FINANCE-LEGISLATION COMMITTEE MEETING

Maine South High School
Frost Administration Center Board Room
1131 South Dee Road, Park Ridge
Friday, November 9, 2012
1:30p.m. - 3:00p.m.

AGENDA

1. Call to Order
2. Introductions
3. Approval of Minutes
4. New Business
5. Legislation Update/Election Analysis
6. Program: Classrooms First Commission final report - Consolidation, Reorganization, and District Efficiency
   Special Guest: Dr. Lynne Haefele, Senior Policy Director for Education, Office of Lt. Governor Sheila Simon

The General Assembly considered several bills targeting district consolidation during the 2011 Spring Legislative Session. Advocacy organizations, educators, and board members educated legislators on district efficiency practices, shared services, and costs associated with a statewide school consolidation program. The only consolidation-related bill that passed that year, HB 1216, created the School District Realignment and Consolidation Commission (renamed the Classrooms First Commission). For a full year, Lt. Governor Sheila Simon led education stakeholders in a series of conversations culminating in their final report released in July 2012. The Commission made several recommendations including:
   o increase district efficiency and promote shared services
   o revise limitations on third-party contracting
   o support reorganization of schools and districts
   o revise the state’s consolidation incentive programs
   o allow non-contiguous reorganizations
   o pilot a reorganization school construction program

7. Adjourn

Next Meetings

- **Tuesday, November 13, 2012, 6:00-7:30pm – School Finance Series.** The Merits of a Graduated vs. Flat Income Tax System with Special Guests Ralph Martire (Center for Tax and Budget Accountability) and Tom Johnson (Taxpayers’ Federation of Illinois).

- **Friday, December 7, 2012, 1:30-3:00pm – Finance Legislation Meeting.** Veto Session Wrap Up and Spring Session Preview presented by ED-RED Staff
Dr. Lynne Haeffele
Senior Policy Director for Education, Office of Lt. Governor Sheila Simon

Dr. Lynne Haeffele has a long and distinguished career in education and public policy. She taught from 1977 to 1990 at Bloomington High School and also at the higher education level at Lincoln College and Illinois State University. Lynne later served as an administrator for the Illinois State Board of Education and as a Researcher and Policy Analyst at the Center for the Study of Education Policy at ISU. Lynne is now combining her expertise in education and policy development as the Senior Policy Director for Education for Lt. Governor Sheila Simon. As part of this position, Lynne worked closely with the members of the Classrooms First Commission, oversaw the Commission’s outreach and subcommittee work, and was a key contributor to the Commission’s final report.

Lynne received her bachelors degree from the University of Illinois in Science Education and Anthropology and her M.S. degree in Biology and Ph.D. in Educational Administration from Illinois State University. Of particular note to ED-RED members, Lynne is a graduate of Maine South High School.
MINUTES
ED-RED Finance-Legislation Committee
Friday, May 4, 2012
1:30 p.m. – 3:00 p.m.

The meeting was called to order at 1:33 p.m. by ED-RED Executive Director Erika Lindley.

Those in attendance were John Segvich (OCS), Becky Allard (64-C), Rich Gerber (211-C), David Torres (211-C), Richard Bokor (15-C), Mary Brown (65-C), Karen Roloff (30-C), Andrew Kruzich (21-C), Ruth Gloede (59-C), Michael Robey (89-C), Barb Dill-Varga (207-C), Jim Fritts (NEIU), Eric Miller (69-C), Ric King (54-C), Terrie Simmons (29-C), Phil Pralle (200-C), Jessica Donato (81-C), Scott Herrmann (106-L)*, Paul Sally (203-C), Stacey Mallek (25-C), Lyndl Schuster (26-C), Yasmine Dada (128-L), Chip Johnson (Wight & Co.), Anne Sills (JLT 65-202-C), Gretchen Livingston (202-C), Deb Parenti (214-C), Frances McTague (68-C), David Bein (63-C), Joan Levy, Ray Coyne (Hutchinson Shockey Erley), Mary Anne Brown (72-C), David Kodema (96-C), Mary Kalou (207-C), Darrell Moon (89-C), Erika Lindley (ED-RED), 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 Finance-Legislation Committee meeting held Friday, April 13, 2012 with the following additions: Mary Kalou (207-C), Barb Dill-Varga (207-C), and Terrie Simmons (29-C) were in attendance.

