FINANCE-LEGISLATION MEETING

Maine South High School Board Room
1131 South Dee Road, Park Ridge
Friday, October 4, 2013
1:30 – 3:00 p.m.

AGENDA

1. Call to Order
2. Introductions
3. Approval of Minutes
4. Introduction of ED-RED Education Policy Consultant
5. New Business

6. Program: Update on Education Task Forces and Springfield Action

Veto Session begins on October 22 and kicks off the new legislative season. Join us to learn about the major education issues on the table and how they fit into the 2014 Spring Legislative Session:

- Senate Education Funding Advisory Committee
- Conference Committee on SB 1 (pension reform)
- Modifications to SB 7 and PERA
- Charter school issues
- ISBE’s discussion about Special Education class sizes and the “70/30 Rule”
- House Resolution to stop implementation of the Common Core State Standards
- Constitutional Amendment to allow the state to move to a progressive income tax

7. Adjourn

Next scheduled meetings:

- ED-RED Member Meeting – Tuesday, October 15, 5:30-7:30 pm, Maine South Board Room (dinner included)
- Finance-Legislation Meeting – Friday, November 1, 1:30-3:00 pm, Maine South Board Room

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Senate committee looks at revamping formula for state aid to schools

Officially, it's "Sec. 18-8.05. Basis for apportionment of general State financial aid and supplemental general State aid to the common schools for the 1998-1999 and subsequent school years," in the statute books.

More familiarly, it's known simply as the "state aid formula."

By either name, it's the prescription by which the state doles out billions of dollars each year to public school districts across Illinois to help pay education costs for more than one million children from kindergarten through high school.

The intent of the formula is clear enough: to help close the gap between property-rich and property-poor tax districts so that the combination of state aid and local resources available to educate each student meets at least a minimum level.

But the process is so complex — some say unfathomable — that the long-standing joke has been that only a handful of experts truly understand its ins and outs, and they're not permitted to fly together on the same plane.

Now, a bipartisan Senate panel co-chaired by Sen. Andy Manar, a Bunker Hill Democrat, and Sen. David Luechtefeld, an Okawville Republican, is reviewing the formula with an eye toward proposing updates to the 15-year-old law.

"The state has changed dramatically since 1998," Manar said. "Property wealth is as disparate as ever, poverty has grown in rural areas, attendance has changed ... resulting in circumstances today where the formula doesn't accomplish its intended purpose, to act as an equalizer between the haves and the have-nots."

The renewed interest in revamping the formula stems in part from complaints by downstate lawmakers that Chicago schools are reaping a windfall at the expense of children elsewhere in the state.

Of particular concern are two provisions intended to channel more dollars into school districts with high percentages of low-income students and to mitigate the loss of potential property tax dollars in tax-capped school districts. Together, the poverty grants and the tax cap adjustments accounted for 47 percent of general state aid spending in Fiscal Year 2012, almost four times the programs' 12 percent slice in FY 2000. As a result, the share going to support the foundation level dipped to 53 percent from 88 percent.

Taken at face value, state Board of Education's financial data appear to support the charges of favorable treatment for city schools. Despite having only about 18 percent of the state's public school students, Chicago schools received 47 percent of the poverty grant funding and 49 percent of the tax cap adjustments in fiscal 2012.

In fact, the numbers show the formula is working as intended. For example, the additional dollars to help educate low-income children reflect near-universal agreement that youngsters growing up in poverty require more resources to educate than children from better-off families, especially in high numbers.

So the additional per-pupil state aid increases on a sliding scale as the concentration of low-income students increases, from $355 for districts with fewer than 15 percent low-income students, up to $2,994 for a district with all poverty-level students. Chicago, with more than 90 percent of its students from low-income families, qualified for $2,513 more per pupil.

Underscoring the poverty grant's importance, state education officials report the number of low-income students has increased over the last decade, from 38 percent in 2003 to 49 percent in 2012 — more than 1 million youngsters — with most of the increase coming in the wake of the Great Recession. Chicago continues to have the most poverty-level students, but growth in the low-income student population in the last two years has been greater in every other region of the state — 44 percent in the collar counties, 31 percent in suburban Cook County, and 18 percent in the other 96 counties — compared with 9 percent in city schools.

