

# PRELIMINARY REPORT

August 27, 2002

## **Recommendations for Systemic Reform of Funding for Elementary and Secondary Education in Illinois**

Prepared by

**The Education Funding Advisory Board**

**August 2002**

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The Illinois Education Funding Advisory Board was created by Public Act 90-548 in December of 1997. The Board's primary charge is to make recommendations to the General Assembly for the foundation level and for the supplemental general State aid grant level for districts with high concentrations of children from poverty. The recommended foundation level shall be determined based on a methodology which incorporates the basic education expenditures of low-spending schools exhibiting high academic performance.

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### **Background**

The Education Funding Advisory Board is committed to a system of funding elementary and secondary education that provides every child in Illinois the opportunity to achieve at high levels. Under the No Child Left Behind law, schools must show children are learning and progressing. By 2014, all children must meet state standards and achieve at high levels. Schools not meeting that goal could be subject to severe sanctions. That goal will be difficult if not impossible to meet given the system of funding currently in place. Elementary and secondary education in Illinois has evolved into a system that allows and perpetuates, among others, the following.

- Illinois has nearly 900 school districts, with many organized under a dual structure necessitating duplication of taxing authority, boards of education, administration, transportation systems, etc.
- Five percent of high schools outside Chicago have fewer than 100 students and 33% have fewer than 250 students.
- Average school district classroom teacher salaries range from less than \$24,000 to more than \$83,000.
- Superintendent's salaries range from less than \$45,000 to more than \$200,000.
- The formula foundation level of support is \$4,560, over \$1,000 less than is recommended to assure adequate funding.
- Tax rates vary from less than 1.00% to over 8.00%.
- Per pupil spending ranges from less than \$4,000 to in excess of \$15,000.
- 61% of Illinois school districts spend in excess of revenues.
- The State Board of Education budget contains in excess of 50 program lines which are distributed through nearly 80 different mechanisms, most of which require claims, applications, budgets and/or expenditure reports.

In addition, Illinois is a low tax state, lagging far behind in its support of elementary and secondary education. The Voices for Illinois Children publication *Illinois Spending in*

Perspective: The Challenge of Meeting Needs in a Low-Tax State (May 2002) reports that Illinois' total tax burden as a percentage of personal income is 13.9%, ranking 49<sup>th</sup> in the nation. The United States Bureau of the Census in its Annual Survey of Local Government Finances, reports that Illinois' state share of public elementary and secondary education revenues is 37.0%, ranking 48<sup>th</sup> in the nation.

The Education Funding Advisory Board believes that such a system is not in the State's best interest and if allowed to continue will do great disservice to its public school children.

With that in mind, the Board decided to study the system of funding public education and make recommendations for change. Work groups were formed to discuss and formulate solutions to the most perplexing problems facing Illinois education. Property taxes, revenue sources, district organization and categorical funding received special attention. The recommendations put forth were subject of much debate.

In the final analysis, the Board believes that no child should receive a sub-standard education because of their place of residence or from a system that redistributes funds available to provide educational services. Rather, it believes that all children must be taught in a safe and appropriate learning environment, that sufficient resources must be made available and that school districts have the flexibility to provide the best educational experience possible at the local level.

To that end, the recommendations put forth deal with school district organization, property tax relief, alternative revenue sources, level of state funding, distribution of state funds and the means in which school districts receive and account for revenues.

### **General State Aid**

The current General State Aid formula will need only minor modification. The main changes recommended will be in the poverty grant measure and formula and in the magnitude of the foundation level.

The Board received the study it commissioned by Augenblick and Myers regarding the formula foundation level and poverty funding in the summer of 2001. Since that time the Board has analyzed the report and come to consensus regarding the parameters to be used in determining a foundation level of support.

It also did extensive work and study during FY 2002 regarding the poverty grant component of the General State Aid formula. The following information is excerpted from the Illinois State Board of Education 2001 Annual Report and Fiscal Year 2003 Proposed Budget (January 2002).