Legislative Update: ED-RED Executive Director Erika Lindley discussed the following legislative issues:
 HB 5495 requires counties, municipalities, and districts offering 403(b) and 457(b) plans to adhere to the prudent investor rule when making plan decisions and consolidate employee options under a single provider beginning January 1, 2015. In the current model, districts serve as the connecting mechanism between the vendor and the employee and the participant bears more responsibility than the district. The bill would place greater responsibility on the district to analyze and monitor plans. Federal changes in 2008 already increased employer responsibility in deferred compensation plans. HB 5495 passed the House unanimously and is sponsored by Sen. Garrett in the Senate. ED-RED is working with Sen. Garrett on a new amendment not yet assigned to a bill that would require vendors to work with districts to determine how to communicate fees in a more uniform manner.

SB 2862 limits the ability of taxing bodies under PTELL to increase their extension when a community experiences declining EAV. This is identical to last fall’s HB 3793 and SB 2073 that passed the House in February. ED-RED continues to oppose the bill and our fact sheet is posted on our website. The bill was scheduled for committee last week but was not discussed at the hearing.

ISBE Student Transportation Proposal The Senate Education Committee discussed ISBE’s proposed changes to the Regular Transportation budget line item and related mandates. The committee did not take a vote on the proposal and the legislature doesn’t appear to be invested in making a change to the formula this year. The Regular Transportation line item allocation was $205 million this year, 40% less than FY 10. The Governor has repeatedly called for a reduction in state support for student transportation, viewing transportation programs as “a local responsibility.” This call prompted ISBE to hold stakeholder meetings to identify pros and cons of the current reimbursement model and develop a new formula based on the greater of a district’s territory or student population.

Discussion from audience members included how transportation funding is affecting local school district budgets and the possibility of reallocating transportation funds to the General State Aid formula to avoid further proration.

Program: Scott Uhler, Partner, Klein, Thorpe and Jenkins joined Erika in providing an update on SB 315/SB 7 Implementation and Pensions.
Erika reviewed last years’ HB 512 sponsored by Leader Cross and discussed the Governor’s framework for pension reform. The Governor has provided few details of his idea, however, it appears that the major components of the plan include a cost shift to districts (without details of the phase in period or how the shift would be structured) and requires current employees to chose between their 3% compounded COLA and access to health insurance. SB 1313 eliminates the ability of state employees (not TRS employees covered by TRIP) to receive premium-free health insurance upon retirement. SB 1313 requires Central Management Services to determine the premium rate for all retirees participating in the program on an annual basis.

Scott discussed the framework for public pension reform and the constitutional concerns. In 2003, the Illinois State pension systems had an unfunded liability of $43 billion ranking dead last in the U.S. In 2011, the Illinois State pension systems had an unfunded liability of $85 billion, remaining the worst funded pension system in U.S. The pension clause in the Illinois Constitution was enacted in 1970 in reaction to the underfunding of pension systems for public employees. Multiple court decisions over the last 40 years found efforts to reduce pension benefits for active or retired public pension recipients as unconstitutional. The cost shift is attractive to legislators because school district and university contributions to the state systems are not protected under the Constitution.

Discussion from audience members included school district ability to manage the cost of a pension shift with the limitation of the tax cap. Members also discussed the possibility of eliminating TRIP, taxing pensions, and the importance of a balanced policy approach.

Scott gave a brief overview of SB 7 and the Performance Evaluation Reform Act (PERA) which passed as SB 315. PERA requires that evaluators have improved training on conducting evaluations and using evaluations as tools for improved instruction. Scott reviewed some of the primary elements of PERA, including the new rating system for tenured and non-tenured teachers and the student growth component of the new teacher evaluation systems which districts will need to incorporate by 2016. New principal and assistant principal evaluations will begin September 1, 2012.

