



ALLIANCE LEGISLATIVE REPORT (95-5)

GOVERNOR PLEDGES \$10 BILLION FOR SCHOOLS

In his joint State of the State/Budget Address today, Governor Rod Blagojevich announced a plan to provide \$10 billion for public education over the next four years. For Fiscal Year 2008, a \$1.5 billion boost in education funding would be in store, including an increase in the school aid formula's foundation level by \$686 per student. Another \$1.5 billion would be made available for school construction grants and \$150 million would be available for School Maintenance Grants.

The Governor also endorsed a new health care initiative, "Illinois Covered", which would provide health care for all Illinois residents by offering State-subsidized coverage for individuals that cannot afford health insurance and by allowing higher earning individuals or small businesses to opt into the State's new plan. He also pledged tens of billions of new dollars for the cash-strapped public pension systems.

To pay for the massive new programs, Governor Blagojevich pushed for a new "Gross Receipts Tax" on Illinois businesses. The current corporate income tax would be eliminated. The Gross Receipts Tax (GRT) is exactly that, an assessment on the total amount of receipts that a business takes in – as opposed to an income tax on the business' net profit. Under the plan, the State would assess a rate of 0.5% on the goods economy and 1.8% on the service economy. Exempt from new GRT would be:

- Small businesses (gross revenues under \$1 million annually)
- Exports
- Retail food and retail drugs
- Gaming revenue
- Insurance products
- "Affiliated" companies – companies that conduct transactions with their affiliates

The GRT is estimated to generate \$6 billion for the State.

Also on the Governors revenue enhancement list is an estimated \$10 billion by leasing the Illinois State Lottery. Another \$16 billion would be available through new Pension Obligation Bonds. This \$26 billion would be used as an "immediate infusion of cash" to pay down the debt on the State's pension systems.

EDUCATION SPENDING PRIORITIES

Though few of the Governor's proposals have been comprehensively drafted, here is an idea (in addition to the \$686 per pupil increase in the foundation level mentioned above) of where the education funding would be allocated:

- \$209 million for increasing the special education personnel reimbursement amount by 65% (raising the current \$8,000 per teacher to approximately \$13,000)
- \$100 million for services to improve student success, such as: after-school tutoring, professional development, improving curriculum and materials, offering longer school days, and other programs and options to improve results

- \$60 million to expand early childhood education programs in schools and another \$10 million for other early childhood education providers
- \$40 million in incentives to encourage quality teachers to go to or remain in hard-to-staff or underperforming schools
- \$10 million to create a rural learning initiative to give schools the chance to access funds for distance learning technology

OTHER PROGRAMS IN THE GOVERNOR’S PROPOSAL

The Governor would also like to:

- Create small schools and identity schools by directing funds to help larger school buildings that want to break up into independent schools and operate within a larger building
- Create new consolidation incentives to encourage dual districts to form unit districts
- Create a program to parallel and supplement federal law to provide services to homeless students
- Create a statewide teacher mentoring program and a new superintendent mentoring program to “build on the success” of the newly created principal mentoring program
- Improve teacher preparation programs in colleges and universities
- Create a performance pay system, by working “with teacher unions and school management”, to start a program that recognizes good teachers and schools whose students show academic achievement
- Improve textbook quality by adding funds into the State’s Textbook Loan Program to encourage districts to replace books on a six-year cycle
- Add resources to fund technology improvement in school classrooms
- Add funding for districts to convert half-day kindergarten programs into full-day programs
- Continue finding ways to encourage school district savings and hold districts accountable for spending on administrative costs
- Direct new State funds to target specific areas in our school system that have historically underperformed and continue to work on a plan to force change on districts that repeatedly fail to make improvements
- Create a P-20 Education Roundtable to improve communication within different sectors of education, from pre-kindergarten to higher education