Research has consistently shown that variation in achievement is largely accounted for by poverty. Student achievement at each school level has a

significant impact on later success. A child who hasn't learned to read by the end of the third grade may never be able to catch up and could have difficulty throughout his or her school career. A student who doesn't learn algebraic concepts in elementary school will probably not be able to meet the math standards for high school. A student who doesn't meet the Illinois Learning Standards by 11<sup>th</sup> grade will find it difficult to succeed in the workplace and in post-secondary school.

The consequences of failing to bring all students to a high level of achievement are significant. Fifty percent of Illinois welfare recipients are high school dropouts. Eighteen percent of community college students enroll in at least one remedial course. Thirty percent of prisoners in the Illinois Department of Corrections institutions can't read at a 6<sup>th</sup> grade level.

Like most states in the nation, Illinois data show several disturbing achievement gaps, especially for low-income students. Nearly 70% of the variation in test scores can be attributed to income status. In general, it costs more to educate students from low-income families because they are disadvantaged and at risk of academic failure. *Education Week* recently indicated that "students in poverty are estimated to need 1.2 times as much money (as other students do)."

However, the districts in which most low-income students live generally have fewer local resources. In fact, districts in Illinois that have low concentrations of poor students have approximately 1.5 times more EAV and property tax revenues than districts with high concentrations of poor students.

The poverty grant portion of the general state aid formula is therefore necessary to provide additional funding to meet the needs of these students. For that reason, it is imperative the count of children from low-income households be as timely and accurate as possible. It is generally agreed that the low-income count from the decennial census is neither.

### **Recommendations**

1. Effective for the 2003-2004 school year, the General State Aid formula foundation level should be \$5,665 at a minimum and \$6,680 at a maximum. These amounts were determined using the Board consensus parameters applied to the Augenblick methodology. The \$5,665 represents a district weighted, CPI adjusted amount and would cost an additional \$1.8 Billion. The \$6,680 represents a student weighted, CPI adjusted amount and would cost an additional \$3.6 Billion. The recommended foundation level each year should be calculated using the Augenblick methodology.
2. A regional cost index should be developed for possible application to the foundation level of support.

3. The General State Aid Hold Harmless provision of the law should be repealed.
4. The General State Aid continuing appropriation should be reinstated and made permanent.
5. The State should adopt the use of the count of children from low-income households receiving assistance through a Medicaid program (such as Temporary Assistance for Needy Families (TANF) and Kid Care) or Food Stamps as determined by the Department of Human Services (DHS) as the measure of poverty used in the calculation of the General State Aid (GSA) poverty grant.

The count should be updated annually. The count should be unduplicated and based on the July count of children ages 5– 17 and used for GSA purposes in the subsequent year. For example, the July 2002 count should be used for the calculation of the poverty grant associated with FY 2004 general state aid.

6. The grant should provide a constant amount per student for all students in districts with a poverty concentration, defined as the ratio of the low-income count to the prior year average daily attendance of the district, of less than 15%.

For districts with concentrations of students greater than or equal to 15%, the formula should be curvilinear in nature. The formula should be continuous at the 15% concentration level. The formula should be:

If  $DCR < .15$  then Poverty Grant = \$355 X DHS Count

Otherwise Poverty Grant =  $(\$294.25 + \$2,700 \times DCR^2) \times DHS \text{ Count}$

Where  $DCR = DHS \text{ Count} / ADA$

This formula will assure a minimum grant per student of \$355 and a maximum grant per student (for districts with 100% concentration) of \$2,994.25.

Districts must provide assurances, through rules promulgated by the State Board of Education, that the amount of dollars received through this grant are used for poverty related purposes.

### **School District Organization**

The Board believes the following with respect to school district organization.

- 1.) All students can learn given the appropriate resources, time and instruction.
- 2.) Each learner has a right to adequate resources that provide a quality education.

