



ALLIANCE LEGISLATIVE REPORT (95-29)

NO BUDGET DEAL – SHUT DOWN LOOMS

As the State of Illinois begins its third day without a budget in place and has no authority to expend funds, there is still no budget agreement among the legislative leaders and Governor Rod Blagojevich. When the legislature did not approve a Fiscal Year 2008 budget by the end of June, a temporary one-month budget was passed to keep State government functioning through July. That temporary budget expired on Tuesday and the State cannot make any payments or cut any checks until new spending authority is passed legislatively with a budget bill– either with a year-long budget or another temporary one.

Illinois Comptroller Dan Hynes has stated that if a budget is not in place by next Wednesday, August 8, neither State school aid payments nor State employee payroll payments will be made.

WHAT ARE THEY DOING?

Governor Blagojevich is still holding out for his original budget requests of significant new money for education and for a universal health care plan even though his revenue streams for paying for his ambitious proposals have suffered legislative defeat. A vote on his Gross Receipts Tax (GRT) received zero votes earlier in the spring and his plan to sell the Illinois Lottery met a similar fate.

Now even the Governor's closest ally, Senate President Emil Jones, Jr., seems to be working to craft a State budget that can work with available revenues even if it doesn't give the Governor what he wants. The four legislative leaders, Jones, House Speaker Michael J. Madigan, Senate Republican Leader Frank Watson, and House Republican Leader Tom Cross, have been meeting without the Governor in attempt to reach a compromise on an FY '08 budget. The leaders have vowed to have a budget approved by Tuesday. What action the Governor will take on a budget without his priorities included remains to be seen.

BUDGET DE JOUR

The Governor has been pushing a budget with billions of dollars of spending on new programs. At the end of May, the House passed a "low growth" budget that included about \$800 million over last year's funding level – with education receiving about one-half of the new dollars. That plan – which was never voted on in the Senate – would have increased the per pupil foundation level in the school funding formula by \$387.

Last week, as reported in Alliance Legislative Report 95-28 (www.iasb.com/govrel/alr9528.cfm), the Senate Democrats passed out of committee a budget that would have increased education funding \$900 million over last year's level. Under this plan, the per pupil foundation level in the school funding formula would have been increased by \$554. The bill was never called for a vote on the Senate floor.

The speculation now is that the four legislative leaders are working on a budget that would increase State spending by about \$1 billion over last year's funding level. The increase for education would likely be a compromise between the House and Senate plans – about 650 million new dollars. The allocation of the new funds is not known yet. Most likely the priority would be the State aid formula (foundation level) and mandatory categorical grants (special education). If you split the difference between the foundation level in the Senate plan versus the House plan, it would be approximately a \$470 increase in the per pupil foundation level.

THEN WHAT?

If both the House and Senate pass a budget it would be sent to the Governor for consideration. The Governor, generally, has two choices: sign the budget bill into law or veto the budget bill. If the Governor vetoes the budget bill, it would go back to the General Assembly. The legislature, by a 3/5 vote, could override the veto and the budget bill would become law. Since we are in overtime session, it requires a 3/5 vote to pass the budget bill in the first place so an override seems likely. This would end the legislative session and the FY '08 budget would be in place until June 30, 2008. Of course, all of this needs to take place by Tuesday in order to ensure that there is no State government shutdown.

However, the Governor has written a letter to the legislative leaders stating that if they send him a "take it or leave it" budget, it would precipitate a government shut down. This could happen if, after receiving the budget bill, the Governor takes no action at all. He has 60 days to act upon legislation once he receives it. The thinly veiled threat is that by not acting on the bill at all, there would be no budget in place and the State could not expend any funds. This would result in not paying State workers (thus sending them home), not paying any vendors, and not making any payments to school districts. The Governor believes that this would force lawmakers back into session and require them to deal with him on his budget priorities.

MORE PROPERTY TAX RELIEF MEASURES?

There is also speculation about the legislature pushing through legislation containing additional property tax relief. Though no amendments have been filed as yet, the Alliance is watching for an initiative similar to that contained in SB 13 – the "7% Solution" – that increase the eligibility requirements for those receiving property tax exemptions and freezes. The increased eligibility and exemption amounts could be much greater than was proposed in the original version contained in SB 13. Please refer to Alliance Legislative Report 95-18 for more information on these provisions. (www.iasb.com/govrel/alr9518.cfm).

The Alliance doesn't oppose the idea of property tax relief for taxpayers, however, the constant piecemeal approach to the issue can be detrimental to school districts. Property tax relief should be done in a comprehensive manner in conjunction with legitimate school funding reform. Each year adding to the current exemptions simply erodes the property tax base for school districts. This is unacceptable as long as the State is only funding 1/3 of the school district costs across the State and forcing school districts to rely on property taxes for the other 2/3 of the funding.

When talking to your legislators, please urge them to vote "no" on property tax relief measures that drain resources from your school district.

SCHEDULE

The House of Representatives has already adjourned for the day and plans to come back Saturday morning and Sunday evening. It is unlikely that much, if any, business will be conducted over the weekend and many House members will likely be no-shows. The Senate will probably have a similar schedule. The two houses will work in earnest on Monday and Tuesday in an attempt to finally pass a budget.

EDUCATION COMMITTEE

Speaker Madigan had originally scheduled a “Committee of the Whole” to be held on the House floor next Wednesday to discuss education accountability. Many observers were surprised that, even last week, the Speaker had set a committee on the “doomsday” date of August 8 (the day State operations would shut down). On the day the hearing was scheduled (July 26), most everyone was hoping that a budget would have been passed and the session would be adjourned by August 8.

The Alliance has learned that the “Committee of the Whole” is expected to be cancelled. The matter of school district accountability will continue to be discussed between now and the November veto session. Hearings will likely be scheduled around the State as legislators have hopes of crafting an accountability bill that will be considered by the legislature in the fall.

ALLIANCE LOSING TEAM MEMBER

The School Management Alliance legislative team will be losing a longtime colleague. Marcy Dutton will be leaving her post as Associate Director of the IASA to start a new position as legal counsel at the Illinois State Board of Education later this month. Marcy has been with the IASA for 14 years and, along with handling her legal responsibilities, had earlier worked in the Capitol as a direct lobbyist with the Alliance lobbying team. Though recently not active inside the Capitol, she still analyzed legislation, rules, and regulations for the lobbying team. Marcy was instrumental in shaping Illinois school law for the betterment of school management in her 14 years at the IASA.

Her last day in the office will be August 15 after which she will begin her new assignment.

Alliance Legislative Reports:
Bill Text/Status: Illinois General Assembly

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