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ALLIANCE LEGISLATIVE REPORT (96-49)

GOVERNOR WANTS EDUCATION SURCHARGE

In his Budget Address today before the Illinois General Assembly, **Governor Pat Quinn** said that without his proposal for a 1% income tax surcharge, the education budget would be cut by 17% in the upcoming fiscal year. His budget outline for Fiscal Year 2011 would cut billions from the State budget, with education bearing the brunt of the reductions.

Of the \$1.3 billion recommended to be trimmed from the education budget, over \$1 billion of that would be cut from K-12 education. Targeted in the cuts would be General State Aid and mandated categorical grants, including special education and transportation. The smaller education budget line items for other grants, like in the current fiscal year budget, would also be decimated. Though specific “budget runs” have not been made public by the Illinois State Board of Education (ISBE), it has been estimated by some insiders that the per pupil foundation level could drop as low as \$5,600 per pupil for next year. That level is currently set at \$6,119 per pupil.

Governor Quinn proposed that the legislature quickly approve legislation to establish a 1% income tax “surcharge” to be earmarked for education appropriations. Increasing the State income tax rate by 1% would raise approximately \$3 billion.

GOVERNOR’S “FIVE PILLARS OF RECOVERY”

The Governor’s budget plan would look at five “pillars” of recovery to address the current budget crisis: creating jobs, cutting costs, strategic borrowing, continued federal assistance, and increased State revenues. Even with the implementation of these concepts, the State could manage the FY ’11 budget, but would make little headway in tackling the current \$13 billion State deficit.

Reportedly, the Governor is advocating that the State borrow another \$4-5 billion in FY ’11 to help make payments toward the backlog of unpaid State bills.

And as for cuts to other entities in the State:

- \$203 million would be saved from State employees through the use of required furlough days, renegotiating employee contracts, savings through changes in employee health insurance plans, and additional travel restrictions

- \$300 million would be recovered by the State by decreasing the amount of funding municipalities currently receive from State income tax receipts (reduces municipality share from 10% to 7%)
- \$276 million would be cut from State Human Services
- \$325 million would be cut from prescription drug assistance and retiree group health plans

PENSION REFORM

The Governor also cited savings from the reform of the State's pension systems. "Stabilizing the system so that existing employees and retirees will keep their current benefits, while new hires become part of a streamlined pension system will save approximately \$300 million in the first year".

LEGISLATIVE REACTION

Early reports of the reaction by key legislators were not positive regarding Governor Quinn's proposal for new State revenues. Both Senate **President John Cullerton** (D-Chicago) and House **Speaker Michael Madigan** (D-Chicago) had indicated earlier this year that they were not enthused about calling for a vote on an income tax rate increase this spring. Those positions did not seem to change after the Governor's speech today. Likewise, Republican Leaders **Representative Tom Cross** (R-Oswego) and **Senator Christine Radogno** (R-LaGrange), have been reticent regarding all of the tax talk this year. Again, that stand is unlikely to change in the near future.

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.

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