Audience members expressed their frustration with the roll out of the evaluation system training modules and challenges with creating the growth component without a lot of examples from other districts. Scott and Erika noted that Chicago and SIG districts will begin launching their new systems in 2012 and other districts will be able to learn from their experiences. They also noted that the national PARCC and Smarter Balance assessment consortia continue to work to develop quality assessments for this purpose. Members also discussed the state’s new involvement in evaluation systems, which has been a local responsibility until PERA. Erika and Scott discussed their experiences at the negotiation table during the drafting of SB 7 and the wide variety of evaluation systems used in districts around the state. While many districts have developed quality training programs or partner with outside groups to provide training and work with their teachers to create valuable evaluation systems, PERA will ensure that each Illinois evaluator uses the same benchmarks and strategies in conducting evaluations.

The meeting adjourned at 3:16 p.m.

Respectfully submitted by Anne Hoffman.
ED-RED Finance-Legislation Meeting

General Election Wrap Up
November 9, 2012

Constitutional Amendment

- Required 60% "yes" votes from people voting on the measure or 50% "yes" votes of the total number of votes cast
- 56% of those casting a vote on the measure supported it
- Of the 5 million people voting, only 2.1 million voted "yes" on the measure
- The amendment failed on both counts

Statehouse Dem/GOP tallies

- Dems picked up 12 Statehouse seats overall
- ED-RED membership area = 5 new Dems
- ED-RED membership area = potentially 11 new legislators plus 4 vets in new seats/territories
- More legislators representing Chicago and part of suburbia
Statehouse Majorities

<table>
<thead>
<tr>
<th>Legislature</th>
<th>State House (73 required for supermajority)</th>
<th>State Senate (36 required for supermajority)</th>
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<tbody>
<tr>
<td>96th GA (2009-2010)</td>
<td>70 Dem, 48 GOP</td>
<td>37 Dem, 22 GOP</td>
</tr>
<tr>
<td>97th GA (2011-2012)</td>
<td>64 Dem, 54 GOP</td>
<td>35 Dem, 24 GOP</td>
</tr>
<tr>
<td>98th GA (2013-2014)</td>
<td>71 Dem, 47 GOP</td>
<td>40 Dem, 39 GOP</td>
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What's possible with a supermajority?

- Override Gubernatorial veto without GOP votes, approve bonding program without GOP votes.
- Possible issues for the 98th General Assembly:
  - Extension of current income tax rates
  - Approval of constitutional amendment allowing a graduated income tax system
  - Bonding program to pay past due bills
  - Changes to PERA/SB 7 reform initiatives

Illinois Congressional Delegation

- 4 Dem pick ups in Congress: Schneider (Dold), Foster (Biggert), and Duckworth (Walsh), Bustos (Shilling)
- New Illinois Congressional Delegation:
  - 12 Dems, 6 GOP
- Obama’s second term:
  - ESEA Reauthorization? Illinois waiver? Greater federal role in education? Heighted focus on charters, low performing schools?
Veto Session 2012

November 26 - 28
December 4 - 6
Early January
(inauguration – January 9)

Possible issues:
• Gaming
• ROE/ISC certification fees
• Minimum wage
• Pension reform discussions...action likely in early January

The 98th General Assembly

• 40+ newbies!
• New committee chairs and committee structures
• New GOP caucus chairs?
• Issues: income tax rates, implementation of the Affordable Care Act, continued fiscal challenges
• New territories = new school districts
  Joint effort to educate legislators on school finance

FY 14 Budget Timeline

• November – ISBE Budget Hearings
• December – ISBE considers formulae changes
• January – ISBE approves budget recommendation
• February – Governor’s budget address
• April/May – budget negotiations
• End of May – budget is approved by legislature
• End of June – budget is signed by Governor