- 3.) Effective public education is an active partnership shared by the school, community, parents, state and the nation.
- 4.) It is the shared responsibility of school leaders, the learning community and government to provide for the seamless educational opportunities for the learner.
- 5.) The appropriate organizational structure of a district and school can impact student achievement.
- 6.) Student learning is the main consideration for size and configuration of a district.
- 7.) Effectiveness of the school district includes efficient use of state, local and federal funds.
- 8.) Expanded reorganization incentives, diminished disincentives to reorganization and elimination of barriers of reorganization will cause district communities, school boards, administration and staff to study reorganization benefits and challenges.
- 9.) Reconfiguration and consolidation of Illinois districts will occur if proper incentives are provided along with the elimination of barriers in the law and community.
- 10.) All school districts should be large enough to provide adequate and appropriate educational opportunities for all students in all schools.
- 11.) All school districts should serve students in grades Pre-Kindergarten through twelve with grades nine through twelve serving no less than 250 students.

Given those beliefs, the Board recommends the following with regard to school district organization.

### **Recommendations**

The recommended school district organizational structure is unit districts serving students in grades Pre-Kindergarten through twelve, with grades nine through twelve serving no less than 250 students. It is not recommended that the General Assembly mandate school district reorganization at this time; however, it is recommended that the following be implemented to strongly encourage reorganization.

### **Educational Facilities**

The priority ranking for consolidation should be removed from the school construction program. Rather, separate funds should be made available each year for reorganization purposes. When two or more districts reorganize into one K-12 district, if the new district can show need for a new facility or addition to existing facilities, the

construction program will be provided at 100% of costs under the guidelines provided by the Capital Development Board. The construction project will be approved at the same election as the reorganization.

Rules regarding the disposal of deteriorated and obsolete school facilities should be written and implemented. These rules should include provisions relating to school board responsibilities, removal of underground storage facilities and removal of asbestos. These rules should also provide the ability, upon school board approval, to transfer responsibility for abandoned school facilities to a State agency.

### **Reorganization Incentives**

1. **School Designation** - Since school reorganization tends to be a temporary disruption to the educational process, when two or more districts reorganize into one K-12 district, it is recommended that the new district be excluded from any State designation system for a period of five years.
2. **Continue Current Incentives** – It is recommended that all current reorganization incentives remain in place, some with modification. The current incentives are:
  - a. \$4,000 per certified employee for three years – This incentive should be modified so that a \$2,000 per classified employee is added, the quintile system is eliminated and each district gets the incentive for four years. These grants should be increased by the CPI each year. However, no district may begin receiving this grant while receiving a similar grant from a prior reorganization.
  - b. salary differential grant for four years – This grant should be modified to include fringe benefits and be continued for an additional four years at a decreasing percentage. The grant would apply to full-time certified and full-time educational support personnel.
  - c. deficit fund balances – This incentive should be modified to pay off all negative operating fund balances effective with the final audit.
  - d. general state aid differential – No change recommended.

If additional consolidation/annexation occurs within the eight year timeframe, incentives 1 and 3 will be granted for the employees and fund balances of the districts not involved in the prior consolidation/annexation.

3. **Implementation Grant** – It is recommended that a new reorganization incentive be created to provide districts with additional funding necessary to implement the reorganization. This grant should be a formula based on the number of teachers, students and area of the newly created district. This should be a one-time grant



and used for purposes which may include but not be limited to curriculum articulation, handbook revisions, extra-curricular activities, staff development, Board training, alignment of State standards, mentoring, school structure and assessment.

4. **Feasibility Studies** - It is recommended that funding for feasibility studies continue to be made available from State sources.

