

ALLIANCE LEGISLATIVE REPORT (95-30)



BUDGET STILL IN LIMBO

The Illinois General Assembly moved closer to approving a Fiscal Year 2008 budget Thursday night, but a final agreement between the Senate and House of Representatives is still pending. On Thursday afternoon, the House passed **HB 3860**, the 1,395 page omnibus budget bill that appropriates funds for the entire State budget for FY '08. The House then adjourned until Friday. Late Thursday night, the Senate passed an identical budget bill, **HB 3866**. Though both chambers agreed to the same budget numbers, since they passed different bills, nothing goes to the Governor at this time.

The Senate also moved a controversial gaming bill (**HB 2035**) out of committee that would create a revenue stream that would add more dollars to the elementary and secondary education operating budget as well as fund a new public infrastructure program. Republican Senators voted against the gaming bill in committee claiming that they had not had a proper amount of time to review the legislation.

When the Senate voted at midnight Thursday to pass the bond authorization bill for public infrastructure (**SB 2**), the bill failed to get the required 3/5 vote for passage. 34 Senators voted for the bill; it needed 36 votes for passage. With that the Senate abruptly adjourned leaving the budget – again – in limbo. The bill, of course, was predicated on passage of the gaming bill which would have been the next bill called for a vote.

Even if the Senate and House somehow put the budget pieces back together Friday, the Governor will still have the final call on the budget. Still insistent on including a universal health care plan in any budget proposal, the Governor has indicated that he would not sign any budget bill that did not include such a plan. The operating budget agreed to by both houses contains no such insurance provisions.

EDUCATION PRIORITIZED IN BUDGET

HB 3860 and HB 3866, make the full required payment to fund the State pension systems (\$557 million) and allocate approximately \$600 million more for education than the FY '07 elementary and secondary education budget. Just over half of this amount is earmarked for General State Aid, upping the per pupil foundation level to \$5,734 (a \$400 increase per pupil). The line item for mandated categorical grants was increased by over \$185 million to fully fund those reimbursements. The special education personnel reimbursement was also increased for the first time in nearly 25 years. School districts would receive \$9,000 for each special education teacher (instead of the current \$8,000) and \$3,500 for non-certified special education personnel (instead of the current \$2,800).

Other State Board of Education budget line items that would receive increases include:

- Early Childhood Education (\$25 million over FY '07)
- Bilingual Education (\$8 million over FY '07)
- Parent Transportation Reimbursement (\$15 million – non-public schools receive funds)
- Textbook Loans (\$13.7 million – non-public schools have access to these funds)
- ADA Block Grant (\$10.1 million – expected to allow non-public schools access)
- Truant Alternative (\$2 million over FY '07)
- Arts and Foreign Language (\$1.5 million over FY '07)

New State Board of Education budget line items include:

- Fast Growth Districts (\$15 million)
- Severe Urban Overcrowding (\$5 million)
- Gifted Education (not funded for last four years, \$5 million)
- Charter School Startup (\$3.5 million)
- Growth Model Assessments (\$3 million)
- Programs for re-enrolling drop-outs (\$4 million)
- Technology Immersion [lap top computers] (\$5 million)
- Hard to Staff schools (\$3 million)

New budget line items initiated by the Governor include:

- Rural Technology (\$4 million)
- Statewide Induction and Mentoring for teachers and administrators (\$12 million)
- Targeted Interventions (\$4 million)

SENATE BUDGET ADD ONS

If agreement can be reached on the Senate gaming bill, **HB 2035**, authorization would be given to establish a land-based casino in Chicago as well as to expand gaming positions on the current river boat casinos. Out of the revenues from the new gaming expansion, an additional \$260 million would be made available for General State Aid for school districts, raising the foundation level an additional \$166 per pupil (on top of the \$400 increase from the previous budget bill) for a total foundation level increase of \$566 (making the foundation level \$5,900 per pupil). Also, an additional \$44 million would be made available for early childhood education (on top of the \$25 million from the previous budget bill) for a total increase in this line item of \$69 million over the FY '07 funding level. **HB 38** contains the changes in the School Code to implement the increase in the foundation level and to extend the poverty grant hold harmless provision. Again, these funding boosts are dependent on the passage of HB 2035 that includes the gaming expansion.

SCHOOL CONSTRUCTION

The majority of the revenues from the gaming bill would be earmarked for a new public infrastructure bill. **SB 2** would give the State \$7.9 billion in new bonding authorization for capital projects – including \$1.7 billion for school construction. School construction dollars would go into the current School Construction Grant Program to be paid out over a three year period.

Another school construction bill was approved by a House committee. **SB 48 (Sandoval, D-Chicago)** establishes a new school construction program, subject to appropriation, for severely overcrowded schools. No local match is required to be qualified to receive a grant. The new construction program does not divert money from the current School Construction Grant Program, however it is in competition with the grant program for limited dollars. The bill is pending action on the House floor.

SHORT TERM LOANS AVAILABLE

When the legislature failed to approve an FY '08 budget by the end of June, it passed a one-month temporary budget for the month of July. That gave the State spending authority to keep the State operating. However, since August 1, the State has no spending authority since no appropriations bill has been enacted. State Comptroller Dan Hynes has stated that with no budget in place, the State can issue no checks and no school aid payments or State employee payroll checks can be issued. If the Governor would take immediate action on the bill and the legislature would move for a quick override,

state aid checks would likely be issued to school districts next week. If the Governor's action is delayed, State government will likely shut down.

In the event that no appropriations bill becomes law in the immediate future, the State Board of Education has announced that an application for the Illinois Finance Authority's (IFA) Local School District Notes Program is online and available for download on its website (www.isbe.net). The IFA's program is a short-term, interest-free, financing option designed to provide school districts with access to funding in lieu of the first August General State Aid payment. Several banks reportedly will also participate and have stated that funds can be made available immediately through this program so that all school districts can access this financing and receive payments next week.

PROPERTY TAX RELIEF BILL PENDING

HB 664 (Currie, D-Chicago), as amended by Senate Amendments 1 & 2 (**Link, D-Vernon Hills**), expands several property tax relief provisions that would erode the tax base of school districts. It incorporates much of what was previously reported as the contents of SB 13 in Alliance Legislative Report 95-18 (www.iasb.com/govrel/alr9518.cfm). The bill has been approved by the Senate and is awaiting action on the House floor.

However, HB 664 added additional exemption eligibility, additional exemptions and other provisions. Those of most importance are as follows:

- Creates a uniform method of assessing wind farms across Illinois;
- Adds a property tax abatement for the families of fallen officers and firefighters. Municipalities and counties would have the authority to abate all property taxes for those eligible;
- Increases the household income level for eligibility to \$100,000 from \$75,000 for the Long-time occupant homestead exemption and makes the exemption permanent for those counties that elect to utilize the Alternative Homestead Exemption ("7% Solution");
- Disallows GSA adjustment for loss of EAV due to the Long-Time Occupant Homestead Exemption; and
- The exemption cap in the Alternative General Homestead Exemption would be \$33,000 for year 1, \$26,000 for year 2 and \$20,000 for year 3 instead of the \$60,000 per year provided in SB 13 after the 3rd year.

The bill could be considered by the House on Friday.

SCHEDULE

The legislature will reconvene on Friday. If the House concurs in HB 3866, the operating budget bill passed by the Senate, that bill will go to the Governor for consideration. Since the House has already approved an identical bill, this should not be controversial.

In the Senate, however, it will be interesting to see exactly what transpires. If somehow peace is made between the Senate Democrats and Republicans on the gaming bill, there could be funding for school construction and additional education operations money. If not, this issue may be brought back in a few weeks.