of Counties' made a diligent effort to promote awareness of Statement 77's arrival.
- School districts in Iowa also had nearly universal Statement 77 reporting. We attribute this to the leadership shown by the Auditor of State and officials from the state's Department of Management. These offices did trainings on Statement 77 for local officials as well as establishing a [GASB 77 Resources webpage](#).
- In Ohio, most school districts we examined that were audited by State Auditor Dave Yost's office had some sort of GASB 77 report, even if only to state there were no abatements. While District's all included a Statement 77 comment, it is not clear what steps, if any, the State Auditor's Office took in verifying the accuracy of the disclosures. [An analysis of Statement 77 school loss data by Policy Matters Ohio](#), found 20 instances where school districts made no mention of Statement 77 and disclosed no corporate tax abatement-related losses.
- In Missouri, where State Auditor General Nicole Galloway has made scrutiny of economic development subsidies a high priority, we also saw fairly good disclosure. In that state, the diversion of property tax revenues away from schools and other public services and instead into tax increment financing (TIF) districts has been a much-debated issue for many years.
- In Louisiana, a coalition led by Together Louisiana, a faith-based network, has made the state's enormous budget-busting subsidies a top priority for Governor Jon Bel Edwards.

# APPENDIX E: FOR MORE INFORMATION

Read GASB Statement No. 77 [here](#): (paragraphs 8 and B47 relate directly to requirements for governments like school districts, which lose revenue as a result of abatement decisions by others governments.)

Read Good Jobs First “plain English” summary of Statement 77 [here](#):

Good Jobs First’s GASB 77 “[road maps](#)” – learn who (if anyone) in your state is responsible for local government accounting standards. Also learn what groups in your state have been actively promoting the GASB 77 tax subsidy disclosure rule.

Good Jobs First [Subsidy Tracker 2](#) database: Look up your state, city, county and school district to see whether they’ve reported their tax subsidy losses and how much. [Other GASB 77 resources](#) from Good Jobs First.

## State-Specific School Revenue Losses Revealed by Tax Abatement Disclosures

[Tax abatements cost Ohio schools at least \\$125 million](#); Policy Matters Ohio, October 2, 2018.

[Costly and unusual: an analysis of the Industrial Tax Exemption Program \(ITEP\), with amounts of foregone revenue by locality/public service and public cost per job created](#); Together Louisiana, 2016.

# APPENDIX F: AGGREGATE ABATEMENT FINDINGS, STATE BY STATE, MOST RECENT FISCAL YEAR

State	Number of CAFRs examined	Number of districts that provided data on tax-abatement related revenue losses	Total losses reported
AK	38	0	no disclosure
AL*	43	2	\$0
AR	170	2	\$2,502,259
AZ**	113	0	no disclosure
CA	492	92	\$354,462
CO	57	4	\$344,399
CT	4	0	no disclosure
FL	65	6	\$0
GA	82	74	\$64,454,604
IA	74	74	\$19,090,704
ID*	39	0	no disclosure
IL*	268	34	\$54,806,832
IN*	30	0	no disclosure
KS*	39	3	\$5,426,340
KY	142	15	\$0
LA	65	42	\$268,249,991
MA	42	14	\$0
MD*	18	0	no disclosure
ME	32	5	\$0
MI*	347	268	\$77,638,845
MN	82	2	\$5,262
MO*	194	86	\$98,579,187
MS	104	0	no disclosure
MT	41	6	\$1,437
NC	97	1	\$0
ND*	17	4	\$4,658,243
NE	32	9	\$1,707,236
NH	27	0	no disclosure
NJ	294	86	\$41,156,348
NM	50	32	\$5,627,225
NV	10	10	\$60,906,947
NY*	402	281	\$322,225,413

OH	397	351	127,100,785
OK*	141	14	\$12,903,121
OR	86	67	\$117,853,061
PA	414	129	\$98,089,085
RI	3	1	\$0
SC	76	63	\$331,324,018
SD	39	2	\$423,168
TN	19	1	\$0
TX	479	97	\$70,521,015
UT	24	1	\$3,674,543
VA*	20	0	no disclosure
VT*	11	1	\$0
WA*	163	71	\$7,730,595
WI	171	3	\$0
WV*	52	44	\$3,158,925
WY	19	0	no disclosure
Grand Total	5621	1975	\$1,800,514,050

\* School districts are not required by state law to adhere to GAAP accounting, and therefore not required to report Statement 77 disclosures. Yet many such districts use GAAP anyway, principally to qualify for better debt ratings and thereby lower borrowing costs. In Maryland and Virginia most school districts are component units of county governments.

\*\* Arizona's primary abatement program, the Government Property Lease Excise Tax, requires an abating government to implement an excise tax on other taxpayers to offset the losses to school revenue caused by abatements.