Each Regional Superintendent will serve as the Executive Secretary of a required consolidation feasibility study in the counties within their Regional Office of Education. These studies should be fairly standard in statewide scope so that they may be submitted to legislators of affected districts. Each Regional Superintendent will appoint a steering committee and the committee should:

- a. Prepare a plan for the reorganization of school districts in the region into administrative units that meet the minimal requirements recommended in this report.
  - b. Take the leadership in submitting the proposals to the administration and boards of education of the affected districts.
  - c. If the original plan is rejected, facilitate the completion of additional proposals.
5. **Levy Authority** - When two or more districts reorganize into one K-12 district, it is recommended that the newly organized district be given permissive taxing authority of \$.24 for transportation purposes and \$.10 each for life safety, working cash and lease purposes.
  6. **Reorganization Votes** – Currently Articles 11A (unit districts) and 11B (dual districts) differ with regard to requirements for passage of reorganization referenda. Article 11A requires a majority of voters in each reorganizing district while Article 11B requires only a majority of those voting on the issue. It is recommended that both articles require a majority of those voting on the reorganization issue be required for passage. In addition, in order to prevent the “hostile takeover” of smaller districts by larger districts, it is recommended that before the reorganization question can be put to referendum, either (a) each Board of Education approve the reorganization vote or (b) petitions requesting the reorganization vote be presented with signatures from 30% of the registered voters in each district.
  7. **Annexations** – Article 7 was recently changed from requiring approval by the Regional Board of Trustees to requiring a majority vote in all “affected areas.” This change has all but eliminated school district annexations. It is recommended that Article 7 be restored to its original requirements.
  8. **Dual to Unit Conversions** – Currently, a high school district and its coterminous elementary districts can not form a unit district if one “affected” elementary district objects to the consolidation. It is therefore recommended that provision be made

to allow the unit district formation of those districts wishing to consolidate. The geographic area of the unit district would be the area of the elementary districts wishing to consolidate. The geographic area of the elementary district wishing not to would be designated a non-high school district pursuant to Article 12.

9. **Handbooks** – It is recommended that the State Board of Education produce marketing materials that address school reorganization. One handbook should provide suggestions for dealing with legal and public relations issues. Another handbook should deal specifically with the formation, membership, functions and responsibilities of the Committee of Ten.

### **Property Taxes and Alternative Revenue Sources**

In its paper *Tax Base Broadening as a Revenue Raising Option for the State of Illinois*, The Center for Tax and Budget Accountability states

Illinois currently has one of the most regressive (unfair) tax systems in the country. Currently, our bottom 20% of income earners pay 13.5% of their total income to the state in taxes, while the wealthiest 1% pay only 4.9% of their total income. The unfair nature of the state's tax system is due to a number of flaws in its basic structure. While Illinois income and sales tax burdens are less than the national averages, its property tax burden is significantly greater.

The state's over reliance on property taxes is due in large part to constitutional constraints imposed on the income tax system. Due to these constraints, Illinois generates almost as much per person from the property tax as it does from the income and sales taxes combined. Illinois actually relies more on property tax revenue than Texas – and Texas does not even have an income tax. The disproportionate amount of revenue raised from property taxes has resulted in a number of negative consequences for Illinois.

In *Framework for Reforming the Illinois State and Local Tax Structure*, a paper prepared for the Board Property Tax and Revenue Work Groups, economist Doug Kane writes

Illinois is not economically competitive. We are losing our share of jobs, businesses, and corporate headquarters to other parts of the country. The way we tax our people and our businesses and raise the money to pay for the government services we need, particularly educating our children, does not make sense. More and more we have had to add special exceptions and incentives in attempts to keep our taxes affordable and to keep Illinois competitive. We have tinkered with the system. We need to change our overall approach.

Two principles should guide our thinking. First, whatever government does should make communities better places to live, and Illinois a more competitive and a more attractive place to work and locate a business. Second, no tax

should be excessive; taxes should be broad and general; tax rates should be as low as possible. We can move toward those two goals by adopting the policy that each of our major taxes should be set so that they are at the median of the 50 states. It's a practical, simple and easily understood way of making sure that Illinois is competitive, and that no tax is excessive.

Kane goes on to say that the property tax would need to be reduced and the income and sales taxes increased. Much, if not all, of the increases in the income and sales taxes could be accomplished by expanding the base of the taxes, removing exemptions, closing loopholes and ending special incentives.