During its inaugural meeting several weeks ago, the Senate panel questioned the sliding scale used to calculate the grants and the way poverty levels are measured. Since 2004, it has been based on whether a student qualifies for welfare programs such as Medicaid or food stamps, a yardstick deemed more accurate than the once-every-10-years federal census poverty count that was used earlier.

The challenges for the panel, Manar said, are how to best identify low-income students and how to best distribute the money. "It's such a big piece of what we spend, it deserves scrutiny."

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MINUTES
ED-RED Finance-Legislation Committee
Friday, June 7, 2013
1:30 p.m. – 3:00 p.m.

The meeting was called to order at 1:38 p.m. by ED-RED Executive Director Erika Lindley.

Those in attendance were Becky Allard (64-C)*, Nelson Gray (62-C), Darrel Moon (74-C), Ray Coyne (Hutchinson, Shockey, Erley & Co.), Kate Donegan (73.5-C)*, Mark Goldberg (73.5-C), John Moss (200-C), Ralph Lee (200-C), Hillarie Siena (225-C), Karen Roloff (retired board member), Bill Harrison (21-C), Ruth Gloede (59-C), Brian Imhoff (64-C), Corey Bultemeier (15-C), Anne Sills (65/202-C), Dave May (102-C)*, David Kodama (96-C), Mary Anne Brown (73-C), Vicki Goldberg (NTDSE), Jim Fritts (NEIU), Doc Kotecki (ESG), Roberta Diehl (58-D), Brenda Murphy (62-C), Janet Kaczkowski (63-C), Vicki Lee (64-C), Chip Johnson (Wight & Co.), Mark Metz (202-C), Dave Torres (211-C), Joan Levy (friend of ED-RED), Joe Yomtoob (retired superintendent), Deb Wilson (23-C), Luann Kolstad (23-C), Lyndl Schuster (26-C), Kathy Miller (CTBA), Ralph Martire (CTBA), Erika Lindley (ED-RED) and Anne Hoffman (ED-RED).
*Denotes ED-RED Exec Board Member

Approval of Minutes: A motion was entertained, seconded, and passed unanimously to approve the minutes from the May 3, 2013 Finance-Legislation Meeting.

ED-RED New Business:
Proposed Organizational Changes/ED-RED Dues Structure: Erika announced that the ED-RED Executive Board will institute a new staffing structure with a transition period at the end of the summer. The full time assistant director position will be eliminated and a part time policy consultant and part time administrative position will be created. This change will allow us to prioritize our resources toward our advocacy efforts. Erika and members thanked Anne for her four years of service to our organization.

The ED-RED Executive Board intends to change the dues structure for Fiscal Year 2015. Erika explained the scenarios under review and asked for feedback on the proposals: scenario 1) flat rate assessed to all members plus a per pupil rate (range is between $500 - $14,000 per district) and cap the rate at one ten thousandth of the district’s operating expenditures or scenario 2) a tiered rate system based on student population with a flat rate for high school districts (range is between $1,150 - $5,000). The ED-RED Executive Board will approve the new dues structure and communicate the outcome with members. We will hold a meeting in the fall to discuss the related changes to our organization’s bylaws.

A member inquired as to how often the total number of students in a district would be updated. Erika acknowledged that this would need to be included in the update to our bylaws and would recommend an annual adjustment based on the information included in the state school report card. A member asked if Exec had a contingency plan in case the dues change resulted in a reduction of members/revenue. Erika noted that Exec discussed this issue and developed a plan for this including reviewing the value of the new consultant position and if a change in the expectations/cost made sense and being more creative with our travel budget.

FY 14 ED-RED Budget: Erika discussed revenue expectations, our ramped up recruitment effort, and plans to pursue additional revenue through our special events/sponsorships. There were no suggestions for changing the budget as presented. The ED-RED Executive Board will take final action on the FY 14 budget in late June.

