

TO: EMPOWER ILLINOIS BOARD OF DIRECTORS
FROM: JOSHUA DWYER, NEIL RUDDOCK
SUBJECT: S.C.O. BOARD RULES
CC: EMPOWER ILLINOIS STAFF & CONSULTANTS



Dear Board Members:

While the State Board of Education and the Department of Revenue have provided some clarity on how the tax credit scholarship program will be implemented, there are certain key parts of the legislation where no guidance was offered.

For these, Empower Illinois (EI) staff has put together a list of rules that will guide how the SGO operates once the program begins. Below you will find a description of the issue that EI is addressing with the rule and the rule itself, along with an explanation of why EI staff believes it should be adopted.

Please email Neil Ruddock (neil@empowerillinois.org) or Joshua Dwyer (joshua@empowerillinois.org) if you have any questions.

01.

What should EI do if it fails to give 75% of the money it receives in donations as scholarships because of a mismatch between designation of donations and scholarship need?

Proposed Rule

- Carryover 100% of unused amounts in school-designated funds, **lowest to highest**. If the 'last in line' (i.e. school with the highest carryover amount) doesn't fit within Empower Illinois' 25%, promise to convene all parties, including DOR, to discuss next steps.
- Allow donors to designate up to three schools and have the donation webpage ask: "If the students at the school(s) you donated to have their needs met before using the funds you donated, are you willing to have your donation be used at a school network or become undesignated?"

Reasoning

- Avoids locking Empower Illinois into blanket "yes-or-no" rules, which is especially important in Year 1.
- Creates disincentive for schools to backload donations when (for the sake of defending the program) the coalition needs to maximize the number of scholarship beneficiaries in Year 1.

02.

How should EI pay for mid-year scholarships, especially if a student is using a scholarship funded by designated donations and is transferring to a school that that has no designated funds?

Proposed Rule

- Allow Step Up and Empower Illinois staff to reserve a percentage of corporate/undesignated dollars for students who switch, mid-year, from a school with designated funds to a school with little/no designated funds.
- Prohibit donor-designated dollars from following a scholarship student to a school that the donor did not designate.

Reasoning

- Statute requires that scholarships follow students when a mid-year transfer takes place. The law is also clear that individuals may designate donations to individual schools or groups of schools. Providing

caveats on donor designations could impact fundraising and lead to gaming (i.e. student starts at wealthy school and transfers to school with less/no designated funds).

03.

What funds should EI access first to pay for scholarships?

Proposed Rule

- EI should access designated funds first.

Reasoning

- Undesignated funds should be used for students attending schools without a strong historical donor base.

04.

What should EI allow as acceptable income documentation?

Proposed Rule

- EI should allow 1099s, W-2s, 1040/AGI, or year-end pay stubs.

Reasoning

- EI should be as lenient as possible to allow undocumented students to be utilize EI scholarships.

05.

How should EI ensure that parents aren't taking scholarships from multiple SGOs?

Proposed Rule

- EI will make clear that, if a student has applied to/received an award from EI and instead accepts a scholarship from another SGO, the family must notify EI within three business days.
- Failure to notify EI in a timely fashion may affect the family's future eligibility for EI awards.
 - Need to warn families that failure to notify has consequences...but the penalty of future eligibility needs to be a "may" rather than "shall" both for PR reasons and for operational flexibility.

Reasoning

- EI needs to be clear on the penalties for parents not notifying it after they accept a scholarship from a different SGO.

06.

Under what conditions will EI be able to transfer funds to a different SGO?

Proposed Rule

- Donor consent will be obtained prior to any transfers to another SGO, and any/all requests will be dealt with on first-come, first-served basis.
- Requests exceeding a set dollar amount, determined by the EI board, will be submitted to the board for approval.

Reasoning

- EI needs to ensure that all donors are contacted to ensure that a transfer to another SGO is in line with their original giving.

07.

According to the law, students between 185% and 250% of poverty may receive awards worth 75% of average state funding (unless tuition/fees lower) and students between 250% and 300% of poverty may receive awards worth 50% of average state funding (unless tuition/fees lower). Should EI differentiate between different income levels along these continuums or give the same percentage to all students in the same income bands?

Proposed Rule

- EI will give the same percentage to all students in the same income bands.

Reasoning

- Since it is unsure what the first cohort of students looks like, EI should be conservative in how much it gives students in Year 1.

08.

How will EI account for schools that have multi-sibling discounts or discounts for the children of school employees?

Proposed Rule

- EI will award scholarships based on the discounted/actual tuition rate, if the participating school maintains that discount as part of their tuition policy moving forward

Reasoning

- This will increase the number of scholarships EI will be able to distribute.

09.

What documentation will EI require for students that identify as gifted, ELL, and/or special needs?

Proposed Rule

- For gifted and ELL students, EI will do spot-checks for applications, especially if rates are higher than predicted.
- For special needs students, EI will require IEP documentation.

Reasoning

- The increases to the maximum scholarship amount that results from a gifted or ELL identification are much lower than that that results from a special needs identification.

10.

How will EI prioritize students in Year 2?

Proposed Rule

- EI will give students who received a scholarship in Year 1 first priority.

Reasoning

- The continuation of scholarships for Year 1 recipients is the most important priority for EI.
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