Given this and other input from a variety of individuals and organizations, the Board adopted the following principles with regard to revenue and property tax reform.

- 1.) Reduce reliance on the local property tax to fund public schools.
- 2.) Guarantee real property tax relief.
- 3.) Increase the state share of public school funding with a reliable, predictable revenue stream.
- 4.) Permit school districts to maintain or enhance current funding through local effort.
- 5.) Develop state replacement revenue in a fair, efficient and reliable manner.
- 6.) Balance tax burden and relief for businesses and individuals.
- 7.) Reduce funding disparities between school districts.
- 8.) Reform the Cook County classification system.
- 9.) Minimize distortion to the economy. In any new revenue stream, the rates should be low and the base should be broad.

### **Recommendations**

The Board believes that changes to the system of funding should guarantee long term funding stability for elementary and secondary education. Additional revenues to fund elementary and secondary education are needed but increases in revenues should be pursued only after implementing cost savings and efficiencies in the current state budget and reprioritizing the state budget to provide additional funding for education. In addition, property tax reductions should be limited to taxes currently paid in support of elementary and secondary education and any increased revenues from the income, sales and gaming taxes should be dedicated to elementary and secondary education.

Cook County's inherently complex tax structure makes it necessary to put in place measures that would strive to minimize or eliminate the differential in property assessments and the implications it places on the school funding formula. The classification system in Cook County has been a topic of reform for many years. Classification has ramifications not only within Cook County but throughout the northeast region of Illinois. Serious questions result when comparing the growth rates of industry, jobs and affordable rental housing among Cook County and its neighboring counties and Indiana. Classification is part of that equation. Changes to the current classification system are necessary and must be thoughtfully reviewed so as to result in a fairer, more equitable structure that promotes affordable housing, creates an attractive tax climate for new jobs, and ensures a high standard of educational opportunities.

1. A Cook County Classification Study should be conducted which would effectively provide alternatives which would minimize or eliminate the negative impacts of classification while observing the unique nature of Cook County's properties and property distribution.
2. Property taxes for education purposes in Illinois should be reduced between 25% and 50%. This would imply property tax reductions between \$2.3 Billion and \$4.6 Billion. This should be accomplished through a tax abatement program with abated revenues provided by the State. The program would work as follows:
  - Based on increased revenues described below, each year the General Assembly would appropriate funds for a School District Property Tax Relief Grant.
  - In December of each year, the Department of Revenue would calculate the amount of property tax abatement for each school district. The amount of the abatement for each district would be in the same proportion as the district percentage of Education fund revenues calculated as the product of the district EAV for the preceding year multiplied by the 2000 Education fund tax rate. The tax rate used in the calculation would remain constant through time.

Education fund revenues statewide totaled \$6.1 Billion for the 2000 tax year. If, for example, the statewide tax relief grant were \$4.6 Billion, and an individual district had 2000 Education fund revenues of \$20,000,000 that district would receive .328% (\$20,000,000 divided by \$6.1 Billion) of the \$4.6 Billion statewide grant. The tax relief for that district would be \$15.09 Million.

- Mechanically, the abatement would be implemented as follows. The Department of Revenue would calculate and send the State grant proceeds to the county or counties, based on the percentage of EAV in each county, designated for the individual district. This would be transparent to the district, which would continue to file its levy in December of each year. The county

clerk(s), upon receipt of the education fund levy, would calculate the tax rate of the district for education purposes subject to all legal restrictions (authorized authority, PTELL, etc.) that exist. Once the Education fund extension was determined, that amount would be reduced by the amount of the State grant. Education fund rates would be recalculated to a lower level, given the reduced extension, and tax bills distributed.

3. The State income tax should be increased. Recent estimates show that raising the individual income tax rate from 3% to 4%, with a corresponding increase in the corporate income tax, would generate approximately \$2.8 Billion in additional revenues. In addition to a rate increase, consideration should be given to closing tax loopholes and removing special incentives and exclusions and graduating personal exemptions, based on adjusted gross income.
4. Additional revenues should be raised from the sales tax. The sales tax base should be broadened to include some services. Consideration should be given to lowering the sales tax rate.
5. Gaming revenues should be increased.