Legislative Update: Erika highlighted the following bills which passed the General Assembly:
- **SJR 32** creates the General Assembly Advisory Committee on Education Funding to review of P-12 expenditures and the state’s method of allocating General State Aid and other funding to local districts. The report is due in February 2014 which will allow the legislature to consider the recommendations in setting the budget for Fiscal Year 2015.
• HJR 36 creates a task force to review charter school funding. The task force will review the current charter funding law as it pertains to both district-authorized and state-authorized charter schools, how other states support charter schools, and how to adequately fund virtual charter schools.
• HB 494 places a one year moratorium on the creation of new multi-district virtual charter schools and requires the State Charter School Commission to submit a report to the General Assembly regarding the effect of virtual education, costs of virtual programs, and issues with oversight by March 1, 2014.
• SB 1307 as amended changes the compulsory age from 7 to 6 for the 2014-2015 school year.
• ISBE Budget is contained in HB 208 and SB 2555. K-12 education will receive an additional $140 million or 2% over Fiscal Year 2013. More information about the budget can be found our website.

Pensions. Erika reviewed SB 1 (Madigan), SB 2404 (Cullerton), and the three pension bills which passed the House (HB 1154, HB 1165, and HB 1166). The legislature decided to move forward with a proposal to gradually shift pension costs for higher ed only (SB 1687). The bill was supported by the community colleges and universities which included a shift rate of 0.5% each year, new representation from the CC/universities on the SURS board, targeted changes to the Procurement Code, and the ability of the individual CC/university to opt in/out of future pension enhancements enacted by the General Assembly. The bill barely cleared the House and failed in the Senate in the final minutes of session. The legislature will return to Springfield on June 19 for special session; Erika doesn’t anticipate a major bill passing that day. A member noted that three line items related to ROEs will be funded through CPPRT again this year. The legislature approved legislation this year to fund ROE programs out of CPPRT permanently.

Program: Report of the U.S. Department of Education’s Equity and Excellence Commission
Ralph Martire, Executive Director of the Center for Tax and Budget Accountability, served as a member of the Equity and Excellence Commission. The Commission was charged with examining the disparities in meaningful educational and funding opportunities that create the achievement gap and recommending ways to eliminate these inequities; the Commission filed its report in April 2013. Ralph highlighted research conducted by the Commission. Looking at international benchmarks, U.S. students perform in the middle; however, when accounting for poverty U.S. students perform extremely well compared to our peers. Ralph noted that U.S. scores began to decline after the poverty rate exceeded 25% of the student population. He reviewed the Global Education Reform Movement (GERM) initiatives (set higher standards for student achievement, enhance accountability metrics and implement punitive consequence matrix, and enhance competition between and among schools and educators) compared to the priorities of Finland (build collaboration/reducing competition, build teaching profession, invest adequately in poorest schools on up, focus on equity as core to excellence, and invest in early childhood, wrap-around services and overall education funding).

Ralph discussed the work of his subcommittee, including discussion about incentives to directing states to adopt and implement school finance systems that will provide a meaningful educational opportunity for all students, recommend appropriate budgetary and other frameworks to ensure the effective and efficient use of funds, and demonstrate progress toward implementing an equitable school finance system. One of the “major break throughs” of the report called for targeting significant new federal funding to schools with high concentrations of low-income students, particularly where achievement gaps exist and providing significant financial incentives to states that in fact enhance investment in at-risk children.

Members inquired whether the committee’s recommendations would be introduced as legislation. Ralph explained that CTBA will be involved in drafting legislation for Congress and the General Assembly to consider, but expects that stakeholders will need time to review and comment on the legislation before it moves forward. The Commission considered the merits of developing a new revenue stream for education vs. reallocating or reducing funds from existing programs and services.

