TO: Illinois State Board of Education  
FROM: Robert E. Schiller, Superintendent  
       David Wood, Director  


Materials: Summary and Line Item Detail Spreadsheets  
Staff contact(s): David Wood  

Purpose of Agenda Item  
Review and discuss the Superintendent’s proposed FY04 Budget recommendation.  

Expected Outcome(s) of Agenda Item  
The Board will approve a FY04 Budget allocation to be included in the 2002 Annual Report and Fiscal Year 2004 Budget document for recommendation to the Governor and General Assembly.  

Background Information  
At the August meeting, the Board reviewed the Budget Calendar and reviewed the financial and economic outlook for the FY04 Budget.  

At the September meeting, the Board reviewed the Education Funding Advisory Board recommendations with EFAB Chairman Bob Leininger.  

In September and October, the Board held four Budget Hearings and held other discussions of budget and policy issues with various representatives of the education community.  

At the December Meeting, the Board reviewed and approved a “State of Education” document for distribution which reviews the status of the elementary and secondary education system in Illinois.  This document was a precursor to the Annual Report/Budget document and much of it will be incorporated into that document.  It is intended to layout the current situation and challenges in Illinois and outline options for policy and program activities to improve the current situation in the future.  The Annual Report/Budget document identifies specific FY04 funding recommendations for various line items as a first step toward addressing these larger system issues.
Throughout the process staff have shared various materials with the Board to outline the major budget and policy issues facing the education system.

The FY04 budget recommendation represents an increase of $518.2 M over FY03. It funds several targeted priority programs which address each gap identified in the elementary and secondary education system – funding, educator and achievement. In addition to specific FY04 recommendations, the budget summarizes suggestions for funding the next four years as a way to address the broader needs identified in the Condition of Public Education document.

Given the number of districts in deficit and struggling to make ends meet, the primary emphasis is on the funding gap including GSA ($252.5 M) and Mandated Categorical programs ($210.9 M). The goal is to fund the EFAB recommendation by the 4th year (FY07), including poverty (change measure and increase) and hold harmless (eliminate). The FY04 recommendation is to fully fund the Mandated Categoricals and then to grow them by 8% (average growth rate over the last three years) for the next three years.

Three program areas are targeted to “close” the educator gap including mentoring and induction ($2.5 M), recruitment and retention ($2.5 M new), and NBPTS ($1.8 M). These programs have also been identified by the current and incoming Governors as necessary initiatives to meet the federal NCLB requirements for highly qualified teachers. The out-year recommendations increase each of these in gradually increasing amounts.

The achievement gap addresses the following programs Early Childhood ($27.7 M), Bilingual ($2.2 M), Technology ($5.0 M), and System of Support ($15.0 M).

Early Childhood eliminates the 8,000 waiting list in FY04 and provides growth of $90 M over the next 4 years similar to the recommendation of the incoming Governor.

System of Support includes growth of $5.0 M per year for the spectrum of alternative programs (Regional Safe Schools, Truant Alternative Optional Education, and Alternative Learning Opportunity Act) and $10.0 M per year to extend the Summer Bridges program to all schools on the Watch List and to expand the program for some additional interventions.

The $518.2 M overall increase does not address retirement funding of approximately $110.0 M growth because we understand that alternative funding options such as pension bonds are being considered.

**Superintendent’s Recommendation**

Approve the proposed FY04 budget allocation.
**Next Steps**
Include the approved FY04 budget allocation in the 2002 Annual Report and Fiscal Year 2004 Budget document and forward to the Governor and General Assembly by the January 14th statutory deadline.