Given the ranges of property tax relief and increased General State Aid foundation level described above, the total increase in State revenues needed would range between \$4.1 Billion and \$8.2 Billion.

### **Categorical Program Funding**

Programs that provide funding to special populations or are provided for special purposes are referred to as categorical programs. The Board believes Illinois funds too many categorical programs and that some streamlining of the system would be beneficial. It was also generally agreed that combining some existing programs into what are referred to as "block grants" would be appropriate. The term "block grant" usually refers to one large appropriation with funds distributed equally to all recipients based on some data that are readily available, such as number of students or number of teachers. While the Board agrees that combined appropriations are in order, it believes it is possible to distribute block grant funds in a variety of ways. In addition, there needs to be increased flexibility on the part of school districts and the paperwork burden must be reduced, all the while continuing to serve the needs of the special populations for which programs were originally designed. While continuing to serve the needs of all student populations, the following recommendations will provide greater flexibility and enhance local decision making.

In "A Proposal to Revise State Categorical Funding," a report issued to the Illinois General Assembly by the Illinois State Board of Education in January 1997, several principles of block grant funding were identified. Those principles are:

- 1.) Block grants should provide local school personnel with flexibility to improve student learning and services based on the needs and context of each school as well as the district's analyses of its school improvement plan(s).
- 2.) Each block grant must have a clear purpose with measurable goals or objectives which should support the improvement of student learning; as well as a mechanism for fiscal and program accountability.
- 3.) The design of block grants must reduce the administrative burden and increase the efficiency and effectiveness of ISBE and local school district operations.
- 4.) Each block grant should include a rationale as well as a process for the equitable distribution of funds; in addition, the funds available in the block grant should be equal to, or greater than, the separate categorical programs that formed the block grant at the state level.
- 5.) Block grant categories should have different allocation formulas depending on their focus (population or issue) and objectives.
- 6.) If funding for a particular population is included within a block grant, the purpose of the block grant should clearly state how the academic needs of this population will be met.
- 7.) Access to block grant funds should be primarily given to school districts, although in some categories (such as professional development or technical assistance) additional entities (e.g. Regional Offices of Education, not-for-profit organizations, institutions of higher education) should also be eligible, when appropriate through a partnership with school districts.
- 8.) ISBE should provide leadership and have sufficient resources through block grants to facilitate and broker a statewide system of support for school districts to meet the needs of students, schools and school districts.
- 9.) Any increase in the use of block grants should be done in the context of overall reform of Illinois' system of school funding.

The Board agrees with these principles and has adhered to them in its recommendations.

### **Recommendations**

1. Since the existence of multiple funding mechanisms likely makes Illinois noncompliant with IDEA, the current special education programs of Personnel, Extraordinary, Private Tuition and Summer School should be combined into one formula, similar to the one formulated and endorsed by Special Education directors in 1999 for Extraordinary and Private Tuition. The committee of Special

Education directors and other interested parties should be reconvened to devise a recommendation for a single formula which would provide funding for special education purposes.

2. The current Regular/Vocational Transportation and Special Education Transportation programs would be combined and distributed through a multi-tier equalization formula similar to the one developed by the State Board of Education and endorsed by the Illinois Pupil Transportation Advisory Committee. Tier 1 of that formula is local funds, based on property value and a qualifying rate. The remaining tiers are based on the district transportation expenditure per student and the statewide average expenditure per student. The local cost is compared to the state cost with the state providing the difference between the tier 1 amount and the district cost, up to the statewide average. If the district cost exceeds the statewide average, the higher tiers provide funding at a decreased rate.