The meeting adjourned at 3:20 p.m.
Respectfully submitted by Anne Hoffman
OPPOSE HB 2213 (LIGHTFORD)

LUDA  ED-RED  LEND  SCOPE  CPS
ILLINOIS STATEWIDE SCHOOL MANAGEMENT ALLIANCE
ILLINOIS STATE BOARD OF EDUCATION
ILLINOIS HIGH SCHOOL DISTRICT ORGANIZATION

HB 2213 requires districts to use a different set of criteria for making decisions regarding grade promotion, graduation, and disciplinary action for students who are parents, expectant parents, or victims of sexual or domestic violence. The legislation creates a new protected class of students. This raises serious concerns about the district’s ability to provide equal opportunities for students and puts public schools districts in a situation in which they could be sued for discrimination.

Districts work hard to provide a safe and healthy environment for students. We encourage districts to consider each student’s situation and ensure that they have the emotional and educational support that they need to be successful. Special accommodations for students can be made through IEPs, 504 plans, RTI plans, or intervention services developed by educators, student, and parents.

Domestic violence can be claimed by the student by providing a written statement. Students are not required to produce a police report or a report of a witness who observed the instance of abuse or violence. The legislation prohibits the district from communicating with the alleged perpetrator to confirm the allegations. The victim is not required to provide any additional documentation in order to request the services or allowances listed above.

While well intended, the legislation also includes several new mandates for school districts:

- Allows students who are victims of domestic or sexual violence to transfer to a school outside of their attendance area. Districts would be required to waive tuition for the non-resident student. This will also impact eligibility for district athletic programs.
- Allows students to claim their status as a parent, expectant parent, or victim of domestic or sexual violence as a mitigating factor in deciding the nature or severity of discipline actions, including suspensions or expulsion.
- Expands the availability of home instruction to include pregnancy-related conditions, obligations related to the health of a pupil’s child, or concerns arising from domestic or sexual violence.
- Limits a district’s ability to make grade completion and promotion decisions if a student is a parent or victim of violence – if a student is unable to attend classes for these reasons, “then the pupil must not be penalized for grading purposes nor be denied course completion, a return to regular classroom instruction, grade level advancement, or graduation solely on the basis of the pupil’s participation in instruction under this section or the pupil’s absence from the regular education program during the period of instruction.”
- Requires each district to appoint of a staff member to serve as a liaison for parents, expectant parents, and victims of abuse.
OPPOSE SB 1403 (NOLAND)

LUJA  ED-RED  LEND  SCOPE  CPS
ILLINOIS STATEWIDE SCHOOL MANAGEMENT ALLIANCE
ILLINOIS FEDERATION OF TEACHERS
ILLINOIS EDUCATION ASSOCIATION
ILLINOIS HIGH SCHOOL DISTRICT ORGANIZATION

SB 1403 allows property owners to make a partial payment of their property taxes if they have a pending valuation appeal. School districts and other taxing bodies are dealing with reduced state support and uncertainty in state, federal, and local revenue. SB 1403 will exacerbate the problem.

- Illinois is the most reliant state in the country in terms of our use of property taxes to fund public education programs. The state provides only 32% of the overall funding for prekindergarten - grade 12 programs. This illustrates the criticality of preserving property taxes to fund public education programs.
- In the last four years, the state has reduced funding for public education by almost $900 million, including the elimination of dozens of ISBE line items, reductions to early childhood education, significant cuts to transportation reimbursement, and proration of General State Aid at 89% of the statutory foundation level. The Governor's proposed budget reduces P-12 state funding by an additional $278 million.
- Districts would not receive sufficient notice of the taxpayer's decision to reduce their payment to adjust their budget to respond to the reduction in local revenue. They will be unable to reduce staff, alter contracts, or change student programs to compensate for the loss of dollars. The money will simply not come in the door.
- Rating agencies consider gross collections in their ratings. The combination of reduced state revenue and uncertain local revenue caused by this proposal will reduce bond ratings for some districts. This will make it more expensive to borrow funds and will prohibit some districts from using borrowing as a tool to make their budget whole as a result of the reduced property tax revenue allowed under this bill.
- This bill will create a significant incentive for filing objections. This will cause the Property Tax Appeals Board and Circuit Court - which are already backlogged in issuing judgments on pending appeals - to fall further behind in taking action on appeals. This cumulative effect will cause districts and taxpayers to wait for years to find out the result of the appeal, leading districts to wait for years to receive the revenue that they are entitled to.