# APPENDIX G: US SCHOOL DISTRICTS THAT LOST MORE THAN \$1 MILLION TO TAX ABATEMENTS IN MOST RECENT FISCAL YEAR

School District	State	Total
Hillsboro School District	OR	\$96,718,000
Philadelphia Public Schools	PA	\$61,900,000
Ascension Parish Schools	LA	\$58,255,238
St Charles Parish Schools	LA	\$54,811,960
Calcasieu Parish Schools	LA	\$45,355,000
Port Arthur Independent School District	TX	\$44,452,984
Berkeley County Schools	SC	\$43,552,509
Storey County School District	NV	\$38,562,923
Chicago Public Schools	IL	\$37,500,000
Cleveland Municipal Schools	OH	\$34,246,606
Iberville Parish Schools	LA	\$31,740,168
Greenville County Schools	SC	\$30,422,000
Aiken County Schools	SC	\$25,562,690
Charleston County Schools	SC	\$25,347,694
Ossining Union Free Schools	NY	\$25,083,330
Kansas City School District	MO	\$24,394,000
Anderson County School District 5	SC	\$21,086,000
East China Schools	MI	\$19,920,008
Peekskill City Schools	NY	\$18,496,215
Cincinnati City Schools	OH	\$18,350,966
East Baton Rouge Parish Schools	LA	\$17,550,000
Spartanburg County School District 5	SC	\$16,803,501
Lexington County School District No. 1	SC	\$15,988,475
Richland County School District 1	SC	\$13,087,617
Richland School District No. 1	SC	\$13,087,617
Rapides Parish Schools	LA	\$12,896,162
Albany City Schools	NY	\$12,889,808
Florence School District No. 1	SC	\$12,433,340
Rensselaer City Schools	NY	\$12,400,000
New Rochelle City Schools	NY	\$12,161,292
Atlanta Independent Schools	GA	\$12,116,741

School District	State	Total
Troy Schools	MI	\$11,739,980
Clark County School District	NV	\$11,640,848
Lexington County School District 2	SC	\$10,792,609
St Louis Public Schools Transitional District	MO	\$10,405,000
Westbury Union Free Schools	NY	\$9,963,234
Washoe County School District	NV	\$9,566,157
White Plains City Schools	NY	\$9,509,489
Jackson County Reord Schools	MO	\$9,376,871
Muscogee County Schools	GA	\$9,056,998
Richland School District No. 2	SC	\$9,002,747
Bethpage Union Free Schools	NY	\$8,398,035
Manor Independent School District	TX	\$7,788,012
Ste Genevieve County R-II Schools	MO	\$7,753,344
North Kansas City School District No. 74	MO	\$7,480,000
Crook County School District	OR	\$7,309,291
Broken Arrow Public Schools I-003	OK	\$7,247,797
Sumter County Schools	SC	\$6,900,000
Henrick Hudson Central School District	NY	\$6,856,005
Zachary Parish Schools	LA	\$6,675,000
Syosset Central School District	NY	\$6,667,015
Savannah City/Chatham County Schools	GA	\$6,574,145
Liberty School Dist No. 53	MO	\$6,386,666
St James Parish Schools	LA	\$6,376,975
Morrow County School District 1	OR	\$6,336,964
Greenwood County School District # 52	SC	\$6,324,686
Desoto Parish Schools	LA	\$6,289,034
Mount Vernon City Schools	NY	\$5,874,990
Groveport Madison Local Schools	OH	\$5,949,140
Bibb County Schools	GA	\$5,800,340

School District	State	Total
East Greenbush Central School District	NY	\$5,687,774
Chester County School District	SC	\$5,556,000
Half Hollow Central School District	NY	\$5,448,828
Lancaster County Schools	SC	\$5,420,596
Northern Adirondack Central School District	NY	\$5,417,100
Elizabeth Schools	NJ	\$5,270,784
Warrensville Heights City Schools	OH	\$5,224,246
Fort Mill Schools	SC	\$5,078,802
Glassboro Schools	NJ	\$5,068,137
Great Neck Union Free Schools	NY	\$5,047,608
Red Lion Area School District	PA	\$4,994,790
Darlington County Schools	SC	\$4,911,663
Hicksville Union Free Schools	NY	\$4,863,352
Cherokee County School District 1	SC	\$4,742,178
Dorchester School District No. 2	SC	\$4,672,000
Central Islip Union Free Schools	NY	\$4,600,838
Yoakum Independent School District	TX	\$4,600,110
Lamphere Schools	MI	\$4,568,500
Rock Island - Milan School District 41	IL	\$4,564,751
Mexico Academy & Central School District	NY	\$4,480,586
Farmingdale Union Free Schools	NY	\$4,410,602
Garden City Union Free Schools	NY	\$4,336,791
Spartanburg County School District 7	SC	\$4,335,728
St Joseph School District	MO	\$4,318,437
Connetquot Central School District	NY	\$4,266,112
Kershaw County Schools	SC	\$4,224,000
Northeastern School District	PA	\$4,110,597
Schalmont Central School Dist. at Rotterdam	NY	\$4,098,273
Des Moines Public Schools	IA	\$4,061,298
Douglas County Schools	GA	\$4,036,404
St Bernard Parish Schools	LA	\$4,035,041
Amsterdam Enlarged City Schools	NY	\$4,006,038
Fulton County Schools	GA	\$3,980,993
South-Western City Schools	OH	\$3,901,559
Dorchester School District 4	SC	\$3,858,724
Wichita Public Schools	KS	\$3,737,596
Rio Rancho Public Schools No. 94	NM	\$3,721,589

