



ALLIANCE LEGISLATIVE REPORT (98-33)

LEGISLATURE RESUMES WORK

Legislators returned to work this week in the State Capitol where many bills were introduced but few bills were discussed in committees. The deadline to introduce new bills is Friday, February 14.

Legislative leaders have heeded the call from **Governor Pat Quinn** to push back the date of the annual Budget Address. The Address, initially set for February 19, will be pushed back until Wednesday, March 26. Such a move must be done legislatively and an amendment to do this was added to **SB 1227 (Steans, D-Chicago)** in the House on Tuesday. Both the House and Senate approved the bill and it will be sent for the Governor for his signature.

The Budget Address is generally viewed as the kick-off to the State budgeting process. In the Address, the Governor lays out his spending priorities for the coming fiscal year and usually the legislature then counters with its spending plans. The budgeting task, never an easy exercise, is even more daunting this year as the temporary income tax increase currently in place is set to roll back on January 1, 2015. Without legislative action to extend or make permanent the individual income tax rate at 5%, the rate will fall back to 3.75% next year. The Governor, then, will have to design a budget without knowing revenue amounts for the second half of the fiscal year.

But though **House Speaker Michael Madigan (D-Chicago)** has moved along the bill to honor the Governor's request to move back the budget speech, he also indicated that he may not wait as the House may start budget discussions before then.

MORE TAX IMPLICATIONS

If the current income tax rate (increased from 3% to 5% for individuals in 2012) is not extended, legislators will have to find some way to make up the approximate \$2 billion reduction in State revenues. Besides extending the "temporary" nature of the tax or making the current rates permanent, other proposals are being discussed (at least behind closed doors).

Speaker Madigan last week floated the idea of reducing the corporate income tax rate from the current 7% to 3.5%. This could convince some larger corporations to stay neutral on the idea of keeping the higher tax rate for individuals. However, many small businesses pay State income taxes at the same rate as individuals and would still have concerns about making the current rate permanent.

This week the idea of extending the State's current sales tax to services was discussed by Republican candidates for Governor. Filling some of the budget hole with sales tax receipts could relieve some pressure on the income tax.

Still others have been pushing the idea of instituting a graduated income tax rate system in the State. Currently, all individual income tax payers are assessed at a flat 5% rate. Under the graduated technique, higher salary earners would pay a larger percentage of their income in taxes than those making less money. However, the Illinois Constitution currently prohibits income taxes from being assessed at a graduated rate. Making a change to a progressive tax would require a constitutional amendment approved by the State's voters.

OTHER PENDING ISSUES

EDUCATION FUNDING

The Education Funding Advisory Committee has completed its work and issued its report (you can find it here: <http://www.isbe.net/EFAC/pdf/efac-final-report013114.pdf>). It was created to propose an education funding system that provides adequate, equitable, transparent, and accountable distribution of funds to public schools. At the request of the Committee, the Alliance provided testimony before the members at the initial Committee hearing in the Capitol and again at a hearing in Aurora. Committee Chairman **Andy Manar (D-Bunker Hill)** plans to introduce legislation next month to codify the panel's recommendations.

Some of the highlights include:

- Work to fund public schools at the level recommended by the Education Funding Advisory Board within five to seven years (current recommended level is \$8,672 per student)
- Implement a single funding formula

This would eliminate poverty grants and property tax cap grants and collapse special education funding, transportation funding, and all other budget line items (i.e. bilingual, ag education, alternative schools, etc.) into one general fund.

Only early education funding, "high cost" special education, and capital projects would be funded in separate line items.

Though funding would be based per pupil, added weight would be given to certain students (at-risk, English-language learners, special education, gifted education)

- Continue to implement and execute reform measures and processes for district intervention (removal of administrators and school boards)
- Once "sufficient" funding is attained, require school districts to offer a minimum core education with specific in-school services (AP courses, dual credit courses, art, music, gym, high level science, mathematics, school counselors, social workers, etc.)
- Require school level accounting

Local school districts should be held more accountable for their spending by requiring districts to provide clearer information about how education dollars are being expended including clear reporting of expenditures by building within a district.

- Though some Committee members expressed concern that currently too much State funding is going to the wealthiest districts, the new formula must provide a minimum level of funding to all districts
- Establish a "hold harmless" so once implemented school districts will not experience immediate decreases in funding levels (three to five years)

- Eliminate the supplemental adjustment for school districts in property tax-capped counties
- Adjust local district tax rates so elementary districts and high school districts do not have taxing authority that exceeds that of unit districts
- Continue discussions on relieving school districts of mandates including reviewing the Instructional Mandates Task Force Report (found here: http://www.isbe.net/IMTF/pdf/instructional_mandates_final_rpt0611.pdf)

“The Committee in no way recommends that all mandates be eliminated”.

PENSION REFORM

Multiple law suits have been filed over the pension reform legislation approved last year. With the effective date of the new law set for June 1, stakeholders are waiting for some direction from the courts as to how the Teachers’ Retirement System (TRS) and local school districts should proceed. Though no one expects a court decision on the merits of the cases to come down any time soon, guidance will be needed before then as to how (or whether) implementation should proceed on June 1. For example, the law decreases the pension contribution of a school district employee who participates in TRS by 1%. On June 1, what should be collected for TRS, 9.4% or 8.4%? If the law is later overturned by the court, what happens if the contributions collected were not enough (or too much)?

The perspective from TRS can be found on its website at: <http://trs.illinois.gov/>

SCHOOL SAFETY GRANTS

The Illinois Emergency Management Agency (IEMA) launched a school safety grant program last week. The \$25 million grant program for K-12 schools and colleges and universities in Illinois will fund a range of school safety items including the purchase and installation of physical security enhancement equipment, inspection and screening systems, information technology, and/or interoperable communications equipment for buildings where students are primarily taught in academic classes.

For a grant application, go to: eocfusionweb.iema.state.il.us/SchoolSafetyGrant/default.aspx

STUDENT ASSESSMENTS

The Illinois State Board of Education (ISBE), at its last several meetings, has been discussing a rewrite of the existing provisions in the School Code (Article 2-3.64) – State goals and assessment – to allow for state assessments to be aligned with the Illinois Learning Standards. The new Section would clarify the frequency and types of assessments while adding protections for special education students and English language learners. The changes to these provisions, if approved in legislation this spring, would become effective July 1, 2014 in preparation for the 2014-2015 school year.

This issue, of course, is complex and must be approached carefully as to not add overly burdensome regulations or obstacles for students, teachers, or school administrators. The Alliance met this week with the ISBE, teachers’ unions, and other education stakeholders to discuss the early legislative draft language. More information will be coming on this issue as it becomes available.

The legislative report is written and edited by the lobbyists of the Illinois Association of School Boards to provide information to the members of the organizations that comprise the Statewide School Management Alliance.