This is a proposal that districts cannot afford. Please vote NO on SB 1403.
Review of Pension Reform Proposals from the 2013 Spring Legislative Session
Prepared for 10/4/13 Finance-Legislation Meeting

SB 1: Speaker Madigan's plan developed in consultation with House GOP Leader Cross, Rep. Nekritz and Sen. Biss. Applies to Tier 1 employees and retirees. Major provisions:

- Sets a cap on the pensionable salary – set at the Tier 2 level (the cap is currently set at $109,971 and will increase annually by ½ CPI) or at the level in the current contract/CBA
- Increases the retirement age for employees under 45 years old
- Changes the COLA calculation - capped at 3% of the sum of $1,000 multiplied by each year of service. Example: (34 years x $1,000) x 3% = $1,020.
- Delays COLA until age 67 or five years after the employee retires, whichever comes first
- Increases employee contribution by 2%
- Allows the pension systems to sue if the state under appropriates the annual payment; provides additional revenue to the pension systems as pension obligation bonds mature

Status: passed the House 62-51-2; failed in the Senate 16-42.

SB 2404: President Cullerton's plan developed in consultation with the unions. Applies to Tier 1 employees and retirees. Major provisions for Tier 1 employees:

- Defines retiree as a Tier 1 employee set to retire as of 1/1/2013
- Option 1: Change to 3% simple COLA with 2 year delay in accrual, all future salary increases are pensionable, eligible for ERO, receive access to state retiree healthcare
- Option 2: Maintain 3% compounded COLA, future salary increases are non-pensionable, ineligible for ERO, forfeit access to state retiree healthcare
- Option 3: Maintain 3% compounded COLA with 3 year delay in accrual, all future salary increases are pensionable, ineligible for ERO, receive access to state retiree healthcare, pay additional 2% employee contribution (responsibility of employee – cannot be bargained with district)
- Allows the pension systems to sue if the state under appropriates the annual payment; provides additional revenue to the pension systems as pension obligation bonds mature

Status: passed the Senate 40-16; was not considered in the House prior to adjournment.
Variations of the Madigan/Cross/Nekritz/Biss plan were contained in three smaller pension bills. All three bills passed the House in March with support from both sides of the aisle. There were rumors in the final days of session that the President would call these bills for a vote as a last resort to pass pension reform, but the bills were not considered in the Senate prior to adjournment:

- **HB 1154**: for Tier 1 members - pensionable salary capped at the rate in the final year of the current contract or the Social Security Wage Base (currently $113,700), whichever is higher.
- **HB 1165**: for Tier 1 members and retirees - COLA starts 5 years after retirement or age 67, whichever is earlier; the COLA applies to first $25,000 of an annuity only (capped at $750)
- **HB 1166**: for Tier 1 members, increases the retirement age:
  - 45 and older – no change
  - 40-44 – increase retirement age by one year
  - 35-39 – increase retirement age by three years
  - 34 and younger – increase retirement age by five years

**SB 2591**: includes the pension reform package developed by the state’s higher education intuitions. Applies to Tier 1 employees and retirees. Major provisions:

- Phases in a cost shift at a rate of 0.5% of creditable earnings each year until the normal cost is the full responsibility of community colleges/state universities
- Changes the COLA from 3% compounded to ½ CPI compounded for Tier 1 employees and retirees
- Increases the employee contribution by 2%
- Does not cap pensionable salary
- Creates a hybrid Defined Benefit (DB)/Defined Contribution (DC) pension plan for new employees and for Tier 2 employees.
- Allows the pension systems to sue if the annual state payment is insufficient
- Allows individual community colleges/public universities to adopt or reject future pension enhancements passed by the General Assembly based on their priorities/HR structures
- Adds additional seats to the SURS board
- Requires the state to make flat annual payments (vs. the ramp system with back loaded payments)
- Provides new flexibility in university procurement procedures

**Status**: introduced after the legislature adjourned. Pieces of the plan, including the cost shift provision, were included in SB 1687. The bill passed the House 60-55-2; failed in the Senate 21-33-5.