School District	State	Total
Bartow County Schools	GA	\$3,702,994
Roslyn Union Free Schools	NY	\$3,700,000
Box Elder School District	UT	\$3,674,543
Keystone Central School District	PA	\$3,522,596
Independence 30 Schools	MO	\$3,428,002
Anderson County School District No. 1	SC	\$3,420,000
Nanuet Union Free Schools	NY	\$3,412,379
Valley Stream Central High School District	NY	\$3,397,988
Niagara Wheatfield Central School District	NY	\$3,392,895
Oconee County Schools	SC	\$2,749,000
Elmont Union Free Schools	NY	\$3,320,821
South Orange and Maplewood Schools	NJ	\$3,244,056
Ballston Spa Central School District	NY	\$3,234,249
Newberry County School District	SC	\$3,152,000
Troy Enlarged City Schools	NY	\$3,147,445
Greenwood County School District # 50	SC	\$3,113,039
Georgetown County Schools	SC	\$3,104,743
Dalton City Schools	GA	\$3,047,291
Westerville City Schools	OH	\$2,892,443
Kingston City Schools	NY	\$2,824,198
Fargo Public Schools	ND	\$2,816,339
Oak Lawn Comm Consolid School District 218	IL	\$2,800,000
Bogalusa Schools	LA	\$2,798,510
Gregory-Portland Independent School District	TX	\$2,783,320
Troy City Schools	OH	\$2,743,693
New Albany-Plain Local Schools	OH	\$2,716,933
Freeport Union Free Schools	NY	\$2,699,358
Des Moines Independent Community Schools	IA	\$2,669,220
Rome City Schools	NY	\$2,650,095
Columbus City Schools	OH	\$2,633,141
Olentangy Local Schools	OH	\$2,612,317
Coweta County Schools	GA	\$2,609,063
Spartanburg County School District No. 6	SC	\$2,594,361
Ouachita Parish Schools	LA	\$2,574,777
Wayne Central School District	NY	\$2,482,567

School District	State	Total
Garfield Heights City Schools	OH	\$2,451,343
Pittston Area School District	PA	\$2,446,679
Edmond ISD # 12	OK	\$2,444,188
Little Rock School District	AR	\$2,424,590
Special School District of St Louis County	MO	\$2,416,869
Moline-Coal Valley School District 40	IL	\$2,400,000
Schenectady City Schools	NY	\$2,389,600
Hauppauge Union Free Schools	NY	\$2,377,827
Southern York County School District	PA	\$2,371,255
Newburgh Enlarged Central School District	NY	\$2,313,068
Olney Independent School District	TX	\$2,305,663
Glen Cove City Schools	NY	\$2,294,528
Deer Park Union Free Schools	NY	\$2,289,161
Miamisburg City Schools	OH	\$2,269,684
Tacoma School District No.10	WA	\$2,223,081
Elyria City Schools	OH	\$2,192,671
West Baton Rouge Parish Schools	LA	\$2,188,413
North Brunswick Twnshp Schools	NJ	\$2,164,714
Collingswood Schools	NJ	\$2,132,688
Laurens County School District #55	SC	\$2,114,428
Northern York County School District	PA	\$2,103,855
Williamsville Central School District	NY	\$2,099,893
Pleasants County Schools	WV	\$2,095,434
Corning City Schools	NY	\$2,082,000
Marysville School District 25	WA	\$2,053,144
Montclair Twnshp Schools	NJ	\$2,035,695
Floydada Independent School District	TX	\$2,023,433
Branson R-IV Schools	MO	\$2,011,526
Lawrence Central School District	NY	\$1,937,570
Seneca Valley School District	PA	\$1,935,569
Riverhead Central School District	NY	\$1,919,759
Port Washington Union Free Schools	NY	\$1,888,228
Wayland-Cohocton Central School District	NY	\$1,873,988
Rush-Henrietta Central School District	NY	\$1,864,302

