



Dara Thompson <dthompson@panaschools.com>

Fwd: Senate approves budget with bi-partisan support

1 message

Jason Bauer <jbauer@panaschools.com>
To: Dara Thompson <dthompson@panaschools.com>

Thu, May 31, 2018 at 7:39 AM

June board meeting

----- Forwarded message -----

From: **IASA** <iasa@iasaedu.org>
Date: Wed, May 30, 2018 at 9:52 PM
Subject: Senate approves budget with bi-partisan support
To: jbauer@panaschools.com



May 31, 2018

Senate approves budget with bi-partisan support*Legislation headed to House, where it's expected to pass*

Well, the optimism expressed by legislators in recent weeks that a budget deal could be reached by May 31 due to bi-partisan support from the four legislative leaders apparently was real.

Tonight, the Illinois Senate signed off on a \$38.5 billion spending package 56-2. The legislation includes \$350 million in additional new tier funding, with \$50 million of that total slated for the Property Tax Relief Fund - a provision written into the evidence-based funding model starting in FY 2019.

The budget appropriation bill, HB 109, also includes an increase of \$50 million for early childhood education. Regular/vocational

transportation funding, transportation special education and special education-private tuition funding all remain flat.

The budget bill now heads to the House, which will likely approve the legislation tomorrow.

Unlike year's past, this process has been designed to actually get a budget deal done, due to the cooperation of Republican and Democrat legislative leaders.

And, early indications are the governor is on board too, as the Chicago Sun-Times reported he believes the budget passed is "balanced."

We'll see what happens tomorrow (and when the governor gets the bill), but it appears a yearlong budget will be enacted for FY19.

Looking at this appropriation bill, we have mixed feelings but, overall, are glad for the investment in public education, given the current financial reality in Illinois.

On one hand, an additional \$300 million is a significant amount of money that will help our neediest school districts provide a better education to students. It's important to keep in mind that combined with last year's \$350 million appropriation, the passage of the EBF model will provide an additional \$650 million for public schools in two years - an investment we are grateful the General Assembly is making for our kids.

However, it's also the minimum level set forth in the EBM statute for FY19 and at the very least \$50 million less than what we asked for.

As you recall, IASA Executive Director Dr. Brent Clark; Dr. Michael Jacoby, IASBO Executive Director; Ben Boer of Advance Illinois and Ralph Martire of the Center for Budget and Tax Accountability, along with superintendents Dan Cox of Staunton CUSD #6, Chuck Lane of Centralia HSD #200 and Dr. Sharon Desmoulin-Kherat of Peoria SD #150 urged lawmakers to appropriate \$400 million last week, knowing \$50 million of that total would go for the Property Tax Relief Fund.

Based on legislation the Senate approved - and we assume the House will agree because of the support from the four legislative leaders - this appropriation falls \$50 million short of our request.

We arrived on that figure because we wanted to be mindful of the state's financial situation and be consistent with the FY18 budget, which included exactly \$350 million for new tier funding.

What changed is starting in FY19, if at least \$350 million is appropriated for evidence-based funding, \$50 million automatically goes into the Property Tax Relief Fund. The measure was included to provide relief for residents in districts with high property tax rates but low property wealth.

Quick reminder on how this works. Districts can apply for a state grant, with the highest tax-rate districts being first in line for property-tax reduction. Districts then can receive a percentage of the amount they intend to lower property taxes in a grant, based on their property wealth (up to 1 percent of EAV for a unit district).

But there is a wrinkle nobody is talking about. The Illinois State Board of Education stated any money not awarded for property tax relief will be dispersed through the evidence-based model to schools at the end of the fiscal year in May. It's impossible to say how much will be leftover, but it's possible a good chunk of the \$50 million will make its way to schools. Therefore, we may end up closer to our request than what's been reported.

Having said that, we still have a long way to go and this appropriation keeps us lagging behind the statutory goal of public schools being adequately funded by 2027.

For all schools to reach their adequacy target, ISBE says it would require at least \$7.2 billion as things currently stand. Therefore, at \$300 million more per year, we won't reach the 2027 goal set forth in statute. But every year is different, and we'll see what happens moving forward. For now, at least it appears as if Illinois will have a budget for FY19.

End-of-career salary caps lowered

Switching gears to the estimated \$444 million in pension-cost savings included in the legislation.

What I want to bring your attention to is language tucked inside the budget implementation bill that passed overwhelmingly, HB 3342, that would lower the end-of-career salary cap from 6 to 3 percent, a measure estimated to save \$22 million.

You may remember Rauner floated a similar idea in 2016. His proposal would have reduced end-of-career salary caps from 6 percent to the prior year's annual increase in the consumer price index, which has been below 3 percent the past six years.

Under this plan, if a local school district or employer grants increases above the cap in an employee's final four years, the employer is liable for the associated pension costs beginning on or after July 1. Payments under current bargaining agreements or contracts would be exempted until they expire, amended and/or are renewed.

However, most of the savings would come from voluntary buyout programs for people eligible for state pensions. Former public workers who are vested in the pension system would have the option to completely cash out their pensions at 60 percent of the value, which they could then invest on their own. And employees who are entitled to the state's most generous benefits packages, which includes a 3 percent compounding cost-of-living adjustment in retirement, would have the option to cash that out for 60 percent of the value and continue with a simple cost-of-living adjustment in their retirement years, according to the Chicago Tribune.

Thanks for reading.

Sincerely,

Diane L. Hendren
Director of Governmental Relations
Illinois Association of School Administrators

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