January 14, 2015

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 Director:

The Illinois Federation of Teachers (IFT) is submitting 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 IFT is a 103,000-member union comprised of PreK-12 teachers, paraprofessionals and school-related personnel, higher education professionals, public employees and dental hygienists across Illinois in local unions. Our mission is to defend public education and public services and ensure adequate and equitable resources for public services. As a federation of local unions, the IFT frequently uses financial reports that conform with GASB’s standards. Our members and staff frequently scrutinize the financial statements of state and local governments at the collective bargaining table and in our advocacy in the halls of the state legislature.

We applaud GASB’s efforts to require governments to account for the revenue lost to economic development incentives in their financial statements. Illinois has a number of programs that divert tax money that would otherwise fund public services to private companies ostensibly to create economic development. Requiring state and local government to account for tax abatements in their financial statements will bring much needed transparency to these programs and better allow users to evaluate the fiscal health of state and local governments.

With our supported noted, though, we would encourage GASB to take further action with the final rule. As noted in comments by our affiliate, the Chicago Teachers Union, the proposed definition of “tax abatements” in the proposed rule may exclude programs like Tax Increment Financing (TIFs) from the reporting requirement. Illinois has over 1,100 TIF districts that cost state and local governments $1.2 billion in Fiscal Year 2008, a significant expense especially when the state cut education spending by more than $800 million from Fiscal Year 2009 to Fiscal Year 2013. TIFs at the local level are especially significant to local budgets because the state of Illinois contributed a smaller share of public education funding than any other state in 2010.¹

¹ [http://nces.ed.gov/pubs2013/expenditures/tables/table_01.asp]
Illinois’s heavy reliance on local property taxes for education make accurate reporting of the revenue lost to economic development even more important. The current proposed rule, though, needs improvement so that local financial statements reflect the true cost of tax abatements. GASB should require disclosure of deal-specific and program-specific information of each tax abatement, especially when a government is reporting on revenue lost to an abatement program beyond their direct control.

The long term cost, not only the single year revenue lost as required by the current rule, should also be required to be reported by the state or local government. These changes will dramatically increase the amount of quality information included in government financial reports. Thank you for the opportunity to comment on these important issues.

Sincerely,

Daniel J. Montgomery
President
Illinois Federation of Teachers