School District	State	Total
Joplin Schools	MO	\$1,855,363
Sheldon Independent School District	TX	\$1,842,023
Horsehead Central School District	NY	\$1,840,344
Lafayette Parish Schools	LA	\$1,825,695
Copiague Union Free Schools	NY	\$1,790,189
Long Branch Schools	NJ	\$1,789,728
Eastern York School District	PA	\$1,784,114
Amityville Union Free Schools	NY	\$1,784,019
Oakland Schools	MI	\$1,772,000
Lane County School District 4J	OR	\$1,739,139
St Charles R-VI Schools	MO	\$1,716,282
Tulpehocken Area School District	PA	\$1,703,461
Washington Local Schools	OH	\$1,691,808
Livingston Parish Schools	LA	\$1,671,621
Fairfield County School District	SC	\$1,667,084
Jefferson County Schools	GA	\$1,651,735
Toledo City Schools	OH	\$1,648,153
Coopersville Area Public Schools	MI	\$1,642,103
Blue Valley Unified School District No. 229	KS	\$1,637,875
Kenmore-Tonawanda Union Free Schools	NY	\$1,630,000
West Feliciana Parish Schools	LA	\$1,623,167
Poplar Bluff R-I Schools	MO	\$1,619,993
Dunkirk City Schools	NY	\$1,619,372
Union County Schools	SC	\$1,607,792
West Fargo Public Schools 6	ND	\$1,607,437
Geneva City Schools	NY	\$1,600,108
Granite City Comm Unit School District 9	IL	\$1,600,000
Minford Local Schools	OH	\$1,583,656
Whitfield County Schools	GA	\$1,563,326
Hamilton Local Schools	OH	\$1,511,601
Levittown Union Free School District	NY	\$1,499,761
Fort Zumwalt Schools	MO	\$1,495,243
Lansing Schools	MI	\$1,490,191
Calhoun County Schools	SC	\$1,465,000
Commack Union Free Schools	NY	\$1,459,883
Gates Chili Central School District	NY	\$1,452,000
Kent Intermediate Schools	MI	\$1,437,923
Utica Community Schools	MI	\$1,427,000

School District	State	Total
Solon City Schools	OH	\$1,409,789
Alsip Hazelgreen & Oak Lawn Elem School District	IL	\$1,400,000
Newton School District	NJ	\$1,396,834
Newton Town Schools	NJ	\$1,396,834
Ottawa Area Intermediate Schools	MI	\$1,396,489
Rossford Exempted Village Schools	OH	\$1,383,321
Ardmore Schools I-19	OK	\$1,359,264
Easton Area School District	PA	\$1,316,668
Wayne Twnshp Schools	NJ	\$1,298,403
Spartanburg County School District 3	SC	\$1,285,000
Burlington Twnshp Schools	NJ	\$1,272,786
Allen Parish Schools	LA	\$1,270,595
Ferguson Reorg Schools R-2	MO	\$1,262,716
Scioto Valley Local Schools	OH	\$1,262,017
Johnston Community Schools	IA	\$1,261,262
Wyandanch Union Free Schools	NY	\$1,260,553
Ithaca City Schools	NY	\$1,247,399
Winslow Twnshp Schools	NJ	\$1,242,945
Raytown C-2 Schools	MO	\$1,242,553
Albuquerque Pub Schools No. 12	NM	\$1,218,916
Fayette County Schools	GA	\$1,215,000
Avon Local Schools	OH	\$1,202,158
Malboro Central School District	NY	\$1,200,154
Fort Stockton Independent School District	TX	\$1,197,233

School District	State	Total
Florence County School District 4	SC	\$1,193,000
South Country Central School District	NY	\$1,190,000
Riverview Community Schools	MI	\$1,184,601
Trenton Public Schools	MI	\$1,184,601
Warwick Valley Central School District	NY	\$1,161,776
Spencerport Central School District	NY	\$1,109,205
Oklahoma County Schools I-89	OK	\$1,100,376
Bossier Parish Schools	LA	\$1,096,322
Houston County Schools	GA	\$1,085,047
Spokane School District No.81	WA	\$1,067,885
Lefourche Parish Schools	LA	\$1,059,000
Richmond County Schools	GA	\$1,057,977
Park Hill School District	MO	\$1,057,056
St Tammany Parish Schools	LA	\$1,039,100
Coxackie-Athens Central School District	NY	\$1,036,756
Grand Ledge Public Schools	MI	\$1,031,078
Mahomet-Seymour Comm Unit School District 3	IL	\$1,029,908
Red River Parish Schools	LA	\$1,015,000
Niagara Falls City Schools	NY	\$1,014,490
Gloucester Twnshp Schools	NJ	\$1,013,166
Shippensburg Area School District	PA	\$1,010,685

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