3. The following programs should continue in their present form.

Gifted Education	Bilingual Education
Technology for Success	Standards and Accountability
Illinois Free Lunch/Breakfast	Orphanage Tuition 18-3
Special Education Orphanage 14-7.03	Early Intervention
Transportation Reimbursement to Parents	Textbook Loan Program

4. The following programs are separate line item appropriations, but are not widely distributed. These programs many times provide funding for only one entity. It is recommended that these programs be categorized as such and that the State Board of Education act as fiscal agent for the distribution of associated funds.

District Consolidation Costs	Illinois Charter Schools
Tax Equivalent Grants	Temporary Relocation Programs
Community/Residential Services Authority	Illinois Scholars Program
Phillip J. Rock Center and School	Materials Center for Visually Impaired
Blind and Dyslexic	Corey H. Compliance

5. It is recommended that the remainder of the current categorical programs be combined into the following block grants. Funds should be distributed to districts and other entities to provide services in these areas. A small portion of each block grant should be devoted to statewide leadership.

Early Childhood	Reading Improvement
Professional Development	Career Education
Academic Difficulty	Alternative Education
General Purpose	

6. Chicago District #299 should continue to receive the majority of its state categorical funding through the two block grants it currently receives.

The Board believes that these recommendations, while not as radical as some proposals, provide increased flexibility, fairer distribution of state resources and a more streamlined system of application and distribution.

### **Other Issues**

Many other issues were discussed by the Board. It is especially disconcerting that Illinois, at the State level, can not accurately determine the cost of special education. Equally alarming is the fact that the distribution formula for Corporate Personal Property Replacement Revenue has not changed in nearly 25 years. The Board was likewise concerned about the number of school district levies and the system of school district accounting for revenues in general.

Given these concerns, the following recommendations are offered.

### **Recommendations**

1. The State Board of Education should be directed to revise the Program Accounting Manual, Chart of Accounts and Annual Financial Report in any manner necessary to easily determine major program expenditures for each school district. Major programs would include at a minimum special education and transportation.
2. The Board recommends that the Department of Revenue be directed to begin investigating a distribution mechanism which would more accurately reflect the location of Illinois corporations.
3. The number of purposes for which school districts, other than Chicago, may levy property taxes should be reduced. Currently there are 20 purposes for which districts may levy. Most are not used by the majority of the districts. Following is the recommendation for the consolidation of 20 levies to eight.
  - Combine the educational, operations and maintenance, transportation, summer school, and special education levies into 1 General Levy.
  - Combine the IMRF, Social Security, and Medicaid levies into 1 Classified Benefits Levy.
  - Continue the 6 special levies for leasing, tort immunity, fire prevention and safety, bond and interest, working cash and rent purposes.



- Eliminate the 6 levies for rent (Article 35), health insurance, primary health care, area vocational education building, capital improvement and temporary relocation expense.
4. School districts may currently deposit revenues into any of nine funds, based on certain restrictions. It is recommended that the number of accounting funds be reduced to four. Following is the proposed fund structure with corresponding levies recommended above.
- General Fund  
Contains the proceeds of the General levy and is the main operating fund for all educational, operations and transportation purposes
  - Debt Service Fund  
Contains the proceeds of the Bond and Interest levy and is the sole source of paying principal and interest on district debt.
  - Capital Projects Fund  
Contains the proceeds of the Fire Prevention and Safety, Rent, and Leasing levies and is used to fund any building or other capital project. Bond proceeds would also be deposited in this fund.
  - Restricted Uses Fund  
Contains the proceeds of the Classified Benefits, Tort and Working Cash levies. This fund may be broken into three sub-funds.

### **Summary**

These recommendations, if implemented, will dramatically affect the way schools are funded in Illinois. Most dramatically, property taxes will be significantly reduced. The state share of funding elementary and secondary education will significantly increase and exceed the magical 50% threshold. The foundation level of support will guarantee a dramatic “leveling up” effect and therefore produce greater equity statewide. The foundation level, calculated using a methodology based on the spending practices of successful and efficient schools will mean that Illinois is funding basic education at an adequate level. The simplification of the categorical funding system will reduce the burden for school districts in obtaining funds, provide increased flexibility and reinforce the concept of local control.